

18 April 2016

Ken Siong
Technical Director, IESBA
529 Fifth Avenue
6th Floor
New York NY 10017

Dear Ken

**Submission on the International Ethics Standards Board for Accountant's ("IESBA or the Board")
Exposure Draft: Improving the Structure of the Code of Ethics for Professional Accountants –
Phase 1**

We are pleased to provide our response to your Exposure Draft entitled "Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1" (the "ED"). As a professional body representing over 100,000 members we are supportive of any steps IESBA takes to improve the useability of the Code of Ethics for Professional Accountants (the "Code") by our members. Appendix A contains more information about Chartered Accountants Australia and New Zealand ("CA ANZ").

We have provided our responses to the specific questions in the ED below. In Appendix B we have provided a number of other observations regarding the ED for IESBA's consideration.

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?

We believe that including a Guide to the Code at the beginning of the Code is a positive change in simplifying the Code.

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

We believe that useability of the Code would be further enhanced by presenting the requirements in bold font and the application materials in plain font, as currently presented it is difficult to distinguish between the two. This sends a visual message beyond the insertion of "R" and "A" in the numbering of the Code.

More specifically, application materials exist to support a specific requirement. We identified examples of application materials not clearly linked / attached to requirements of the same numbering, for example application paragraphs 112.3 A1 and 112.3 A2 are not "attached" to any particular requirement paragraph.

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

In our opinion, the Code should continue to be a principles based pronouncement with application materials to support and assist a professional accountant in applying the principles. IESBA needs to take care that lists included in application materials are not regarded as requirements or a complete list of all the matters a professional accountant needs to consider. We would encourage IESBA to consider including a reminder to professional accountants that they need to use professional judgement to achieve compliance with the requirements.

We also believe that the inclusion of the phrase “The Conceptual Framework contained in Section 120 applies in all circumstances” on the top of every page is contrary to IESBA’s intention of making the Code more useable. We recommend IESBA removes this statement.

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?

We have no specific comment to make on these questions.

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?**

Please refer to our response to b) above.

We believe the Code can be made easier to navigate by

- including cross referencing, particularly between Part C and the Fundamental Principles and the Conceptual Framework, in an electronic version, this should include using hyperlinks, and
- making it clear what terms are defined within the Glossary, this could be achieved by using hyperlinks, font variations or other commonly used conventions.

Within the Code the requirements in respect of public interest entities (“PIEs”) and non-PIEs can vary, particularly in regards to auditor independence. A useful tool for professional accountants, particularly those in small to medium sized practices, would be a document summarising the specific requirements for audits of PIEs.

g) The enforceability of the Code?

In our January 2015 response to the Board’s consultation paper on the Code we noted that we have not experienced difficulty in enforcing the Code as it currently is written. We do not believe that the re-drafting will change this.

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

The Code is adopted by IFAC member bodies in order to comply with Statement of Member Obligations #4. The proposed restructuring of the Code is therefore unlikely to enhance adoption of the Code. However, we believe that making the Code easier for our members to use will make it more likely that they will refer to the Code and be able to navigate it, thus making it easier for our members to use. Features such as cross-referencing, hyperlinks and a clear link to Glossary terms will further assist our members.

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 note that R320.6 (b) introduces a requirement to respond to an ethical letter. This requirement did not exist in the extant Code and we question whether its introduction is intended.

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?

We have no specific comments in regards to this question.

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?

We have no specific comments in regards to this question.

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

We are not supportive of the proposed renaming of the Code to “International Code of Ethics Standards for Professional Accountants” because we believe that using both Code and Standard in the title in this way is unnecessary. We would recommend retaining the existing title or amending the title to “International Code of ~~Ethics~~ Ethical Standards for Professional Accountants”.


Additional comments

We have one additional comment to make to IESBA with regards to the Code. IESBA currently has five projects underway in relation to the Code (NOCLAR, Long Association, Structure, Safeguards and Part C) all with varying completion dates. This piecemeal approach increases the effort required by local standard setters and users to prepare for the implementation of the changes. It also increases the likelihood of changes arising from one project impacting another project. Furthermore, the proposed changes are quite extensive and will require considerable time for users of the Code to develop and then enact implementation programs. We recommend that IESBA,

- i. issue all amendments with a common application date and
- ii. that the application date provides for a lengthy adoption period

If you have any questions regarding this submission, please contact Kristen Wydell (General Manager, Professional Standards, Quality & Liability Capping) via email Kristen.Wydell@charteredaccountantsanz.com.

Yours sincerely



Rob Ward FCA AM
Head of Leadership and Advocacy

CC via email: Channa Wijesinghe, Technical Director, Accounting Professional & Ethical Standards Board Limited: channa.wijesinghe@apesb.org.au

CC – Via Email: Chief Executive Officer, External Reporting Board: submissions@xrb.govt.nz

Appendix A

About us

Chartered Accountants Australia and New Zealand is made up of over 100,000 diverse, talented and financially astute professionals who utilise their skills every day to make a difference for businesses the world over.

Members of Chartered Accountants Australia and New Zealand are known for professional integrity, principled judgement and financial discipline, and a forward-looking approach to business. We focus on the education and lifelong learning of members, and engage in advocacy and thought leadership in areas that impact the economy and domestic and international capital markets.

We are represented on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

Appendix B

Other Observations Regarding the Exposure Draft

Ref	Comment
112.2 A1 and A2	Section 112 is providing additional explanation regarding the fundamental principle of Objectivity. Threats and safeguards are not introduced until Section 120. Reference to threats and safeguards should not be made at paragraphs 112.2 A1 and A2 without cross referencing to section 120.
R320.5	It would be helpful to add some guidance on other useful ways to obtain information on threats where communication with the existing accountant is not possible.