

May 31, 2017.
Ref. SEC/039/17 – DN

International Ethics Standards Board for Accountants (**IESBA**)
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

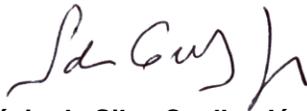
Dear Sirs,

We, the Ibracon – Instituto dos Auditores Independentes do Brasil (Institute of Independent Auditors of Brazil), appreciate the opportunity to comment on the Exposure Draft Proposed Revisions Pertaining to Safeguards in the Code - Phase 2 and Related Conforming Amendments as developed by International Ethics Standards Board for Accountants (IESBA).

We would like to congratulate the IESBA's initiative on the Phase 2 of the Safeguard Project.

If you have any questions about our comments, please do not hesitate to contact us at ibracon@ibracon.com.br

Yours sincerely,



Idésio da Silva Coelho Júnior
National President



Rogério Hernandez Garcia
National Technical Director

Comments on Safeguards and Related Conforming Amendments

Request for Specific Comments

Section 600, Provision of Non-Assurance Services to an Audit Client

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 26(h) above to all audit client entities?
If not, please explain why.

Answer – Overall, we agree with the proposals in Section 600. However, we have the following suggested wording for paragraph 600.7.A3:

Taking responsibility:

- o For the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework subject to audit or attestation work;
- o For designing, implementing, monitoring or maintaining internal control related to the financial reporting process of the audited entity or subject to attestation work.

Regarding the proposal to extend the scope of the prohibition on recruiting services, we also agree that there would not be safeguards that would be capable of reducing the resulting threats to an acceptable level regardless of the type of entity (PIE or Not PIE).

Section 950, Provision of Non-Assurance Services to an Assurance Client

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

Answer

We agree with the proposals in Section 950. No comments.

Examples of Safeguards

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?

Answer

We have no suggestions for other actions that might be safeguards in the NAS and other sections of the Code.

Conforming Amendments Arising from the Safeguards Project

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.

Answer

We agree with the proposed conforming amendments set out in (a) and (b). However, we suggest that the first bullet in paragraph 410.9.A2 be amended to consider the following wording:

Obtaining partial payment for a substantial part of overdue fees.

The reason for the suggested wording is that a partial payment of a small portion of overdue fees may not be sufficient to reduce the threat to an acceptable level.

Additionally, in paragraph 522.5.A3 we suggest the following additional wording:

An example of an action that might be a safeguard to address the threats set out in paragraph 522.5 A1 is conducting a review by an appropriate individual of the work performed by the individual as an audit team member.

5. Respondents are asked for any comments on any other matters that are relevant to Phase 2 of the Safeguards project.

Answer

We have the following comments related to sections 600 and 607:

a) to provide further guidance on the meaning and/or examples with regard to “combined effects” included in Section 600.6A1 - Multiple Non-assurance Services to an Audit Client: “...requires the firm to consider any combined effect of threats created by other non-assurance services provided to the audit client”.

Additionally, the evaluation of independence regarding non-audit services should occur prior to the acceptance of such engagements. We suggest the following changes to clarify such requirement:

A firm or network firm might provide multiple non-assurance services to an audit client. When evaluating whether or not to provide providing a non-assurance service to an audit client, applying the conceptual framework requires the firm to consider any combined effect of threats created by other non-assurance services to be provided to the audit client.

c) Section 607 is only one where specific the term “requirements” related to Section 600 apparently do not apply. It is unclear why such requirements do not apply to Section 607.

Request for General Comments

In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

(a) *Small and Medium Practices (SMPs) and PAIBs* – The IESBA invites comments regarding any aspect of the proposals from SMPs and PAIBs.

No comments

- (b) *Regulators and Audit Oversight Bodies* – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

Not applicable

- (c) *Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

No comments.

- (d) *Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

We recommend to consider the timing of issuance of the final standard and the earliest effective date in order to determine whether it would provide a reasonable time to other jurisdictions to translate and implement the changes to the code. Historically, the process and timing of translation has been challenging to Brazil.