



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

SENT VIA E-MAIL

May 25, 2017

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

Re: Exposure Draft, *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2*

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 exposure draft, *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2* (the "Exposure Draft"). The AICPA is the world's largest member association representing the CPA profession, with more than 418,000 members in 143 countries and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for the profession and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession.

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. However, considering the release of this exposure draft, coupled with the exposure draft concerning the safeguards of the IESBA Code, we believe the amount of material exposed for

comment is significant. This could lead to a low response rate or ineffective responses due to “comment fatigue.”

Overall, we do not believe there are any unintended changes in the meaning of the Code due to the application of the proposed drafting conventions as developed during Phase 1 of the project to the sections selected for editing within Phase 2 of the project.

Eligible Audit Engagement

We believe that a more appropriate term could be used, for clarity, to describe an engagement to issue a restricted use and distribution report. The phrase “eligible audit engagement” is not very clear in its meaning as proposed in Section 800, *Reports that Include a Restriction on use and Distribution*. For example, the phrase “restricted use audit engagement” or “restricted use assurance engagement” may be a more proper descriptor.

Audit of Specific Elements, Accounts or Items of a Financial Statement

We agree with the conclusion to include a specific reference to an audit of specific elements, accounts or items of a financial statement as being in the scope of extant Section 291.

Responses to Request for Specific Comment

Structure of the Code Phase 2

1. Do you believe that the proposals in this ED have resulted in any unintended changes in meaning of:

- **The provisions for Part C of the Extant Code, as revised in the close-off document for Part C Phase 1 (see Sections 200-270 in Chapter 1)?**
- **The NOCLAR provisions (see Sections 260 and 360 in Chapter 2)?**
- **The revised provisions regarding long association (see Sections 540 and 940 in Chapter 3)?**
- **The provisions addressing restricted use reports in the extant Code (see Section 800 in Chapter 4)?**
- **The provisions relating to independence for other assurance engagements (Part 4B in Chapter 5)?**

If so, please explain why and suggest alternative wording.

No, we do not believe that the proposals in this ED have resulted in any unintended changes in the meaning of the Sections of the Code noted above.

2. Do you believe that the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum?

Yes, overall, we believe that the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum. However, we note the following for the Board’s consideration.

In certain paragraphs designated as application material, the professional accountant “is required” to take a specific action. Specifically, par. 220.7 A1 states “the professional accountant is required to comply with the fundamental principles when preparing or presenting information which includes:” and par. 230.4 A3 states “...a professional accountant is required to evaluate the nature of the financial interest.” We question whether such application material should be written instead as requirements (e.g., “a professional accountant shall...”) to conform to the drafting conventions used by the Board in distinguishing requirements from application material.

With the exception of the introduction to Section 270 (Pressure to Breach the Principles), Sections 200 – 270 all begin with the following introduction: “Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.” The introduction to Section 270, however, specifically refers to “...and address threats *created by pressure*.” We recommend that the Board delete the words “created by pressure” to be consistent with the rest of the Code.

Conforming Amendments Arising from the Safeguards Project

3. Respondents are asked for any comments on the conforming amendments arising from the Safeguards project. Comments on those conforming amendments are requested by April 25, 2017 as part of a response to Safeguards ED-2.

Please see our comments concerning the Safeguards project in our letter submitted on April 25, 2017.

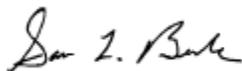
Effective Date

4. Do you agree with the proposed effective dates for the restructured Code? If not, please explain why not.

We agree with the proposed effective dates for the restructured Code.

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 Exposure Draft.

Sincerely,



Samuel L. Burke, CPA
Chair, Professional Ethics Executive Committee



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