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Dear Ken

Exposure Draft: Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice

CPA Australia welcomes the opportunity to respond to the above Exposure Draft. CPA Australia represents the diverse interests of more than 160,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

We welcome the proposed explicit applicability of Part C of the *Code of Ethics for Professional Accountants* to Professional Accountants in Public Practice (PAPP). However, CPA Australia is of the view that the Code will be better understood, applied and enforced if its proposed Part 2 does not have the title Professional Accountants in Business but applies to all professional accountants.

In our submission to the Exposure Draft: *Improving the Structure of the Code of Ethics for Professional Accountants - Phase 1*, we urged IESBA to 'consider a new structure for the Code that contains a section for all professional accountants, thus merging extant parts A and C and a section that addresses specific requirements for public practitioners and independence for audit and review engagements' and provided a number of reasons for this position. We think our position would be of benefit to the global accounting profession and we encourage its reconsideration.

The proposed paragraphs R120.4 and R 300.5 are trying to clarify how the context of the activity may trigger applicability of extant Part C to PAPPs. We do not find the description offered in these paragraphs clear or helpful. These paragraphs state:

'Where a professional accountant in public practice is performing professional activities pursuant to the accountant's employment or ownership relationship with the firm, there might be requirements and application material in Part 2 that are also applicable to those circumstances. If so, the professional accountant in public practice shall comply with the relevant provisions.'

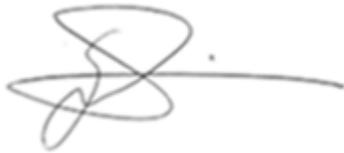
All professional activities undertaken by professional accountants can be understood to be pursuant to the accountant's employment. This view is supported by the example in the proposed application paragraphs 120.4 A1 and 300.5 A1, which state: *'For example, where a professional accountant in public practice is pressured by an engagement partner to underreport chargeable hours for a client engagement...'* We see the employment and client contexts and relationships as interdependent and not in distinct realms. In the example provided, the client engagement and the employment relationship are in a web of influence that should be considered holistically.

Further, we do not think the approach adopted, which states that there might be requirements that are also applicable and if so then PAPPs shall comply with the relevant provisions, is clear. We are of the view that it is necessary for all professional accountants to have an obligation to consider the requirements in Part C and ensure compliance, where relevant.

For these reasons, we support the revision of extant Part C so that it applies to all professional accountants, thus assisting the objectives of the Structure of the Code project to improve its understandability and usability. We also urge that the title of Extant Part C: Professional Accountants in Business is removed, as it does not reflect its intended and actual applicability.

If you require further information on our views expressed in this submission, please contact Dr Eva Tsahuridu, CPA Australia by email at eva.tsahuridu@cpaaustralia.com.au or on +61 3 9606 5159.

Yours sincerely

A handwritten signature in grey ink, consisting of a large, stylized 'S' shape with a horizontal line extending to the right.

Stuart Dignam
General Manager – Policy & Corporate Affairs