

ED General Comment Questions:

**Those Charged with Governance, including Audit Committee Members** – The IESBA invites comments regarding any aspect of the proposals from individuals with responsibilities for governance and financial reporting oversight. This includes small businesses where a single owner manages the entity and also has a governance role.

**Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)** – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

**Regulators and Audit Oversight Bodies** – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

**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.

**Translations** – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

## Those Charged with Governance, including Audit Committee Members

### Independent National Standard Setters

#### 15. Accounting Professional & Ethical Standards Board Australia (APESB)

APESB is of the view that TCWG and Audit Committee Members undertake essential roles in the financial reporting supply chain, including ensuring audit quality and the Independence of the external auditor. Within Australia, there is guidance from other organisations, such as in Principle 4 of the ASX Corporate Governance Principles and Recommendations, as to the role of the audit committee and the Board in relation to the appointment of the external auditor (including determining fee levels and ensuring independence).

APESB would encourage the IESBA to consider whether the Code should include application material for professional accountants in business who act in TCWG roles about the importance of ensuring the independence of the auditor. We acknowledge that this may not be relevant to many professional accountants in business but believe it is worth enhancing the professional accountant's understanding of their role in the financial reporting supply chain.

We favourably note that the IESBA developed application material aimed explicitly at Senior Professional Accountants in Business in Section 260 Responding to Non- Compliance with Laws and Regulations and consider that as an example of how this guidance material could be incorporated in Part 2 of the Code.

### Professional Accountancy Organizations (PAO's)

#### 17. Joint Submission by Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (ACCA-CAANZ)

Regular and robust communication between firms and TCWG is critical to maintaining effective governance and financial reporting oversight. Enhanced communication and transparency of information regarding fees for PIEs better informs the views and decisions of TCWG and assists them in assessing auditor independence. Inevitably, the proposals will entail greater commitment from TCWG. However, we believe any concerns are outweighed by the public interest.

#### **24. CPA Australia (CPAA)**

CPA Australia supports the application material provided in 410.21 A1 relating to transparency between the Audit Firm and TCWG. While CPA Australia supports the concept that transparency enables informed decisions to be made regarding the Audit Firm's independence, we suggest that transparency for the purposes of assessing independence is useful only to the extent that TCWG have an appreciation of what is required in Parts 4A and 4B of the Code. Depending on the experience, skills and expertise of TCWG it may be incumbent on the professional accountant to fully inform TCWG about the requirements of the Code to facilitate an appropriate assessment of independence.

#### **29. Instituto dos Auditores Independentes do Brasil (Ibracon)**

See in question 11 above our comments regarding the transparency of information related to fees for the public interest. Examples on how to disclose such information by client's management would be helpful and may avoid unintentionally misunderstandings.

#### **30. Inter-American Accounting Association (IAA)**

No comment.

#### **31. Institute of Chartered Accountants of Bangladesh (ICAB)**

For listed entities Bangladesh Securities and Exchange Commission (BSEC) issued notification and also corporate governance code, where structure & accountability of the audit committee and reporting issues are mentioned. But there is no clear guideline for small businesses governance role here. We think IESBA can address to some extent on this part in general so that the local Institutes can refer the issue to the responsible regulators for best practice.

#### **41. Japanese Institute of Certified Public Accountants (JICPA)**

We do not have any specific comments.

#### **48. South African Institute of Chartered Accountants (SAICA)**

No comments.

### **Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)**

#### **Regulators and Oversight Authorities, Including MG members**

##### **5. Independent Regulatory Board for Auditors (IRBA)**

We do not believe that the proposals are punitive or harsh for SMPs, as these amendments have been done mainly on a principle basis.

However, there is a concern that these significant amendments may be overlooked by SMPs. Further, these provisions will necessitate change management for all firms before the effective date, meaning that SMPs may also need to consider this for their respective client base.

We encourage the IESBA to develop publications and other materials to support implementation.

#### **Independent National Standard Setters**

##### **15. Accounting Professional & Ethical Standards Board Australia (APESB)**

APESB believes that the IESBA should obtain empirical evidence on fee dependency levels, especially for SMPs, to determine the appropriateness of the thresholds proposed in the Fees Exposure Draft for non-PIE audit clients.

#### **Public Sector Organizations**

##### **11. Office of the Auditor General of New Zealand (AGNZ)**

New Zealand is a small country with a population of less than 5 million people. New Zealand is dominated by SMPs, and our responses to the questions raised by the IESBA reflect a SMP perspective.

## **Professional Accountancy Organizations (PAO's)**

### **17. Joint Submission by Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (ACCA-CAANZ)**

SMEs and SMPs are important stakeholders in developing and enhancing the Code. It is within such organisations (with more limited resources, including fewer personnel) where changes in behaviours are best supported through clear guidance which is proportionate and scalable. The implementation of new fee-related provisions will entail significant changes to policies and procedures for all firms. However, the burden on SMEs/SMPs could be disproportionately high, particularly in jurisdictions where PIEs may be small, and the proposed changes may be too costly and impractical for some smaller firms and businesses. The development of IIS should command public trust, but the standards also need to allow for efficiency and choice.

### **24. CPA Australia (CPAA)**

It is important to consider that PIE clients are not always large entities serviced by large audit firms or network firms. It is recognised that in many jurisdictions PIEs can be small entities, whose auditors are SMPs. Where revisions to the Code are proportionate and scalable, adoption and compliance are anecdotally more successful. The proposed changes to both Fees and NAS, in addition to the proposed changes to ISQM 1 and 2, are significant and will require considerable change to operational policies and procedures for all firms, including smaller firms with limited resources. CPA Australia holds concerns that the quantum of all changes will increase the administrative burden for professional accountants which may be disproportionate to the public interest benefits derived where audits are performed on PIEs which may be SMEs often audited by SMPs.

### **29. Instituto dos Auditores Independentes do Brasil (Ibracon)**

See in question 6 above our comments related to Small- and Medium-Sized Entities and Small and Medium Practices.

### **30. Inter-American Accounting Association (IAA)**

We understand that the IESBA proposal is very important, although we believe that small and medium-sized practices will have difficulties in their application due to the lack of resources available to them, in particular the difficulties they face in having the material in their native language.

### **31. Institute of Chartered Accountants of Bangladesh (ICAB)**

the definitions of SMEs and SMPs need to be more clarified. Both the SMEs and SMPs have huge impact on business and practices globally, so IESBA may consider to insert separate section(s) on these two areas as much as practicable depending on relevance in general.

### **41. Japanese Institute of Certified Public Accountants (JICPA)**

As per our response to question 9, we are opposed to resignation clauses for fee dependency.

### **48. South African Institute of Chartered Accountants (SAICA)**

SAICA believes that the threshold and safeguards to be implemented will have an effect on SMEs and SMPs. The dependency on a specific client holds not only threats regarding the Code of Professional Conduct but also to the business risk of an audit firm. It seems that the 30% for any firm is already a material business risk in itself. We suggest that IESBA may keep the threshold at 30%.

On the other hand, The costs of such a review can be significant to SMEs. There are uncertainties on how the audit clients may react to another professional accountant outside of the audit firm reviewing the audit performed. As a result, we are not sure of the extent of the impact that this suggestion will have on many SMEs.

## **Firms**

### **58. Moore Global Network Limited (MOORE)**

The concepts contained in the proposal are straightforward and simple enough to easily be implemented by SMEs and SMPs, with the exception of the network firm requirements as previously stated and also if Independent Committee aspects are added. Timelines are, however, an issue.

## Regulators and Audit Oversight Bodies

### **Regulators and Oversight Authorities, Including MG members**

#### **5. Independent Regulatory Board for Auditors (IRBA)**

We appreciate the attention given to this important topic.

This section involved several calculations and considerations. Clarification on the timing and the consistent application of the calculations will allow for these amendments to be subjected to inspections and investigations.

The necessary documentation for the decision-making will be imperative to ensure that the firm complied with the IESBA Code.

### **Independent National Standard Setters**

#### **15. Accounting Professional & Ethical Standards Board Australia (APESB)**

APESB has no general comments with respect to regulators and audit oversight bodies.

### **Professional Accountancy Organizations (PAO's)**

#### **17. Joint Submission by Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (ACCA-CAANZ)**

Any changes to the Code must focus on the desired outcomes, and the behavioural changes that will be perceived by the public, rather than simply whether the Code's requirements are comprehensive. Therefore, the drafting of the Code must be clear, and it must be drafted with due regard to enforceability.

#### **22. Chartered Accountants of Ireland (CAI)**

We are concerned that proposals may give rise to additional costs to audit firms (and their clients?) and require changes to their internal regulatory systems, this may require a significant lead in time. We also believe that once these changes are in place there should be an appropriate hiatus on further change to allow time for the new processes and procedures to bed down and impact the profession before further revisions are proposed.

#### **24. CPA Australia (CPAA)**

CPA Australia offer no response to this question

#### **29. Instituto dos Auditores Independentes do Brasil (Ibracon)**

See in question 10 above regarding the examples of factors an independent regulatory body should consider to concur that having the audit firm continuing as the auditor would be in the public interest.

#### **30. Inter-American Accounting Association (IAA)**

No comment

#### **31. Institute of Chartered Accountants of Bangladesh (ICAB)**

Financial Reporting Council (FRC) of Bangladesh was established under the Financial Reporting Act 2015 for the purpose of making provisions for establishing a Council for bringing public interest entities' financial reporting activities under a well-regulated structure, setting standards for the accounting and auditing profession, properly observing, implementing, supervising and executing other activities relating thereto. Visibility and activities of oversight bodies have prominence in the global context; so, IESBA may consider provision in the Code on how to deal with oversight bodies in general.

#### **41. Japanese Institute of Certified Public Accountants (JICPA)**

Not applicable.

#### **48. South African Institute of Chartered Accountants (SAICA)**

No comments.

### **Developing Nations**

#### **Regulators and Oversight Authorities, Including MG members**

##### **5. Independent Regulatory Board for Auditors (IRBA)**

We do not envisage that this proposal will present any foreseeable difficulties from a developing nation's perspective.

guidance on dealing with these pressures, particularly for these nations, and defer finalisation of the revisions which would only serve to increase burdens at this difficult time.

#### **Public Sector Organizations**

##### **11. Office of the Auditor General of New Zealand (AGNZ)**

Developing nations face difficulties in applying the requirements of the Code when both auditing and financial reporting expertise is in short supply.

#### **Professional Accountancy Organizations (PAO's)**

##### **17. Joint Submission by Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (ACCA-CAANZ)**

Member bodies in different parts of the world operate within a range of cultural environments. While ethical values should not be regarded as relative to location or culture, clarity and sensitivity are important with regard to developing the Code. We believe the Code should remain principles-based and provide a clear framework, while allowing the flexibility for tailored implementation guidance by national standard setters and/or professional bodies. The provisions need to provide practical and effective guidance in respect of fee-related matters, in order to aid consistency of understanding, interpretation and application across all the IFAC member organisations.

##### **24. CPA Australia (CPAA)**

CPA Australia offer no response to this question

##### **29. Instituto dos Auditores Independentes do Brasil (Ibracon)**

Not applicable.

##### **30. Inter-American Accounting Association (IAA)**

The developing nations have a lot of difficulties in the application of the International Code of Ethics for Professional Accountants, for many reasons, among which are the limited access to the updated Code in force due to the poor communication it has (internet), the cost to acquire, the lack of companies that sell in these countries and the problem of natural language, English, the Code and translation (see next comment) are very onerous

##### **31. Institute of Chartered Accountants of Bangladesh (ICAB)**

Bangladesh is a developing country, an emerging and very prospective economy too. The ethical issues are always have significance in developing

nation. ICAB has adopted the Code of Ethics as issued by the IESBA, although there are challenges in implementation of the Code in such an emerging economy. However, at present, we do not foresee any difficulties in applying them in our environment.

##### **41. Japanese Institute of Certified Public Accountants (JICPA)**

Not applicable.

#### **48. South African Institute of Chartered Accountants (SAICA)**

No comments.

#### **Firms**

#### **58. Moore Global Network Limited (MOORE)**

Developing nations are likely to be badly hit by the economic recession and fee pressures are likely to result. As stated, it would be supportive at this challenging time for IESBA to introduce practical

### **Translations**

#### **Public Sector Organizations**

#### **11. Office of the Auditor General of New Zealand (AGNZ)**

We have no comments to make on potential translation issues.

#### **Professional Accountancy Organizations (PAO's)**

#### **17. Joint Submission by Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (ACCA-CAANZ)**

Translation of the Code for adoption in various environments is a challenging process for translators. Changes inevitably create inefficiencies and place additional demands on translation resources which could threaten accurate translation of the Code and compliance. In our opinion, the proposals should be clear, consistent and logical, and a realistic translation period is required. Although, as drafted, the proposed revisions would be unlikely to present translation issues as they use generally understood phrases rather than specific terms, the Board should remain alert to this when proposing changes to the existing wording.

#### **24. CPA Australia (CPAA)**

CPA Australia offer no response to this question

#### **29. Instituto dos Auditores Independentes do Brasil (Ibracon)**

No comments.

#### **30. Inter-American Accounting Association (IAA)**

In Latin America we have a lot of difficulties with the translations from the English language to Spanish Language, of the documents issued by the IESBA, for this reason we understand that a great pending task of the Council is to have its own translation for to facilitate the application of the Code in the native language of each country that uses it and of those who, although they are not using it, have an interest in doing so but who find the inconvenience of translation.

#### **31. Institute of Chartered Accountants of Bangladesh (ICAB)**

English is the medium of ICAB's education and general communication. We adopt and use the original text of relevant standards and pronouncements issued by IFAC and IASB and we always prefer English medium. However, translation of the Code in local language may be considered in future subject to review and feedback from IESBA. In such a case, ICAB can provide resource person(s) to assist IESBA for translation in Bengali.

#### **41. Japanese Institute of Certified Public Accountants (JICPA)**

We do not have any specific comments on the wording used in the Exposure Draft from the perspective of translation into Japanese.

However, English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.

#### **48. South African Institute of Chartered Accountants (SAICA)**

No comments

**Firms**

**58. Moore Global Network Limited (MOORE)**

As noted above, the impact of the COVID 19 pandemic is and will continue to be far reaching. Given that translation can be an issue at the best of times, it is not unlikely that any ordinary translation challenges (eg over timescale) will be amplified by current events. This is another argument for deferring the implementation date of any final revisions.