



IFAC
International Ethics Standards Board for
Accountants (IESBA)

Submitted via the IESBA website

Stockholm 21 March 2016

Proposed Revisions Pertaining to Safeguards in the Code - Phase 1

FAR, the Institute for the Accountancy Profession in Sweden, has been invited to comment on the IESBA's exposure draft *Proposed Revisions pertaining to Safeguards in the Code - Phase 1*. FAR welcomes this opportunity to comment on the exposure draft. In FAR's opinion the revisions are an overall improvement, as they serve to make the Code more comprehensible and useful for the individual Public Accountant. However, FAR would like to point out that the implementation of the Code requires time and that even helpful revisions of the Code risk undermining the process of implementation, if they are too frequent.

FAR's response to IESBA's 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:*
 - e) The overall assessment:*
- If not, why not?*

FAR supports the proposed revisions. FAR would like to add the following suggestions:

c) Addressing threats:

In the ED 120.7 A1 reference is made to examples in International Independence Standards C1 and C2 of situations where no safeguards could reduce the threat to an acceptable level. It might be helpful to make clear in the reference, or perhaps in a footnote, that the Standards in C1 and C2 apply to audits and reviews and other assurance engagements. Perhaps other examples are needed for other engagements.

e) *The overall assessment:*

The rationale behind the new requirement in the ED R120.9 to make an overall assessment is a bit unclear. What does it add that the other requirements do not already ascertain? When is the review of judgements and overall conclusions to be made in order to fulfill the requirements of the Code? Should this be done after addressing the threats and/or on a regular basis while the service is being provided? FAR is not opposed to the new requirement, but finds that it would benefit from an application paragraph that explains the "step-back" 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?*

FARs supports the proposed revisions. In particular, it is a good idea to include the definition of "acceptable level" in the direct context of the requirement to evaluate threats.

Proposed Revised Description of Safeguards

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

FAR supports the proposed description.

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 and potentially evaluation of threats as discussed in paragraphs 26–28 of this Explanatory Memorandum?"*

FAR agrees that "safeguards created by the profession or legislation," "safeguards in the work environment," and "safeguards implemented by the entity" in the extant Code do not meet the proposed description of safeguards in the ED and that they are better characterized as proposed in the ED. In fact, FAR particularly commends this revision, since these particular descriptions of safeguards in the extant Code have not corresponded to what FAR has perceived as safeguards that can be used to lower identified threats to an acceptable level.

Proposal 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?*

FAR has no major objection to the IESBA's approach to the revisions. However, in FAR's opinion, there might be a risk that a professional accountant seeking guidance to the conceptual framework goes no further than to Section 120 (and perhaps Parts C1 and C2, as reference is made to these parts). As



there are requirements in applying the conceptual framework expressed in Section 300 the connection between the two sections should be made clearer by adding cross-references to Section 300 in Section 120.

As pointed out in the answers to 1. c) regarding the ED 120.7 A1 the reference to International Independent Standards might include information that these Standards apply to audits and reviews and other assurance engagements.

FAR's response to IESBA's Request for General Comments

(a) Small and Medium Practices (SMPs) –The IESBA invites comments regarding the impact of the proposed changes for SMPs.

FAR is of the opinion that the changes will only have positive impacts on SMPs, as they serve to clarify the application of the conceptual framework and the use of safeguards.

(b) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposed changes, in particular, on any foreseeable difficulties in applying them in a developing nation environment.

No opinion.

(c) Translations – Recognizing that many respondents may intend to translate the final pronouncements for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed changes.

For the moment FAR has not noted any potential translation issues.

FAR

A handwritten signature in blue ink that reads "Sara Orback".

Sara Orback
Secretary, FAR Ethics Policy Group

