

27 April 2016

Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York  
NY 10017

Dear Mr Siong

### **Exposure Draft, Improving the Structure of the Code of Ethics for Professional Accountants—Phase I**

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with over 227,000 members and students operating in 179 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organisations of all sizes.

Professionalism and ethics are at the core of CIMA's activities with every member and student bound by the CIMA Code of Ethics which is based upon the IESBA Code.

CIMA is pleased to have the opportunity to comment upon the above exposure draft and we address the questions below.

#### ***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?**

As a general principle, we would completely support changes which aids understanding and usability of the code, and which also enhances its visibility as well as accessibility to it across the global profession.

Section 110 is headed as a section with five subsections following relating to the fundamental principles – this could be confusing.

**(b) The clarity of the relationship between requirements and application material?**

The phrase “for example” as used in R100.4, R410.8, R410.9 and R510.6. should not be used within requirement clauses. The examples (as opposed to exceptions) should all be in the application clauses.

**(c) The clarity of the principles basis of the Code supported by specific requirements?**

Provided that the principles and requirements are not conflicting or perceived as conflicting it should work particularly for professional accountants who may be more familiar with seeking answers which are more prescriptive as opposed to a purely principles based approach.

**(d) The clarity of the responsibility of individual accountants and firms for compliance with requirements of the Code in particular circumstances?**

We note that there has been support for “clarifying who is responsible for compliance with requirements in particular circumstances” (explanatory memorandum) but remain concerned that this should be by exception to prevent a perception that wider “opt out” is permissible.

**(e) The clarity of language?**

“Third Party”

An explanation of “third party” appears at 120.4 A1 but the first reference to this is at 115.1 A1 – there may be a need for a cross reference to 120.4 A1 here, as in 120.9 which does cross reference back to 120.4 A1.

The explanation includes “weighing all relevant facts and circumstances...” but “reasonable and informed” precedes all references to third party. The inclusion of “weighing all relevant facts etc” seems arbitrary.

For example there is no inclusion of this extra phrase under “evaluating threats” 120.6 A1.

Under “confidentiality, R310.14 (c) there is no inclusion of “weighing all relevant facts etc” or any cross reference.

This is the same under “gifts/hospitality”: 340.3 A1, 401.2 (b), 401.3 A9 and 404.2.

Under 400.2 (b) – Independence the phrase “weighing all relevant facts etc” is included.

Under the Glossary “weighing all relevant facts etc” is not included in the definition of “acceptable level” [we note that this is currently in the Safeguards ED so may change].

Independence includes “weighing all relevant facts etc”

The definition of “reasonable and informed third party is inconsistent with that in 120.4 A1 – perhaps this could just cross reference to a definitive explanation in the glossary on the basis that this is where most readers will go to clarify an explanation rather than to another clause elsewhere in the Code.

**(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?**

We have no comment on this question.

**(g) The enforceability of the Code?**

We believe that the introduction of requirements will assist in the enforceability of the Code as it will be clearer as to the action a professional accountant should consider when encountering a situation that may result in violation of the Code. This should therefore assist the conduct/disciplinary processes of regulators and the PAOs.

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

The restructured Code as proposed seems more complicated. CIMA cannot comment upon other’s perceptions of the Code and the likelihood of adoption. Those looking to adopt the Code for the first time will have no experience of the previous versions and will therefore take it on its merits.

**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 would offer only a general observation here that care should be taken when using words or phrases which are not easily translated or which when used in translation may change the nuance of the provision in question.

## ***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?**

References to “audit”, “assurance engagement”, “engagement partner”, “review engagement”, “non-assurance engagement” – these appear inconsistent at present. A full check of the text prior to publishing should pay particular attention to this.

### **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?**

As CIMA regulates individuals only we have no specific comment upon this. We would expect the requirements and guidance applicable to those individuals working in firms and network forms to be sufficiently understandable to apply to those individuals when considering issues around firms and network forms.

## ***Title***

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

We can understand the logic of the proposed change on the basis that IESBA is a standard setting board but are concerned that this should not detract from the principles based approach.

## ***Request for General Comments***

### **7. In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:**

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

**(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 proposals, and in particular, on any foreseeable difficulties in applying them in their environment.**

**(c) Translations—Recognising that many respondents may intend to translate the final pronouncement for adoption in their environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.**

Some of the terms may not translate very well for example “conceptual framework”, “application material”, “remain alert to” (as in R310.13), “conflict identification process” as in 310.7 A1)

Some of the words may not translate very accurately. For example the word “warranted” in the proposed R320.7.

Some of the sentences used are very long and some of the sentences are convoluted – for example the proposed 115.1 A1 on page 26 of the mapping table.

There are some areas where the need to consider principles and requirements against each other is not explicit. For example the proposed 320.4 A3 – how does this conflict with another professional accountant’s obligation of confidentiality?

There may be a typographical error in 310.10 A1 “interests or relationships” or if this is the intended wording then it is not easily understandable.

Other Comments

## **Guide to the Code**

P 17. 9. “Where application material includes lists of examples, these lists are not intended to be read as exhaustive lists of all possibilities or circumstances that might arise”. We are concerned that this paragraph may be easily missed, especially when considering how the

Code is likely to be used. (i.e. professional accountants seeking requirements and guidance on a specific issue). We would suggest including a short proviso at the beginning of every list.

Those Charged with Governance (P 34) R300.3 with 3003A1 and 2 - this is an example of where the text does not fit obviously into requirements or application. The requirement here is only applicable when the PA has used professional judgement to decide whether to go to those charged with governance (see 112.2 A2)

R300.3 does not encourage escalation in steps.

Former 210.4 referring to the requirement upon the PA to decline to enter into a client relationship. This paragraph is not included on the basis that it is covered in the conceptual framework language. We suggest that there should be specific advice (perhaps added in to 320.3 A5).

We hope that these comments and the ones that follow in the Appendix will be of use to the IESBA. As ever, CIMA is happy to engage with the Board and provide any clarification.

Yours sincerely,

*Samantha McDonough*

Professional Standards Support Manager