

ASSIREVI
Associazione Italiana Revisori Contabili

Il Presidente

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

16 February 2015

Improving the Structure of the Code of Ethics for Professional Accountants

Dear Sirs,

Assirevi is the association of Italian audit firms. Its member firms represent the majority of the audit firms under the oversight of CONSOB (*Commissione Nazionale per le Società e la Borsa*) and are responsible for the audit of almost all of the companies listed on the Italian stock exchange. Assirevi promotes technical research in the field of auditing and accounting and publishes technical guidelines for its members. It collaborates with Governmental bodies, CONSOB, the Italian accounting profession and other bodies in the development of auditing and accounting standards.

Assirevi is pleased to submit its comments on the Consultation Paper "*Improving the Structure of the Code of Ethics for Professional Accountants*" issued by IESBA on November 2014.

Our detailed comments are set out in the attached document.

Should you wish to discuss our comments, please do not hesitate to contact us.

Yours faithfully,



Mario Boella
Chairman of Assirevi

COMMENTS ON THE IESBA CONSULTATION PAPER

Improving the Structure of the Code of Ethics for Professional Accountants

(November 2014)

We thank you for the opportunity to contribute to this project through Consultation Paper. Assirevi agrees with the objective of facilitating the adoption of the Code internationally and making it more widely known worldwide also through the “outreach efforts” outlined in the IESBA Strategy and Work Plan. A globally accepted Code would reduce the cost of compliance and enhance certainty regarding the applicable rules, since the Code would become the only reference framework for independent auditors internationally.

In this regard, we believe the objective stated within the IESBA Strategy and Work Plan “to better understand the impediments to greater global convergence and to avoid a proliferation of national differences (especially with respect to independence requirements) that would not be in the public interest” to be a priority.

Accordingly, Assirevi wishes to draw the attention of the IESBA to two critical elements connected with this project. Firstly, it should be considered that even minor changes in terminology and wording might result in significant changes in the requirements of the Code. In our opinion, this aspect should be taken into account by the Board in planning this project and we believe that any new provision or requirement that may arise from these structural changes envisaged in the Consultation should be subject to “due process” required for new provisions. In view of the above, the suggested *timeline* within the *Consultation Paper* appears quite tight. Accordingly, it is hoped that the proposed timeline is reconsidered in order to ensure that, in the face of significant changes to the Code, *stakeholders* have adequate opportunity to assess the contents and impact.

Below, Assirevi has included a summary of some comments relative to specific questions contained within this *Consultation Paper*.

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?

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

Assirevi agrees with the approach stated within this Consultation Paper aimed at making the Code of Ethics more understandable.

In this regard, during recent participation in the drafting of the Italian Standard on Independence for Auditors, to be issued according to the requirements of Italian law, we experienced difficulties in the interpretation of certain provisions of the Code of Ethics. Particularly when the language used and the definitions applied by the Code of Ethics differ from those in the International Standards on Auditing.

As already noted in the Introduction, however, Assirevi believes that it is crucial that any change in the language that could lead to changes in terms of the contents of the Code, be subject to “*due process*” required for new provisions. In fact, the size and pervasiveness of the project relative to this Consultation carries a high risk that substantial changes in content would not be easily and immediately identifiable.

In addition, relative to what is shown in the *Illustrative Examples*, we note the following:

- i) We believe that it is not necessary to repeat the definitions already contained within the glossary in the paragraph “*Terms used in this Section*” unless in the referenced section said terms are used with a different meaning.
- ii) In general terms, we agree with the intention of separating “*Requirements*” from “*Guidance*”. However, in this respect, it would be desirable to avoid a proliferation of subsections with their relative titles. An alternative model could be to highlight requirements in bold, and to keep normal font for guidance. The fact that there are more paragraphs than in the extant Code for the same subject (see Business Relationships) does not facilitate understanding of the contents. In fact in the *Illustrative Examples*, it is not easy to find the same logical structure as in the extant Code. In our view, the breakdown of sections into the four following subcategories: “*Term used*”, “*Purpose of this Section*” “*Requirements*” and “*Application and other explanatory material*”, would be sufficient.
- iii) Section 400 has both a paragraph entitled “*Scope*”, and a paragraph entitled “*Purpose of this Section*”. The reason for this duplication is not altogether clear.
- iv) The relationship between the title and content of the relative paragraph and subparagraph is not easily understood in all cases.

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?

As mentioned above, Assirevi recently participated in work aimed at preparing the Italian standard on Independence of Auditors, to be issued according to the requirements of Italian Law. Within this context, the national *regulators* have experienced some difficulties in the analysis of the Code of Ethics, linked to its structure, because “*Requirements*” cannot always be easily separated from “*Guidelines*”.

In view of the above, it seems that the proposed project with this Consultation Paper should facilitate overcoming the above-stated difficulties and allow for an alignment of the approach of the Code of Ethics to that of International Standards of Accounting already adopted in our country.

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?

With reference to the objective of clarifying responsibility within the Code, we agree with the decision to reduce the use of a passive voice, which actually makes it more difficult, in some cases, to identify the parties subject to the obligations.

From a different standpoint, Assirevi does not consider a departure from the ISQC1 appropriate in identifying parties within audit firms who are responsible for specific actions relative to independence requirements. Therefore, in the opinion of this Association, for the parts that require identifying of parties responsible for independence within audit firms it is preferable to keep the current approach of the Code by cross-referencing the ISQC1. Said setting allows for applying the principle of scaling to the contents of the ISQC1 also in reference to the establishment of internal procedures relative to compliance with independence standards and for adopting, therefore, its relative simplifications for small auditing companies.

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?

Relative to the electronic version of the Code, we feel that the use of hyperlinks would certainly be useful, as well as the potential to enable search functions for words and copy excerpts of the document.

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

As mentioned above, Assirevi believes that the *timeline* proposed in the *Consultation Paper* is too tight and it is hoped that the IESBA reconsider it for the following reasons:

- i) The project may result in substantive changes to the provisions of the Code, as explained in response to questions no. 1 and 5. Accordingly, it would be necessary to activate the normal “due process” as explained above and allow stakeholders the appropriate amount of time to understand and assess the changes.
- ii) The pervasive nature of the structural changes will require significant effort both for those drafting the changes as well as those who will review them and then be required to adopt them.
- iii) In many countries, especially in Europe (including Italy) the Code of Ethics has just been adopted or is in the process of being adopted. A radical change in this Code, such as that being proposed, would result in the need for regulators and professional bodies to repeat the complex implementation process that has just been completed, without allowing for extant Code to be fully absorbed. Accordingly, a pause in law making and a period of stability of the independence rules would certainly be useful.

Milan, 16 February 2015