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**Sent by email to [KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org)**

Mai 31<sup>th</sup>, 2017

**Re: IESBA Exposure Draft – Proposed revisions to clarify the Applicability of the Provisions of the Extant Code to Professional Accountants in Public Practice**

Dear Mr Siong

We appreciate and thank you for the opportunity to comment on the aforementioned IESBA's Exposure Draft (ED). Please find below our comments in this respect:

**Application to “professional accountants”**

While we do not believe this impacts the intended result, we do consider that there is a lack of clarity about whom extant Part C could apply to directly or indirectly. This stems from historic uncertainty in the extant definitions below:

Professional accountant

An individual who is a member of an IFAC member body

Professional accountant in business (PAIB)

A professional accountant employed or engaged in an executive or nonexecutive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.

Professional accountant in public practice (PAPP)

A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.

The explanatory memorandum to the ED says that *“While the extant definition of a PAIB covers professional accountants employed in firms in roles other than providing professional services to clients (for example, in finance or IT roles), questions were raised during the IESBA’s deliberations in Phase 1 of the project about the applicability of the provisions in Part C to*

*PAPPs themselves, i.e., professional accountants in firms who provide professional services to clients”.*

In looking at the extant definitions we note that:

- There is no clear limitation in the definition of a PAPP to those who actually provide professional services, although we believe that was the intent. As drafted, however, it appears to include any professional accountant **in a firm** that provides professional services. Thus it can be read to also include *professional accountants employed in firms in roles other than providing professional services to clients (for example, in finance or IT roles)*
- Conversely, if the intent is that a firm providing professional services is in a “service” industry, then prima facie any professional accountant working in that service organisation, including those providing professional services, is also a PAIB.

Accordingly, the distinction between the two is not clear and it could be argued that in the case of a firm of professional accountants (as opposed to a corporate) that all professional accountants employed by the firm are caught by both definitions. We recommend that for there to be clarity on the applicability paragraphs, and as regards which requirements apply to whom, these definitions should be revisited as soon as possible by the Board.

### **Application to “non-accountants”**

In addition, we take this opportunity to raise an important issue which, while recognising that this is a broader issue not directly related to the ED, is tangential and is giving rise to increasing questions.

There has always been some uncertainty as to whether the definition of a PAPP includes non accountants working in a firm of professional accountants. This ED gives rise to the additional questions as to whether such individuals could also be PAIB. We have always broadly taken the view that such individuals, such as lawyers and IT professionals, are covered by certain aspects of the code as they work in “the firm” and the provisions in the Code also apply to the firm. Thus we apply the independence provisions in the code to these individuals when they provide non-assurance services to an audit client for example - this is not in question.

However, we have a particular concern regarding lawyers, whether providing legal services to clients or legal services internally within the firm. Structurally these individuals may be employed in a separate law firm or could be employed by the audit firm itself. Lawyers are professionals subject to their own code of conduct/ethics governing such matters as client confidentiality, legal privilege and gifts.

With the introduction of the new NOCLAR provisions, the proposal in the ED that other elements of Part C may apply to PAPPs, and also the planned extension of Part 3 (PAPPs) – for example in relation to gifts, hospitality and inducements - we believe that it is important that there is clarity on the term PAPP and if and when the provisions in the Code might apply to non-accountants in a firm.

## Contact

If you have any questions regarding this letter, please contact Dr. Lukas Imark, +41 58 792 2030 (Office) or +41 79 822 7246 (Mobile).

Yours sincerely

**EXPERTsuisse**



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