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Mr. Ken Siong
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Consultation Paper - Improving the Structure of the Code of Ethics for Professional Accountants

Dear Mr. Siong,

BDO International Limited¹ (BDO) is pleased to have the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA or Board) Consultation Paper on Improving the Structure of the Code of Ethics for Professional Accountants.

We recognise that there has been a desire, based on stakeholder feedback, to restructure the Code in order to improve its usability and we therefore welcome the proposed changes.

We recognise the arguments detailed in the Consultation Paper regarding the drivers for this project and understand views of some stakeholders that changes are needed to increase confidence in the Code, particularly in the eyes of regulators. However, from the point of view of our own network, we have spent considerable time and effort incorporating the code's principles into our methodology, training and control environment in a robust and straightforward manner and do not feel as strongly that a complete overhaul is required.

Having said that, the Consultation Paper is a well thought out plan, which has the potential to achieve its objectives. We do strongly note, however, the enormity of the task at hand, particularly as there is no intent to change the underlying substance and principles. We recognise that many regulators and standard setters have done similar codifications and have found the process to be difficult and time consuming. It should also be noted that it might have consequential effects on other codes and standards. To this point, extreme diligence is required, as simple changes to the language and structure of the Code could cause unintended changes. Therefore, we urge you not to underestimate the work involved, the importance of wide-consultation and the eventual timetable that firms will need to rewrite methodologies, tools and training to be consistent with the revised Code. With this in mind, our view is that the anticipated timescale is ambitious.

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

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- 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?**

We agree that the proposed changes to the Code, if implemented effectively and without any unintended changes to the underlying meaning, will improve its structure to enable better navigation and easier comprehension. In particular, distinguishing between 'purpose', 'requirements' and 'application' within each section should facilitate a clearer understanding of the applicable rule.

- 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?**

Separation of requirements should make it easier to be adopted into laws and regulations, however, we do note that the subject of the Code is to a large degree focussing on the behaviour of individuals and complex and nuanced judgements made; any expectations from some stakeholders of reducing such complex and nuanced decisions to simple binary rules is likely not to be met.

- 3. Do you have any comments on the suggestions as to the numbering and ordering of the content of the Code (including reversing the order of extant Part B and Part C), as set out in paragraph 20 of the Consultation Paper?**

Splitting the Independence sections should facilitate easier navigation. It is also logical to group material related to professional accountants in public practice together.

The proposed numbering convention is also a logical method to allow for the addition of further sections without disruption to the overall structure of the Code.

- 4. Do you believe that issuing the provisions in the Code as separate standards or rebranding the Code, for example as International Standards on Ethics, would achieve benefits such as improving the visibility or enforceability of the Code?**

Issuing discrete standards would be more in-line with other similar local regulations. We agree that this separation could improve the transparency of any changes made to sections of the Code, thus also improving its enforceability.

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

The proposed changes to the language of the Code are well received. We recognise parts of the extant Code use superfluous language which in turn makes certain sections difficult to understand and interpret. Simplifying and using shorter sentences, and the use of more bullet points, should assist an easier interpretation of the rules by stakeholders.

Where there is elaboration on the definition of certain terms, for ease of reading, this could instead be presented as a footnote rather than within the body of the text.

We also agree that creating a separate section for 'review engagements' will be unnecessary duplication, which will not add value.

- 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?**

We agree that it is useful to clarify (and in some cases prescribe) who specifically within the firm has responsibility for compliance with the Code. However, providing some well-rounded guidance and examples will be helpful in facilitating its application to firms of all sizes and complexities as well as facilitating enforcement.

Care should also be taken that by prescribing who is responsible, this will not create a culture of scapegoats for when things go wrong.

7. Do you find the examples of responsible individuals illustrated in paragraph 33 useful?

Adding guidance to provide examples of who may be responsible for a particular matter, as described in paragraph 33, is useful in reducing any ambiguity and helpful in aiding compliance with the Code.

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?

An electronic version of the Code would be welcomed as it provides the opportunity to use and implement the Code in the widest possible manner and would perhaps also have more fundamental benefits such as improving navigability between sections and to access definitions e.g. by incorporating 'hover-over text' or similar functionality.

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

As we note in the main body of our response, do not underestimate the enormity of the task at hand, particularly as there is no intent to change the underlying substance and principles. To this point, extreme diligence is required, as simple changes to the language and structure of the Code could cause unintended changes. With this in mind, we recognise that this project will take a long time before the Code is in a position where all member bodies and other stakeholders are in agreement. Therefore, we think that the proposed timeline may be somewhat ambitious and we would like to emphasise that sufficient time needs to be taken to ensure all issues are resolved before the Code comes into effect.

The current Code plays an important part in the policies and procedures of the BDO network. As such, it is interwoven into our methodology, manuals, tools and training. Implementing and rolling-out revisions to these elements will take time and effort and hence a sensible implementation timescale will be required.

10. Do you have any other comments on the matters set out in the Consultation Paper?

Given the focus on Public Interest Entities, within the restructured Code, we would like to see separate sections or clear distinctions (such as the use of bold text) when referring to the requirements for listed and other Public Interest Entities.

We appreciate the opportunity to comment on the Consultation Paper 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

Wayne Kolins
Global Head of Audit and Accounting