

April 21, 2017

Mr. Ken Siong
Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, NY 10017 USA

Dear Mr. Siong:

Re: January 2017 Exposure Draft, *Proposed Revisions Pertaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments*

I am writing on behalf of the Public Trust Committee (PTC) of the Chartered Professional Accountants of Canada (CPA Canada) in response to your request to comment on the Exposure Draft entitled *Proposed Revisions Pertaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments* (“the Exposure Draft”).

CPA Canada is the national body of Canada’s accounting profession, with more than 200,000 members both at home and abroad. The Canadian CPA designation was created with the unification of three legacy accounting designations (CA, CGA, and CMA).

CPA Canada conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian CPA profession nationally and internationally. The PTC is responsible for overseeing the regulatory structures and processes across provincial jurisdictions in Canada. The PTC’s goals include achieving consistency between the provincial CPA bodies in Canada and ensuring that the processes and standards in Canada meet or exceed the international standards.

Thank you for the opportunity to provide our comments on this Exposure Draft. We noted through our profession’s consultation, the considerable expectations and difficulty in consuming and responding to several exposure drafts and related documents simultaneously. Having said this, we also recognize the workload involved in the IESBA’s estimated timetable to finalize a newly restructured Code for adoption in 2019. Respectfully, however, we suggest that extending longer comment periods when multiple exposure drafts are issued would enhance the ability of accounting bodies to conduct meaningful consultations with stakeholders, increase efficiency and enable more thorough responses.

Generally, we support the proposals contained in the Exposure Draft and we found an overall view through our consultation efforts that the Safeguards project was resulting in a general improvement to the Code.

Please find below our responses to the requested matters for input from Respondents as outlined in the Explanatory Memorandum's Guide for Respondents.

Request for Specific Comments:

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

1. Do respondents support the proposals in Section 600:

Yes, we generally support the proposals in Section 600.

In reviewing this Section, we noted two provisions that would benefit from additional clarity as follows:

Page 19 regarding 600.4 A3, second bullet, third point – we believe a clearer explanation of the concern and/or an example would be useful, and

Page 21 regarding R600.10 – we believe that further clarity could be provided regarding the conditions specified and that the overall format would be improved if the conditions were presented first.

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?

Not entirely as we received input that there should be a change made in regards to review engagements in recognition of the services provided by small and medium sized practitioners (SMPs) and sought out by their clients. In Part 4A of the Code, it was noted that the term “audit” also refers to reviews and as such, the prohibition would apply to all audit and review engagements. The feedback we received indicates that rather than a strict prohibition applicable to reviews, a threats and safeguards approach should be required and considered sufficient.

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

2. Do respondents support the proposals in Section 950?

Yes, we generally support the proposals in Section 950. We did note that the title of Section 950 could be improved with the insertion of “Other” immediately before “Assurance Client”.

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?**

We do not have any suggestions at this time for other actions that would meet the revised description of a safeguard.

Conforming Amendments Arising from the Safeguards Project

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

- a) Chapter 2 of this document.**

Yes, we agree with the proposed conforming amendments set out in Chapter 2 of the ED.

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

Yes, we generally agree with the proposed conforming amendments set out in Chapters 2-5 with an exception noted in 905.4 A2 regarding consultation with a professional body identified as an example of an action that might be a safeguard to address threats set out in 905.4 A1. We did not believe that this would meet the newly intended meaning of a safeguard.

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

Audits and Reviews

We believe that potential confusion remains within the Code through the use of the term “audit” defined in Part A to include reviews. Given the inherent differences between the two and the prevalence of review engagements in Canada, we believe that the use of “audit” and “review” separately identified within the Code, where applicable, would be strongly preferred.

International Standards

We took note of three references to International Standards in 600.5 A1, 605.6 A1 and 950.4 A4 which varied in specificity from citing particular sections to noting more generally

described requirements. We believe that the ease of use of the Code regarding these references may be reduced because the sections do not stand complete on their own. For those providing non assurance services, they may not have the level of familiarity with the International Standards on Auditing, for example, necessary to interpret and utilize these sections of the Code thereby necessitating further research beyond the Code.

Housekeeping Matters

Page 24 regarding R601.8 – We believe the exception cited should be to R601.7 versus R601.6 as indicated.

Page 35 regarding 608.4 A1 – We suggest the insertion of “and advocacy” immediately following “self-review” to be consistent with 608.5 A2.

Page 37 regarding 609.4 A2 – We noted that “include” should be deleted immediately following “recruiting services”.

Page 45 regarding 321.5 A1 – We noted that “are” should be changed to “is” immediately following “an entity that” and “is” should be changed to “are” immediately following “an existing client”.

Page 53 regarding 521.5 A3 – We noted that the words “actions” and “safeguards” appearing in the first line should both be singular.

Request for General Comments

In addition to the specific comment responses provided above, we noted the following from our review regarding IESBA’s request for general comments:

Small and Medium Practices

In addition to our specific comments relating to SMPs in response to Question 1, we believe that the overall size of the Code could be a concern for SMPs.

Regulators and Audit Oversight Bodies

We noted the combined references to accounting and bookkeeping with the observation that this grouping may not be appropriate/applicable in all jurisdictions depending on the regulatory framework in effect.

In terms of general considerations regarding the enforceability of the Code through the application of the Conceptual Framework and use of safeguards, we noted the importance of documentation to support compliance with the principles and requirements. In particular, we noted that requirements for documentation of the critical path followed by the Professional Accountant in his/her

assessment of threats, use of professional judgment and implementation of effective safeguards may enable greater compliance with and enforceability of the Code. We respectfully suggest that IESBA should further consider whether documentation, sufficient to arrive at the judgment made by the Professional Accountant, should be a requirement of the Code.

We thank you for the opportunity to comment on this Exposure Draft and commend IESBA for the overall improvements being made to the Code through the Safeguards project. We appreciate that further revisions to the proposals may result through the feedback provided by stakeholders.

Yours truly,



Brian Friedrich, FCPA, FCGA
Chair, Exposure Draft Working Group – Public Trust Committee
CPA Canada