

Structure ED-1 – Respondents’ Specific Drafting Suggestions

NOTE: This supplement has been prepared for information only. It sets out comments received from respondents on the December 2015 Exposure Draft [Improving the Structure of the Code of Ethics for Professional Accountants - Phase 1](#) (Structure ED-1) making specific drafting suggestions. Certain comments in italics were also suggested by some IESBA members during their deliberations leading to their approval of Structure ED-1 in December 2015. The IESBA agreed to defer and consider those suggestions as part of its consideration of the feedback on Structure ED-1. The comments in the “Task Force Notes” column in this supplement represent current preliminary proposals and may be subject to further refinements as the work of the Structure Task Force progresses. Text that is shaded in gray in was included in the December 2015 Exposure Draft [Proposed Revisions Pertaining to Safeguards in the Code—Phase 1](#).

A list identifying the respondents to Structure ED1 whose views are included in this table is set out in the Appendix to this document.

Key to abbreviations used in this table:

CF	Conceptual Framework -
ED	Exposure Draft
FP	Fundamental Principles
<i>IBM</i>	<i>IESBA Member</i>
NOCLAR	Non-compliance with Laws and Regulations
RITP	Reasonable and Informed Third Party

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TABLE OF CONTENTS				
1.		PWC	<p>We note that there is inconsistent use of term when referring to people. The terms “individual”, “employee”, “personnel” and “professional employees” are used throughout the code and this does not help the clarity and consistent adoption of the Code. We recommend that the Board review for consistency and clear intent in the context of where the word is used. They are important terms in understanding and applying the code. It is important that there is clarity on who is covered, especially if there is a requirement.</p>	<p>The terms are not necessarily interchangeable and are used appropriately when taken in their context.</p>
2.		JICPA	<p>We propose that all subtitles be included in Table of Contents and the corresponding paragraph numbers be noted in parenthesis at the end of each subtitle (please refer to the attachment). We consider that it allows users to refer to the provisions more easily.</p> <p>(Attachment)</p> <p>Preface</p> <p>Guide to the Code</p> <p>Purpose of the code (1-3)</p> <p>How the Code is structured (4-5)</p> <p>How to Use the Code (6)</p> <p>Requirements (7)</p> <p>Application Material (8-9)</p> <p>Exceptional Circumstances (10-12)</p> <p>Additional Non-Authoritative Guidance (13)</p> <p>Part A Introduction to the Code and Fundamental Principles</p> <p>100 Compliance with the Code</p> <p>Introduction to the code (100.1~)</p> <p>110 The Fundamental Principles</p>	<p>The Task Force will review headings and subtitles when the structural changes to the document are complete.</p>

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#	Section #	Respondent	Suggested Change	Task Force Notes
			<p>Introduction (110.1~)</p> <p>111 Integrity(R111.1~)</p> <p>112 Objectivity(R112.1~)</p> <p>113 Professional Competence and Due Care(R113.1~)</p> <p>114 Confidentiality(R114.1~)</p> <p>115 Professional Behavior(R115.1~)</p> <p>120 The Conceptual Framework</p> <p>Introduction (120.1~)</p> <p>Requirements and Application Material (R120.3~)</p> <p>Reasonable and Informed Third Party (120.4A1)</p> <p>Identifying Threats (R120.5~)</p> <p>Evaluating Threat (R120.6~)</p> <p>Addressing Threats (R120.7~)</p> <p>Re-evaluating Threats (R120.8~)</p> <p>Overall Assessment (R120.9~)</p>	
Guide				
3.	Guide 1	-	The Code sets out fundamental principles of ethics and standards for professional accountants, reflecting the profession's recognition of its public interest responsibilities. The fundamental principles are: integrity; objectivity; professional competence and due care; confidentiality; and professional behavior. The standards are established by the application of the fundamental principles to specific circumstances.	Content of section on which there is a comment below.
4.	Guide 1	CPA Aus	We find the first paragraph of the Guide confusing. It also contradicts the second paragraph, which refers to the application of the conceptual framework whereas paragraph one refers to standards that are established. Paragraph one also introduces the concept of standards in the Code. We do not think this is appropriate or helpful, as the Code does not set standards.	Revisions to the first three paragraphs of the Guide are being considered.

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5.	Guide 3	EYG	<p>The sentence below could make it seem that the fundamental principle of objectivity applies only to audit, review and other assurance engagements when we believe the fundamental principle applies to all professional accountants. Suggest the Board consider different wording.</p> <p><i>In the case of audits, reviews and other assurance engagements, the Code sets out international independence standards established by the application of the fundamental principle of objectivity to these engagements.</i></p>	<p>This sentence is intended to explain reference to international independence “standards”. However, a proposed revision eliminates the issue.</p>
6.	How the Code is Structured	EYG	<p>This section is generally helpful, although suggest clarifying the below sentence as marked:</p> <p><i>Following sentence could be improved. Each part of the Code contains sections which introduce specific topics and each section Sections might contain have subsections dealing with specific aspects of the topic.</i></p>	<p>Text modified.</p>
7.	Guide 4	-	<p>The Code contains this Guide, the following three Parts and a Glossary:</p> <ul style="list-style-type: none"> • Part A – Introduction to the Code and Fundamental Principles, which includes the fundamental principles and the conceptual framework, and is applicable to all professional accountants. • Part B – Professional Accountants in Business, which is applicable to professional accountants in business, which include professional accountants employed, engaged or contracted in an executive or non-executive capacity in, for example: <ul style="list-style-type: none"> ○ Commerce, industry or service. ○ The public sector. ○ Education. ○ The not-for-profit sector. ○ Regulatory or professional bodies. <p>Professional accountants in public practice might also find Part B relevant to their particular circumstances.</p>	<p>Content of section on which there is a comment below.</p>

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			<ul style="list-style-type: none"> • Part C – Professional Accountants in Public Practice, which is applicable to professional accountants in a firm that provides professional services and the firms in which they practice. Part C includes requirements for all accountants in public practice. It also includes the international independence standards: <ul style="list-style-type: none"> ○ C1 – Independence – Audit and Review Engagements, applicable to professional accountants in public practice who perform audits and reviews. ○ C2 – Independence – Other Assurance Engagements, applicable to professional accountants in public practice who provide assurance services other than audits and reviews. <p>Each part of the Code contains sections which introduce topics. Sections might have subsections dealing with specific aspects of the topic.</p> <ul style="list-style-type: none"> • The Glossary applies to the entire Code and contains defined terms (together with additional explanations where appropriate) and terms which have a specific meaning in certain parts of the Code. For example, as noted in the Glossary, in C1 “audit” is used to refer to both audit and review engagements. 	
8.	Guide 4	NZAuASB	Paragraph 4 may be enhanced by adding similar wording as included in section 300.1, i.e. to expand that Part B and C describe considerations for either the accountant in public practice or in business in the application of the conceptual framework, to provide emphasis to the application of the conceptual framework.	A revision is being considered.
9.	Guide 4	ACCA	<p>Under paragraph 4, the words ‘Part C includes requirements for all accountants in public practice’ are repetitious, and the last sentence on page 16 of the exposure draft adds nothing, namely:</p> <p>‘Each part of the Code contains sections which introduce topics. Sections might have subsections dealing with specific aspects of the topic.’</p>	<p>Text deleted because of repetition.</p> <p>Discussion of section/subsection expanded in response to Structure ED 1 comment.</p>

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10.	Guide 4	ACCA	The explanation, in paragraph 4, of the Glossary is verbose and unclear. We suggest it should simply state: 'The Glossary applies to the entire Code'.	The Task Force believes that the explanation of the types of items in the Glossary is helpful.
11.	Guide 4	ICAS	Paragraph 4 We question whether in relation to part B whether this definition would be confusing for non-English speakers? Does it therefore include a professional accountant who is engaged or contracted by a third party but not in an executive or non-executive capacity?	The Part C Task Force is considering those comments as part of its work on clarifying the applicability of the provisions for PAIBs to professional accountants in public practice. The Part C Task Force plans to present its recommendations to the IESBA at its September 2016 meeting.
			We would also suggest moving the wording in Part B "PAs in public practice might also find part B relevant to their particular circumstances" to the discussion on Part C as such individuals might ignore the content of Part B based on its title and jump immediately to Part C.	
12.	Guide 4	IDW	Guide to the Code - Whilst the sentence at the bottom of the second bullet of paragraph 4: "Professional accountants in public practice might also find Part B relevant to their particular circumstances" is taken directly from existing text, it leaves the issue of authority unclear. It would be helpful to add a sentence to clarify that consulting Part B is not intended to impose additional requirements, but instead may be helpful in terms of guiding the behavior of professional accountants employed in public practice.	
13.	Guide 4	FEE	Paragraph 4: the explanation of the purpose of the Glossary could be shorter	The Task Force believes that the explanation of all items in the Glossary is helpful.
14.	Guide 4	DTTL	The Guide to the Code is helpful. It may also be helpful when describing "How the Code is Structured" in paragraph 4 to provide the Section numbers for each Part.	Noted above and will be included once the structure of the Code is final.

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15.	Guide 5	-	<p>The content within each of the sections of the Code is, where appropriate, structured as follows:</p> <ul style="list-style-type: none"> • Introduction – sets out the subject matter addressed within the Section, and introduces the requirements and application material in the context of the conceptual framework. • Requirements – establish general and specific obligations with respect to the subject matter addressed, including any specific prohibitions. • Application material – provides guidance to assist in complying with the requirements. 	Content of section on which there is a comment below.
16.	Guide 5	FEE	Paragraph 5: could be clearer by stating that “the content of each section is: [...]”	Text modified in accordance with a suggestion from ACCA. See below.
17.	Guide 5	ACCA	In paragraph 5, ‘The content within each of the sections of the Code ...’ could simply be replaced with ‘Each section of the Code ...’.	Text modified.
18.	Guide 6	PWC	Paragraph 6 does not seem relevant to “how to use the Code” and we recommend its deletion. This is covered in Part A.	Intended as overview material to explain that the Code requires compliance with the FPs.
19.	Guide 6	DTTL	Does not appear to be an appropriate placement under the category “How to Use the Code”	Intended as overview material that the Code requires compliance with the FPs.
20.	Guide 6	IDW	Paragraph 6 states: “The Code requires professional accountants to comply with the fundamental principles of professional ethics.” We suggest this be reworded as an overall objective (see comments elsewhere in this letter), and placed in Section 110.	Text in paragraph 6 is intended as overview material.

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				A requirement to comply with the fundamental principles has been added to S110.
21.	Guide 6	UK FRC	<p>In our response to the Consultation Paper of 2014 we raised concerns that revisions to the Code might fail to clarify the importance for professional accountants to have the right ethical mindset, and urged IESBA to prioritise clarifying and emphasising the ethical principles. Whilst we recognise that both the Guide and the revised structure do place greater emphasis on the fundamental principles and conceptual framework, more could still be done. As the Guide is the starting point for users of the Code, we think more could be done to describe not just the purpose of the Code but also the purpose of the principles and the framework. In our revisions to the FRC's Ethical Standard we have emphasised the overall purpose of our framework – namely to achieve ethical outcomes driven principally by overarching principles and supporting ethical provisions. Under the heading 'How to use the Code' we suggest the following alternative wording in paragraph 6:</p> <p>"The Code requires professional accountants to comply with the fundamental principles of professional ethics. These principles, together with supporting ethical requirements and application material, have the objective of focusing on the achievement of ethical outcomes in all circumstances. This will represent a basis for users of services to have trust in the integrity and objectivity of the professional accountant."</p>	The Task Force has expanded on paragraph 100.3 to explain further the role of the requirement and application material in the Code.
22.	Guide 6	CPA Aus	Paragraph 6 of the Guide states: 'The Code requires professional accountants to comply with the fundamental principles of professional ethics'. The fundamental principles of the Code are the principles of the accounting profession not general professional ethics principles. So we think the term professional ethics should be removed.	Text adjusted to reflect this comment.

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23.	Guide 7	-	The word "shall" in the Code imposes an obligation on the professional accountant or firm to comply with the specific provision in which "shall" has been used. "Shall" is used to indicate a requirement and requirements are designated with an "R"	Content of section on which there is a comment below.
	Guide 8	-	In addition to requirements, the Code contains application material that provides context relevant to a proper understanding of the Code. In particular, the application material is intended to help the professional accountant to understand how to apply the conceptual framework to a particular set of circumstances or a specific requirement. While such application material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of the Code, including application of the conceptual framework. The entire text of Part A and the relevant Section is required to understand and properly apply that Section. Application material is designated with an "A."	Content of section on which there is a comment below.
25.	Guide 7	EYG	<p>Guide to the Code, paragraph 7 states the following:</p> <p>"The word "shall" in the Code imposes an obligation on the professional accountant or firm to comply with the specific provision in which "shall" has been used. "Shall" is used to indicate a requirement and requirements are designated with an "R."</p> <p>This could be in plainer English and suggest the following as an alternative:</p> <p>"A professional accountant or firm shall comply with a requirement. Requirements are designated with an "R" and the use of "shall."</p>	This would introduce a "shall" (or requirement) into the Guide. Requirements are in the body of the Code only.
26.	Guide 7	IOSCO	Paragraph 7 gives the impression that the inclusion of the word "shall" in a paragraph is the only criterion for identifying a requirement in the proposed Code. It should be made clear that an accountant must comply with all requirements where "shall" is used or if the paragraph is designated with an "R".	Text modified.
27.	Guide 8	PWC	<p>As drafted this reads that the application material helps "to apply the conceptual framework to....a specific requirement". We believe this could be more clearly written.</p> <p>521.3A1 is an example of the former (where there is no requirement as such other than to apply the CF to those circumstances), whereas 524.3A1 is an example of</p>	Text modified.

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			material that helps the accountant to apply (or more precisely “comply with”) the requirement in R524.3. Thus the application material has two roles. Suggested wording <i>In particular, the application material is intended to help the professional accountant to understand how to apply the conceptual framework to a particular set of circumstances <u>and to understand and comply with a specific requirement.</u></i>	
28.	Guide 8	CPA Aus	Paragraph 8 of the Guide states: ‘In addition to requirements, the Code contains application material that provides context relevant to a proper understanding of the Code.’ We do not think we are certain as to the intended meaning of this sentence and we are also of the view that guidance does not provide context but rather explanation.	PwC suggestion above helps to address this comment.
29.	Guide 8	RSM	In para 8, it might be helpful, when referring to the 'conceptual framework', to make a tie-up with the importance of threats and safeguards to the workability of the framework: perhaps by adding the following [<u>underlined</u>] in the 6th line - ". . . , including application of the conceptual framework and the threats and safeguards approach underpinning it."	The Structure Task Force, in consultation with the Safeguards Task Force, is of the view that the appropriate term to describe the Code's approach is to refer to the conceptual framework.
			There is a hierarchy of FPs, Rs, and Application Material, which the threats and safeguards approach is central to, so it has a right to its own place in that hierarchy, especially given that in Section 120 - the Conceptual Framework - there is substantial reference to the threats and safeguards approach which we do not believe has been trailed earlier in the revised Code, though, in our view, it should be.	Text has been modified in Paragraphs 6 to 11 of the Guide.

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30.	Guide 10 - 12	-	<p>10. A professional accountant might encounter circumstances in which the result of applying a specific requirement of the Code would be disproportionate or not be in the public interest. In those circumstances, the accountant is encouraged to consult with a professional body or a regulator.</p> <p>11. A professional accountant might face a situation where compliance with one fundamental principle conflicts with one or more other fundamental principles. In those situations, the accountant is encouraged to consult. Appropriate parties for consultation might include one or more of the following:</p> <ul style="list-style-type: none"> • Others within the firm or employing organization. • Those charged with governance. • A professional body. • A regulator. • Legal counsel. <p>The accountant is usually able to obtain guidance on ethical issues without breaching the fundamental principle of confidentiality. However, such guidance does not relieve the accountant from the responsibility to apply professional judgment to resolve the conflict or, if necessary, disassociate from the matter creating the conflict.</p> <p>12. A professional accountant is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions</p>	Content of section on which there is a comment below.
27.	Guide 10,11	PKF	Further, paragraph 11 contains what appears to be two separate points (confidentiality breeches and a statement that guidance obtained during consultation does not relieve the accountant from responsibility). Combining these in one paragraph de-emphasises the latter point.	Text modified.
28.	Guide 11	APESB	The second paragraph in no.11 of the Guide immediately refers to an abbreviated term 'accountant', however the term 'professional accountant' has not yet been	Text modified.

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			used in that paragraph. Thus, we propose the addition of the word 'professional' before the word 'accountant' at the start of the sentence as it is a new paragraph	
29.	Guide 11	CPA Aus	Paragraph 11 of the Guide encourages professional accountants to consult on all ethical dilemmas, whenever there are competing duties or principles, and provides a regulator as an appropriate party for consultation. Making a professional judgement is about resolving ethical dilemmas and while we are of the view that the other parties listed in this paragraph may be appropriate, we do not see how a regulator could or should fulfil this role.	The paragraph also states that consulting does not excuse the PA from exercising professional judgment.
30.	Guide 10 - 11	IOSCO	Paragraphs 10 and 11 suggest that there are instances where an accountant would not be required to comply with the specific requirements in circumstances where they consider it appropriate not to do so, albeit after consultation with other parties. The Board should consider removing such exemptions as they undermine the specific requirements of the Code, may conflict with the general independence requirement, and may be inconsistent with the comment in paragraph 6 that the Code requires compliance with the fundamental principles of professional ethics.	The text in paragraph 10 has been moved to the Code itself and has been clarified. The new text at paragraph 100.4 A2 provides additional context to explain the important role that discussion with a regulator plays in those exceptional circumstances to determine how compliance with the FPs might be met.
31.	Guide 10 - 11	IOSCO	The equivalent of the proposed paragraph 10 is not located under the common subheading "Exceptional circumstances" in the extant Code. Relocating the paragraph may affect the interpretation of these provisions. In particular, paragraphs 10 and 12 read together imply that the accountant could decide not to apply specific provisions of the Code on the basis that compliance would be disproportionate to the public interest under paragraph 10. At present the equivalent to paragraph 10 in the Code does not appear to allow the accountant to	A revision, which proposes separating the two paragraphs and changes the subheading title is being considered.

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			make a decision not to apply any of the specific provisions. Further paragraph 12 would “encourage” rather than require the accountant to document the reasons for such a decision.	
32.	Guide 10 - 11	IOSCO	Further, the meaning of paragraph 11 appears to have been changed. Extant paragraphs 100.19, 100.20, 100.21, 100.23 and 100.24 relate to “Ethical Conflict Resolution” and internal resolution processes. This is evident from the wording of those paragraphs and the context provided in extant paragraphs 100.17 and 100.18 preceding them under the heading “Conflicts of interest”. In contrast paragraph 11 relates to circumstances where compliance with one principle of the Code is in conflict with compliance with another, increasing the discretion in applying the Code. If paragraph 11 is to be retained, it should only apply in the context of conflicts of interest.	The Task Force believes that resolving conflicts between FPs is a concept that applies in a general sense to more than conflicts of interest.
33.	Guide 10 - 11	IOSCO	If the current proposals are retained, section 12 should require rather than encourage documentation of the decisions made. Similarly, paragraphs 10 and 11 should require consultation rather than encourage consultation. The use of the softer wording “encourage” would not appear to be consistent with the approach of the current Board to strengthen the Code, provide greater clarity and avoid perceptions of undue influence from the profession.	This would change meaning. Matter for board attention.
34.	Guide 10 - 11	IOSCO	Subject to addressing these matters, paragraphs 10 to 12 should become integral parts of the Code itself rather than being included in the “Guide to the Code”. Presenting the provisions as introduction and guidance could cause some professionals to overlook the importance of these provisions and focus only on the other provisions of the Code.	Addressed by returning the material regarding ethical conflict resolution to the Code.
35.	Guide 12	ICAS	Paragraph 12- We question whether it might be more appropriate to use a stronger word than “encouraged” in relation to the need for documentation.	This would change meaning which is outside the project's scope. While independence has

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				specific documentation requirements, documentation is less easily mandated in other circumstances.
36.	Guide 12	BDO	Exceptional Circumstances, 12, it states that 'A professional accountant is encouraged to document...'. The only requirement for documentation in the restructured Code is R402.2. When there is professional judgement, documentation should be a requirement and this should be clearly referenced in the Guide and the Code.	Not required in the extant Code so change is outside the project's scope.
37.	Guide 10-12	IRBA	We have noted that the "Ethical Conflict Resolution" section from the extant Code (Para. 100.19-100.24) has been moved to Guide 11-13. It should be retained in the Code rather than in the Guide. The Guide should only emphasise information that is in the Code and not introduce new material as the intention of the Guide is to help with navigability and not introduce new requirements or application material.	Addressed by returning the material regarding ethical conflict resolution the Code.
38.	Guide 10-12	UK FRC	The Guide includes a section on 'exceptional circumstances', which are defined as: <ul style="list-style-type: none"> o Circumstances where the application of a specific requirement may be disproportionate or not in the public interest; or, o Where there may be a perceived conflict between two or more of the fundamental principles. We believe this is a potentially narrow definition and could usefully be replaced with a broader narrative stressing again the importance of ethical outcomes in the exercise of judgement, or when seeking external advice.	Addressed by returning the material regarding ethical conflict resolution the Code.
39.	Guide	CPA Aus	CPA Australia supports the inclusion of the Guide to the Code. However, we are of the view that some of the content included in the Guide should be placed in the Conceptual Framework Section of the Code, particularly the content of the Exceptional Circumstances section. Paragraph 11 of the Guide encourages professional accountants to consult on all ethical dilemmas, whenever there are competing duties or principles, and provides	Addressed by returning material regarding ethical conflict resolution the Code.

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			a regulator as an appropriate party for consultation. Making a professional judgement is about resolving ethical dilemmas and while we are of the view that the other parties listed in this paragraph may be appropriate, we do not see how a regulator could or should fulfil this role.	
40.	guide 17	CIMA	P 17. 9. "Where application material includes lists of examples, these lists are not intended to be read as exhaustive lists of all possibilities or circumstances that might arise". We are concerned that this paragraph may be easily missed, especially when considering how the Code is likely to be used. (i.e. professional accountants seeking requirements and guidance on a specific issue). We would suggest including a short proviso at the beginning of every list.	The Task Force believes that the existing convention for presenting non-exhaustive lists should be clear in itself and that the suggested change would be repetitive.
41.	Diagram	IRBA	With respect to the diagram that illustrates how the different parts of the Code fit together, we suggest the inclusion of the following standard issued by the IAASB: International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements (ISQC 1) as it contains ethical requirements that an audit firm will need to consider. It is imperative for a professional accountant to read the Code and ISQC1 for all ethical requirements. This is in line with para 400.7 of the restructured Code.	These items do not form part of the structure of the Code and so have not been included in the diagram.
Part A				
42.	Title of Part A	CPA Canada	In reviewing Part A, we identified that the title Introduction to the Code and Fundamental Principles could be improved by describing its applicability to all professional accountants. Although stated in Paragraph 4 of the Guide on Page 16 in describing Part A, it was felt that the Title of Part A and its impact could be improved and strengthened by stating its applicability to all professional accountants and by removing the words "Introduction to". For example, "The Code	Text modified.

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			and Fundamental Principles Applicable to All Professional Accountants” would be preferred.	
43.	100	ACCA	<p>However, some general information still remains in Part A ‘Introduction to the Code and fundamental principles’ (particularly in section 100), and we believe that repetition could be reduced significantly.</p> <p>In addition, the importance of Part A is undermined by referring to it as the ‘introduction’. It is, in fact, the essential part of the Code.</p> <p>Within Part A, the subheading of ‘Introduction to the Code’ serves no purpose. Section 100 requires compliance with the Code, and this should not be obscured. Therefore, the text of section 100 should be streamlined to retain only paragraphs 100.1 and R100.3, but to include a clear explanation of the status of the requirements and the application material. Paragraphs 100.2 and 100.4A1 add nothing to the understanding; 100.3A1 would be more useful in section 115; and R100.4 would be better placed at the start of section 110 (together with the explicit and overarching requirement to comply with and safeguard the fundamental principles).</p>	<p>Title to Part A modified.</p> <p>The Task Force is proposing some amendments to this section that address this comment in part.</p>
44.	S 100	EYG	<p>Since the use of the conceptual framework is required, we suggest the Board replace <i>an</i> (which could be read to be optional) with <i>the</i>.</p> <p><i>100.2 The fundamental principles of professional ethics set out in the Code establish the standard of behavior expected of a professional accountant. The conceptual framework establishes the an approach which accountants are required to apply to assist them in achieving compliance with those fundamental principles.</i></p> <p>Also, we believe the term <i>accountant</i> should be replaced with <i>professional accountant</i>.</p>	<p>Text modified to use “the” approach.</p> <p>Usage consistent with the drafting guidelines.</p>

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45.	100.1	-	A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. A professional accountant's ¹ ...	Content of section on which there is a comment below.
46.	100.1	IBM	<i>Remove footnote. No need to repeat a definition</i>	<i>Footnote removed as respondents did not believe it acted as a sufficient reminder.</i>
47.	100.2	-	The fundamental principles of professional ethics set out in the Code establish the standard of behavior expected of a professional accountant. The conceptual framework establishes an approach which accountants are required to apply to assist them in achieving compliance with those fundamental principles.	Content of section on which there is a comment below.
48.	100.2	CPA Canada	We also identified that the first sentence of paragraph 100.2 could be more succinctly and strongly stated to the effect that professional accountants must comply with the five principles. It was thought that this would enhance the understanding of the applicability of the principles.	This is an introduction to the FPs not the R to comply with them.
49.	100.3 A1	MIA	The relationship and distinguishment between requirements and application materials are well explained. However, we suggest Paragraph 100.3 A1 of the restructured Code to be marked as "R" and modified as follows:	
			<p>"The fundamental principle of professional behaviour requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have requirements and guidance that differ from or go beyond <u>are more stringent than those these</u>¹ set out in the Code. Accountants in those jurisdictions need to be aware of those differences and <u>shall</u>² comply with the more stringent requirements and guidance unless prohibited by law or regulation."</p> <p>¹ These wordings are amended as it may mean that the requirements and guidance in other jurisdictions could be more or less stringent than the Code, which is different</p>	The "differ from" language is consistent with recent language proposed in NOCLAR. This is application material and therefore no "shall" is used. The

¹ In Part A, "professional accountant" includes "professional accountants in business" and "professional accountants in public practice," which also includes their firms.

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			as compared to the extant Code. The extant Code requires that a member firm of IFAC or firm shall not apply less stringent standards than those stated in the Code. ² The word "shall" is inserted to make the paragraph as a requirement.	"shall" is in the R paragraph R100.3.
50.	R100.4	PAAB	"Take whatever actions might be available" There is a grammatical error on the identified statement. We propose it to be rephrased: "Take whatever actions that might be available"	The Task Force does not believe that this is a necessary change.
51.	100.4	-	A professional accountant who identifies a breach of the Code shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles....	Content of section on which there is a comment below.
52.	100.4(b)	IOSCO	In paragraph R100.4(b) there should be no optionality on whether an accountant has to report a breach or not	This would be a change in meaning. Task Force has raised it as a matter for board attention.
53.	100.4 A1	-	Subsections 404 and 902 address a breach of an independence requirement.	Content of section on which there is a comment below.
54.	100.4 A1	PWC	We question whether this reference to breaches of the independence requirements is necessary and appropriate here in Part A. This is clearly covered in Parts C1 and C2 and arguably confuses the message here.	The reader needs to be alerted that there are different provisions that apply to independence breaches.
55.	110.1	-	There are five fundamental principles of ethics for professional accountants: (a) Integrity – to be straightforward and honest in all professional and business relationships.	Content of section on which there is a comment below.

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			<ul style="list-style-type: none"> (b) Objectivity – to make professional or business judgments without bias, conflict of interest or undue influence of others. (c) Professional Competence and Due Care – to: <ul style="list-style-type: none"> (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service, based on current developments in practice, legislation and techniques; and (ii) Act diligently and in accordance with applicable technical and professional standards. (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships. (e) Professional Behavior – to comply with relevant laws and regulations and avoid any action that the professional accountant knows or should know might discredit the profession. 	
56.	110.1	NZAuASB	<p>Note that the introductory paragraph that describes the five fundamental principles (110.1) does not indicate that these are requirements, rather there is a requirement to comply with each specific principle in the subsections that follow. Recommends amending 110.1 to read "...five fundamental principles of ethics that for professional accountants are required to comply with:" indicating the requirement in this overarching paragraph is important. If there is one paragraph that summarises the Code, it is this section 110.1 and it should indicate that following these fundamental principles is a requirement of the profession</p>	<p>A new R110.2 is proposed for inclusion in S110 to address this comment.</p>
57.		-	<p>Subsections 111 to 115 set out requirements and application material related to each of these fundamental principles</p>	<p>Content of section on which there is a comment below.</p>
58.	110.2	PWC	<p>It may be helpful to include a statement after this provision to indicate that compliance with the fundamental principles may be threatened as this may help the flow of the document and help the reader.</p>	<p>Text modified with a new first sentence similar to other introductory language.</p>

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59.	R11.1 (and others)	IOSCO	In particular, some “R” designated paragraphs use the language “which requires” (e.g. paragraphs R111.1, R113.1 and R114.1). These paragraphs should be reworded to specifically impose those requirements.	No change needed. The “shall “applies to the requirement to comply with the FP, which inherently “requires” specific behavior.
60.	R111.2		A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information: <ul style="list-style-type: none"> (a) Contains a materially false or misleading statement; (b) Contains statements or information provided recklessly; or (c) Omits or obscures required information where such omission or obscurity would be misleading. 	Content of section on which there is a comment below.
61.	R111.2	CPA Canada	In considering R111.2, it was noted that a more complete description should be utilized to capture the prohibition of those circumstances where the professional accountant either knows or should know that they should not be associated with reports, returns, communications or other information where the accountant believes that the information is as described in (a), (b) or (c).	This could introduce a change in meaning from the extant Code and so the change has not been made.
62.	111.3 A1	DTTL	Appears the proper reference would be to R111.2.	Text modified.
63.	112.2 A2	ICAS	We note that quite a lot of the safeguards suggested tend towards those that could be applied in public practice but not necessarily business. For example, “Discussing the issue with higher levels of management within the firm” could be changed to “discussing the issue with higher levels of management within the firm or organisation ”	Text modified.
64.	112.3 A1	IDW	Application material 112.3A1 and 112.3A2 [that was added to help explain the link between independence and objectivity (IESBA Staff Insertion)] are misplaced in the	This material was included in the ED to explain the link.

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			ED, as they are not relevant to the fundamental principle as applicable to all professional accountants. We suggest this be relocated as appropriate	between objectivity and independence. It has now been deleted from S112. A different approach is now being taken to explain the link between independence and the fundamental principles more broadly taking into account feedback from respondents to Structure ED-1 and the IESBA CAG. This new description is included in S120.
65.	112.3 A1, A2	CPA Canada	It was also noted for further consideration that there appeared to be a lack of a requirement or an issue with respect to the numbering of the application material contained in 112.3 A1 and 112.3 A2.	See comment above.
66.	R113.1	-	<p>A professional accountant shall comply with the fundamental principle of professional competence and due care which requires an accountant to:</p> <p>(a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service, based on current developments in practice, legislation and techniques; and</p> <p>(b) Act diligently and in accordance with applicable technical and professional standards.</p>	Content of section on which there is a comment below.
67.	R113.1	PWC	"based on current technical and professional standards and relevant legislation"	Text modified.

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68.	R113.1	EYG	<p>Clause R113.3 “Where appropriate, a professional accountant shall make clients, employers, or other users of the accountant’s professional services or activities, aware of the limitations inherent in the services or activities.”</p> <p>This is an example of a paragraph which could be more direct. For example: “Where there are limitations inherent in the accountant’s professional services or activities, the professional accountant shall make clients, employers, or other users aware of these limitations as appropriate.”</p>	This might introduce a change in meaning and accordingly be outside the project’s scope.
69.	113.1 A3	EYG	Clause 113.1 A3 – “encompasses” is one of many uses of less user-friendly vocabulary for those for whom English is not their first language. As an alternative we suggest using the word “includes”.	The Task Force does not believe that this change is necessary.
70.	R113.2	BDO	In subsection 113 – Professional Competence and Due Care. R113.2 requires that the professional accountant take reasonable steps to ensure that those working in a professional capacity under the accountant’s authority have appropriate training and supervision. It would be helpful to add in some examples of reasonable steps within the application material.	The Task Force does not believe that this change is necessary.
71.	R114.1	EYG	<p>In clause R114.1, item (a) “Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or a close or immediate family member.”</p> <p>This implies that disclosure to family etc. is worse. Consider deleting the word “particularly”.</p>	“Particularly” is related to the likelihood of inadvertent disclosure, not to severity of the possible consequences.
			<p>Also, suggest item (f) in clause R114.1 be worded as: “Continue to apply (a) to (e) above after the professional or business relationship has ended.”</p>	The Task Force does not believe that this change is necessary.
			<p>Again, item (f) seems to duplicate clause 114.1 A1.</p>	This is important context to clarify how previous experience may be used.

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72.	114.1 A1	-	The requirement to comply with the principle of confidentiality continues even after the end of the relationship between a professional accountant and a client or employer. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but may not use or disclose any confidential information acquired or received as a result of a professional or business relationship.	Content of section on which there is a comment below.
73.	114.1 A1	IFAC SMPC	Paragraph 114.1 A1 seems to be worded more in the nature of a requirement than application material. The IESBA needs to be very clear on these instances, otherwise the Code may not be consistently applied. In addition, the IESBA uses “might consider” in two instances (300.3 A1 and 404.2 A2) and “may consider” once (350.5 A1). It may help the user and translators to be consistent on these and we note that the ISA application material consistently uses “may consider”.	The text is intended to help in applying the R in this situation. “Might consider” is used unless the meaning is intended to be permissive in which case “may consider” is used instead.
74.	114.1 A2	DTTL	Is there a reason the bullets under (a) are not roman numerals?	Text modified.
75.	114.1 A2	CPA Aus	We are of the view that professional standards encompass all standards of the accounting profession. Further, the term ‘ethics requirements’ is also used alongside technical standards both in the extant Code and in paragraph 114.1 A2 (c)(iv). We suggest that the term be changed from ethics requirements to professional standards or the Code of Ethics as applicable, as ethics requirements does not have a clear meaning that can be applied consistently in different jurisdictions.	The Task Force does not believe that this change is necessary.
76.	R115.1	ICAS	We also note that the word “action” is used rather than “conduct” in professional behaviour. We believe that as a result of the NOCLAR project this will be changed to conduct which we believe to be better.	The Task Force does not consider that it is necessary to change this throughout the Code although it will consider this point

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				when it takes a final “stand back” look at the complete text of the Code.
77.	115.1 A1	BDO	In Section 115 – Professional Behavior. 115.1A1 refers to a reasonable and informed third party; however, this is not defined until Section 120. Adding a cross reference in Section 115 would be helpful.	The Task Force does not believe that this change is necessary because the Glossary acts as the collection point for these terms.
78.	115.1 A1	CIMA	Some of the sentences used are very long and some of the sentences are convoluted – for example the proposed 115.1 A1	A final review of sentence length will be made before the text is complete.
79.	120.1	CPA Aus	Paragraph 120.1 states: ‘It [the conceptual framework] accommodates the many variations in facts and circumstances that create threats to compliance with the fundamental principles and deters an accountant from concluding that a situation is permitted if it is not specifically prohibited by this Code’. The term ‘deter’ is commonly understood as ‘prevent’ and we do not think the conceptual framework has the capacity to achieve that outcome.	“Deter” is consistent with the extant Code.
80.	S 120	IOSCO	Including the following content from extant paragraph 100.12 in the proposed Code: <i>"When a relationship or circumstance creates a threat, such a threat could compromise, or could be perceived to compromise, a Member's compliance with the fundamental principles."</i>	Referred to the Safeguards Task Force. See Agenda Item 2-A and 2-B
81.	120.5 A1	-	Threats might be created by a broad range of facts and circumstances. It is impossible to define every situation that creates threats. In addition, the nature of	Content of section on which there is a comment below.

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			engagements and work assignments might differ and, consequently, different types of threats might be created.	
82.	120.5 A1	ICAEW	a) We don't think that the new wording of paragraph 120.5 A4 represents an improvement with regards to clarity and user understanding.	Referred to the Safeguards Task Force.
83.	120.5 A1	UK FRC	What might be additionally helpful, however, would be to include some supporting material in the introductory sections, and in particular Section 120 'The Conceptual Framework'. The most obvious opportunity might be to develop paragraph 120.5.A4 which currently reads: "Certain conditions, policies and procedures established by the profession, legislation, regulation, the firm or the employing organization can affect the likelihood of the professional accountant's identification of threats to compliance with the fundamental principles." We would suggest that IESBA might consider breaking this into two separate paragraphs, and using one to stress the fundamental importance for senior management in firms and other organizations to take an overarching responsibility to ensure that ethics and ethical outcomes are at the forefront of policies, procedures and culture within those entities. This could be further enhanced with similar additions to and language used in the 'Responsibility' section of C1, at paragraph 400.7.	Referred to the Safeguards Task Force. See Agenda Items 2-A and 2-B
84.	120.5 A1	CPA Canada	The clarity of the relationship between requirements and the application material was not evident in 120.5 A4 as we were unable to determine what conclusion was to be drawn by the professional accountant from this information	Referred to the Safeguards Task Force. See Agenda Items 2-A and 2-B
85.	120.5 A2	CPA Aus	The 'intimidation threat' is described as the threat that a professional accountant will be deterred from acting objectively, as it is in the extant Code. We are of the view that an intimidation threat may affect compliance with other principles and we think it should be described more broadly like the other threats and not only with reference to one principle	Referred to the Safeguards Task Force. See Agenda Items 2-A and 2-B
86.	120.6 A1	NZAuASB	The term "acceptable level" is defined in the glossary and then also described in section 120.6 A1. This is unnecessarily repetitive.	Using the Glossary as a collection point for

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				these word/phrases allows the reader to find the description more easily when it is also used in another section.
87.	120.7	IRBA	"If the professional accountant determines that the identified threats to compliance with the fundamental principles are not at an acceptable level, the accountant shall address the threats by eliminating <u>them</u> or reducing them to an acceptable level."	Text modified.
88.	120.7 A1	CPA Canada	We believe greater emphasis should be placed on the guidance that appears in paragraph 120.7 A1. The potential impact of not being able to reduce all threats to an acceptable level has important implications that should be more fully described to ensure the user's awareness	Referred to the Safeguards Task Force. See Agenda Items 2-A and 2-B
89.	120.9 (and 300.1 A12)	CPA Aus	Paragraphs R120.9 and 300.2 A12 state: 'The reasonable and informed third party test described in Section 120 is relevant to this assessment.' Given that paragraph R120.4 requires the professional accountant to 'take into account whether a reasonable and informed third party would likely conclude that the accountant has complied with the fundamental principles', we are of the view that the word relevant is inappropriate as it is not optional but required.	Referred to the Safeguards Task Force. See Agenda Items 2-A and 2-B
90.	300.1	IOSCO	In the first line of paragraph 300.1, consider replacing "considerations" with "requirements and guidance", consistent with the restructuring of the Code	The text has been modified to take account of this comment.
91.	300.2 A1	CPA Aus	Paragraph 300.2 A1 (a) states: 'A firm having undue dependence on total fees from a client or the possibility of losing a significant client.' The second part of this sentence is missing 'being concerned about' or similar.	The Task Force believes that concern is presumed by "undue" dependence.

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92.	300.2 A3	CPA Aus	Paragraph 300.2 A3 states that the level of a threat may be impacted by: 'An audit client and whether the audit client is a public interest entity'. We do not think that the nature of the audit client impacts the level of the threat.	Referred to the Safeguards Task Force. See Agenda Items 2-B.
93.	300.3 A2	-	If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might also be necessary to ensure they are adequately informed.	Content of section on which there is a comment below.
94.	300.3	BDO	<p>In Section 300, Those Charged with Governance. R300.3 states, 'If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary.'</p> <p>300.3 A2 repeats most of the wording from the requirement and provides little application direction. It would aid understandability if the wording was more direct, for example:</p> <p>300.3 A2 A subgroup that the professional accountant may communicate with is:</p> <ul style="list-style-type: none"> • The Audit Committee; • The Chair of the Audit Committee; • The Chair of the Board. 	No change made as the suggestion does not quite capture the meaning, namely that, even if there is communication with a subgroup, communication might still be needed to ensure the full group has adequate information.
95.	R300.3 and 300.3 A2	DTTL	The second sentence of R300.3 appears to be the same as 300.3A2.	Covered in the general introduction. There is a slight difference in that the professional accountant needs to ensure the full group has adequate information.

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96.	R300.3	APESB	Paragraph 300.3 A2 appears to duplicate the last sentence in paragraph R300.3. Accordingly, APESB believes that paragraph 300.3 A2 should be deleted.	As above. Covered in the general introduction. There is a slight difference in that the professional accountant needs to ensure the full group has adequate information
97.	S 300	CIMA	R300.3 with 3003A1 and 2 - this is an example of where the text does not fit obviously into requirements or application. The requirement here is only applicable <u>when</u> the PA has used professional judgement to decide whether to go to those charged with governance (see 112.2 A2) R300.3 does not encourage escalation in steps.	As above. The "shall determine" is as in the extant Code, the balance is AM. Encouraging escalation would go beyond the extant Code.
98.	300.3 A2	EYG	Clause 300.3 A2 – passive language	Passive language is used here as the language is explanatory not directive language.
99.	300.3	DTTL	Is this properly a subsection under 300.2?	The use and style of subheadings will be reviewed.

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100.	301.4	EYG	Consider the following edits to Section 301.4: <i>Providing a transaction advisory service to a client seeking to acquire an audit client of the professional accountant, where the firm professional accountant has obtained confidential information during the course of the audit that might be relevant to the transaction</i>	In the context of an example, the intent is understandable.
101.	310 (as example)	NZAuASB	The header for each section in Part C should be customised to place greater emphasis on the fundamental principles together with the conceptual framework. For example, in section 310 the header could be worded as follows: “A conflict of interest creates threats to the fundamental principle of objectivity. The conceptual framework contained in section 120 applies in all circumstances”.	The banner heading has been deleted.
102.	310	BDO	There is an inconsistency in the restructured Code. As mentioned in BDO’s reply to the Safeguards Exposure Draft, in Section 300, requirements from Section 120 are not repeated as requirements; however, in some cases, they were included as application material. In Section 310, requirements from Subsection 114, Confidentiality, are repeated as requirements. To achieve consistency, we recommend replicating the requirements in Section 300 rather than removing the replicated requirement in Section 310. Addressing these items would improve the clarity of the relationship between requirements and application material for Section 310.	Some revisions have been made to this material to address this suggestion in part.
103.	310.3, 310.4	IOSCO	In paragraphs 310.3 and 310.4, whether threats and conflicts “might” exist in the cases outlined or should be described as existing.	The Task Force is of the view that the suggested change would change the meaning of the Code and accordingly is outside this projects scope.

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104.	310.4	-	Examples of circumstances that might create a conflict of interest include: <ul style="list-style-type: none"> • Advising a client on: <ul style="list-style-type: none"> ○ Acquiring a business which the firm is also interested in acquiring. ○ Buying a product or service while having a royalty or commission agreement with a potential seller of that product or service. 	Content of section on which there is a comment below.
105.	310.4	DTTL	Break last bullet point (with two sub-bullet points) into two distinct bullet points.	Text modified.
106.	310.4	IBM	<i>Double bullet point doesn't work. The 2 examples of advising a client are separated.</i>	<i>Text modified.</i>
107.	310.5	-	When a professional accountant provides an audit, review or other assurance service, compliance with the fundamental principle of objectivity also requires independence in accordance with C1 and C2, as appropriate.	Content of section on which there is a comment below.
108.	310.5	DTTL	Appears repetitious with other sections. If it remains, consider whether to rephrase to make consistent with 112.3 A1 ("Independence is a measure of objectivity" versus "objectivity requires independence" in 310.5).	This paragraph is intended as a useful reminder that a "conflict of interest" is different from "independence" which applies to assurance engagements.
109.	310.5	EYG	Consider whether the below statement should be rewritten as a Requirement (for example, as part of R310.6). <i>When a professional accountant provides an audit, review or other assurance service, compliance with the fundamental principle of objectivity also requires independence in accordance with C1 and C2, as appropriate.</i>	This is just a reminder that, in addition to objectivity, specific additional requirements apply to engagements requiring independence.
110.	R310.7	CPA Canada	In addition, the context for some requirements was not entirely clear. For instance, R310.13 in Section 310 Conflicts of Interest states that "a professional accountant shall remain alert to the fundamental principle of confidentiality when making	Text modified with a reference back to S

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			disclosures...”; the connection to Section 310 is not necessarily clear. Also, the wording emphasizes the need to be “alert” to the principle, and it does not state a requirement to apply the principle, which is instead part of the requirements of R114.1 in Subsection 114 Confidentiality. It may be more appropriate to include Rule 310.13 in that Subsection.	114 included in the application guidance.
111.	R310.7	IBM	<i>Third party test to apply to the conflict identification is missing, to be consistent with 220.3 as this is outside the Conceptual Framework</i>	<i>The TF has added some language to R310.7 to clarify that identifying a conflict also identifies a threat to the FP (although that threat that may or may not be at an acceptable level).</i>
112.	310.7 A1	-	<p>Professional accountants are assisted by having an effective conflict identification process in place. Such a process includes addressing matters identified by external parties, for example clients or potential clients. A conflict identification process assists an accountant to identify interests and relationships that might create an actual or potential conflict of interest, both before determining whether to accept an engagement and throughout the engagement. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the accountant being able to apply safeguards to eliminate the threat.</p> <p>The process to identify actual or potential conflicts of interest will depend on factors such as:</p> <ul style="list-style-type: none"> • The nature of the professional services provided. • The size of the firm. • The size and nature of the client base. • The structure of the firm, for example, the number and geographic location of offices. 	Content of section on which there is a comment below.

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113.	310.7 A1	DTTL	A conflict resolution process does not “address” matters, it only helps the accountant to identify conflicts.	Text modified.
114.	310.7 A1	IBM	<p><i>Suggest changes as noted below:</i></p> <p><i>An effective conflict identification process assists an accountant to identify interests and relationships that might create an actual or potential conflict of interest, both before determining whether to accept an engagement and throughout the engagement. Such a process includes considering matters identified by external parties, for example clients or potential clients. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the accountant being able to apply safeguards to eliminate the threat.</i></p> <p><i>An effective process to identify actual or potential conflicts of interest will depend on....</i></p> <p><i>Duplicates the text in the original 3d sentence, passive voice, “assisted” to do what? Use “considering” not “addressing” - This is a best practice, not a “required” process.</i></p>	Text modified.
115.	R301.7 & R310.9	BDO	<p>There is an inconsistency in the wording of R310.7, Conflict identification and R310.9, Network Firms.</p> <ul style="list-style-type: none"> • R310.7 refers to the professional accountant taking reasonable steps, but the application material does not. • R310.9 does not refer to reasonable steps, but the application material does. <p>The language from the requirement should be carried through to the application material.</p>	<p>Text modified in 310.7 A1 by adding reasonable steps here to link with R310.7.</p> <p>Text modified in 310.9 A1 by adding use “Factors to consider” rather than “Reasonable steps”.</p>
116.	R310.7 & 310.7 A1	BDO	<p>R310.7 requires that the professional accountant take reasonable steps to identify circumstances that might create a conflict of interest.</p> <p>The application material 310.7A1 states that professional accountants are assisted by having an effective conflict identification process in place.</p> <p>The concerns that we have identified are:</p>	Text modified. See above.

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			<ul style="list-style-type: none"> There is no link that 'reasonable steps' translates to 'a process'. There is no guidance on what makes a process effective. The guidance refers to factors that impact the process, but there is no guidance on how to apply this. It is not clear what the impacts to a firm are if they do not have an effective process. Clarification in all these areas is required. 	
117.	310.7 A1	CIMA	"conflict identification process" – translation difficulty?	Words are in normal English usage.
118.	310.8 A1	PWC	<p>The nature of the services and the interests and relationships might change during the engagement. This is often true in a situation that might become adversarial, although there is no dispute when the engagement begins.</p> <p>The change in the word "often" from the extant "particularly true" changes the meaning. The extant code is in effect a point of emphasis, whereas the word "often" implies a frequency. We suggest reverting to the extant language.</p>	Text modified to revert to the wording in the extant Code.
119.	R310.9	BDO	<p>R310.9 states '... the professional accountant shall consider conflicts of interest that the accountant has reason to believe might exist or arise due to interests and relationships of a network firm'.</p> <p>310.9 A1 refers to reasonable steps, yet there is no reference to reasonable steps in R310.9. In addition, it only includes factors that will impact the reasonable steps. Examples of what might be a reasonable step would be helpful.</p>	Text modified.
			<p>Section 310.2 states 'A conflict of interest creates a threat to objectivity and might create threats to the other fundamental principles'. The headings in this section are:</p> <ul style="list-style-type: none"> Conflict identification Network firms Applying the conceptual framework to conflicts of interest Disclosure and consent 	No change made to the headings although these will all be reviewed once the Code's structure is final.

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			<ul style="list-style-type: none"> Confidentiality <p>We believe it would be clearer to use the ethical conflict resolution process (100.20 of the extant Code) for each category and then the information required to be included in the restructured Code could be added within the appropriate step within the ethical conflict resolution process. This would add clarity between the requirements and application material within this section of the restructured Code.</p>	
120.	R310.9	-	If the firm is a member of a network, the professional accountant shall consider conflicts of interest that the accountant has reason to believe might exist or arise due to interests and relationships of a network firm.	Content of section on which there is a comment below.
121.	R310.9	IBM	<p><i>Suggest:</i></p> <p><i>If the firm is a member of a network, the professional accountant shall include in the identification process conflicts of interest that the accountant has reason to believe might exist or arise due to interests and relationships of a network firm.</i></p> <p><i>“Consider” could be read as “address”, this is too early.</i></p>	<i>“Consider” is appropriate - in ordinary use of language “consider” does not mean “address.”</i>
122.	310.10 A1	-	<p>In applying the conceptual framework when evaluating a threat created by a conflict of interest, factors to consider include the significance of:</p> <p>(a) The interests or relationships; and</p> <p>(b) The threats created by performing the professional services.</p>	Content of section on which there is a comment below.
123.	310.10 A1	IBM	<p><i>The text moves “directly to ‘evaluation’ without addressing ‘identification of threats’.</i></p> <p><i>The identification of a threat is not the same as the identification of a conflict.</i></p>	<i>Text modified.</i>
124.	310.10 A1	CIMA	There may be a typographical error in 310.10 A1 “interests or relationships” or if this is the intended wording then it is not easily understandable	Text modified
125.	R310.11	IBM	<i>A professional accountant shall exercise professional judgment to determine whether the nature and significance of a conflict of interest is such that specific disclosure and explicit consent is necessary</i>	<i>Text modified.</i>

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		IBM	<i>The “shall” is on the determination, not on the exercise of judgment.</i>	<i>“Shall” applies to both statements.</i>
126.	R310.11	IBM	<i>This subsection is disjointed as there is no clear rationale why disclosure and consent are necessary.</i>	<i>Text modified.</i>
127.	310.11 A1	-	When determining whether specific disclosure and explicit consent are necessary, the conceptual framework requires the professional accountant to exercise professional judgment and consider all the circumstances that create a conflict of interest. Factors to consider include: the parties that might be affected; the nature of the issues that might arise; and the potential for the particular matter to develop in an unexpected manner.	Content of section on which there is a comment below.
128.	310.11 A1	DTTL	Consider bulleting the factors.	Text modified.
129.	310.11 A1	EYG	To be consistent in style and format, consider using bullet points to list the factors to be considered in Section 310.11 A1. <i>Factors to consider include:</i> <ul style="list-style-type: none"> • <i>The parties that might be affected;</i> • <i>The nature of the issues that might arise; and</i> • <i>The potential for the particular matter to develop in an unexpected manner.</i> 	Text modified.
130.	310.11 A1	IFAC SMPC	The second sentence of 310.11 A1 states “factors to consider...”, which is not clear whether the factors must be considered, and if so all of them.	Text modified. Bullets added. It is an incomplete list.
131.	310.11A2	-	It is generally necessary: <ul style="list-style-type: none"> (a) To disclose the nature of the conflict of interest and any related safeguards to clients affected by the conflict; and (b) When safeguards are required to reduce the threat to an acceptable level, to obtain the consent of the affected clients to perform the professional services. 	Content of section on which there is a comment below.

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132.	310.11 A2	IFAC SMPC	Paragraphs 310.11 A2 states "...it is generally necessary...", which could add confusion given that the requirement is to use professional judgment (see above).	The extant Code is intended to provide guidance but not "require" in every case. Therefore, professional judgment is necessary. The Task Force has referred this as a matter for board attention.
133.		IOSCO	Use of "it is generally necessary" Some provisions of the proposed Code preface actions by the accountant with the words "it is generally necessary". These provisions would provide too much subjectivity, lack clarity and would be difficult to enforce. An example is paragraph 310.11.A2. We suggest making such provisions requirements.	This is the only paragraph remaining in the restructured Code that uses "generally necessary."
134.	310.11 A3	DTTL	It may read better for this paragraph to come before 310.11 A2 – explain what disclosure and consent is and then when it may be required.	Text modified.
135.	R310.13	CIMA	"Remain alert to" may not translate well	The Task Force believes that it should not create translation issues as it is also used in the extant Code.
136.	R310.14	PWC	The logic in the extant code seems to be lost and we suggest that the drafting could be improved to make the point clearer. Suggested wording When making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality, <u>and such consent cannot therefore be obtained</u> , the firm shall only accept or continue an engagement if:	Text modified.

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			(a) The firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter; etc	
137.	320	APESB	<p>The word 'professional' has been added to the term 'existing accountant' in some paragraphs of the Code (e.g. R320.6 and 320.6 A1), but not in other paragraphs (e.g. paragraph R320.5). APESB believe that the word 'professional' should not be added to 'existing accountant' which is a defined term. Thus, we propose that the word 'professional' be deleted from the defined term 'existing accountant' in paragraphs R320.6 and 320.6 A1.</p> <p>If the IESBA accepts this proposal, then the APESB proposes that the word 'professional' be inserted before the word 'accountant' in paragraphs R320.6 and 320.6 A1, as set out below.</p> <p>R320.6 When an existing professional accountant is asked to respond to a communication from a proposed <u>professional</u> accountant, the existing accountant shall:</p> <p>320.6 A1 An existing professional accountant is bound by confidentiality. Whether this <u>existing</u> accountant is permitted or required to discuss the affairs of a client with a proposed <u>professional</u> accountant will depend on the nature of the engagement and: (a) Whether the <u>existing</u> accountant has permission from the client for the discussion; or (b) The legal and ethical requirements relating to such communications and disclosure, which might vary by jurisdiction.</p> <p>APESB is of the view that where a paragraph refers to multiple professional accountants (e.g. existing accountant and a proposed professional accountant in paragraphs R321.5 and 320.6 A1), it may be inappropriate to abbreviate these terms to 'accountant' as it may not be clear to a reader which accountant is being referred to. Accordingly in these instances, it may be appropriate to use the actual terms 'existing accountant' and 'professional accountant' which the IESBA has already applied to the proposed revisions in paragraphs 320.4 A3, 320.4 A4, 320.4 A5 and R320.5.</p>	Text modified.

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138.	320.4 A3	CIMA	There are some areas where the need to consider principles and requirements against each other is not explicit. For example the proposed 320.4 A3 – how does this conflict with another professional accountant's obligation of confidentiality?	There is no conflict because of the availability of client consent.
139.	320	BDO	<p>Under the extant Code, 210.1 states '...a professional accountant in public practice shall determine whether acceptance would create any threats to compliance with the fundamental principles'.</p> <p>In addition, 210.6 states 'Before accepting a specific engagement, a professional accountant in public practice shall determine whether acceptance would create any threats to compliance with the fundamental principles'.</p> <p>In the restructured Code, R320.3 states 'A professional accountant shall apply the conceptual framework set out in Section 120 to a professional appointment'.</p> <p>The wording in the restructured Code is not clear on what has to be done for client or engagement acceptance. We would recommend that the steps within the conceptual framework (identify, evaluate and address) be used within each of the sub-headings and then the information required to be included in the restructured Code could be added within the appropriate sub-heading.</p>	Text modified.
140.	320.3 A1		In some circumstances, acceptance of a new client relationship might create threats to integrity or professional behavior. This might arise, for example, where the client, its owners or management are involved in illegal activities, dishonesty or questionable financial reporting practices.	Content of section on which there is a comment below.
141.	320.3 A1	IBM	<i>Align to 210.1 "if known" language in extant Code</i>	<i>Text modified.</i>
142.	320.3 A4	-	A self-interest threat to professional competence and due care is created if the engagement team does not possess, or acquire, the competencies to perform the professional services.	Content of section on which there is a comment below.
143.	320.3 A4	IBM	<i>Add "necessary" in front of competencies as it is in extant Code.</i>	<i>Having the "competencies to perform the services"</i>

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				<i>presumes those competencies are the "necessary" ones.</i>
144.	320.3 A5	CIMA	Former 210.4 referring to the requirement upon the PA to decline to enter into a client relationship. This paragraph is not included on the basis that it is covered in the conceptual framework language. We suggest that there should be specific advice (perhaps added in to 320.3 A5).	The Task Force does not believe this change is necessary.
145.	320.4 A3		<p>Examples of safeguards include:</p> <ul style="list-style-type: none"> • Stating in tenders that, before accepting the engagement, contact with the existing accountant will be requested. This contact gives the proposed professional accountant the opportunity to inquire whether there are any reasons why the appointment should not be accepted. • Asking the existing accountant to provide any known information that, in the existing accountant's opinion, the proposed professional accountant needs to be aware of before deciding whether to accept the engagement. • Obtaining information from other sources such as through inquiries of third parties or background investigations of senior management or those charged with governance of the client. 	Content of section on which there is a comment below.
146.	320.4 A3	PWC	<p>It is not clear whether the investigations are made of senior management or "about" them. We assume the latter. This should be clarified.</p> <p>Suggested wording</p> <p>Obtaining information from other sources such as through inquiries of third parties or background investigations <u>regarding</u> senior management or those charged with governance of the client.</p>	Text modified as suggested.
147.	320.4 A4	EYG	<p>Consider the following edit to Section 320.4 A4:</p> <p><i>Depending on the nature of the engagement, direct communication with the existing accountant might be needed to <u>establish understand</u> the circumstances <u>or reasons</u> regarding a proposed change in appointment.</i></p>	Text modified.

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			<i>Establish</i> might be understood by a non-native English speaker to mean <i>bring about; cause to exist</i> .	
148.	320.4 A5	DTTL	A <u>proposed</u> professional accountant will usually need the client's permission, preferably in writing, to initiate discussions with the existing accountant."	"Proposed" has been added to the text for consistency.
149.	R320.4, 320.4 A1	CPA Aus	Paragraphs R320.4 and 320.4 A1 refer to reasons that may be 'professional or otherwise'. We do not think 'otherwise' is a helpful term, despite its use in the extant Code, and it is not clear what a professional and non-professional reason may be. We suggest that reference to 'any reason' is adequate.	Text modified.
150.	R320.5	-	R320.5 If unable to communicate with the existing accountant, the proposed professional accountant shall take other reasonable steps to obtain information about any possible threats to compliance with the fundamental principles. (a)	Content of section on which there is a comment below.
151.	R320.6	-	R320.6 When an existing professional accountant is asked to respond to a communication from a proposed accountant, the existing accountant shall: (a) Comply with relevant law and regulation governing the request; and (b) Provide any information honestly and unambiguously.	Content of section on which there is a comment below.
152.	R320.5	DTTL	This paragraph (R320.5) would be better placed after R320.6.	320.5 is about the proposed professional accountant's responsibility, then 320.6 moves on to consider what the existing professional accountant has to do.

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				The Task Force believes that the ED wording is preferable.
153.	320.6 A2	DTTL	"Circumstances where a professional accountant <u>is or</u> might be required to disclose confidential information..."	Text modified to add "is or."
154.	R320.7	CIMA	Some of the words may not translate very accurately. For example the word "warranted" in the proposed R320.7.	The word is in normal English usage.
155.	321	BDO	In the extant Code, 230.1, an example is provided. This example is not carried through to the restructured Code, Section 321. It would be helpful if the example were added to Section 321.	The text is included in 321.3.
156.	330	UK FRC	Section 330 on Fees and Other Types of Remuneration includes a section on Contingent Fees [330.3.A4], which consists of application guidance for non-assurance services. A cross reference to the more stringent requirements for audit and assurance engagements is included at the end of this section [in 330.3 A6] – but the point could be made more clearly and prominently that prohibitions are in place for engagements of that kind;	Text modified in accordance with PWC suggestion below.
157.	R330.3 (as example)	IOSCO	Some requirements seem to point to the conceptual framework rather than containing specific requirements or actions for the accountant to take (for example, see R330.3; R340.3). These paragraphs should contain such requirements	This will occur where the extant Code uses "shall evaluate threats and apply safeguards" but does not include further specific requirements.
158.	330.3 A4	EYG	Consider whether the adverb "widely" is necessary in the first sentence of Section 330.3 A4.	Text modified.
159.	330.3 A6	PWC	We suggest this could be more clearly written.	Text modified.

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			<u>Requirements and application material relating to contingent fees</u> for services provided to audit clients and other assurance clients are set out in C1 and C2 of the Code.	
160.	330.3 A6	EYG	Consider the following edits to Section 330.3 A6: <i>Contingent fees for services provided to audit clients and other assurance clients are out discussed <u>for addressed</u> set in C1 and C2 of the Code.</i>	Text modified.
161.	330.3 A8	-	A self-interest threat to objectivity and professional competence and due care is also created if a professional accountant pays a referral fee to obtain a client. For example, such a referral fee includes a fee that is paid when the client continues as a client of another accountant but requires specialist services not offered by the existing accountant.	Content of section on which there is a comment below.
162.	330.3 A8	PWC	We struggle to understand the second sentence and suggest this could be re-drafted. For example, such a referral fee includes a fee that is paid <u>by one accountant to another for the purposes of obtaining new client work when the client continues as a client of the existing accountant</u> but requires specialist services not offered by <u>that</u> accountant.	Text modified.
163.	330.3 A9	CPA Aus	Paragraph 330.3 A9, like extant paragraph 240.7, presents disclosure as a safeguard. Research suggests that disclosure of a conflict of interest may in fact be counter- productive and lead to moral licensing. We therefore urge IESBA not to use disclosure as an effective safeguard, as is done in section 310.11	This comment is being considered as part of the conforming safeguard-specific amendments which form part of Phase 2 of the Safeguards project.
164.	340 , 420	BDO	Section 340 – Gifts and Hospitality Section 420 – Gifts and Hospitality - In the restructured Code, Section 420 includes the prohibition if the gifts or hospitality are not trivial or inconsequential. Section 340 includes useful information on how to assess whether something is trivial or inconsequential. It would be helpful to include	The Task Force believes that this

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			this information within Section 420 (to allow the independence section to stand on its own) or at a minimum, reference back to Section 340.	change is not necessary.
165.	R340.3	IOSCO	Paragraph R340.3 says "A professional accountant shall apply the conceptual framework set out in Section 120 to the acceptance of offers of gifts and hospitality." This requirement does not provide much accountability and may be difficult to enforce. Perhaps this requirement could say, "A professional accountant shall not accept gifts or hospitality that a reasonable and informed third-party, weighing all the facts and circumstances, would not consider trivial and inconsequential or would conclude that the offer is not made in the normal course of business without the intent to influence decision making or to obtain information". Even though current paragraph 260.2 does not use the verb "shall" it provides guidance about the nature of circumstances that would or would not be problematic	This would involve expanding the language to combine detailed application material within a requirement, which would change meaning.
166.	350.3 A1 and R350.4	-	350.3 A1 A professional accountant might also be bound by law that establishes who may take custody of client money or other assets and under what conditions such custody may be taken.	Content of section on which there is a comment below.
			R350.4 A professional accountant shall not assume custody of client money or other assets unless permitted to do so by law.	
167.	350.3 A1 and R350.4	IBM	350.3 A1 — A professional accountant might also be bound by law that establishes who may take custody of client money or other assets and under what conditions such custody may be taken. R350.4 A professional accountant shall not assume custody of client money or other assets unless permitted to do so by law <u>and in accordance with any conditions under which such custody may be taken.</u> <i>350.3 A1 and R350.4 are somewhat duplicative and could be combined as shown.</i>	Text modified.
168.	R350.6		A professional accountant entrusted with money or other assets belonging to others shall: (a) Keep the assets separately from personal or firm assets; (b) Use the assets only for the purpose for which they are intended;	Content of section on which there is a comment below.

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			<p>(c) Be ready at all times to account for the assets and any income, dividends, or gains generated, to any individuals entitled to that accounting; and</p> <p>(d) Comply with the laws and regulations relevant to holding and accounting for the assets.</p>	
169.	R350.6	IBM	<p><i>Reorder. First, list the mandatory conditions, then add the requirement on inquiries. Also, (d) is duplicative of 350.4.</i></p>	<p><i>Text modified by reordering and including (d) before (a). but the Task Force believes (d) has overarching importance and should not be deleted.</i></p>
170.	400.1	-	<p>Independence is a measure of objectivity, both in mind and appearance, which is applied to audit engagements. It enables a firm to express, and be seen to express, an objective conclusion when performing such engagements. It is in the public interest and required by the Code that members of audit teams, firms and network firms be independent of audit clients. C1 sets out requirements and application material on maintaining independence when performing audit engagements. (See also paragraph 400.7 regarding references to “firm.”)</p>	<p>Content of section on which there is a comment below.</p>
171.	400.1	JICPA	<p>In the footnotes, it is stated that “‘audit client’ includes ‘review client’ and related entities of the audit client.” However, as the former and the latter are different in nature, we consider that referring to them in two different sentences is easier to understand. For example, it can be stated that “An ‘audit client’ includes a ‘review client.’ Related entities of an audit client are also included in an ‘audit client.’”</p>	<p>Text modified and footnotes deleted. Paragraph reinserted near the beginning of the section to clarify the use of “audit” and “review.”</p>
172.	400.2		<p>Independence comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional</p>	<p>Content of section on which there is a comment below.</p>

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			<p>judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's, or a member of the <u>audit or assurance</u> team's, integrity, objectivity or professional skepticism has been compromised.</p>	
173.	400.2	PWC	<p>The definition of "Independence in appearance" has been changed to include a reference to the "assurance team". This seems inappropriate in the context of C1 and a reference to "audit team" in C2 would similarly be inappropriate. We recommend this be reconsidered.</p>	<p>The text in paragraph 400.1 is revised to refer to "audit". In the corresponding Section 900 of the International Independence Standards for assurance engagement a reference (i.e., restructured 291.5 (b)) a reference will be made to "assurance". Also, the definition of "independence in appearance" in the glossary refers to both "assurance" and "audit".</p>
174.	400.2 (b)	DTTL	<p>Section C1 does not apply to other non-audit assurance engagements. The word "assurance" should be deleted from 400.2(b).</p>	<p>See above.</p>

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175.	400.3 and 400.4	-	400.3 C1 describes facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence. It describes the potential threats, and safeguards that might be appropriate to address any threats by eliminating them or reducing them to an acceptable level. It identifies situations where no safeguards could reduce the threats to an acceptable level but does not describe all situations that might create a threat.	Content of section on which there is a comment below.
			400.4 The conceptual framework requires a firm to evaluate the implications of similar, but different, facts and circumstances and determine whether the threat can be addressed by applying safeguards, including the safeguards in 300.2 A10 to eliminate the threats to independence or reduce them to an acceptable level	
176.	400.3 and 400.4	DTTL	The last sentence of 400.3 would seem to be better placed in paragraph 400.4.	The sentence is relevant to 400.3 as it is still describing what is included in C1.
177.	400.4	JICPA	Although this provision refers to paragraph 300.2 A10, we consider that it should refer to 300.2 A9, thereby proposing alteration.	Text modified as suggested.
178.	400.4	APESB	Paragraph 400.4 includes a cross-reference to section 300.2 A10 that appears to be incorrect. The reference should be to section 300.2 A9.	Text modified.
179.	400.4	IOSCO	In paragraph 400.4, removing the reference to 300.2 A10, which does not include safeguards as suggested	Text modified.
180.	400.7	PWC	We recommend that the language in 400.7 be amended as below to provide greater clarity. Otherwise we support the approach recognising that the Code provides in many places that “the firm” takes appropriate action and that in many circumstances the responsibility will rest, in the case of independence, with an audit team.	Text modified

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			Firms are required by International Standards on Quality Control (ISQCs) to establish policies and procedures designed to provide them with reasonable assurance that independence is maintained when required by relevant ethical requirements. International Standards on Auditing (ISAs) establish responsibilities for engagement partners and engagement teams. <u>The allocation of</u> responsibilities within a firm <u>will</u> depend on its size, structure and organization. Many of the provisions of C1 do not prescribe the specific responsibility of individuals within the firm for actions related to independence. Although firms and professional accountants within those firms each have responsibilities for compliance, for ease of reference, many of the provisions of C1 refer to “firm,” even if responsibility <u>for a particular action rests with, or is assigned to, an individual or group of individuals (such as an audit team)</u> within the firm.	
181.	400.8	-	An audit report might include a restriction on use and distribution. If it does, the independence requirements in C1 may be modified as provided in Section 800, if the conditions set out in those paragraphs are met. These modifications are not permitted for an audit of financial statements which is required by law or regulation.	Content of section on which there is a comment below.
182.	400.8	IBM	<i>Suggest delete everything that follows “as provided in Section 800”. Not needed – it’s all in 800</i>	<i>Text modified by the deletion of the last sentence.</i>
183.	R400.11	DTTL	Put the subheading “Related Entities” before this paragraph.	Text modified.
184.	R400.12	-	Independence as required by C1 shall be maintained during both: (a) The engagement period; and (b) The period covered by the financial statements.	Content of section on which there is a comment below.
185.	R400.12	DTTL	The title “Engagement Period” before this section is incorrect as independence also covers the period covered by the financial statements. Retain extant Code wording “Independence from the audit client is required by C1 during both...”	Text modified to the “period during which independence is required.”

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186.	R400.13	IOSCO	<p>It is unclear why paragraph R400.13(a) is limited to financial or business relationships that exist during the period covered by financial statements prior to accepting the audit engagement and not to such relationships after accepting the audit engagement. Similarly, it is unclear why paragraph R400.13(b) applies to services prior to becoming auditor of an entity.</p> <p>If subsequent relationships and services are considered to be covered by other parts of the proposed Code, this should be made clear and the provision should only apply to new audit clients.</p> <p>It should be stated that all prohibited relationships/services must be terminated prior to accepting the engagement and that other parts of the proposed Code address ongoing/continuing prohibited services to the audit client, if any.</p>	<p>These provisions are the same as in the extant Code.</p> <p>They are intended to explain how to apply the Code to periods that are not specifically covered by other Code provisions.</p> <p>Including such a “black and white” overall statement would conflict with those provisions that do provide exceptions, such as breaches or mergers and acquisitions.</p>
187.	401.2	EYG	<p>Consider whether the below statement from R401.2 is necessary. It should be clear in each section of C1 when independence is also required by a network firm and therefore this sentence seems redundant.</p> <p><i>A network firm shall be independent of the audit clients of the other firms within the network where C1 specifically requires such independence.</i></p>	<p>The text has been modified to clarify that achieving independence requires compliance with the independence requirements as they have been established by the Code.</p>
188.	401.2	IOSCO	<p>The requirement in paragraph R401.2 for a network firm to be independent of audit clients of other firms in the network should apply even where there is no specific requirement in C1</p>	

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189.	R401.4	-	<p>If a firm or a network sells a component of its practice, the sales agreement sometimes provides that, for a limited period of time, the sold component might continue to use all or part of the name of the firm or the network, even though it is no longer connected to the firm or the network. In such circumstances, while the two entities might be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at cooperation and are therefore not network firms. Those entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.</p>	<p>Content of section on which there is a comment below.</p>
190.	R401.4	JICPA	<p>We understand that this paragraph is for a requirement because of the letter “R.” However, it is not easy to understand what the requirement is as a sentence including “shall” comes at the end of the paragraph. Therefore, we propose to move the sentence including “shall” to the beginning of the paragraph.</p> <p>In such a case, for example, the current sentence can be placed at the beginning of the paragraph by rephrasing it as follows: “The following entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.”</p> <p>We are proposing the change as follows:</p> <p>R401.4 The following entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties. If a firm or a network sells a component of its practice, the sales agreement sometimes provides that, for a limited period of time, the sold component might continue to use all or part of the name of the firm or the network, even though it is no longer connected to the firm or the network. In such circumstances, while the two entities might be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at cooperation and are therefore not network firms.</p>	<p>The text has been modified.</p>
191.	401.3 A2 to A9	EYG	<p>Consider whether it would be more user-friendly if the examples of circumstances which create a network are listed separate from those that do not in Section 401.3 A1. Consider whether separate bullet points or table with two columns would be easier to understand.</p>	<p>Believe it would create a more complicated structure, but the Task Force will revisit this</p>

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				issue along with JICPA comment below.
192.	401.3 A2 to A9	JICPA	<p>We propose subheads for each paragraph. This would allow us to understand what guidance is stipulated in each paragraph easily.</p> <p>For example, we propose subheads as follows: A2—Profit or Cost Sharing; A3—Within the Structure Share Common Ownership, Control or Management; A4—Sharing Common Quality Control Policies and Procedures; A5—Sharing Common Business Strategy; A6—Sharing the Use of Common Brand Name; and A8—Sharing Significant Part of Professional Resources.</p>	All headings will be reviewed once the structure of the Code is complete.
193.	R402.2 and 402.2 A1	-	<p>R402.2 A firm shall document conclusions regarding compliance with independence requirements, and the substance of any relevant discussions that support those conclusions. Accordingly:</p> <p>(a) When safeguards are required to reduce a threat to an acceptable level, the firm shall document the nature of the threat and the safeguards in place or applied that reduce the threat to an acceptable level; and</p> <p>(b) When a threat required significant analysis to determine whether safeguards were necessary and the firm concluded that they were not because the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.</p> <p>402.2 A1 A lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent as required by C1.</p>	Content of section on which there is a comment below.
194.	R402.2	PWC	<p>The interaction of this provision on documentation of conclusions and the proposed new requirement regarding an “overall assessment (as proposed in the ED on safeguards) is not clear in our view.</p> <p>We have provided comments on the proposal for an “overall assessment” in our response to the Board’s ED on safeguards. We refer the Board to our comment</p>	Referred to Safeguards Task Force. The Task Force notes that the Safeguards Task Forces is presenting

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			letter and recommend that this provision be re-considered in the light of deliberations on that overall assessment.	revisions to Safeguards ED-1 to clarify the requirements and application material regarding overall assessments.
195.	402.2 A1	ICAEW	In paragraph 402.2 A1 it may be helpful to point out that, whilst a lack of documentation does not determine independence (or lack of), it can be encouraged to assist the professional accountant in justifying their decisions	Matter for board attention. IESBA Consultative Advisory Group at its March 2016 meeting also suggested that this text be deleted.
196.	402	IOSCO	<p>Paragraph 402.1 would require documentation evidencing “judgments when forming conclusions regarding compliance with independence requirements”. The documentation should be required to be of a standard that would enable another professional to understand the judgments made and the reasons. Guidance should be provided on the extent of documentation required in relation to matters such as the identification of risks, and evaluation of threats that were determined to be acceptable without safeguards.</p> <p>This guidance in paragraph 402.2 A1 says that a lack of documentation does not determine whether a firm has considered a particular matter or whether it is independent. This paragraph is unnecessary and can undermine the documentation requirements and their enforceability. The paragraph should be removed.</p>	<p>These two items would change meaning.</p> <p>Both are matters for board attention.</p>
197.	403.1 to 403.3	ICAS	We believe that the above content appears a bit clumsy i.e. it doesn't flow well - because the “shalls” have been pulled out of the current paragraphs. Also, paragraph R403.3(a) appears rather a long sentence under the new approach.	Although no change has been made at this stage a further review will be made of the flow

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				and sentence length once the text of Structure ED 1 and Structure ED 2 is combined before the approval of Structure ED 2.
198.	403.2	PWC	<p>In the context of mergers and acquisitions the proposed phrase “it might not be reasonable to end and interest or relationship by the effective date” does not seem to say quite the same thing as the extant code which says “cannot reasonably be terminated by...”</p> <p>Suggested wording</p> <p>We recommend reverting to the extant language.</p>	Text modified by reverting to extant Code language as closely as possible.
199.	R403.3	-	<p>(a) In the circumstances set out in paragraph 403.1, the firm shall identify and evaluate previous and current interests and relationships with the related entity that, taking into account available safeguards, could affect its independence and therefore its ability to continue the audit engagement after the effective date of the merger or acquisition.</p> <p>(b) In the circumstances set out in paragraph 403.1, the firm shall take steps to end any interests or relationships that are not permitted by the Code by the effective date of the merger or acquisition.</p> <p>(c) As an exception to R403.3(b), if the interest or relationship cannot reasonably be ended by the effective date, the firm shall:</p> <ul style="list-style-type: none"> (i) Evaluate the threat that is created by the interest or relationship; and (ii) Discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be ended by the effective date and the evaluation of the significance of the threat. 	Content of section on which there is a comment below.

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200.	R403.3	DTTL	R403.3 Seems strange to have a requirements paragraph made up of 3 sub-sections without an introduction, such as “If an entity becomes a related entity of an audit client because of a merger or acquisition, the firm shall...” 403.2 seems to be Application Material relating to R403.3 (b) and (c) and would therefore logically go after the requirement.	Text modified.
201.	403.7d	SAICA	The language of R403.7 (d) could be further simplified, suggested change: Currently reads The firm shall document: (d) The reasons why the previous and current interests and relationships do not create threats that would remain so significant that objectivity would be compromised.” Suggested simplified wording: The firm shall document: (d) The reasons why the previous and current interests and relationships do not create significant threats that would compromise objectivity.	The Task Force does not believe this is a necessary change.
202.	R404.2	-	If a firm concludes that a breach of an independence provision of C1 has occurred, the firm shall: (d) Evaluate the significance of the breach and its impact on the firm’s objectivity and ability to issue an audit report; ...	Content of section on which there is a comment below.
203.	R404.2	IOSCO	Depending upon the significance of a breach of an independence requirement of the Code, paragraph R404.2(e) would require ending an audit engagement or taking other appropriate action. It should be made clear that other action is not appropriate where another requirement of the Code requires the engagement to be ended.	Task Force does not believe this is a necessary change.
204.	R404.2	DTTL	Should follow extant Code and the proposed sub-title and start “When a firm ...” not “If a firm”	The Task Force believes that “If” is correct because the

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				phrase should be conditional.
			Due to formatting, the last paragraph appears to be an overall comment for the entire section, when it only relates to R404.2(e). If so, the paragraph should be further indented.	Text modified.
205.	R404.3	DTTL	It could be helpful to place R 404.3 under the subtopic “Communication with Those Charged with Governance – Breaches of an Independence Provision”.	All headings will be reviewed once the structure of the Code is complete.
206.	R410.4	NZAuASB	Additional use of bullets could be added, for example R410.4 to separate out: <ul style="list-style-type: none"> • the public interest entity reference and • the 2 consecutive years fees of more than 15% elements. 	The Task Force does not believe that additional bullets would add to clarity on this occasion.
207.	R410.7	SAICA	Request further clarity regarding the below: 410.1 410.7 and R410.7 Words used in these paragraph include : 410.1 “Fees from an audit client remain unpaid for a long time”;; 410.7 “significant part of fees”; and R410.7 “generally appropriate for the firm to require payment” These terms may obscure clarity, as was indicated on the map provided with the ED these terms do give the PA more flexibility in applying their judgement. We do envision regulators and PA’s, will want to understand these terms more clearly IESBA may want to consider providing further application guidance to assist in terms of applying and enforcing these sections of the Code.	Matter for board attention as outside the project’s scope.
208.	410, but also in general comments	JICPA	In the draft of the proposed Code, there are “Introduction” and “Requirements and Application Material” for each section (Level 1), some of which are subdivided into groups with titles in italics (Level 2). If necessary, these groups are further broken into smaller parts, which are differentiated by using headings in a regular font (Level	All headings will be reviewed once the structure of the Code is complete.

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			3) by each group. For example, in Section 410, the head “Audit Clients that are Public Interest Entities” is classified as Level 3, as follows, which is a further subdivision of the Level 2 head “Fees-Relative Size.” In this way of using headings, the levels of the headings are difficult to see at a first reading. Accordingly, the way of using the headings needs to be improved. For example, the style and layout of each level of headings can be reorganized by changing indents and/ or underlining, for example.	
209.	410.9 A2	NZAuASB	410.9 A2 repeats R410.8 and 9. Could this not be shortened?	This is a link as a reference to provide context, and does not repeat the full provisions.
210.	510.2	-	Financial interests might be held directly or indirectly through an intermediary (for example, a collective investment vehicle, estate or trust). When a beneficial owner has control over the intermediary or the ability to influence investment decisions, the Code defines that financial interest to be direct. Conversely, when a beneficial owner has no control over the intermediary or the ability to influence investment decisions, the Code defines that financial interest to be indirect	Content of section on which there is a comment below.
211.	510.2	IBM	<i>Amend – “or the ability to influence its investment decisions”</i>	<i>Text modified.</i>
212.	510.3; 511.2 and 520.2	SAICA	Regarding restructured sections 510.3 ; 511.2 and 520.2 these sections all contain the words “...for the purpose of determining whether such an interest is material to an individual, the combined net worth of the individual and the individuals immediate family members may be taken into account” Consider removing the repetitious language and state the following in a new sentence: Suggestion: In determining whether an interest is material to an individual in terms of sections 510.3; 511.2 and 520.2, the combined net worth of the individual and the individuals immediate family members may be taken into account.	Since the words each relate to different sections they need to be included in each section. There is no “overall” section for these interests and relationships.

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213.	R510.5 subheading	DTTL	"Financial Interests Held by the Firm, Network Firm,..."	Text modified. Network firm added to the subheading.
214.	R510.5 subheading	EYG	Suggest the heading above Section R510.5 might read better as follows: <i>Financial Interests Held by the Firm, a Network Firm, Audit Team Members, and Other Partners and Employees of the Firm.</i>	Text modified.
215.	R510.5(d)	DTTL	"Any other partner or managerial employee who provides non-audit services to the audit client, except for any whose involvement is minimal, or any of their <u>that individual's</u> immediate family."	Text modified.
216.	R510.5 R510.5 (d)	SAICA	The reading of the below section, in our view, does not flow well: R510.5 A direct financial interest or a material indirect financial interest in the audit client shall not be held by: <u>R510.5 (d) Any other partner or managerial employee who provides non-audit services to the audit client, except for any whose involvement is minimal, or any of their immediate family.</u> Suggest the following improved flow to replace the above R510.5 (d) Any other partner or managerial employee, or any of their immediate family, who provides non-audit services to the audit client, except for any whose involvement is minimal.	The change would apply the "who provides ... services" to the full group, not just to "any other partner or managerial employee" and accordingly would change the ambit of the provision.
217.	R510.6	-	As an exception to paragraph R510.5, an immediate family member identified in subparagraphs 510.5(c) or (d) may hold a direct or material indirect financial interest in an audit client, provided that: (a) The family member received the financial interest because of employment rights (for example, through pension or share option plans); (b) The family member disposes of or forfeits the financial interest as soon as practicable when the family member has or obtains the right to do so, or in the case of a stock option, when the family member obtains the right to exercise the option; and	Content of section on which there is a comment below.

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			(c) When necessary, the firm applies safeguards to eliminate any threat to independence or reduce it to an acceptable level.	
218.	R510.6	IBM	<i>Since we decided not to split by category of person affected, I would prefer to repeat again here rather than refer back, for clarity.</i>	<i>Repeating the text would increase complexity and length of the language in this paragraph. The use of a reference is less complex.</i>
219.	R510.6	PWC	This provision is an exception (using the word “may”) and does not contain a “shall”. It is not clear how this paragraph fits into the revised structure relating to requirements. The placement and status of all exceptions to a requirement needs to be clarified.	The use of “may” in a requirement has been clarified in the Guide.
220.	R510.7 and many others, such as R511.4	PWC	The drafting of various provisions has been changed from “a member of that individual’s immediate family” to, for example, “that individual’s immediate family member”. This does not seem to read well, and indeed implies that the individual only has one immediate family member or that the restriction applies only to one family member.	Text modified.
221.	R510.8	DTTL	“Paragraph R510.5 also applies to a financial interest in an audit client held <u>in a trust for which the individual acts as trustee as it does to other financial interests</u> , unless:”	Text modified.
222.	R510.9	PWC	<i>The financial interests are immaterial to the firm, the network firm, the audit team member, that individual’s immediate family member and the audit client, as the case may be; or</i> This represents an unintended change to the code as it states that the interest has to be immaterial to the holder (for example the audit team member or the family member who holds the interest). Consistent with 510.3 (and the extant Code) their combined net wealth may be taken into account in evaluating the permissibility of the interest.	Text modified.

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			<p>In contrast, the construct of R511.6 seems clearer (use of “and”). Consistency is needed though.</p> <p>We recommend re-drafting along the following lines:</p> <p>The financial interests are immaterial to the firm, the network firm, the individual, the audit client, as the case may be; or</p> <p>This would permit the reference to the “individual” to be read in the context of 510.3.</p>	
223.	510.9, and elsewhere	EYG	<p>The phrase <i>as the case may be</i> has been added to the Code in several sections including sections R510.9, R511.5, R511.6, R520.4 and R520.5. We do not believe this phrase adds value to the understanding of the Code, and in fact, with the focus now on the distinction between <i>may</i> and <i>might</i> could increase confusion. We suggest the Board remove this phrase from wherever it now appears in the draft.</p>	<p>The phrase clarifies that materiality is to be considered in relation to each affected party, and not to every party or all parties in total.</p>
224.	R510.9(b)	DTTL	<p>“Before an individual <u>who has a financial interest described in R510.9(a)</u> can become an audit team member, the individual or that individual’s immediate family member shall either:”</p>	<p>Text modified.</p>
225.	R510.10	-	<p>If a firm, a network firm or a partner or employee of the firm or a network firm, or that individual’s immediate family member, receives a direct financial interest or a material indirect financial interest in an audit client by way of an inheritance, gift, as a result of a merger or in similar circumstances and the interest would not otherwise be permitted to be held under this section then: ...</p> <p>(b) (i) If the interest is received by an individual who is not an audit team member, or by that individual’s immediate family member, the financial interest shall be disposed of as soon as possible, or enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; and</p> <p>(ii) Pending the disposal of the financial interest, the firm shall determine whether safeguards are necessary.</p>	<p>Content of section on which there is a comment below.</p>

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226.	R510.10	IBM	<i>In reference to “the firm” in (b)(ii) - This appears to represent a shift in responsibility. [Same comment in relation to R510.11]</i>	<i>This is addressed by firm responsibility in paragraph 400.7 (in Structure ED 1.)</i>
227.	510.10(b) (ii) (as examples)	IOSCO	<p>Certain paragraphs of the proposed Code require an assessment as to whether safeguards are necessary to address a threat (e.g., refer paragraph R510.10(b)(ii)). These provisions should also require the auditor to determine whether the safeguards are sufficient to address the threats and, if not; require action such as ceasing to be the auditor before issuing an opinion.</p> <p>Similarly, paragraph R310.11 requires an accountant to judge whether specific disclosure and explicit consent is necessary in relation to a conflict of interest but should also require the accountant to determine whether this would be sufficient or other actions are required.</p>	The CF includes the material related to how to “address” threats – the detail is not repeated in each instance.
228.	510	JICPA	Financial Interest is defined as “an interest in an equity or other security, debenture, loan or other debt instrument of an entity.” Meanwhile, the provisions for financial interests from R510.5 in Section 510 are mostly related to direct and indirect financial interests. On the other hand, “Loans and Guarantees” that is included in financial interests by definition is prescribed in Section 511, separating from Section 510. To match the title of the Section with its content, we propose that the overall provisions concerning financial interests be included in Section 510 and that the provisions concerning direct and indirect financial interests be included in a new section, Section 511, for example. In such a case, the provisions of “Loans and Guarantees” shall be included in Section 512.	This suggestion will be addressed by the proposed matrix tool and the new electronic Code.
229.	R510.10	PWC	We recommend that the two sub-bullets under (b) are merged into one and presented as (b).	The Task Force believes that the proposed change would make the wording too cumbersome.

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230.		-	<p>In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:</p> <p>(a) If an audit team member knows that a close family member has a direct or material indirect financial interest in the audit client. (Ref: Para. 510.11 A1).</p> <p>(b) If the retirement benefit plan of a firm or a network firm holds a direct or material indirect financial interest in an audit client.</p> <p>(c) If an audit team member, or that individual's immediate family member, or the firm or a network firm, has a financial interest in an entity and a director or officer or controlling owner of the audit client is also known to have a financial interest in the same entity. (Ref: Para. 510.11 A3).</p> <p>(d) If an audit team member knows that a financial interest in the audit client is held by other individuals, such as:</p> <p>(i) Partners and professional employees of the firm or network firm, in addition to those who are specifically not permitted to hold such financial interests by paragraph R510.5, or their immediate family members; or</p> <p>(ii) Individuals with a close personal relationship with an audit team member. (Ref: Para. 510.11 A5).</p>	Content of section on which there is a comment below.
231.	R510.11	DTTL	"If the a retirement benefit plan of a firm or a network firm..."	Text modified "the" deleted and "a" inserted.
232.	R510.11	PWC	The extant code uses the word "including" (290.115) and this is replaced by "such as". Both suffer, on reflection, from an implication that there may be other people to consider. Unless it is evident who might also need to be considered, and we cannot think of any, we suggest the deletion of "such as" to make this more definitive.	There may be other people to consider for example people with close business relationships.
			Further the "in addition to" is inelegant.	Text modified to say "apart from those" instead of "in addition."

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233.	510.11(a)	ICAS	This should reference to paragraphs 510.11 A1 and A2 (not just A1)	Text modified as A2 should be referenced.
234.	510.11(c)	ICAS	This should reference to paragraphs 510.11 A3 and A4 (not just A3)	Text modified as A4 should be referenced.
235.	510.11(d)	ICAS	This should reference to paragraphs 510.11 A5 and A6 (not just A5)	Text modified as A6 should be referenced.
236.	511	JICPA	In the draft of the Code, although “Section 511 Loans and Guarantees” includes the provisions concerning “R511.7 Deposits or Brokerage Accounts,” in light of clearness, we propose to set another Section for the provisions concerning “Deposits or Brokerage Accounts” to separate from the provisions of Loans. For example, we propose that another Section called “Other Financial Interests” be created to include the provisions concerning “Deposits or Brokerage Accounts.” For now, although there is no other provision concerning financial interests that needs to be moved to that Section, there is a possibility that the provisions concerning insurance and other matters are added to the Section in the future.	The structure has been generally accepted by respondents and so no change has been made here.
237.	511.4 A1	PWC	At times we believe that the positioning of application material might be improved. For example: <ul style="list-style-type: none"> 511.4A1 deals with a situation where a loan from a bank is permitted by R511.4 but addresses the situation where the loan is material. It follows the preceding requirement but is not in fact related to the requirement in 511.4, and presumably relates to the application of R511.3. It seems to be guidance to help apply the conceptual framework to this situation. If that is the case, perhaps it should be more closely related to R511.3? Further in sequence, 511.4 A3 may come better before 511.A1 and this may help the flow. 	The Task Force believes the order in this section is appropriate. AM that deals with the general application of the CF is included at the beginning of the R and AM section and then all other AM goes immediately after the particular requirement to which it is most directly related.

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238.	R511.7	-	A firm, a network firm, an audit team member, or that individual's immediate family member shall not have deposits or a brokerage account with an audit client that is a bank, broker or similar institution, unless the deposit or account is held under normal commercial terms	Content of section on which there is a comment below.
239.	520.1	DTTL	"A close business relationship between an audit client <u>or its management</u> and a firm, a network firm, an audit team member"	Text modified.
240.	R520.4 and R520.5	-	<p>R520.4 The firm, a network firm or an audit team member or a member of the individual's immediate family shall not have a close business relationship with an audit client or its management unless the financial interest is immaterial and the business relationship is insignificant to the firm, the network firm or the audit team member, as the case may be, and the client or its management.</p> <p>R520.5 The firm, a network firm, an audit team member, or that individual's immediate family member shall not have a business relationship involving the holding of an interest in a closely-held entity when an audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity, unless:</p> <ul style="list-style-type: none"> (a) The business relationship is insignificant to the firm, the network firm, or the audit team member and the immediate family member, as the case may be, and the client; (b) The financial interest is immaterial to the investor or group of investors; and (c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity. 	Content of section on which there is a comment below.
241.		JICPA	In the draft of the Code, there is only one Section concerning Business Relationships, Section 520; this may not be enough to respond to an increase in the number of the future provisions properly. Taking into consideration the expanding guidance in the future, we consider that it is better to leave Sections 520–529 for the	The Task Force will consider this issue when the text is complete.

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			<p>provisions of Business Relationships.</p> <p>Presently, Sections 521–525 are allocated to the following items; each of the items is related to the provisions responding to the threats arising from employment relationships, which are all related to employment. Taking the above into consideration, to clarify the relationship among the provisions, we propose that Sections 530–539 be for the provisions concerning Employment Relationships, for example, as follows:</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 50%;">ED</th> <th style="text-align: center; width: 50%;">Proposed Amendments</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">521 Family and Personal Relationships</td> <td style="vertical-align: top;">531 Family and Personal Relationships</td> </tr> <tr> <td style="vertical-align: top;">522 Recent Service with an Audit Client</td> <td style="vertical-align: top;">532 Recent Service with an Audit Client</td> </tr> <tr> <td style="vertical-align: top;">523 Serving as a Director or Officer of an Audit Client</td> <td style="vertical-align: top;">533 Serving as a Director or Officer of an Audit Client</td> </tr> <tr> <td style="vertical-align: top;">524 Employment with an Audit Client</td> <td style="vertical-align: top;">534 Employment with an Audit Client</td> </tr> <tr> <td style="vertical-align: top;">525 Temporary Personnel Assignments</td> <td style="vertical-align: top;">535 Temporary Personnel Assignments</td> </tr> </tbody> </table>	ED	Proposed Amendments	521 Family and Personal Relationships	531 Family and Personal Relationships	522 Recent Service with an Audit Client	532 Recent Service with an Audit Client	523 Serving as a Director or Officer of an Audit Client	533 Serving as a Director or Officer of an Audit Client	524 Employment with an Audit Client	534 Employment with an Audit Client	525 Temporary Personnel Assignments	535 Temporary Personnel Assignments	
ED	Proposed Amendments															
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524 Employment with an Audit Client	534 Employment with an Audit Client															
525 Temporary Personnel Assignments	535 Temporary Personnel Assignments															
242.	521.1	-	A family or personal relationship between an audit team member and a director or officer or certain employees of the audit client (depending on their role) might create self-interest, familiarity or intimidation threats. Section 521 sets out requirements and application material on applying the conceptual framework to these family or personal relationships.	Content of section on which there is a comment below.												
243.	521.1	DTTL	“A family or personal relationship between an audit team member and a director or officer or <u>certain</u> other employees of the audit client (depending on their role) might create self-interest, familiarity or intimidation threats.”	Text modified and parenthesis language moved using commas instead.												

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244.	521.1	IBM	<i>Extant Code says certain employees. I don't like other on its own but suggest using "certain other employees."</i>	See above.
245.	521.3 material	-	<p>R521.3 An individual shall not participate as an audit team member when that individual's immediate family member:</p> <ul style="list-style-type: none"> (a) Is a director or officer of the audit client; (b) Is an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion; or (c) Was in any such position during any period covered by the engagement or the financial statements. <p>521.3 A1 Threats to independence are created when an immediate family member of an audit team member is an employee in a position to exert significant influence over the client's financial position, financial performance or cash flows.</p> <p>The significance of the threats will depend on factors such as:</p> <ul style="list-style-type: none"> • The position held by the immediate family member. • The role of the professional on the audit team. <p>521.3 A2 Examples of safeguards include:</p> <ul style="list-style-type: none"> • Removing the individual from the audit team. • Structuring the responsibilities of the audit team so that the professional does not deal with matters that are within the responsibility of the immediate family member. 	Content of section on which there is a comment below.
246.	521	PWC	<p>Another example of where it is possible that readers may be confused by the positioning of the application material is Section 521:</p> <ul style="list-style-type: none"> • R521.2 establishes the requirement to apply the conceptual framework • R521.3 then establishes a specific requirement 	The order of these paragraphs has been modified.

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			<ul style="list-style-type: none"> 521.3 A1 (and A2) is application material addressing a different set of circumstances and is guidance to help apply the requirement set in R521.2 (and not the requirement it follows). <p>Accordingly in this case (and others with a similar construct) the application material may be better located following the relevant requirement.</p>	
247.		APESB	<p>The term 'professional' is used multiple times in the Code when referring to roles on audit teams. In order to improve the clarity of the Code, APESB recommends that the IESBA considers explicitly stating 'audit team member' rather than 'professional' in the following paragraphs:</p> <p>521.3 A1, 521.3 A2, 521.4 A1, 521.5 A1, 521.5 A2 and 522.3 A2</p>	Text adjusted as appropriate.
248.	R521.6	DTTL	Include the subheading "Relationships of Partners and Employees of the Firm" before this paragraph (R521.6) to give it greater prominence.	Text modified.
249.	522.1	DTTL	"Self-interest, self-review or familiarity threats might be created if an audit team member has recently served as a director or officer, or employee of the audit client. For example, <u>this might occur if an audit team member might have to evaluate</u> elements of the financial statements when that individual prepared the relevant accounting records while with the client."	Text modified.
250.	523.2	-	The position of Company Secretary has different implications in different jurisdictions. Duties might range from: administrative duties, such as personnel management and the maintenance of company records and registers; to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Generally, this position is seen to imply a close association with the entity. (See also Section 600 and Subsections 601 and 602 in relation to providing non-assurance services to an audit client).	Content of section on which there is a comment below.
251.	523.2	DTTL	This paragraph would appear to be application material instead of part of the introduction.	The paragraph has been moved.

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252.	R523.3	-	A partner or employee of the firm or a network firm shall not serve as a director or officer of an audit client of the firm.	Content of section on which there is a comment below.
253.	R523.3	IBM	<i>If I'm not mistaken, the Code uses audit client, not audit client of the firm.</i>	<i>"of the firm" is not in the extant Code, but IESBA believes it is correct. This language was thoroughly discussed and reviewed by the board in December 2015.</i>
254.	R524.4	-	A firm shall: (a) Have policies and procedures that require audit team members to notify the firm when entering employment negotiations with an audit client; and (b) On receiving such notification, apply the conceptual framework.	Content of section on which there is a comment below.
255.	R524.4(b)	DTTL	The need for this sentence is not clear when the section includes R524.2. [R524.2 A firm shall apply the conceptual framework set out in Section 120 to employment with an audit client.]	Text modified as (b) is redundant.
256.	524.4 A1	NZAuASB	Where "an audit team member" is referred to twice in a sentence, could "they" be used instead? For example, 524.4 A1 "A self-interest threat is created when an audit team member participates in the audit engagement while knowing that they (the audit team member) will, or might, join the joint the client at some time in the future."	The Task Force prefers the ED language.
257.	524.3 A1	-	A significant connection remains between the firm and the individual, unless: (a) The individual is not entitled to any benefits or payments from the firm that are not made in accordance with fixed pre-determined arrangements; (b) Any amount owed to the individual is not material to the firm; and	Content of section on which there is a comment below.

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			(c) The individual does not continue to participate or appear to participate in the firm's business or professional activities.	
258.	524.3 A1	PWC	524.3 A1 is an important definition in effect to be used in applying the requirement in R524.2. Is its status as application material clear enough? The same might be said of 524.7 A1.	The Task Force believes that this change is not necessary.
259.	R524.5	-	<p>If an individual who was a key audit partner joins an audit client of the firm that is a public interest entity as:</p> <ul style="list-style-type: none"> • A director or officer; or • An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, <p>independence is compromised, unless subsequent to the partner ceasing to be a key audit partner:</p> <p>(a) The public interest entity has issued audited financial statements covering a period of not less than twelve months; and</p> <p>(b) The partner was not an audit team member with respect to the audit of those financial statements.</p> 	Content of section on which there is a comment below.
260.	R524.5	DTTL	<p>This sentence structure is unlike any other requirements as there is no "shall". It is suggested to amend as follows:</p> <p>"If an individual who was a key audit partner shall not joins an audit client of the firm that is a public interest entity:</p> <p>[...]</p> <p>independence is compromised, unless subsequent to the partner ceasing to be a key audit partner..."</p>	This was the subject of much discussion by the board and it concluded was that Code cannot prohibit someone from employment, but can prescribe the conditions under which it does not compromise independence.

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261.	R524.4 and 5	NZAuASB	Proposed R524.5 and R524.6 should have a “shall not” if it is a requirement rather than referring to independence being compromised, to be consistent with the drafting rules that a requirement should contain “shall”. 524.7 A1 could then be phrased as an exception to R524.5 and 6. As the requirement refers to a key audit partner joining the audit client, the prohibition would apply to the firm retaining the engagement.	The Task Force believes that no change is necessary. (See above.)
262.	R524.6	PWC	Senior or Managing Partner is the more common term used in firms (although Chief Executive may be used). We recommend reverting to the language in the extant code. This would also then be consistent with the term used in the definition of “audit team”.	Covered by “or equivalent.” The Task Force proposes a change to the definition to address the issue.
263.	524.7 A1	-	Independence is not compromised if the circumstances set out in paragraphs R524.5 and R524.6 arise as a result of a business combination and: The position was not taken in contemplation of the business combination; Any benefits or payments due to the former partner from the firm have been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the partner is not material to the firm; The former partner does not continue to participate or appear to participate in the firm’s business or professional activities; and (d) The firm discusses the position held with the audit client by the former partner with those charged with governance.	Content of section on which there is a comment below.
264.	524.7 A1	PWC	524.3 A1 is an important definition in effect to be used in applying the requirement in R524.2. Is its status as application material clear enough? The same might be said of 524.7 A1.	The Task Force believes that this change is not necessary.
265.	Section 525	DTTL	Use the term “loaned personnel” instead of “loan of personnel” as there are instances in this section where it can be confused with a loan that is a financial relationship.	The Task Force believes that this

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				change is not necessary.
266.	525.2 A1/ R525.3	EYG	We suggest these two sections be reversed. Does not seem appropriate to have the safeguards discussion before the rules.	The application material applies to the overall requirement, and a specific requirement then follows.
GLOSSARY				
267.		DTTL	"Audit": In C1, the term "audit" includes "review engagement".	Text modified.
268.		PWC	<p>Acceptable level</p> <p>We note that the phrase "weighing all the specific facts and circumstances available to the professional accountant at the time" has been moved to the definition of a "reasonable and informed third party". While we can see the logic of including this in the latter, we wonder if the definition of "acceptable level" is deficient, not least because it requires a cross reference to another definition.</p> <p>We have provided comments on this in our response to the Board's ED on Safeguards and would ask the Board to consider those comments.</p>	The phrase "weighing all the specific facts and circumstances available to the professional accountant at the time" is retained. It forms part of the description of reasonable and informed third party which is included in glossary as a defined term.
269.		CPA Canada	<p>Consent</p> <p>It was identified that the different terms of consent utilized could be clearer and noted the following definition included within our CPA Code as having more precision:</p>	This would be a change in meaning which is outside the project's scope.

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			<p>“consent” means fully informed and voluntary consent given, after disclosure of sufficient information and with sufficient time to make a knowledgeable decision,</p> <p>(a) in writing, provided that if more than one person consents, each signs the same or a separate document recording the consent; or</p> <p>(b) orally, provided that each person consenting receives a separate written communication recording the consent as soon as practicable.</p>	
270.		NZAuASB	<p>There is a new defined term “engagement period” defined as “the engagement period starts when the audit team begins to perform audit services. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has terminated or the issuance of the final audit report.” It is not clear whether this term will be referred to in C2 on other assurance engagements in which case a different definition may be required.</p> <p>In addition, this definition may be inconsistent with ISA (NZ) 720 (Revised) which requires the auditor to read the “other information” even after the date the auditor’s report is issued. It may be more appropriate to define the engagement period for an audit to end once the auditor has issued the auditor’s report and met all of the requirements of the ISAs.</p>	The Task Force believes that this would change meaning and, accordingly, would be outside the project’s scope.
271.		IOSCO	<p><i>Engagement period</i> – the period should not be limited to the date that the audit report is issued as the auditor has further responsibilities, such as addressing the effect on the opinion of matters that come to the auditor’s attention after conclusion of the audit</p>	Task Force believes that this would change meaning and, accordingly, would be outside the project’s scope.
272.		IOSCO	<p><i>Financial interest</i> – the definition may need to be broadened to cover interests such as financial interests in a trust.</p>	Matter for board attention as the suggestion is outside the project’s scope.

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273.		DTTL	"Fundamental Principles" would benefit from a short description. It is suggested to include "The standard of behavior expected of a professional accountant."	The Task Force believes that there might be a risk that a "short form" description in the Glossary might be interpreted as overriding the full description in the body of the Code.
274.		PWC	Reasonable and informed third party. This has in effect been expanded from the current code to include facts and circumstances that the PA "or could reasonably be expected to know". We have commented on this in our response to the ED on Safeguards.	Referred to Safeguards Task Force. The Task Force notes that the Safeguards Task Forces is presenting revisions to Safeguards ED-1 to clarify the description of reasonable and informed third party.
275.		DTTL	"Safeguards" is defined in one sentence in paragraph 120.7 A2. It is suggested to repeat this sentence in the glossary so the reader doesn't have to refer to the other paragraph.	A sentence will be added to the Glossary.
276.	Glossary	APESB	The term 'professional accountant' is <u>not</u> abbreviated in the definitions of 'professional accountant in business' and 'reasonable and informed third party'. However, it is abbreviated in the definition of 'review engagement' (in accordance with the new drafting guideline no. 33 ¹).	Text modified.

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277.	Glossary	IBM	<i>RE: definitions/descriptions/ glossary – what is included/excluded? An example of this is "conflict of interest" it is "described" in sections 220 and 310, but is not in the glossary.</i>	<i>These matters will be reviewed when the final text is complete.</i>
278.	Glossary	APESB	<p>Drafting guideline no.22¹ provides guidance on whether a wording is a definition or a description of what the term might include, and drafting guideline no.23¹ provides guidance that repeating terms that are already included in a definition should be avoided.</p> <p>APESB has identified that the term 'Acceptable Level' is defined in the Glossary and described in the text of paragraph 120.6 A1, and that both the definition and description of the term are identical. We acknowledge that IESBA has intentionally duplicated the term in paragraph 120.6 A1 upon the request of its Consultative Advisory Group. Additionally, we note that the term 'Contingent fee' is also defined in the Glossary as well as described in the text of paragraph 410.9 A1.</p> <p>However any redundant description of a defined term should be removed from the body of the Code, to avoid unnecessary repetition of a definition and to ensure that the drafting guideline no.23¹ is applied consistently throughout the Code.</p> <p>Therefore, we propose to delete:</p> <ul style="list-style-type: none"> • paragraph 120.6 A1 and the additional description to the definition of 'Acceptable Level'; and • paragraph 410.9 A1. 	The Task Force has also reviewed a number of other terms for possible inclusion in the Glossary.
279.	Glossary	APESB	<p>APESB believes that the definition of 'Independence' should be revised to remove any duplicated elements of the 'reasonable and informed third party' concept (i.e weighing all the specific facts and circumstances – as this is part of the definition of reasonable third party). This will ensure a consistent application of drafting guideline no.23¹ which the IESBA has already applied to the proposed paragraphs 115 A1, R310.14, 340.3 A1, R401.3 and R404.2 and the definition of 'Acceptable level' (Safeguards Exposure Draft).</p>	Text modified to incorporate conforming change based on the more fulsome description of reasonable and informed third party that is now included in the glossary of defined

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			Accordingly, we propose that the phrase 'weighing all the specific facts and circumstances' be deleted in both paragraph 400.2 and the definition of 'Independence'.	terms and Section 120.

Appendix

Key to Respondents Mentioned in this Paper

#	Abbrev.	Respondents	Region
Regulators and Oversight Authorities			
1.	IOSCO	International Organization of Securities Commissions	Global
2.	IRBA	Independent Regulatory Board for Auditors (South Africa)	SA
3.	PAAB	Public Accountants and Auditors Board (Zimbabwe)	SA
4.	UK FRC	United Kingdom Financial Reporting Council	EU
National Standard Setters			
5.	APESB	Accounting Professional & Ethical Standards Board Limited-Australia	AP
6.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
Firms (10)²			
7.	BDO*	BDO Global Coordination B.V.	Global
8.	DTTL*	Deloitte Touche Tohmatsu Limited	Global
9.	EYG*	Ernst and Young	Global
10.	PKF	PKF	Global
11.	PwC*	PricewaterhouseCoopers	Global
12.	RSM	RSM UK	EU

² Forum of Firms members are indicated with a *. The Forum of Firms is an association of international networks of accounting firms that perform [transnational audits](#). Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

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#	Abbrev.	Respondents	Region
IFAC Member Bodies and Other Professional Organizations (29)			
13.	ACCA	The Association of Chartered Certified Accountants	Global
14.	CIMA	Chartered Institute of Management Accountants	Global
15.	CPA Aus	CPA Australia	AP
16.	CPA Canada	Chartered Professional Accountants of Canada	NA
17.	FEE	Fédération des Experts Comptables Européens	EU
18.	ICAEW	The Institute of Chartered Accountants in England and Wales	Global
19.	ICAS	The Institute of Chartered Accountants of Scotland	EU
20.	JICPA	The Japanese Institute of Certified Public Accountants	AP
21.	IDW	Institut der Wirtschaftsprüfer	EU
22.	MIA	Malaysian Institute of Accountants	AP
23.	SAICA	The South African Institute of Chartered Accountants	MEA
24.	SMPC (IFAC)	IFAC Small and Medium Practices Committee	Global