



American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

## **SENT VIA E-MAIL**

February 28, 2014

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

Re: Consultation Paper, *Proposed Strategy and Work Plan, 2014-2018*

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 Consultation Paper, *Proposed Strategy and Work Plan, 2014-2018* (the "Proposed Strategy and Work Plan"). The AICPA is the world's largest member association representing the accounting profession, with more than 394,000 members in 128 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. Seeking input from member bodies and other interested parties on strategic direction and projects prior to commencing proposed projects can facilitate convergence of ethical standards. For example, providing advance notice to member bodies regarding specific projects the IESBA is considering undertaking enables member bodies to work on similar projects concurrently with the IESBA and provide input to, and receive input from, the IESBA during the standard-setting process. This increases the likelihood that consistent standards can be adopted.

### **Responses to Request for Specific Comment**

- 1. Do you support the four work streams the Board added to its SWP in 2012, i.e., Long Association, Non-Assurance Services, Review of Part C, and Structure of the Code (See Section II)? If not, please explain why.**

Due to the fact that the IESBA has already devoted significant resources to these work streams, we do not object to the Board continuing its efforts to provide guidance to professional accountants in these areas and to enhance the Code's usability. However, we believe that *prior to* commencing projects in the future that are not part of the Board's Strategy and Work Plan, it should first obtain the views of its stakeholders (e.g., through consultation on proposed revisions to its Strategy and Work Plan) and only commence projects that the Board has approved to be added to the Strategy and Work Plan. We appreciate that the Board would like to be responsive to emerging issues and in cases where such an issue may arise that the Board believes should result in a new work stream, a revised Strategy and Work Plan could be issued for stakeholders' views or perhaps, a less formal and more expeditious process could be implemented to seek input from stakeholders on whether a new work stream should be added to the Board's agenda. We believe such a process could be implemented without hindering the Board's ability to be responsive to emerging issues.

We also ask the IESBA to be mindful that many member bodies, such as the AICPA, have been working towards convergence with the extant IESBA Code. Significant restructuring or drafting changes to the IESBA Code resulting from the Structure of the Code project would place a significant burden on member bodies and hinder efforts to effectively converge with the IESBA Code. Likewise, the Code's existing provisions on long association and non-assurance services were revised and first became effective January 1, 2011. We question the need to revisit this guidance so soon after adoption and ask the Board to carefully consider in the future whether revisions to recently adopted guidance in the IESBA Code are truly necessary as it may hinder member bodies' efforts to converge with the IESBA Code.

**2. Are the strategic themes identified for the period 2014-2018 appropriate? If not, please explain why.**

We believe the four strategic themes set forth in paragraph no. 6 of the Proposed Strategy and Work Plan are appropriate. However, while we agree that the IESBA should monitor and "understand the ethical implications of any regulatory developments" as part of its strategic theme, *Evolving the Code for Continued Relevance in a Changing Global Environment*, we ask that the Board be mindful that the rules a regulator may believe are appropriate in their jurisdiction may not be appropriate in a principles-based Code that must remain relevant for all professional accountants around the world. Accordingly, we recommend that the Board not place undue emphasis on the rules (or proposed rules) of regulators but rather consider all its stakeholders as well as the impact any of the Board's proposed rules may have on professional accountants from small and medium-sized practices and those who provide assurance and other services to non-public interest entities.

**3. Are the actions identified with respect to each strategic theme, and their relative prioritizations, appropriate? If not, please explain why.**

Except for the following, we believe the actions identified with respect to the strategic themes and relative prioritizations are appropriate.

We support the Board exploring a new work stream and conducting research on collective investment vehicles (CIVs). However, prior to commencing standard-setting in this area we believe the Board should carefully consider whether such research supports a project resulting in changes to the Code. We agree that there is much diversity in structure of these vehicles around the world and many CIVs may already be subject to independence and ethics requirements established by a regulator in the relevant jurisdiction. Accordingly, it may prove unrealistic to provide guidance on CIVs that would be appropriate for an international Code. If the Board does pursue a project on CIVs, it may wish to consider the new independence standard issued by the AICPA, Interpretation 101-18—*Application of the Independence Rules to Affiliates*,<sup>1</sup> which identifies specific parties associated with an investment company that would be considered an affiliate of a financial statement attest client for purposes of applying the independence provisions of the AICPA *Code of Professional Conduct*.

We do not believe the Board should devote resources to a project on fee dependency. We believe the guidance contained in Section 290 of the IESBA Code, *Fees – Relative Size*, provides appropriate safeguards and restrictions for public and non-public interest entities with regard to fee dependency as it relates to a specific client. This guidance first became effective January 1, 2011 and we do not believe there is need to revisit this so soon after adoption. There do not appear to be member bodies raising fee dependency as an area of concern or in need of additional guidance, or any significant number of others that believe this is an area that requires consideration. Accordingly, we recommend that this project not be pursued by the Board so that the Board’s limited resources can be devoted to the important initiatives identified in the Proposed Strategy and Work Plan.

Finally, with regard to the IESBA’s proposed project to undertake a comprehensive review of the safeguards in the IESBA Code, we ask the Board to remain mindful that certain safeguards (e.g., partner rotation) may not be feasible for small and medium-sized practices, including sole proprietors, and requiring the implementation of certain safeguards by such practices may not be in the public interest. Accordingly, in considering whether existing safeguards should be revised or new safeguards added to the IESBA Code, the Board should carefully consider the impact such safeguards could have on these practices.

**4. Are there any actions not included in the proposed SWP that you believe the Board should consider for the 2014-2018 period? If so, please explain why, and indicate which actions identified in proposed SWP should be displaced (i.e., deferred or eliminated).**

We are not aware of any other actions that the Board should consider for the 2014-2018 period.

**Comments on Other Matters**

With regard to the Board’s project, *Responding to Non-Compliance with Laws and Regulation*, we note that the *Illustrative Work Plan* in Appendix 3 indicates that the Board expects to perform

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<sup>1</sup> [http://www.aicpa.org/Research/Standards/CodeofConduct/Pages/et\\_101.aspx#10118](http://www.aicpa.org/Research/Standards/CodeofConduct/Pages/et_101.aspx#10118)

a “second-read” of its re-exposure draft in October 2014 and approve the re-exposure draft at its December 2014 meeting. Given the fact that the Board will be holding roundtable discussions on this topic through July 2014 and will first be apprised of the results of the roundtables at its October 2014 meeting, we believe it may be unrealistic to expect the Board to approve a re-exposure draft in December 2014. We therefore ask the Board to reconsider whether the proposed timetable is appropriate and how the prioritization of other projects may be impacted if this project is delayed.

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 Proposed Strategy and Work Plan.

Sincerely,

A handwritten signature in cursive script that reads "Wes Williams, CPA".

Wes Williams, CPA  
Chair, Professional Ethics Executive Committee

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