



Tel: +1 212 885 8000
Fax: +1 212 697 5076
@: bdo@bdointernational.com
www.bdointernational.com

BDO International Limited
Contact:
135 50th Street
New York, NY 10020
United States of America

21 March 2016

Mr. Ken Siong
IESBA Technical Director
International Ethics Standards Board for Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

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

Dear Mr. Siong,

BDO International Limited¹ (BDO) is pleased to have the opportunity to comment on the International Ethics Standards Board for Accountants' (IESBA) December 2015 Exposure Draft on *Proposed Revisions Pertaining to Safeguards in the Code - Phase 1*. Overall, we are supportive of the proposed changes to the Code.

The following are our responses to the request for specific comments posed in the Explanatory Memorandum. We have no comments on the request for general 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 proposed revisions to the extant Code pertaining to the conceptual framework.

BDO International Limited is a UK company limited by guarantee. It is the governing entity of the international BDO network of independent member firms ('the BDO network'). Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BVBA and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO member firms.

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 to clarify the concepts related to ‘reasonable and informed third party’ and ‘acceptable level’.

Proposed Revised Description of Safeguards

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

In general, we support the proposed description of ‘safeguards’. However, we believe there can be some confusion in the wording ‘...actions,... that the professional accountant takes’.

The proposed definition in the exposure draft is: *‘Safeguards are actions, individually or in combination, that the professional accountant takes that effectively eliminate threats to compliance with the fundamental principles or reduce them to an acceptable level.’*

We believe the description would be easier to understand if it was revised to: ‘Safeguards are actions, individually or in combination, that the individual(s) providing professional services take that effectively eliminate threats to compliance with the fundamental principles or reduce them to an acceptable level. A professional accountant shall be responsible for the overall effectiveness of safeguards.’

Depending on the situation, however, the safeguards may be carried out by more than one professional accountant or a combination of professional accountant(s) and individual(s) who are not professional accountant(s). For example, if a safeguard for an audit engagement relates to having someone who is not on the engagement team completing the bookkeeping work and that individual is not a professional accountant, the safeguard is the professional service that such individual performs rather than the actions of a professional accountant.

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 agree that the “safeguards created by the profession or legislation,” “safeguards in the work environment,” and “safeguards implemented by the entity” in the extant Code are better characterized as “conditions, policies and procedures that affect the professional accountant’s identification and potentially the evaluation of threats.

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 recognize that the approach of the IESBA is not to repeat the requirements of Section 120 within Section 300. However, we find it inefficient to have to refer to Section 120 for the requirement and then refer back to Section 300 for the application guidance specific to professional accountants in public practice.

In addition, we believe it is confusing to have items as a requirement in one section (Section 120) and then include that same requirement as application material in another section (Section 300).

We appreciate the opportunity to comment on the Exposure Draft and hope that our comments and suggestions will be helpful to you in your deliberations.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,
BDO International Limited

Wayne Kolins
Global Head of Audit and Accounting