

The Institute of Public Accountants



IPA INSTITUTE OF PUBLIC
ACCOUNTANTS[®]

24 April, 2016

Mr Ken Siong
Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 5th Avenue, New York, USA

Dear Mr Siong

Exposure Draft, December 2015 issued by the International Ethics Standards Board for Accountants (IESBA)

“Improving the Structure of the Code of Ethics for Professional Accountants — Phase 1”

The Institute of Public Accountants (IPA) welcomes the opportunity to comment on the *“Exposure Draft, Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1”* (the Code). In general, we support the changes to the structure of the Code and believe the changes will increase clarity and understanding of the fundamental principles and complying with the conceptual framework.

We do however, see some limitations to the enforceability of the Code, particularly amongst individual professional accountants and professional accountants in business. Further, independence requirements which are both enforced and scrutinised by the public, may continue to overshadow other important aspects of the Code (which we see as an unintended consequence).

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members in over 65 countries, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office, Australian Securities and Investments Commission and the Australian Prudential Regulation Authority on issues affecting the profession and in the public interest.

We have provided comments to specific questions raised in the proposed revision to the Code, included in Appendix A.

If you would like to discuss our comments, please contact me or our technical advisers Sonya Sinclair (sonya@ecorac.com.au) or Colin Parker (colin@gaap.com.au), GAAP Consulting.

Yours sincerely



Vicki Stylianou
Executive General Manager, Advocacy & Technical

Cc The Hon. Nicola Roxon – Chair APESB

Appendix A

“Improving the Structure of the Code of Ethics for Professional Accountants — Phase 1”

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 believe the proposed changes to the structure of the Code together with the Guide to the Code improve its understandability by clearly identifying the professional accountants’ obligations in the Code as requirements **(R)** and provides clarification and context on how to apply the requirements as application **(A)**.

The emphasis on the need to apply the conceptual framework requires the professional accountant to be aware of circumstances, behaviours or other conditions that would result in a breach of compliance with the fundamental principles. Reinforcing the principles based approach to the Code encourages implementation by the professional accountant, whether they are in public practice or in business.

In response to point g) above, the Professional Accountant in Public Practice in Australia is required to be part of the quality review program with their respective membership body involving a peer review being conducted to ensure compliance with professional and ethical standards as well as other relevant standards. Enforceability of the Code is enhanced through the ongoing monitoring and peer review program.

In comparison, the Professional Accountant in Business is not required to be part of the peer review program and there is no way of monitoring and reinforcing compliance with the conceptual framework. Further, the Professional Accountant in Business is impacted by other factors outside their control. This includes the culture of the employer or organisation and laws and regulations imposing obligations which may not align with the Code. There is an onus on the individual to self-regulate.

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

There is no reason why the restructured Code should not enhance adoption amongst both Professional Accountants in Business and Professional Accountants in Public Practice, however, as a whole it is often overshadowed by the independence requirements. Public

concern and scrutiny over auditors (including provision for non-assurance services, partner rotation requirements) and the need for strengthened audit quality unintentionally takes precedence.

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 believe restructuring has changed the meaning of the Code with respect to any particular provisions and have no further comments.

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?*

The restructured Code refers to Independence – Audit and Review Engagements. The continued use of the reference to both audit and review engagements should remain. There are circumstances where the Professional Accountant in Public Practice may perform review engagements only or may unintentionally assume the independence requirements apply to audit engagements only.

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 further comments.

Title

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

Yes, we agree with the proposed title for the restructured Code.