

January 8, 2015

Mr. Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, NY 10017 USA

Dear Mr. Siong:

**Re: November 2014 Consultation Paper,  
Improving the Structure of the Code of Ethics for Professional Accountants**

I am writing on behalf of the Public Trust Committee (PTC) of Chartered Professional Accountants of Canada (CPA Canada) in response to your request to comment on the Consultation Paper entitled *Improving the Structure of the Code of Ethics for Professional Accountants* (“the Consultation Paper”). CPA Canada together with its partners Chartered Professional Accountants of Bermuda and various Canadian provincial accounting bodies are currently working towards unification of the Canadian accounting profession under the designation “Chartered Professional Accountant”. The Canadian CPA profession represents a membership of more than 190,000 professional accountants in Canada and Bermuda.

CPA Canada conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian CPA profession nationally and internationally. The PTC is responsible for overseeing the regulatory structures and processes across provincial jurisdictions in Canada. The PTC’s goal is to achieve consistency between provincial CPA bodies in Canada and to make sure that the processes and standards in Canada meet or exceed the international standards.

We thank you for the opportunity to provide our comments on the Consultation Paper.

Generally, we support the proposed approach described in the Consultation Paper. In particular, we believe that separating requirements from application and explanatory material is very useful.

Responses to the specific Questions for Respondents in the Consultation Paper are as follows:

### ***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?*

The approach outlined in the Consultation Paper clarifies the responsibilities of professional accountants in relation to professional ethics, creating a more understandable Code that is easier to read. As a result, it is likely to be easier to comply with and more enforceable. We strongly support the separation of the “requirements” from the “application and explanatory material”.

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?*

While the ability of various jurisdictions to adopt the Code into laws and regulations is largely dependent on the process for adoption and drafting conventions that are followed by each jurisdiction, the proposed approach that sets out the requirements more clearly is likely to facilitate that process.

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?*

Reversing the order of extant Part B and Part C improves the logical flow of the document to address general provisions that apply to all professional accountants first, followed by progressively more specific requirements that apply to specific segments of professional accountants and specific types of engagements.

With respect to the proposed numbering sequence, we suggest the use of a sequence that facilitates future adoption of amendments and additions as easily as possible to limit the need to re-number existing provisions. An additional suggestion would be to consider further differentiating application and explanatory material with an “A”. Using Section 120 – Objectivity as an example, the numbering might be:

120.0	Terms used in this section
120.1 & .2	Purpose of this Section
120.3 & .4	Requirements
A1 to A4	Application and Other Explanatory Material

References could then be made to the paragraphs as “120.3” or “120 A1”. This numbering allows readers to determine whether they are reading requirements or guidance material without having to scroll back up to the most recent heading, while also allowing for new requirements to be added to the end of a section without needing to re-number.

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?*

The use of the word “Standards” could have the advantage of signaling a status that is equivalent to that of the standards that are issued by the other boards of the International Federation of Accountants. However, the word “Code” is also an apt descriptor of the IESBA’s approach, which establishes underlying Fundamental Principles layered with more specific Requirements. One suggestion might be to consider referring to the document as “International Code of Ethics Standards”.

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

The language in the illustrative examples is generally understandable and clear. Some suggestions to consider as the drafting is further refined are noted below:

- a) Brevity does not necessarily improve clarity – if more words are needed to make meaning clear, then more words should be used.
- b) Use defined terms as intuitively as possible – for example, defining “audit” to mean “audit and review” is not intuitive, which makes it is likely to be misunderstood to mean only “audit” by many users of the Code.
- c) Consider whether defined terms should be highlighted in some form each time they are used, rather than only the first time they are used in a paragraph. Despite instructions to the contrary, users might think that the second usage is different or assume that because a word is not highlighted later, it has a general rather than a specifically defined meaning. It is also easy to miss specifically defined terms that have been presented early on in longer paragraphs.
- d) To the extent possible, use definitions that are consistent with the standards of the other boards of IFAC.

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?*

We support establishing provisions within the Code to require firms to establish policies to identify those persons within a firm who are responsible for compliance with the provisions of the Code by the firm and those within it.

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

We recognize that any requirements within the Code to identify responsible persons within a firm must be established at a level that permits flexibility to accommodate firms of varying sizes and structures. We understand that, as a result, the examples of persons who might be responsible are necessarily very broad. While the Code requirement cannot establish specific responsible persons by title or function, we suggest that it might be clearer to require that the policies “enable identification by both those from within and from outside of the firm to identify those individuals with appropriate authority, who ...are responsible...”

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?*

We strongly support an electronic version of the Code and offer the following suggestions:

- a) Each instance of a defined term should be highlighted and “pop up” definitions should be used for them.
- b) Links for cross-references should be used, but a simple “click” should return the user to the original, referring page.
- c) The user interface should be tested with a variety of users to assess its functionality.

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

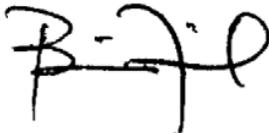
The initial timeline for an Exposure Draft in October 2015 is ambitious, but we support moving ahead as quickly as possible. It will be important to co-ordinate this project with the Exposure Drafts that have recently been issued.

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

We noted some redundancy in language in the introductory paragraphs in each section. However, we note that such redundancy is not an issue in an electronic Code and may actually be necessary to ensure that users understand the “terms used”, the “purpose” and the need to apply the conceptual framework, as well as the specific requirement, in all cases.

We thank you for the opportunity to comment on the Consultation Paper and we commend you for your continuing efforts to improve the requirements of the Code.

Yours truly,

A handwritten signature in black ink, appearing to read 'B. Friedrich'.

Brian Friedrich, CPA, FCGA  
Chair, Exposure Draft Working Group – Public Trust Committee  
CPA Canada