

Agenda Items 3-B and 3-D Supplement 2

Table Showing Disposition of Comments from IESBA Members on the December Board Papers

<p>Key:</p> <ul style="list-style-type: none"> • <i>Comments from IESBA members are included in italic font in the table below.</i> • <i>Comments made on NOCLAR, Part C and Safeguards have been omitted in this table and passed to the relevant Task Force.</i> • <i>Comments shaded in gray were presented to the Board on Monday and will not be represented on Thursday</i>

#	Para	Comment	Response
COMMENTS ON ED-1			
The Guide to the Code			
1.	1	<i>Add "as defined in the Glossary" after professional accountants in line 2?</i>	TF did not think it necessary for the Guide.
2.	2	Paper 3-B - <i>Not clear why "professional" is deleted here. Seems inconsistent.</i>	To comply with drafting guideline 41. <i>Where the term "professional accountant" has been used once in a paragraph, then any following reference to that same professional accountant is normally to an "accountant."</i>
3.	3	<i>"Established by" doesn't make sense to me. Use "which require" instead?</i>	TF considers that this comment might change meaning.
4.	4	<i>Part 2 bullet - add "when performing professional activities" after professional accountants in business in line 2 (otherwise the sentence is only repeating the title of Part 2).</i>	TF has revised.

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5.	4	<i>The Glossary - strike "applies to the entire Code" and add "used throughout the Code" after "appropriate."</i>	Task Force has made an adjustment in light of this comment.
6.	4.	<i>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 Part 4A, the term "audit engagements" refers to both audit and review engagements. This doesn't seem to include description. We'd prefer the drafting in 3G p. 9 f "Definitions section enhanced and presented as a glossary, which also includes descriptions of terms used."</i>	TF considers that in Basis for Agreement in Principle wording compares existing and new Code which is not appropriate for the Guide. It has added a reference at the beginning of the Glossary to described terms.
7.	5	Paper 3-B - <i>Second bullet should be "establishes."</i>	TF believes that this is correct as drafted.
8.	6	Paper 3-B - <i>The deletion of the second sentence re "firms" seems inconsistent with the reintroduction of "firm" in para 9.</i>	TF has reintroduced the deleted sentence without the reference to firms in parentheses. This brings in the phrase 'PAPP' including firms by definition.
9.	8	<i>Explain related. The section of which the subsection forms a part. Instead of related.</i>	TF made a change for clarity.
10.	10	<i>Is the phrase "or conditional wording" necessary? Change "or" to "as"? This will be lost in translation. You might want to be cautious about stressing the difference in nuance between two English words. E.g. in Nordic countries both may and might (and even can) will be translated with the same word. Therefore, p. 11 will make no sense at all.</i>	Task Force made no revision because it is of the view that "may" and "might" have been defined to have a specific meaning in the Code which restricts their normal English definition.
11.	11	<i>When the word "might" is used in the Code it denotes the possibility of a matter arising, an event occurring or a course of action being taken. Use the appropriate term with reference to definitions in the glossary.</i>	The Task Force has made no change because it thinks paragraph 11 is clear.

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12.	12	<i>Strike "As noted in paragraph 100.2" as this seems to be the only specific cross-reference to a Code section.</i>	TF revised the wording.
13.	12	<i>Clearer if "100.2 of the Code..."</i>	TF revised the wording.
14.	12.1	<i>Beneficial to add anything explaining paragraphs in Code not designated with "R" or "A"?</i>	TF regards this as self-evident.
15.	13	<i>"Where application material includes lists of examples, these lists are not intended to be exhaustive." Should consider including "and not applicable to all circumstances."</i>	The TF believes the existing wording is sufficient and so made no change.
16.	Overview	<i>Should TF change to include Part C definition change? I.e. PAPP considers PAIB section.</i>	Outside scope of Structure as dependent on approval of applicability paragraph.
Part 1			
17.	100.2	<i>Repeats the Guide; are both needed? Perhaps yes. Is this paragraph better positioned in the Code or in the Guide?</i>	If Code read without the Guide then this paragraph is needed. In both.
18.	R100.3	<i>Various places in the Code. E.g. - Professional Accountant vs. Accountant R100.3 A professional accountant ... and the accountant shall comply with all other parts of the Code. Can be confusing to a first time reader. The Guide also does not clarify the writing style.</i>	This follows the drafting guidelines. See 2 above.
19.	100.3 A1	<i>Fundamental Principles vs. Principles - Various places in the Code. E.g. "100.3 A1 The fundamental principle of professional behavior ... For consistency, FPs should always be referred to as fundamental principles. This would ease use for first time users</i>	Task Force made no change as this is the convention used in the drafting guidelines.

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20.	100.3 A1	<i>Think is an exemption and should be an R paragraph</i>	Although an exception to R 100.3 it does not permit less than required by the Code.
21.	R100.4	<i>Start the requirement with the second sentence to address breaches of the overall Code first, rather than leading with breaches to independence and reference to Independence Standards as currently drafted. The reference to Parts 4A and 4B might more appropriately be included in this section as application material that in turn references additional requirements set out elsewhere in the Code.</i>	This was debated earlier in the project and the Task Force is of the view that further change is not needed.
22.	R111.2 and 111.2 A1	A professional accountant shall not knowingly be associated with reports, returns , ...: <i>Tax returns?</i>	The wording is in the extant Code and is broader than tax returns.
23.	112.2 A1	<i>The sentiment in this para seems to not be limited to objectivity but could be said about any of the FPs. Should/could a more general statement to this effect be made in section 110 instead? I also note that the references to the extant code includes those from section 280, which is applicable to PAPP, whereas section 112 applies to all PAs. (I note that section 115 on Professional Behavior also includes refs to 200 sections in the extant code). Would it be better to make the application material at 112.2 A1 a cross reference to related material in Part 3 and/or 4A, 4B?</i>	Similar provision in PAIB. Deleted as covered by Safeguards conforming amendments.
24.	R114.2	<i>Should “employer” be replaced with “employing organization?”</i>	Change made. Will also be made in 110.1 (c)(i), R113.3 and R113.1(a)
25.	S115	<i>As noted in S112 comments, material in this section is from extant code sections 200 and 250. It seems to fit and is applicable to all PAs in my view but mindful of the need to not extend scope of extant Code unintentionally.</i>	New requirement to clarify what was already implicit in the extant Code and so no change made.
Part 3			
26.	300	<i>Why does this start at 300.8?</i>	Because the earlier material is within the safeguards material. To be added.

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#	Para	Comment	Response
27.	R300.8 and R300.9	<i>These sections are in the extant Code in sections that apply to all PAs, not just PAPPs. Will this section be repeated in Restructured Code Part 2 as well or should this be included in Part 1 since it applies to all PAs? Along these same lines, topics such as Conflicts of Interest, Gifts/Hospitality/Inducements, Pressure to Breach the FPs and NOCLAR also seem to me to apply across all PAs. The Structure TF may have deliberated on this approach already and decided it was best to repeat requirements and related application material in the respective Parts 2, 3 and 4A/4B. Sharing this observation as it really is apparent when looking at the Table of Contents in the Agenda item 3-F (full compilation of restructured Code)</i>	In 260 with different examples. Other matter raised is outside scope of Structure but will be referred to Part C TF.
28.	310.1	<i>I see that this new paragraph has been added to each sub-section of the Code as a reminder. Consideration could be given to combining what are generally the ".1" and ".3" paragraphs of each introductory section with a combined paragraph to lead off each subsection that read: "Section 310 sets our specific requirements and application material relevant to applying the conceptual framework to identifying, evaluating and addressing threats to the fundamental principles that are or might be created by conflicts of interest". The bold text could be changed for each respective section and topic. This approach seems to me to better connect/highlight the focus we want on threats to the FPs rather mere adherence to the CF. This comment applies broadly to each of the various individual sub-sections of Parts 3, 2 and 4A/4B of the Code.</i>	The TF notes that this point has been debated at length and the approach was specifically discussed and agreed in September 2016.
29.	310.3	<i>Suggest making the second sentence of this paragraph a separate paragraph so it has more emphasis (.3 or .4 depending on TF response to comment immediately above).</i>	The TF does not consider change necessary. Important Conflicts TF issue.
30.	320.3	<i>Shouldn't new appointments also be included in this scope statement?</i>	Adjustment made.
31.	R320.7	<i>Any reason why this requirement re: accepting a client comes after the requirement to periodically consider continuing with the client (R320.5)? I believe the flow would be</i>	The TF has revised the order.

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		<i>better to put a "new" client requirement either before or after 320.4 A1 and A2 application material.</i>	
32.	321.2	<p>Providing a second opinion to an entity that is not an existing client might create self-interest or other threats. For example, there might be a threat to compliance with the principle of professional competence and due care if the second opinion is not based on the same facts that the existing <u>or predecessor</u> accountant had, or is based on inadequate evidence.</p> <p><i>Is the predecessor correct here? So there would be three accountants involved – the predecessor accountant, current accountant and the accountant giving the second opinion?</i></p>	Predecessor accountant is defined to exist only when there is no existing accountant. See Glossary.
33.	330.6 and 7	<i>After including "pays" in 330.6 A1, paragraph 330.7 seems redundant.</i>	The TF has referred this comment to the Safeguards TF.
34.	S340	<i>This section deals with gifts and hospitality FROM a client. What about TO a client, which doesn't seem to be covered. Would including gifts and hospitality TO a client go beyond what is covered in the extant code?</i>	Outside scope for structure. Inside scope for Part C Phase 2. Referred to Part C.
35.	S340	<i>Do we need to highlight that this section will soon be revised?</i>	The TF did not consider this necessary.
36.	S340	<i>As noted in a comment above, the topic covered in this section could potentially be covered more generally in Part 1 but appreciate there is also merit in keeping within each of Parts 2, 3 and 4A/4B</i>	See R300.8 and R300.9 above.
37.	S350	<i>Custody of client assets needs to reference to the NAS mention of management services. This would be specific for audit and assurance clients.</i>	Addressed by independence specifically.
38.	400.4	400.4 A firm is required by ... 1 (ISQC 1), to establish policies and procedures designed to provide it them with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (<u>including Network firm personnel</u>), Firms assign responsibility for a particular action	TF does not need to say this because it is not necessarily network firm personnel and so it used generic language.

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		<p>to an individual or a group of individuals (such as an audit team), in accordance with ISQC 1.</p> <p><i>Compared with ISQC1, “including network firm personnel” has been omitted. This may be intentional.</i></p> <p><i>Does the last sentence also include engagements that the PA participates in or is responsible for?</i></p>	Yes, actions include the engagements noted.
39.	400.7, 400.6	<i>These paragraphs seem better as the first ones in this 400 section, which would align with the approach/cadence in S300. Would suggest revisiting as currently written as there seems to be overlap. My comment on revisions to para 310.1 and .3 above might apply to 400.6? 400.12 could also be looked at in this regard.</i>	Two important concepts need to be explained before these paragraphs to enable the reader to have a full understanding of the text and so no change has been made.
40.	400.8	<i>Why drop "member bodies" here?</i>	Member body obligations are covered by SMOs.
41.	400.20	<i>The actual requirement isn't stated until the very end of this long paragraph. Suggest use "The audit team shall include a related entity when identifying ..." as the actual requirement and breaking the rest of the current paragraph out into application material</i>	The Task Force considers that the lead in is necessary for clarity
42.	400.32 and others	<p>400.32 A1 “members of the audit team”</p> <p>410.14 A3 “Using professionals who are not members of the audit team</p> <p>411.4 A1 “removing such members from the audit team”</p> <p>510.7 A1 “other members of the audit team”</p>	<p>Items in bold font have been adjusted and 410.14 A3 has been referred to Safeguards for similar adjustment.</p> <p>The Task Force considers that the other paragraph is appropriately stated.</p>
43.	Heading	Part 4B Part 4B – International Independence Standards for Other Assurance Clients	Table of contents shows Assurance Engagements consistent with S291.
44.	R400.52	<i>R400.52 – in respect of Network firm / we say “...a firm shall conclude that a network exists when such a larger structure is aimed at co-operation <u>and</u>: (a), (b), (c) etc.</i>	No, because of the “or” at the end of the penultimate item.

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		<i>Does this mean 'and' ALL of the (a) through (f) factors, or the existence of co-operation plus only one or any combination of the factors?</i>	
45.	R400.51 and 5A1	<i>Difficult flow, not logical. Put the background/intro paragraph before the requirement.</i>	TF made adjustment.
46.	400.52.A1	<i>This is not helpful as it simply broadens the criteria for determining a network firm, but without providing any guidance.</i>	The TF made no adjustment to avoid the risk of making this a closed list.
47.	400.60 A1	400.60 A1 Documentation provides evidence of the firm's judgments when forming conclusions regarding compliance with this Part. However, a lack of documentation <u>itself/ alone</u> does not determine whether a firm considered a particular matter or whether the firm is independent. <i>Possible clarification to this paragraph can be achieved with inclusion of itself/alone.</i>	The TF believes that the intent is clear.
48.	400.80	<i>"Breach of a Provision of Independence" seems stilted language - would Independence Breaches work instead? Could delete caption "When a Firm Identifies a Breach", and not sure all the other captions</i>	No change because it refers directly to the name of the Part.
49.	400.80 (e) (ii)	(a) Depending on the significance of the breach, determine: (ii) Whether it might be possible to take action that satisfactorily addresses the consequences of the breach, and whether such action can be taken and is appropriate in the circumstances. ... <i>We can't see that the end of this sentence adds anything.</i>	The TF believes that this is a 2 stage process but has adjusted the wording in the light of this comment.
50.	400.70 A1	<i>The new last sentence does not seem to work well and I wonder if such an important statement should come later, or whether it is effectively covered by R400.75. It does not work as a preamble. If retained I suggest it be amended to "if the threats are so significant that they cannot be safeguarded such that objectivity is compromised, the firm will be unable to continue as auditor".</i>	The Task Force has deleted this sentence because it is repeated by 400.75.

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		An entity might become a related entity of an audit client because of a merger or acquisition. A threat to independence, and therefore, to the ability of a firm to continue an audit engagement, might be created by previous or current interests or relationships between a firm or network firm and such a related entity. <u>If the firm's objectivity is compromised, it will be unable to continue as auditor.</u>	
51.	400.73 A1	400.73 A1 Examples of <u>such</u> transitional measures include: <i>Consider calling these "safeguards to be applied as transitional measures" because they are safeguards.</i>	The Task Force considers that these are not safeguards because these are actions specific to address breaches created by mergers and acquisitions.
52.	R400.74(c)	<i>In many countries there are processes to follow and these happen after the audit report date. I think we should allow for that e.g. "or as soon as practical in accordance with local regulatory requirements."</i>	Task Force supports but changing the extant Code is outside the project scope.
53.	R400.75	<i>I don't think they are "set out" in 70.A1, may be just ".relationships identified create threats"</i> <i>Even if all the requirements of paragraphs R400.71 to R400.74 could be met, the firm shall determine whether the interests and relationships set out in paragraph 400.70 A1 create threats that cannot be addressed such that objectivity would be compromised. If so, the firm shall cease to be the auditor.</i>	Adjustment made.
54.	400.80 A1	<i>This would fit better as the lead in first paragraph in the Breaches section but perhaps without the last sentence, which seems out of place</i>	The TF is of the view that this situation is self-explanatory so there is no introductory paragraph
55.	400.80 A2	<i>Start para with "The significance ..."</i>	Adjustment made.
56.	R400.81 and R400.82	<i>Switch order of R400.81 and .R400.82 - it would flow better after 400.80 A3</i>	The Task Force made no change as it is of the view that it is Important to highlight potential need to discontinue first.

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57.	R410.6 (b)(ii)	<p>After the audit opinion on the second year's financial statements has been issued, and before the audit opinion being issued on the third year's financial statements, a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, or a professional body performs a review of the second year's audit that is equivalent to an engagement quality control review ("a post-issuance review").</p> <p><i>Should this refer to firm or network firm?</i></p>	The network firm is not expressing the opinion on the financial statements and so no reference needs to be made to it.
58.	511.2 (and others)	<p><i>I wonder if a comma is needed after "family"?</i></p> <p>511.24 A loan or a guarantee of a loan between an audit client and a firm, a network firm, an member of the audit team member, or any of that individual's immediate family might create self-interest threats.</p>	Adjustment made.
59.	511.4 A1 and others	<p>511.4 A1 "individual's immediate family members"</p> <p>510.5 A1 "individual's immediate family members"</p> <p>R510.13 (d) "their immediate family members"</p> <p>520.4 A1 "immediate family members"</p> <p><i>Reference to immediate family/ close family vs. immediate family member/ Close family member. Immediate/close family - when reference to plural. Immediate/close family member - when reference to the individual. However, some inconsistency still remains.</i></p>	See paragraph 400.32 and others.
60.	R511.54	<p>A firm, a network firm, an audit team member, or any of that individual's immediate family shall not make or guarantee a loan to an audit client unless the loan or guarantee is immaterial to:</p> <p>(a) The firm, the network firm or the individual making the loan or guarantee, respectively; as the case may be;</p> <p><i>I wouldn't say respectively. It think would be "as applicable".</i></p>	"As applicable" has been adopted by the Task Force.

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61.	511.6. A1	<p><i>I'm not sure this works or tracks to the extant code. These example loans in the code only relate to "individuals" (not firms)</i></p> <p>511.65 A1² A loan, or a guarantee of a loan, from an audit client that is a bank or a similar institution to an audit team member, or any of that individual's immediate family, does not create a threat to independence if the loan or guarantee is made under normal lending procedures, terms and conditions. Examples of such loans include home mortgages, bank overdrafts, car loans, and credit card balances.</p>	Reference is now being made to the generic word "mortgage."
62.	511.6 A1	<i>511.6 A1 - clarify this applies to individuals (vs firm or network firm)</i>	Addressed by immediately above.
63.	R511.8	<i>I think this represents a change to the code as the materiality is now by reference to the network firm, where relevant, not the combined audit firm/network firm. Change to note.</i>	No change see R520.6(c)(ii) below.
64.	520.4 A1	<p><i>I do not think it is appropriate to add "or such a relationship is significant". The point here is that significance is largely a qualitative assessment and the combined wealth is not relevant.</i></p> <p><i>General</i>Applying the Conceptual Framework to Business Relationships</p> <p>520.43 A1 Section 520 contains references to the "materiality" of a <u>financial interest and the "significance" of a business relationship</u>. In For the purpose of determining whether such a <u>financial interest relationship</u> is material <u>or such a relationship is significant</u> to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.</p>	In light of this comment the TF reversed these changes.
65.	R520.6 (c) (ii)	<i>This is a notable change to code. In (ii) I'm not sure the "either/or" are clear and it may be better to combine and just say "and (ii) if the network firm is significant to the firm performing the audit engagement or the network as a whole, the financial interest is immaterial and the business relationship is insignificant to the network firm". That</i>	The TF has reverted to a slightly amended ED1 text.

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		<i>said given that the firm and the other firm are part of the network I am not clear what we mean by "significant to the firm" or how that would be assessed: it might only be relevant if the firm had a financial interest in the network firm which would be rare.</i>	
66.	R520.7 (a)	<i>Again a change to the code re the significance test (network firm mentioned in isolation).</i>	The TF has reverted to ED1 text.
67.	R520.6 (c)	<i>Add (move) "Unless the network firm is insignificant to the firm performing the audit engagement and to the network as a whole" as the lead in to (c), then eliminate "Either:" and there is only one item in (c) (ii).</i>	The TF has reverted to ED1 text.
68.	R521.6/521.7 A1 heading	<p>An individual shall not participate as an audit team member when any of that individual's immediate family:</p> <p>(a) Is a director or officer of the audit client;</p> <p>Immediate family member?</p> <p>This is split into (i) and (ii) in the 521.7 A1 and 521.8 A1.</p>	<p>The Task Force does not add the word "member" here as it restricts the meaning of the paragraph.</p> <p>The sub-bullets have been removed for consistency with the remainder of the text.</p>
69.	Header above R521.9	Why the inclusion of network firm (no mention in text)	The Task Force deleted "or network firm."
70.	R521.97	<p><i>Relationships of Partners and Employees of the Firm or Network Firm</i></p> <p>...</p> <p>(b) A director or officer of the audit client or an employee of the audit client 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> <p><i>Re (b) Split this point further to be consistent with similar paragraphs above.</i></p>	See line 68 above.

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71.	Network firm	<i>General – not sure I follow when/why/where "network firm" has been added when network firm doesn't appear in the extant code (several places in 511, 520, 521.</i>	In the extant Code firm is defined to include network firm. Where the term "firm expressing an opinion on the financial statements" the word "firm" is used. "Network firm" is generally used where this text does not appear..
72.	R524.7	A firm or network firm shall have policies and procedures that require audit team members to notify the firm or network firm, as appropriate, as the case may be, when entering ... <i>Isn't this weaker than using "as the case may be"?</i>	The Task Force has deleted "as appropriate."
Glossary			
73.	Note	In this Glossary, defined terms are shown in regular font; italics are used for terms which have a specific meaning in certain parts of the Code or for additional explanations of defined terms; references are also provided to terms described in the Code. <i>Could something be added to show that this list also includes descriptions?</i>	This text has been adjusted.
74.	Cooling-off	<i>Glossary - for the "cooling off" definition I think it would be useful to add what section 540 is - something like "This term is used in the Long Association section and described in paragraph R540.6 ...". Similar comment for the "Substantial harm" definition</i>	This suggestion does not match the drafting conventions throughout the Code and so has not been accepted. The word "period" will be added to cooling-off for consistency with the text.
75.		<i>Should "Eligible Audit Engagement" be added to the Glossary?</i>	Now included in the Glossary.
76.	May and might	<i>There may be a need for consistency. The word shall is explained in the Guide, but not defined in the Glossary. Does May and Might need to be included in the glossary?</i>	The term "shall" reflects its common English use. May and might are explained in the Glossary.

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77.	Various terms	<i>Audit Report/Audit/Audit Engagement. These should be explained in the Guide to the Code. This would be consistent with how "shall" is explained.</i>	These terms are as set out in the ISAs which are understood by Code users.
78.	Predecessor accountant	<i>I don't think the "where there is no existing accountant" works. Suggest "who, prior to a new appointment, most...."</i> Predecessor accountant A professional accountant in public practice who most recently held an audit appointment or carried out accounting, taxation, consulting or similar professional services for a client, where there is no existing accountant.	TF does not believe the suggested wording is sufficiently different for there to be a change.
79.	Predecessor accountant	A professional accountant in public practice who most recently held an audit appointment or carried out accounting, taxation, consulting or similar professional services for a client, where there is no existing accountant. <i>Should the phrase "most recently" be replaced with "immediately preceding" or "before vacancy arose</i>	TF does not believe the suggested wording is sufficiently different for there to be a change.
80.	Predecessor Accountant	A professional accountant in public practice who most recently held an audit appointment or carried out accounting, taxation, consulting or similar professional services for a client, where there is no existing accountant. <i>Are we sure we want to expand this concept beyond an auditor?</i>	The TF does not regard this as an expansion as the wording is derived from the extant Code's definition of an existing accountant.
81.	Professional Accountant	<i>Glossary - Professional accountant - there is no mention of "network firm" in this definition yet network firm is used (and has in some instances been added I believe for clarity) in the Code. Should network firm be included somewhere in this definition? Should Part 4A and 4B be separate from Part 3 since for the most part those parts are framed as applying to Firms?</i>	Firm is correctly used in this definition and does not need to be expanded. There is an independent definition of network firm in the Glossary.
82.	Safeguards	Safeguards are actions, individually or in combination, that the professional accountant takes that effectively eliminate threats to compliance with the fundamental principles or reduce threats to compliance with the fundamental principles them to an acceptable level. <i>Aligned to 120.10 A1.</i>	Correction addressed.

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83.	Threats	<i>References to threats should be to S300 perhaps reference should also be made to S300?</i>	In the light of a comment from another IESBA member at the meeting the reference has been made to S120 only.
COMMENTS ON ED-2			
84.	S800	<i>Introduction - see previous comments on Section 300</i>	No change see comment on S300.
85.	800.2	Section 800 sets out certain modifications to Sections 400 to 799 of this Part ... <i>“of this Part ” can be left out</i> <i>Should this include some reference to Independence?</i>	TF changed the reference to Part 4A (excluding this section).
86.	R800.3	<i>R800.3 - this "requirement" is difficult to understand and seems to me to be as much a description of what an eligible audit engagement as it is a requirement. In particular, I find the second sentence in this paragraph confusing and not necessary if R800.4, R800.5 and R800.6 - which are simple and easy to understand - as the first "R" items in this section.</i>	The TF has not made a change and has not made an adjustment as the material is essential to the understanding of the requirement.
87.	R800.3(a)	“... (a) The firm communicates with the intended users of the report regarding the modified independence requirements that are to be applied in providing the audit engagement; and...” <i>Extant 290.501(b) wording to “explicitly agree” has not been carried over</i>	It is set out in R800.3(a)
88.	R800.5	<i>Should it be explicitly added that that modification is not allowed?</i>	The TF believes it to be self-evident.
89.	R800.8	When the firm performs an eligible audit engagement, the specific requirements regarding interests and relationships of network firms. <i>Reference to “interest and relationships” can be left out.</i>	The TF deleted interests and relationships.

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#	Para	Comment	Response
90.	800.11	<p>When the firm performs an eligible audit engagement, the firm, in applying the provisions set out in paragraphs R510.5(a), R510.7 and R510.8 to interests of the firm, shall not hold a material direct or a material indirect financial interest in the audit client.</p> <p><i>This paragraph has become more difficult to understand compared with extant 290.512 because we have deleted the context for the phrase “in applying the provisions set out in paragraphs ... to interests of the firm”. Extant is much clearer with the surrounding context: “if the firm has a material financial interest ... acceptable level”.</i></p> <p><i>References to be checked.</i></p>	The TF does not believe that this paragraph is less clear. References have been checked.
91.	S900	<p><i>Consider comments made on Ss300/310 and 400 above and consider for this initial section of Part 4B. For example use 900.6 and 900.7 as intro paragraph(s) with appropriate edits.</i></p>	See 400.4 above.
92.	900.1	<p><i>While I agree with the first bullet this section deals with engagements that are not audit so I think the second example is not helpful (or indeed whether we audit IC). I would suggest either "Performance assurance on company's key performance indicators" or that covered in ISAE 3402.</i></p> <p>This Part applies to assurance engagements other than audit and review engagements (referred to as “assurance engagements” in this Part). Examples of such engagements include:</p> <ul style="list-style-type: none"> • An audit of specific elements, accounts or items of a financial statement • An audit of internal controls over financial reporting. 	The Task Force accepted the “performance assurance suggestion.”
93.	900.3	<p><i>Include “engagements” in final sentence listing “that accountant’s activities, interest or relationships.”</i></p>	Activities includes engagements and so no change made.
94.	R900.17	<p><i>Propose to substitute “any” with “an” as “any” indicates that there normally will be no such threats and the use of “a” makes it more neutral.</i></p>	Task Force made suggested change.

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#	Para	Comment	Response
95.	R911.5	... unless the loan or guarantee is immaterial to both: (a) The firm, or the individual making the loan or guarantee, respectively as applicable ; and ... <i>The term “respectively” does not work as a substitute for “as the case may be”.</i>	The Task Force has substituted “as applicable” for “respectively.”
96.	911.8	... unless the loan or guarantee is immaterial to both: (a) The firm, or the individual receiving the loan or guarantee, respectively as applicable ; ... The term “respectively” does not work as a substitute for “as the case may be”.	See comments on para 520.6 (c)(ii).
97.	R900.17	<i>The use of “any” here is not appropriate. Only the second one on the last line is correct (and which is consistent with extant 291.3).</i>	Task Force changed “any threat” to “a threat.”
98.	900.22 A1	... the firm may-might take into account certain matters. These matters might include...: There should be no “might” here. <i>I presume an oversight?</i>	The TF intended to use “may” because the firm is able to consider a number of options. It is a concession.
99.	900.30	[Paragraphs 900.23 to 900.29 are intentionally left blank] I presume this is just a temporary flag for the Board and all paragraphs will be renumbered in the final ED?	The TF is leaving room for growth which reflects the intention of the restructured numbering system.
Comments on the Safeguards Specific Text			
Comments on Section 900			
100.	R900.63	<i>“does not” can be left out.</i>	Due to grammar issues no change made.
101.	907.2	<i>Reference to self-interest and intimidation threat has been left out.</i>	The reference was added.

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#	Para	Comment	Response
102.	R910.10	<i>Unintended Acquisition of Financial Interests</i> <u>Received Unintentionally</u> Is there a better word than “ unintentionally ”?	The TF has not found any better word.