



SENT VIA E-MAIL

April 18, 2016

International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017

Re: Exposure Draft, *Improving the Structure of the Code of Ethics – Phase 1*

Dear Members of the International Ethics Standards Board for Accountants:

The American Institute of Certified Public Accountants' (AICPA) Professional Ethics Executive Committee (PEEC) is pleased to submit this comment letter to the International Ethics Standards Board for Accountants (IESBA) on its exposure draft, *Improving the Structure of the Code of Ethics – Phase 1* (the "Exposure Draft"). The AICPA is the world's largest member association representing the accounting profession, with more than 412,000 members in 144 countries and a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting; membership is also available to accounting students and CPA candidates. Throughout its history, the AICPA has been deeply committed to promoting and strengthening independence and ethics standards. Through the PEEC, the AICPA devotes significant resources to independence and ethics activities, including evaluating existing standards, proposing new standards, and interpreting and enforcing those standards.

General Comments

We support the IESBA's objective of setting high-quality ethics standards for professional accountants around the world and facilitating the convergence of international and national ethics standards.

Overall, we support the proposals contained in the Exposure Draft with some specific concerns described below in the "Responses to Request for Specific Comment."

Responses to Request for Specific Comment

Refinements in 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 the 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 note the following:

- a. While we did not experience any significant issues concerning understandability of the extant Code, we do agree with the proposals with regard to understandability, including the usefulness of the Guide to the Code.
- b. Yes, we agree with the proposals with regard to the clarity of the relationship between requirements and application material. We believe that if the application material is as close as possible to the requirement for which it provides context, the risk of a user of the Code only reading the requirement will be reduced and the Code will not appear to be disjointed.

We do recommend, however, that the IESBA consider placing any exceptions to a requirement possibly within the requirement itself, (e.g., as a sub-paragraph) or as its own requirement immediately following the requirement. We believe that including such exceptions in the application material may not be intuitive to users and therefore may not be considered.

- c. Yes, we agree with the proposals with regard to the clarity of the principles basis of the Code supported by specific requirements.
- d. Yes, we agree with the proposals with regard to the clarity of the responsibility of individual accountants and firms for compliance with requirements of the Code provided that the Code is consistent with the guidance provided in ISQC 1. Furthermore, we note that from an enforcement perspective, member bodies and others who enforce the Code will determine who should be held responsible for a violation of a specific provision through their own enforcement process. For example, the AICPA Code refers to ‘member’ throughout the Code. Through our enforcement policies and procedures, we have identified which members within a firm should be held accountable for any breaches of the rules, including independence breaches.
- e. While we did not experience any significant issues regarding the clarity of the language in the extant Code, we agree with the proposals concerning the clarity of the Code.
- f. (i) No, we do not agree with the proposals with regard to the numbering of the sections. Specifically, the format used for numbering the sections could be more intuitive. For example, the citation numbering system for the AICPA Code is as follows: “ET section

X.XXX.XXX.” The single digit that begins the citation identifies in which part the content resides. Accordingly, content from the preface begins with the single digit 0.XXX.XXX, whereas content for part 1 begins with a 1.XXX.XXX, part 2 with a 2.XXX.XXX, and part 3 with a 3.XXX.XXX. Next are two sets of three digit numbers that identify the topics and, when applicable, subtopics or sections. We believe this numbering system facilitates research and expansion of the AICPA Code of Professional Conduct when new subtopics or sections are created and adopted.

(ii) We fully support the IESBA’s initiative of an electronic version of the Code. The AICPA recently released an electronic version of the AICPA Code with enhanced functionality and search features. We would encourage the Board to ensure that any enhancements include advanced search capabilities and allow the user to bookmark and use other personalized tools. We would be happy to discuss the tools and features recently implemented in the electronic version of the AICPA Code with the Board

(iii) We believe it might be helpful to develop a tool to assist professional accountants and firms with applying and documenting the conceptual framework approach. The AICPA has recently issued such a tool that we would be happy to discuss with the Board.

- g. While we did not experience any significant issues concerning enforceability of the extant Code, we do believe that having the requirements at the beginning of each section will enhance enforceability of the Code and make it easier for users to identify specific requirements.

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

We strive for convergence with the Code as the IESBA approves proposed enhancements to the Code for adoption. During the convergence process, we consider and possibly edit the IESBA guidance due to conformity with the AICPA’s drafting conventions and other differences that may be relevant to our jurisdiction. Therefore, the restructuring will have minimal effect, as, we do not “adopt” the Code in its entirety. We cannot speak for other jurisdictions or member bodies in terms of their adoption processes.

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

No. We are not aware of any specific instances where the restructuring has changed the meaning of the Code with respect to any particular provisions. However, due to the significant restructuring and distinction between requirements versus application material, we would recommend that the IESBA “pilot test” the IESBA Code with key stakeholders to ensure that there have not been any instances where the meaning or the application of any provisions have substantively 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?

No. We do not have any comments on the clarity and appropriateness of the term “audit” continuing to include “review” for the purposes of the independence standards nor are we aware of any confusion this may have caused in practice. The AICPA Code of Professional Conduct does not contain separate independence provisions for audits/reviews and other assurance services, save for some minor exceptions.

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?

No. We do not have any comments on the clarity of the restructured material in the way that it distinguishes firms and network firms other than we believe it remains appropriate.

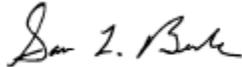
Title

6. Is the title for the restructured Code appropriate?

Yes. We believe the title for the restructured Code is appropriate as the guidance contained within the Code should be referred to as *ethics standards*.

We appreciate this opportunity to comment. We would be pleased to discuss in further detail our comments and any other matters with respect to the IESBA’s Exposure Draft.

Sincerely,



Samuel L. Burke, CPA
Chair, Professional Ethics Executive Committee

cc: Brian Caswell, CPA, IESBA Member
Lisa Snyder, CPA, CGMA, Director – Professional Ethics