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

27 April 2017

Proposed Revisions Retaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments

Dear Mr Siong,

On behalf of RSM International Limited, a global network of independent accounting and consulting firms, we are pleased to respond to your Exposure Draft - Proposed Revisions Retaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments.

We support these proposals and the objective to make the Code clearer and to aid professional accountants in applying the Conceptual Framework in their practices. The identification and assessment of threats, and design of appropriate safeguards, is vital to the maintenance of the profession's reputation. These improvements to the Code are both welcome and necessary to make sure that it is fit for purpose for professional accountants in any environment and that it can be applied to a consistently high standard.

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

We generally support the Board's proposals in Section 600 because they create a clear and logical process that builds on the extant Conceptual Framework Approach.

However, we have some concerns regarding the proposed extension of the prohibition in Section R609.6 to non-PIE audit clients. For non-PIE audit clients, the audit firm may well be able to use their knowledge of the business to provide useful search and reference checking activities on a range of candidates. If management

makes the ultimate decision on which candidate to employ, then this could mitigate the self-interest and familiarity threats.

We therefore believe that IESBA should provide the bases for extending the prohibition of recruitment services beyond PIE audit clients as this further explanation would enhance the likelihood that the provision is applied consistently in practice.

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

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

We support the proposed revisions of Non-Assurance Services to an Assurance Client and have no further comments other than those consistent with comments on section 600.

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 believe that examples of safeguards against Non-Assurance Services risk the adoption by firms of a checklist approach to independence. In our view the focus should be more on encouraging firms to consider appropriate actions to address specific threats depending on the facts and circumstances of each engagement in the context of the Non-Assurance Services being provided.

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 grey text in Chapters 2–5 of Structure ED-2.**

We agree with proposed conforming amendments set out in Chapter 2 of this document and the grey text in Chapters 2–5 of Structure ED-2.

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

We note that in some cases, the codes of national regulatory bodies provide a different definition of PIEs than the definition used in the IESBA code.

Examples include:

- The definition of a PIE differs between the IESBA Code and the European Commission's Statutory Audit Directive and Audit Regulation.
- The UK (and European) Ethical Standard's definition of a listed entity excludes entities whose listed securities are not in substance freely transferable or cannot be traded freely by the public or the entity.

Given the jurisdictional differences, we suggest the Board when possible provide requirements and guidance directed to specific types of entities meeting the IESBA definition of a PIE rather than more broadly to PIEs in general. We believe this would assist professional accountants in applying the Code more consistently.

We would be pleased to discuss our comments further with members of the IESBA or its staff. If you wish to do so, please contact Robert Dohrer (tel: +44 207 601 1080; email: robert.dohrer@rsm.global).

Yours sincerely

A handwritten signature in black ink, appearing to read "Robert Dohrer".

Robert Dohrer
Global Leader - Quality and Risk
RSM International

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