



Our Ref.: C/EC

22 March 2016

Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017  
The United States of America

Dear Sir,

**International Ethics Standard Board for Accountants Exposure Draft on Proposed Revisions Pertaining to Safeguards in the Code – Phase 1**

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Exposure Draft.

We welcome the IESBA's initiative to improve the clarity, appropriateness and effectiveness of the safeguards in the Code. We support the proposed amendments in the Exposure Draft, which provide enhanced clarity and robust application material relating to the conceptual framework.

Our responses to the questions raised in your Invitation to Comment are set out in the Appendix for your consideration.

If you have any questions regarding the matters raised in our comment letter, please contact Eky Liu, Associate Director of the Standard Setting Department (eky@hkiipa.org.hk).

Yours faithfully,

Chris Joy  
Executive Director

CJ/EL  
Encl.



## **Detailed comments on IESBA ED on *Proposed Revisions Pertaining to Safeguards in the Code – Phase 1***

### **Question 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 welcome the Board's proposed revisions to the extant Code pertaining to the conceptual framework. In particular, we support the introduction of the new requirement for the professional accountant to re-evaluate threats to compliance with the fundamental principles when there is new information or change in facts and circumstances, and the new requirement to do an overall assessment of judgements made and conclusion reached.

Nevertheless, from corruption prevention perspective, we suggest that after identifying a threat, a professional accountant should disclose the threat to his supervisor and/or a designated person in the firm, and document such threat and the follow-up action.

### **Question 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 do not have any comment to the proposed description and application material on "reasonable and informed third party" and the revised definition of the term "acceptable level".

### **Question 3**

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

We support the proposed description of "safeguards" in the Exposure Draft.



#### **Question 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 with the IESBA's conclusions that "safeguards created by the profession or legislation", "safeguards in the work environment", and "safeguards implemented by the entity" do not meet the proposed description of safeguards in the Exposure Draft, and are better characterized as "conditions, policies and procedures that affect the professional accountant's identification and potentially the evaluation of threats".

#### **Question 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 agree with the IESBA's approach to the revisions in proposed Section 300 for professional accountants in public practice.

**~ End ~**