

April 25, 2017

International Ethics Standards Board for Accountants

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, NY 10017

Dear Sir or Madam,

The Korean Institute of Certified Public Accountants (KICPA) is pleased to comment on the Exposure Draft (ED) issued by the International Ethics Standards Board for Accountants (IESBA), regarding “Proposed Revisions Pertaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments.” KICPA is a strong advocate of IESBA for your relentless efforts to increase the level of ethical standards that professional accountants are expected to perform and to serve the public interest by developing high-quality professional ethical standards.

**<KICPA Comments >**

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

*Q1. 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.*

We support, in general, the proposed revisions pertaining to safeguards to be applied in case of the provision of NAS to an audit client in that clarifying the necessity of applying the conceptual framework set out in Section 120 to identify, evaluate, and address threats to independence, contributes to increasing consistency of the Code.

Clarifying (1) illustrative examples of actions that might serve as safeguards to address threats arising from the provision of individual NAS and (2) the concept of “materiality” to be used in the provision of NAS to an audit client could assist professional accountants in addressing threats to independence when providing NAS.

In addition, arranging requirements and application material relevant to providing certain NAS in a consistent manner enhances the understandability of the Code.

However, we advise the Board rethink over extending the prohibition of recruiting services to a non-public interest entity of an audit client, thereby making it impossible to (1) search for or seek out their prospective candidates for managerial, executive, or director position or to (2) undertake reference checks of prospective candidates for an executive or director position. The Code of Professional Conduct, AICPA’s independence requirements, does not include prohibition of recruiting services with respect to a director or officer of the entity or its senior management, and the SEC regulation S-X 2-01 (c)(4) to be applicable in case an audit client is an listed entity, bans the above (1) and (2) to the audit client that is an listed entity. Considering this, we suggest the Board apply the prohibition to public interest entities only just as the current Code does.

After all, the recruiting services are not direct engagements in decision-making over employment of a director or officer of the entity or senior management, but assistances for the management who is an audit client to search for appropriate ones, thereby making it difficult for a professional accountant to be considered as assuming the responsibility of the

management. Accordingly, if safeguards to exclude a professional accountant who assists recruiting services from auditing non-public interest entities, are applied, it would be appropriate for relevant audit firms to be allowed to audit the non-public interest entities.

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

*Q2. Do respondents support the proposals in Section 950? If not, why not?*

We are generally for the proposed revisions pertaining to safeguards to be applied in case of the provision of NAS to an assurance client, given that the revisions clarify the necessity of applying the conceptual framework set out in Section 120 and of complying with not only independence requirements but the fundamental principles, which could contribute to increasing the consistency of the Code.

In particular, providing additional application materials that could be helpful in accounting firms to identify, evaluate and address threats to independence, created by the provision of non-assurance services to an assurance client when the Code does not provide clear and explicit statements in such non-assurance services, could support professional accountants to address threats to independence in their provision of non-assurance services, as we believe.

Examples of Safeguards

*Q3. 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?*

In result of reviewing NAS and other sections, we conclude that there would be no more suggestions that might be additional safeguards, as the proposals include sufficient actions that might be safeguards to satisfy the revised definition of safeguards.

Conforming Amendments Arising from the Safeguards Project

Q4. 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.

We agree with re-classifying examples of some safeguards as elements relevant to evaluating the level of threats, taking into account the current Code that does not satisfy the new definition of safeguards, since the new definition refers to “actions professional accountants take to effectively reduce threats to compliance with the fundamental principles to an acceptable level.”

We believe not using the word of “significant” any more and replacing “significance” with “the level of the threat” to explain threats in a consistent manner, in line with the inclusion of “to effectively reduce threats to an acceptable level” in the new definition of safeguards, could support consistency of the Code.

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

We have no comment.

We hope our comments would be useful for IESBA’s project that aims to improve the structure of the Code. Please feel free to contact [global@kicpa.or.kr](mailto:global@kicpa.or.kr) for further inquiries.

Thank you.