



25 May 2017

Mr Ken Siong
Technical Director
International Ethics Standards Board for Accountants

Online Submission via: Ken.Siong@ethicsboard.org

Dear Mr Siong

Submission on Exposure Draft – Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2 (Structure Phase 2)

Thank you for providing us with the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) proposed changes to the Code of Ethics for Professional Accountants (the Code).

Chartered Accountants Australia and New Zealand is supportive of the proposed amendments to the Code. We commend IESBA for preparing the Compilation of Proposed Restructured Code, reference to this has been very useful in preparing our responses to the various Exposure Drafts. Reviewing the proposed Code in its entirety has highlighted that the Code is a very lengthy and at times repetitive document. As IESBA progress to the final version we encourage you to identify and remove repetitive and superfluous items, we believe this will enable the Code to be used more easily. We have responded to your questions in respect of the exposure draft in the attached Appendix.

Information about Chartered Accountants Australia and New Zealand can be found in Appendix 2 to this letter. If you have any questions regarding this submission, please contact Kristen Wydell (General Manager Professional Standards) via email; kristen.wydell@charteredaccountantsanz.com

Yours sincerely

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Appendix 1

Exposure Draft - Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2

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.

Please refer to our previous submissions on Part C, NO CLAR and Long Association, we have no additional comments at this time.

With regards to other assurance engagements we would like to bring the following matters to IESBA's attention;

- Part 4B is intended to apply to "assurance engagements other than audit and review engagements" [900.1]. If a user refers to the definitions in the glossary it is clear that assurance engagements include engagements conducted in accordance with International Standards on Auditing, International Standards on Review Engagements and International Standards on Assurance Engagements. We feel that to convey the wide variety of assurance engagements intended to be captured by the definition more examples should be included at 900.1.
- Paragraph 911.6A2 appears to contain an error. The paragraph says "having the work reviewed by a professional who is not a member of the assurance team that is neither involved with the assurance engagement nor a beneficiary of the loan". We don't think you need to say "not a member of the assurance team" **and** "neither involved with the assurance engagement" as it is repetitious.

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 provide the following observations in regards to the ED;

- The proposed Code commences each section in Part 2 and 3 with the sentence "Professional accountants are required to comply with the fundamental principles and apply the conceptual framework to identify, evaluate and address threats". We believe the overriding requirement is clear at R200.5, repeating the phrase at the commencement of each section contributes unnecessarily to the length of the Code. In Part 4A a similar repeated reference to a firm being independent and complying with the fundamental principles is also not required as it is adequately set out at R400.11 and R400.12.
- To assist understandability of the Code it is important that where ever possible the Code uses the same wording for the same action or item. The following table provides some examples where similar, but not identical, terms are used. It would be helpful if these could be more standardised.

Ref	Wording
900.32 A1	Having a professional accountant review the assurance and non-assurance work as appropriate
905.5 A2	Having an additional professional accountant who was not an assurance team member review the work or otherwise advise as necessary
905.6 A2	Have an additional professional accountant who did not take part in the assurance engagement review the work performed
905.10 A2	Having a professional accountant review the assurance work or otherwise advise as necessary
907.4 A2 is having a professional review the work performed.
911.6 A2	...having the work reviewed by a professional who is not a member of the assurance team that is neither involved with the assurance engagement...
922.5 A3 conducting a review of the work performed by the individual as an assurance team member.

Conforming Amendments Arising from the Safeguards Project

3. *Respondents are asked for any comments on the conforming amendments arising from the Safeguards project.*

We have no additional comments and refer you to our response to the Safeguards ED.

Effective Date

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

The changes to the Code are extensive. It is important that sufficient time is available for all stakeholders to prepare for the new Code. The current proposed application dates (15 June 2019 and for audits of financial statements beginning on or after 15 June 2019) allows approximately 2 years for all stakeholders to be prepared. Whilst this is challenging, particularly for small and medium sized practices, we believe it is achievable.

A number of national standard setters (the Australian Accounting Professional and Ethical Standards Board in particular) commence their standard setting process **after** IESBA has finalised a standard. A longer period of time between completion of the pronouncement by IESBA and the application date would allow national standard setters to conduct their standard setting process, allow users sufficient time to implement new and revised standards and result in greater alignment of application dates between pronouncement of national standard setters and IESBA.

Appendix 2

About us

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.