

Meeting: IESBA
Meeting Location: New York
Meeting Date: September 26–30, 2016

Agenda Item 2

Safeguards – Phases 1 and 2

Objectives

1. To agree in principle the revised text of the December 2015 Exposure Draft, *Proposed Revisions Pertaining to Safeguards in the Code—Phase 1* (Safeguards ED-1) that will form the basis for developing the Safeguards Phase 2 exposure draft (Safeguards ED-2).¹
2. To consider Task Force Proposals for Safeguards ED-2 comprising of:
 - (a) A revised draft of proposed Section 600² that incorporates the input from the May 2016 NSS and June 2016 IESBA meetings.
 - (b) Safeguards-specific conforming amendments, as applicable, to:
 - (i) The shaded and italicized paragraphs that were included in December 2015 Structure ED, *Improving the Structure of the Code of Ethics for Professional Accountants—Phase 1* (Structure ED-1).³ This includes a consideration of conforming changes to certain paragraphs within proposed Section 400⁴ (i.e., those that deal with the application of the conceptual framework to independence).
 - (ii) The proposed restructured text of the final Part C Close off document, *Changes to Part C of the Code Addressing Preparation and Presentation of Information and Pressure to Breach the Fundamental Principles* (Part C Phase 1).
 - (iii) The proposed restructured text of the Long Association (LA) proposals.
 - (iv) The proposed restructured text of the final pronouncement, *Responding to Non-Compliance with Laws and Regulations* (NOCLAR).

¹ The revised text in **Agenda Item 2-B** takes into account the feedback received on the draft presented at the May 2016 National Standards-setters meeting, the June 2016 IESBA Consultative Advisory Group (CAG) and IESBA meetings.

² Proposed Section 600, *Provisions for Non-assurance Services Provided to An Audit Client*

³ Structure ED-1 noted that certain paragraphs were either: (i) shaded and included in the Safeguards ED-1, or (ii) shaded and italicized and would be subject to further revisions resulting from the Safeguards project. Those shaded and italicized paragraphs in Structure ED-1 include: paragraphs 112.2 A2, 310.10 A3, 320.3 A2, 320.3 A5, 320.4 A3, 321.5 A2, 330.3 A3, 330.3 A5, 330.3 A9, **R400.9**, **R400.10**, 400.14 A1, 410.3 A2, 410.7 A2, 410.9 A3, 411.2 A2, 430.2 A2, 510.11 A2, 510.11 A4, 510.11 A6, 511.4 A2, 520.6 A2, 521.3 A2, 521.4 A2, 521.5 A2, 521.6 A2, 522.3 A3, 524.3 A3, 524.4 A2 and 525.2 A1.

⁴ Proposed Section 400, *Application of Conceptual Framework to Independence for Audits and Reviews*

Task Force

3. Members:

- Gary Hannaford, Chair, IESBA Member
- Kim Gibson, IESBA Member
- Ian McPhee, IESBA Member
- Jens Poll, IESBA Technical Advisor
- Sylvie Soulier, IESBA Member
- Wui San Kwok, PwC Singapore and former IESBA Deputy Chair

Observer:

- Don Thomson, Structure of the Code Task Force Chair and former IESBA Member

Activities since Last IESBA Discussion

4. The Task Force has held one three-day physical meeting and three teleconferences to develop the agenda materials for this meeting.
5. At the September 2016 CAG meeting, the TF will:
 - Provide a summary of the significant issues raised by respondents to the Safeguards ED-1 and the related Task Force response.
 - Obtain CAG Representatives' views on the revisions made to Safeguards ED-1 in light of the feedback provided during the June 20, 2016 CAG teleconference and the IESBA June 2016 meeting.
 - To obtain CAG input on the Task Force's proposals pertaining to the safeguards-specific revisions to the non-assurance (NAS) section of the extant Code (i.e. Section 600).

The TF Chair will brief the Board on the key outcomes of the CAG discussion at the meeting.

Coordination with the Structure Task Force

6. The Task Force continues to work closely with Structure Task Force as it develops its proposals to ensure that they continue to be aligned to the drafting conventions and format in the proposed restructured Code. Accordingly, the Structure Task Force has provided input to the agenda materials for this meeting, including the Task Force's proposals in **Agenda Items 2-B** and **2-F**.

Materials Presented

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| Agenda Item 2-A | Safeguards Phase 1 – Issues and Task Force Proposals |
| Agenda Item 2-B | Safeguards Phase 1 – Proposed Revised Safeguards ED-1 ⁵ (Mark-up from June 2016 IESBA Meeting Discussion) |

⁵ Proposed Sections 120, *The Conceptual Framework* and 300, *Application of the Conceptual Framework for Professional Accountants in Public Practice*

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| Agenda Item 2-C | Safeguards Phase 1 – Proposed Revised Safeguards ED-1 (Clean) |
| Agenda Item 2-D | Safeguards Phase 1 – Proposed Revised Safeguards ED-1 (Mark-up from ED) |
| Agenda Item 2-E | Safeguards Phase 2 – Issues and Task Force Proposals Pertaining to the Revision of Safeguards in the Non-assurance Services (NAS) Section of the Code |
| Agenda Item 2-F | Safeguards Phase 2 – Proposed Revisions to Section 600, NAS (Mark-up from June 2016 IESBA Meeting Discussion) |
| Agenda Item 2-G | Safeguards Phase 2 – Proposed Revisions to Section 600, NAS (Clean) |
| Agenda Item 2-H | Mapping Table – Proposed Restructured Section 600 |

Draft to be Discussed at the Meeting

7. For purposes of:

- (a) Agreeing the text of Safeguards Phase 1 in principle, the Task Force proposes that the version marked from the June 2016 draft (**Agenda Item 2-B**) be discussed at the meeting.
- (b) Considering Safeguards Phase 2 proposals, the Task Force proposes that:
 - (i) For proposed revisions to Section 600 (NAS), the mark-up from June 2016 IESBA meeting draft (**Agenda Item 2-F**) be discussed at the meeting.
 - (ii) For safeguards-specific conforming amendments to:
 - Section 400 and the shaded and italicized paragraphs that were included in Structure ED-1, the relevant paragraphs within the version of Structure ED-1 marked from the ED in **Agenda Item 3-B** be discussed at the meeting.
 - The proposed restructured text of Part C Phase 1, the relevant paragraphs within the restructured Part C Phase 1 text marked from the June 2016 draft in **Agenda Item 4-B** be discussed at the meeting.
 - The proposed restructured text of the LA proposals, the relevant paragraphs within the restructured LA text in **Agenda Item 5-G** be discussed at the meeting.
 - The proposed restructured NOCLAR final pronouncement, the relevant paragraphs within restructured NOCLAR text in **Agenda Item 6-A** be discussed at the meeting.

Action Requested

8. IESBA members are asked:

- (a) To consider the issues and Task Force proposals presented in **Agenda Item 2-A** and **2-E**.
- (b) To agree in principle the proposed revisions to Safeguards ED-1, as a basis for developing the Safeguards ED-2. The IESBA plans to approve Safeguards ED-2 at its December 2016 meeting.
- (c) Whether there are any matters raised by respondents to Safeguards ED-1 in addition to those presented to-date by the Task Force that they consider should be discussed by the Board.
- (d) To consider revised draft of Safeguards ED-2 text, including proposed Section 600.

Forward Timeline

9. Discussion of the forward timeline for both phases of the Safeguards project is addressed in the Structure of the Code project agenda materials.