

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

21 March 2016

Exposure Draft : Proposed Revisions Pertaining to Safeguards in the Code – Phase 1

Dear Mr Siong,

On behalf of RSM International Limited, a global network of independent accounting and consulting firms, we are pleased to have the opportunity to respond to your Exposure Draft: Proposed Revisions Pertaining to Safeguards in the Code – Phase 1.

We support these proposals and the objective to more closely align the detailed requirements and guidance within the Code to Fundamental Principles. The identification and assessment of threats, and design of appropriate safeguards is vital to the maintenance of the profession's reputation and these improvements to the Code are both welcome and necessary to make sure that the Code is both fit for purpose for professional accountants in any environment and that it can be applied at a consistent high standard.

Request for 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?

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

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?

We support the proposed revisions aimed at clarifying the above terms. Including guidance describing the attributes of a “reasonable and informed third party” makes it clear that a high standard of fact gathering and assessment is required. A positive description of what constitutes compliance with the fundamental principles is preferable to the extant test that compliance has not been compromised and the resulting judgment on what constituted a compromise.

Proposed Revised Description of Safeguards

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

We support the proposed description of “safeguards”. A positive description of what constitutes a safeguard and the linkage to the definition of acceptable level is clear and will be helpful.

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?

We agree that the above forms of safeguard do not meet the proposed description of a safeguard because they exclude actions undertaken by the professional accountant.

(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 agree that the above forms of safeguard are more appropriately considered separately from the new description of safeguards. However, we consider that when applying the “Identifying Threat” stage of the process these conditions, policies and procedures affect both the likelihood of *occurrence* of a threat to compliance with fundamental principles and the likelihood of the *accountant’s identification* of those threats. Proper application of the conditions, policies and procedures may indeed result in the mitigation of a threat or may improve the accountant’s ability to identify the threat. Accordingly, we would make the following amendments to para 120.5 A4:

“...or the employing organization can affect the likelihood of the ~~accountant’s identification~~ occurrence of threats to compliance with the fundamental principles or to enhance the ability of the accountant to identify threats. Examples ...”

However, we consider that the revised Code should also include a discussion in the “Evaluating Threats” stage (para 120.6 A3) as to how the conditions, policies and procedures included in para 120.5 A4 can impact the professional accountant’s evaluation of the threats to compliance with the fundamental principles.

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?

We fully support the Board's approach to the revisions in proposed Section 300.

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', with a long horizontal flourish extending to the right.

**Robert Dohrer
Global Leader - Quality and Risk
RSM International**

END OF DOCUMENT