



Tel: +1 212 885 8000  
Fax: +1 212 515 2591  
@: bdo@bdointernational.com  
www.bdo.global

BDO International Limited  
Contact address:  
135 West 50<sup>th</sup> Street - 23/F  
New York, NY 10020  
United States of America

25 May 2017

Mr. Ken Siong  
IESBA Technical Director  
International Ethics Standards Board for Accountants  
545 Fifth Avenue, 14th Floor  
New York, New York 10017 USA

Re: *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2 With Certain Proposed Conforming Amendments Arising from the Safeguards Project*

Dear Mr. Siong,

BDO International Limited<sup>1</sup> (BDO) is pleased to have the opportunity to comment on the International Ethics Standards Board for Accountants' (IESBA or Board) January 2017 Exposure Draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2 With Certain Proposed Conforming Amendments Arising from the Safeguards Project*. Overall, we are supportive of the proposed changes to the Code, and believe they will help to address stakeholder concerns.

The following are our responses to the request for specific comments posed in the Explanatory Memorandum.

## 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.

We do not believe that the proposals in the ED have resulted in any unintended changes.

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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?

We do believe that the proposals are consistent with the key elements of the restructuring.

#### 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.

N/A

#### 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 believe that June 15, 2019 should give firms sufficient time to communicate and train on any changes to the Code. We also greatly appreciate the Compilation of Proposed Restructured Code document. It has been and will continue to be very useful in preparing for any training or implementation issues that could arise.

In addition to the specific request for comments, we have noted the following minor wording suggestions:

#### Section 260:

R260.5 currently states, 'The professional accountant shall apply this section regardless of the nature of the employing organization, including whether or not it is a public interest entity.'

We would suggest it be simplified to, 'The professional accountant shall apply this section for all employing organizations, including public interest entities.'

260.6 A1 states, 'A prohibition on alerting the client prior to....'

This was revised to 'A prohibition on alerting the party prior to..' in the Compilation of Proposed Restructured Code document.

We believe that this should be specific and would recommend 'A prohibition on alerting management of the employing organization prior to...'

The titles for responsibilities of professional accountants have been revised to:

- Responsibilities of Professional Accountants (in Business was deleted);
- Responsibilities of Senior Professional Accountants in Business (in Business was not deleted); and
- Responsibilities of Professional Accountants Other than Senior Professional Accountants in Business (in Business was not deleted).

We believe it would be clearer if it was consistent with including or excluding 'in Business' and given that this is within the Professional Accountants in Business section of the Code, we believe it can be removed in all titles. We also believe it would also be clearer to note that the first set of responsibilities are for all professional accountants in business.

Section 360:

R360.5 - similar comment as in 260.5 above.

R360.5 currently states, 'The professional accountant shall apply this section regardless of the nature of the client, including whether or not it is a public interest entity.'

We would suggest it be simplified to, 'The professional accountant shall apply this section for all clients, including public interest entities.'

R360.22 - the last line states, 'The predecessor accountant shall do so despite R320.11, unless prohibited by law or regulation.'

Please note that the reference should be R320.10.

In addition, we find this wording very confusing. Our understanding of this line is that if requested by the successor accountant and the client refuses to grant consent, we are required to disclose this information, unless prohibited by law or regulation. It would be clearer if this could be said in section 360. Please see our suggested edit.

'The predecessor accountant shall do so, unless prohibited by law or regulation, even if the client fails or refuses to grant permission to the predecessor accountant to discuss the client's affairs with the proposed accountant (R320.10 (b)).'

Section 540 - Long Association

A question has been raised within our firm related to the allowance for one additional year in rare cases due to unforeseen circumstances outside the firm's control. Depending on when this occurs in a year, a one year extension may not be sufficient to address the audit of the client for that fiscal year. In a future project we would ask that you consider a potential extension so that the audit that occurs in that period could be completed.

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We appreciate the opportunity to comment on the Exposure Draft and hope that our comments and suggestions will be helpful to you in your deliberations.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,  
BDO International Limited

Chris Smith  
Global Head of Audit and Accounting