

March 21, 2016

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 Revision Pertaining to Safeguards in the Code – Phase 1.” 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.

<General Comment>

We understand that the purpose of this proposed ED on the safeguards is designed to improve how they are defined, in a bid to provide professional accountants with clarity on the conceptual framework of the Code, instead of changing the contents of the framework. Given this, the ED, in general, contributes to improving the clarity of the framework and increasing the applicability of the Code in practice, as we believe.

The ED structures the framework into requirements and application material, respectively, their individual stages used for professional accountants to apply the framework in practice, which are outlined as follow: identifying threats to compliance with the fundamental principles; evaluating threats; and addressing threats. The structure is believed to increase

clarity of the Code.

In addition, unlike existing standards, the proposed ED provides clarified description of the safeguards as actions, taken to eliminate threats to compliance with the fundamental principles or to reduce them to an acceptable level, separate from conditions, policies, and procedures that are established by the profession, legislation, regulation, the firm or employing organization, all of which have impacts on evaluating threats. Plus, illustrative examples of safeguards are provided in relation with threats such safeguards can address. We support the general purpose of the Board that aims to increase the understandability of the definition of safeguards in practice, in addition to effectiveness of the application of safeguards.

<KICPA Comments on Questions>

Questions	KICPA Comments
<i>Proposed Revisions to the Conceptual Framework</i>	
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?	Please refer to the KICPA General Comment
<i>Proposed Revised Descriptions of “Reasonable and Informed Third Party” and “Acceptable Level”</i>	
2. Do respondents support the proposed	The lack of additional explanation of the

<p>revisions aimed at clarifying the concepts of (a) “reasonable and informed third party;” and (b) “acceptable level” in the Code. If not, why not?</p>	<p>“reasonable and informed third party” test results in the existing standards, not being able to provide clarified description of the purpose and the level of the test. The proposed ED, supplemented with explanations of the context of implementing the test, is believed to contribute to increasing the accuracy of the test, as compared to existing standards. Still, how to implement the test in a consistent manner to professional accountants remains a problem, as professional accountants’ judgment is highly likely to intervene in the test. Aside from this, the expression of “acceptable level” is being widely used in the Code and is an essential part of implementing the conceptual framework. The proposed ED describing its meaning in an affirmative manner leads to improvement in clarifying its meaning, as compared to existing standards using a negative expression.</p>
<p><i>Proposed Revised Description of Safeguards</i></p>	
<p>3. Do respondents support the proposed description of “safeguards?” If not, why not?</p>	<p>Within the context of existing Code, safeguards are illustrated not only as conditions, policies and procedures, in general, that make an impact on how professional accountants identify and evaluable threats, but also as actions professional accountants take, thereby making it difficult to have a clear-cut understanding of safeguards. As suggested in our general comment, the proposed ED describes actions only as safeguards, aligned with threats such actions can address, thereby resulting in further</p>

	clarified correlation between the safeguards and the fundamental principles (or independence).
<p>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:</p> <p>(a) Do not meet the proposed description of safeguards in this ED?</p> <p>(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?”</p> <p>If not, why not?</p>	<p>Please refer to both our general comment and ones to the question 3.</p> <p>We support the principle of the Board’s revision that aims to referring safeguards as actions, as described in our general comment. But, all of the relevant examples of “safeguards created by the profession or legislation,” “safeguards in the work environment,” and “safeguards implemented by the entity” in the existing standards do not meet the proposed description of safeguards in this ED. We suggest the Board consider this in its final process of revision.</p>
<i>Proposals for Professional Accountants in Public Practice</i>	
<p>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?</p>	<p>We support the general direction of the proposed revision, and please refer to our general comment.</p>

We hope our comments would be useful for IESBA’s project that aims to improve the clarity of conceptual framework and safeguards. Please feel free to contract global@kicpa.or.kr for further inquiries.

Thank you.