

Meeting: IESBA
Meeting Location: New York
Meeting Date: December 12–15, 2016

Agenda Item

4

Safeguards – Phases 1 and 2

Objectives

1. To agree in principle the final text of Phase 1 of the Safeguards project.¹
2. To consider with a view to approval for exposure the proposed text for Phase 2 of the Safeguards project (Safeguards ED-2) comprising:
 - (a) Chapter 1 – Proposed Section 600² that incorporates revisions since the September 2016 IESBA meeting and Proposed Section 950.³
 - (b) Chapter 2 – Other conforming amendments arising from Phase 1 of the Safeguards Project not Included in the exposure draft of Phase 2 of the Structure project (Structure ED-2) .
3. To consider with a view to approval for exposure the proposed conforming amendments arising from the Safeguards project within the material in Structure ED-2.⁴

The Task Force welcomes comments on its proposals set out in **Agenda Items 4-B, 4-D and 4-E** in advance of the IESBA meeting. Comments are also requested on the proposed conforming amendments arising from the Safeguards project (i.e., the gray text in Agenda Items **3-B, 3D, 5-B and 8-B**). Please email them to dianejules@ethicsboard.org.

Task Force

4. 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

¹ Proposed Sections 120, *The Conceptual Framework* and 300, *Application of the Conceptual Framework for Professional Accountants in Public Practice*

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

³ Proposed Section 950, *Provisions for Non-assurance Services Provided to An Assurance Client*

⁴ See **Agenda Item 3** and paragraphs 8-11 to this paper.

Observer:

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

Activities since Last IESBA Discussion

5. The Task Force has held a physical meeting and four teleconferences to develop the agenda materials for this meeting.
6. At the October 2016 Forum of Firm and Small and IFAC Small and Medium Practices (SMP) Committee meetings, participants received an update on the project issues and latest IESBA discussions. The IESBA will receive an oral update regarding the comments made during those meetings.

Coordination with the Other Task Forces

7. 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.

Conforming Amendments Arising from the Safeguards Project

8. The Task Force has also worked closely with Staff and Chairs of the Structure, Part C and Long Association (LA) projects to refine its proposed conforming amendments arising from the Safeguards project. At its September 2016 meeting, the IESBA provided input on the Task Force's initial proposed conforming amendments. This input is incorporated in the updated proposed gray text set out in:
 - **Agenda Item 3-B** for Structure Phase 1.
 - **Agenda Item 5-B** for Part 2 (for PAIBs).
 - **Agenda Item 8-B** for LA.
 - **Agenda Item 3-D** for Section 800⁵ and Part 4B.⁶
9. There were no conforming amendments to the proposed restructured NOCLAR text.
10. **Agenda Item 3** (Structure Cover note) outlines the proposed format for the discussion at the IESBA meeting for the structure work streams. It also provides an overview of the agenda materials with proposed conforming amendments as a result of the Safeguards project.
11. The discussion about proposed conforming amendments arising from the Safeguards project will be led by the Chair of the Safeguards TF during the Safeguards Phase 2 session. An explanation for the Task Force's rationale for its proposed conforming amendments is included in **Agenda Item 4-A**.

Other

12. The Task Force has provided input to the professional skepticism agenda materials for this meeting.

⁵ Section 800, *Reports that Include a Restriction on Use and Distribution*

⁶ *International Independence Standards – Part 4B, Independence for Other Assurance Engagements*

Materials Presented

Agenda Item 4-A	Safeguards Phases 1 and 2—Issues and Task Force Proposals
Agenda Item 4-B	Safeguards Phase 1—Proposed Text (Mark-up from September 2016 IESBA Meeting Discussion)*
Agenda Item 4-C	Safeguards Phase 1—Proposed Text (Mark-up from Safeguards ED-1)*
Agenda Item 4-D	Safeguards Phase 2—Proposed Section 600 (Mark-up from September 2016 IESBA Meeting Discussion)*
Agenda Item 4-E	Safeguards Phase 2—Proposed Section 950 and Other Conforming Amendments Arising from Phase 1 of the Safeguards Project Not Included in Structure ED-2
Agenda Item 4-F	Safeguards Phase 2 – Mapping Table, Section 950
Agenda Item 4-G	Draft Basis for Agreement-in-Principle (BFAP), Safeguards Phase 1
Agenda Item 4-H	Draft Explanatory Memorandum (EM), Safeguards Phase 2

Drafts to be Discussed at the Meeting

13. The Task Force proposes that the following papers be discussed during the meeting. For:
- Agreeing in principle the text for Safeguards Phase 1: **Agenda Item 4-B**.
 - Approving for exposure the proposed text for Section 600 and Section 950: **Agenda Items 4-D and 4-E**.
 - Approving for exposure the conforming amendments arising from the Safeguards project: text shaded in gray in **Agenda Items 3-B, 3-D, 5-B and 8-B**.

Action Requested

14. IESBA members are asked:
- To agree in principle the proposed revisions to Safeguards ED-1.
 - Whether there are any matters raised by respondents to Safeguards ED-1⁷ in addition to those presented to-date by the Task Force that should be discussed by the Board.
 - To approve for exposure the proposed text for Safeguards ED-2, and related conforming amendments arising from the Safeguards project;
 - For feedback on the draft BFAP and EM set out in **Agenda Items 4-G and 4-H**.

Forward Timeline and Effective Date

15. Refer to **Agenda Item 3-E** for a discussion of the forward timeline and effective dates.

* Clean versions of Sections 120, 300, 600 are included in the Staff-prepared Compilation of the Restructured Code which form part of the Structure of the Code agenda materials. To accompany the Staff-prepared Compilation of the Restructured Code, Staff will also prepare mapping tables to compare the text of extant Code to the restructured text. For NOCLAR and LA, a mark-up showing restructuring changes will be made available to show the changes to the final pronouncements which were approved/ released by IESBA in 2016.

⁷ <https://www.ifac.org/publications-resources/proposed-revisions-pertaining-safeguards-code-phase-1>