



National Association of State Boards of Accountancy

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March 21, 2016

International Ethics Standards Board
for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York 10017

Via email: KenSiong@ethicsboard.org

Attention: Ken Siong, IESBA Technical Director

Re: December 2015 Exposure Draft on Proposed Revisions Pertaining to Safeguards in the Code—Phase 1

Dear Members and Staff of the International Ethics Standards Board for Accountants (IESBA):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments to the International Ethics Standards Board for Accountants on its *Exposure Draft on Proposed Revisions Pertaining to Safeguards in the Code—Phase 1*. NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all certified public accountants and their firms in the United States and its territories.

In furtherance of that objective, we offer the following comments on the Exposure Draft. We offer one overall comment on the Exposure Draft, after which our comments relate to the specific questions raised in the draft.

OVERALL COMMENTS

NASBA supports the efforts of the IESBA to strengthen the conceptual framework to make it clearer and to aid accountants in applying the framework in their practice. The AICPA recently completed a project to restructure the AICPA Code of Professional Conduct (COPC) and align it more closely with the IESBA Code. In the United States, individual state Boards of Accountancy have been working toward broader adoption of the COPC as the ethical standards applicable to U.S. CPAs. In many cases these changes require state legislative bodies to approve those changes, which may take years to accomplish. We believe that the IESBA should refrain from changes to the conceptual framework unless those changes provide substantive improvements to the Code, and should consider the impact on IFAC members' regulatory bodies.

We would therefore ask the IESBA to carefully consider changes to the conceptual framework but we support the IESBA's effort to strengthen ethics standards.

SPECIFIC COMMENTS

Proposed Revisions to the Conceptual Framework

1. Do respondents support the Board's proposed revisions to the extant Code pertaining to the conceptual framework, including the proposed requirements and application material related to:

- (a) Identifying threats;**
- (b) Evaluating threats;**
- (c) Addressing threats;**
- (d) Re-evaluating threats; and**
- (e) The overall assessment.**

If not, why not?

NASBA generally supports the Board's proposed revisions to the Code regarding identifying threats, evaluating threats, addressing threats and the overall assessment.

However, we believe the addition of "Re-evaluating threats" to this section of the framework is unnecessary. The ongoing assessment (and reassessment) of threats is part of the normal due care that an accountant must exercise.

Proposed Revised Descriptions of "Reasonable and Informed Third Party" and "Acceptable Level"

2. Do respondents support the proposed revisions aimed at clarifying the concepts of (a) "reasonable and informed third party;" and (b) "acceptable level" in the Code. If not, why not?

NASBA supports the proposed revisions that clarify "reasonable and informed third party" and "acceptable level" in the Code.

Proposed Revised Description of Safeguards

3. Do respondents support the proposed description of "safeguards?" If not, why not?

NASBA generally supports the changes to the description of "safeguards." However, while we support the emphasis on the active nature of safeguards (the actions that the accountant must take), we believe removing the passive, structural safeguards (see response to #4 below) does not improve the understanding of safeguards. Safeguards include both active responses on the part

of the accountant, as well as the more passive elements that are structurally part of the profession (educational standards, professional standards, governance structures, regulations). We do not see value in removing these elements from the concept of safeguards.

4. Do respondents agree with the IESBA’s conclusions that “safeguards created by the profession or legislation,” “safeguards in the work environment,” and “safeguards implemented by the entity” in the extant Code:

(a) Do not meet the proposed description of safeguards in this ED?

(b) Are better characterized as “conditions, policies and procedures that affect the professional accountant’s identification and potentially the evaluation of threats as discussed in paragraphs 26–28 of this Explanatory Memorandum?”

If not, why not?

We disagree with the IESBA’s conclusions that “safeguards created by the profession or legislation,” “safeguards in the work environment,” and “safeguards implemented by the entity” would not meet the description of safeguards in the Exposure Draft. Thus, we believe this language should be retained. We have some concern that the revision may cause accountants to address fewer situations using the framework since they will not be identified as threats at all. In addition, retaining these items as safeguards requires the accountant to evaluate their relative effectiveness, which we believe is critical to the overall effectiveness of the framework.

Proposals for Professional Accountants in Public Practice

5. Do respondents agree with the IESBA’s approach to the revisions in proposed Section 300 for professional accountants in public practice? If not, why not and what suggestions for an alternative approach do respondents have that they believe would be more appropriate?

NASBA generally supports the changes to Section 300. However, 300.1 would be stronger if it stated that accountants “should be alert” rather than “are encouraged to be alert.”

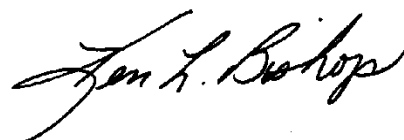
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Thank you for the opportunity to comment on the December 2015 *Exposure Draft on Proposed Revisions Pertaining to Safeguards in the Code—Phase 1*.

Very truly yours,



Donald H. Burkett, CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO