



05 May 2017

Mr Ken Siong
Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 5th Avenue
New York, NY 10017
USA

CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia
GPO Box 2820
Melbourne VIC 3001
Australia
Phone 1300 737 373
Outside Aust +613 9606 9677
Website cpaustralia.com.au

By email: kensiong@ifac.org

Dear Ken

Exposure Draft: Proposed Revisions Pertaining to Safeguards in the Code—Phase 2 and Related Conforming Amendments

CPA Australia welcomes the opportunity to respond to the above Exposure Draft. CPA Australia represents the diverse interests of more than 160,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

Overall, we support the proposed revisions to the Code of Ethics for Professional Accountants (Code) pertaining to safeguards and provide our comments for consideration below.

Specific Comments

1. Do respondents support the proposals in Section 600? If not, why not?

In particular, do respondents agree with the proposal to extend the scope of the prohibition on recruiting services as described in paragraph 25(h) above to all audit client entities? If not, please explain why.

CPA Australia supports the proposed revisions pertaining to safeguards in the non-assurance services sections of the Code and the proposed scope of prohibition on recruiting services to all audit client entities, subject to the following comments.

We are of the view that the last bullet point of paragraph 600.4 A3 should be removed or redrafted. This point includes as a factor that is relevant in evaluating the level of any threat:

'Whether the audit client is a public interest entity. For example, providing a non-assurance service to an audit client that is a public interest entity might be perceived to result in a higher level of a threat.'

As we mentioned in our submission: *Improving the Structure of the Code of Ethics for Professional Accountants - Phase 1*, we do not support the view that the level of threat is dependent on the status of the entity, i.e. whether it is a public interest entity or not. Rather, we are of the view that the status of the entity may impact the possible consequences but not the existence of the threat itself. We, therefore, urge IESBA to remove this criterion as its existence may lead to the perception that different levels of acceptable standards and principles for different types of entities are prescribed.

Paragraphs R600.8 and R950.6 require the firm to ensure that the client's management fulfils certain requirements. We are of the view that this should be rephrased, as it is the responsibility of the client's

management to ensure and for auditor to confirm or assess the appropriateness of management's actions. Our suggestion would also better align the Code with the International Standards on Auditing (ISA).

2. Do respondents support the proposals in Section 950? If not, why not?

CPA Australia supports the proposals in section 950. However, as mentioned above, we do not think auditors can ensure management undertakes certain actions but instead auditors can assess whether acceptable actions have been taken or conditions are in place.

3. Do respondents have suggestions for other actions that might be safeguards in the NAS and other sections of the Code that would meet the revised description of a safeguard?

While we agree with the existing and proposed safeguards in the Code, we urge IESBA to consider and provide safeguards that are appropriate and could be applied by Small and Medium Practices.

4. Do respondents agree with proposed conforming amendments set out in:

(a) Chapter 2 of this document.

(b) The gray text in Chapters 2–5 of Structure ED-2.

CPA Australia agrees with the proposed conforming amendments.

If you require further information on our views expressed in this submission, please contact Dr Eva Tsahuridu, Manager – Accounting Policy, CPA Australia by email at eva.tsahuridu@cpaaustralia.com.au or on +61 3 9606 5159.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Stuart Dignam', with a long horizontal line extending to the right.

Stuart Dignam
General Manager, Policy & Corporate Affairs