



**The Institute of
Chartered Accountants
of Pakistan**

HEAD OFFICE

Technical Director
IAASB
Fifth Avenue, 6th Floor,
New York, USA

February 05, 2015

ICAP COMMENTS ON CONSULTATION PAPER 'IMPROVING THE STRUCTURE OF THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS'

Dear Sir,

The Institute of Chartered Accountants of Pakistan welcomes the opportunity to offer comments on the above mentioned Consultation Paper.

Please find enclosed the comments of the relevant Committee of the Institute for your perusal.

If you require any further clarification, please do not hesitate to contact us.

Yours faithfully,

Senior Manager Technical Services
The Institute of Chartered Accountants of Pakistan

(Established under the Chartered Accountants Ordinance, 1961-X of 1961)

**Chartered Accountants Avenue, Clifton, Karachi-75600 (Pakistan) UAN: (92-21) 111 000 422 Fax: 99251626
Website: <http://www.icap.org.pk> E-mail: info@icap.org.pk**

ICAP COMMENTS ON CONSULTATION PAPER 'IMPROVING THE STRUCTURE OF THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS'

Questions for Respondents

1. Do you believe that the approach outlined in this Consultation Paper, as reflected in the Illustrative Examples, would be likely to achieve IESBA's objective of making the Code more understandable? If not, why not and what other approaches might be taken?

Answer: Yes, this will be in line with the International Standards on Auditing. An effort to simplify the language used in the proposed structure of the Code of Ethics is commendable. This would help SMPs understand and implement the Code. (Paragraph 23)

2. Do you believe that the approach outlined in this Consultation Paper, as reflected in the Illustrative Examples would be likely to make the Code more capable of being adopted into laws and regulations, effectively implemented and consistently applied? If not, why not and what other approaches might be taken?

Answer: The Code is framework based. Accordingly, the scope of the Code would be much wider and far reaching than laws and regulations. The term requirement is too restrictive and can only be adhered through "Application and Other Explanatory Material" which are in the nature of guidance in particular circumstances. However, some of the guidance may coincide with the requirements of laws and regulations existing in a particular jurisdiction. In my view, it would be inappropriate to generalize that "Application and Other Explanatory Material facilitates adoption of the Code into laws and regulation. (Paragraph 9)

3. Do you have any comments on the suggestions as to the numbering and ordering of the content of the Code (including reversing the order of extant Part B and Part C), as set out in paragraph 20 of the Consultation Paper?

Answer: No

4. Do you believe that issuing the provisions in the Code as separate standards or rebranding the Code, for example as International Standards on Ethics, would achieve benefits such as improving the visibility or enforceability of the Code?

Answer: Rebranding as International Standards on Ethics is recommended as the readers would be more comfortable if all the codes in one volume. (Paragraph 22)

5. Do you believe that the suggestions as to use of language, as reflected in the Illustrative Examples are helpful? If not, why not?

Answer: Yes

6. Do you consider it is necessary to clarify responsibility in the Code? If so, do you consider that the illustrative approach to responsibility is an appropriate means to enhance the usability and enforceability of the Code? If not, what other approach would you recommend?

Answer: No. The primary responsibility is of the engagement partner.

7. Do you find the examples of responsible individuals illustrated in paragraph 33 useful?

Answer: See answer to 6 above.

8. Do you have any comments on the suggestions for an electronic version of the Code, including which aspects might be particularly helpful in practice?

Answer: No

9. Do you have any comments on the indicative timeline described in Section VIII of this Paper?

Answer: No

10. Do you have any other comments on the matters set out in the Consultation Paper?

Answer: Yes, the following are the additional comments:

- 1- It is suggested to place the code of ethics for Professional Accountants in Business at the end.
- 2- The interpretation of the term “acceptable level” interpreted with respect to “safeguards” is too subjective. There is no yard stick to measure the reasonableness and judgment of a third party as to whether compliance with the fundamental principles is compromised or not. It is suggested to place the onus on the professional judgment of the professional accountant to display that the fundamental principles is not compromised by bringing the threat to the acceptable or reasonable level.
- 3- The term “firm” should also be restated as “Professional Entities” to cover all forms of professional organization, i.e., from proprietorship to corporation. Furthermore, the term firm has been merged in the definition of “professional accountant” in Part-I General Application of the Code Section 100.000 sub paragraph (b) and again separated in Code Section 100.002 and other parts of the Code which is confusing.
- 4- Following are certain suggestions:
 - The structure of the code is changed as discussed in Para 20(2) of the first part of this consultation paper. In this respect, please refer 000.003 of the code.
 - 000.007 may consider rewording as “safeguard are necessary when the firm or professional accountant determine that the threats cannot be eliminated or are not at an acceptable level.”
 - 420.007, immediate family may be defined to more clarify the subject.
- 5- Code 100.12 on “Ethical Conflict Resolution” the documentation of ethical practice followed, shall be the requirement instead of including in “Application and Other Explanatory Material”.

6- In Part II-Professional Accountants in Public Practice, on Safeguards, Code 300.16 Examples of firm-wide safeguards in the work environment, the first two examples be enlarged to include “Walk the talk” as underlined:

- Leadership of the firm that stresses the importance of compliance with the fundamental principles and also displayed their adherence to them.
- Leadership of the firm that establishes the expectation that member of an assurance team will act in the public interest and also displayed their adherence to them.

7- The ethical requirements relating to “Client Acceptance and Continuance” have been covered in detail in International Standards on Quality Control (ISQC)-1. It is suggested to avoid repetition in this Code and instead the ISQC-1 should be referred as compliance of this Code.