

3 March 2016

Mr Ken Siong,
Technical Director,
International Ethics Standards Board for Accountants,
529 Fifth Avenue, 6th Floor,
New York,
NY 10017,
USA.

Dear Mr Siong

Exposure Draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1*

Crowe Horwath International is delighted to present a comment letter on the Exposure Draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1*. Crowe Horwath International is a leading global network of audit and advisory firms, with members in some 128 countries.

We welcome the Consultation Paper presented by IESBA and the efforts that IESBA is making to improve the understandability and usability of the Code. The presentation of the Code is much improved and the project appears to be achieving its desired aims.

We observe that IESBA has to continue to support the written word of the Code through other means of communication and engagement in order to achieve the desired level of adoption, effective implementation and consistent application.

IESBA should be collaborating with the IAASB to ensure consistency between the Code and the IAASB's Standards. We note the comments in paragraph 19 of the *Explanatory Memorandum*. As it will be several years before the IAASB's Standards are revised following the *Enhancing Audit Quality* consultation, IESBA and IAASB should be working now to ensure consistency between the Code and the IAASB's Standards in their current form.

We address below the specific matters detailed in the IESBA's request for comments.

Refinements to the Code

1. Do you agree with the proposals, or do you have any suggestions for further improvement to the material in the ED, particularly with regard to:

- (a) *Understandability, including the usefulness of the Guide to the Code?*
- (b) *The clarity of the relationship between requirements and application material?*
- (c) *The clarity of the principles basis of the Code supported by specific requirements?*
- (d) *The clarity of the responsibility of individual accountants and firms for compliance with requirements of the Code in particular circumstances?*
- (e) *The clarity of language?*
- (f) *The navigability of the Code, including:*
 - (i) *Numbering and layout of the sections;*
 - (ii) *Suggestions for future electronic enhancements; and*
 - (iii) *Suggestions for future tools?*
- (g) *The enforceability of the Code?*

We agree with the proposals and consider that they meet IESBA's stated objective of improving the understanding and usability of the Code.

In general, the Code is clear and well structured. The identification of "requirements" with adjacent "application material" is a welcome improvement in presentation that will assist both understanding and use.

In the *Explanatory Memorandum*, IESBA comments about the issues raised by users whose first language is not English and when the Code has been translated. IESBA should use its engagement with national regulators, standard setters and professional bodies to demonstrate that the revised presentation is likely to address these concerns. It would be helpful if IESBA publicly reported on this engagement, demonstrating that progress has been made.

The restructured Code emphasizes the importance of the "principles" basis. This is important and as the restructured Code is implemented, IESBA should work with national regulators and standard setters to make sure that the intent of the Code is maintained. National application and enforcement has to preserve the principles based approach of the Code.

The Code has to be supported by relevant resources that assist practical application and professional education. Online resources and webinars are needed. These have to be practical in approach, using case studies and examples. Accountants from business and practice should be involved in the preparation of these resources to help them reflect real situations that are encountered.

2. Do you believe the restructuring will enhance the adoption of the Code?

In principle yes, but the adoption of the Code is influenced by many factors other than its structure and presentation.

Where IESBA has concluded that improvements to the Code will enhance adoption of the Code, then IESBA should work with stakeholders to communicate the changes that have

been made and encourage that changes are made to the national approach to adoption. Stakeholders are a broad group including regulators, standard setters, government, the national accountancy profession, and international parties including the networks of audit firms.

3. Do you believe that the restructuring has changed the meaning of the Code with respect to any particular provisions? If so, please explain why and suggest alternative wording.

We do not consider that the restructuring has resulted in any changes that impact upon the meaning or interpretation of the provision of the Code.

However, after the restructured Code has been issued, IESBA should monitor the application of the Code, and after an appropriate period prepare an impact analysis that identifies whether, in practice, the meaning of any provisions has changed.

Other Matters

4. Do you have any comments on the clarity and appropriateness of the term “audit” continuing to include “review” for the purposes of the independence standards?

“Audit” is a distinct professional discipline and service, supported by comprehensive standards, and subject in many jurisdictions to independent oversight and regulation. “Review” is a separate activity and is best combined with “other assurance services” in the Code.

5. Do you have any comments on the clarity and appropriateness of the restructured material in the way that it distinguishes firms and network firms?

The distinction between “firm” and “network firm” is a welcome inclusion in the restructured Code. The approach taken in Section 401 is generally clear and the terminology used to describe a “network firm” is appropriate.

Title

6. Is the proposed title for the restructured Code appropriate?

We agree with the proposed title for the restructured Code. The addition of the word “Standards” is important.

We trust that our comments assist the IESBA in the project to restructure the Code. We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely



David Chitty
International Accounting and Audit Director