
From: Samantha McDonough [mailto:Samantha.McDonough@cimaglobal.com]

Sent: Tuesday, April 14, 2015 10:14 AM

To: Ken Siong

Subject: Improving the Structure of the Code of Ethics for Professional Accountants - consultation

Dear Mr Siong,

Some time ago CIMA asked if you would be prepared to accept comments past the deadline for the above consultation, to which you kindly agreed. I am pleased to provide these comments and whilst we appreciate that these are now very late, we hope you may be able to use them in the production of the exposure draft.

The CIMA Code of Ethics is based primarily upon the IFAC Code comprising fundamental principles and conceptual framework. We recognise that other IFAC member bodies have adopted rules based codes and that any new structure would have to be sensitive to these two approaches. Likewise, although the Board is focusing on restructuring the Code, there is a risk that there may be unforeseen consequences of doing so which potentially could impact upon content as well.

The application of the Code to firms may be an issue (section 24, 26 and 28). CIMA would only discipline individuals – that may include a failure to prevent their firm acting in a certain way, contrary to the principles of the Code but it is always the individual professional accountant that CIMA applies its disciplinary processes to.

- 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?**

Examples and explanations should aid understanding and enhance the principles, but it should remain clear that an individual's decision on action should be based on the principles. One of the benefits of the Code in its current structure is its holistic approach to addressing ethical issues, which allows a professional accountant to draw on all elements relevant to the dilemma in question; a concern would be that under the proposed approach, this may not be possible to the same degree.

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?

In principle, perhaps; however, adoption into professional laws and regulations takes time and we would caution against too many changes being made to the substantive Code if they are not absolutely necessary, and to consider supplementing with further guidance as an alternative approach. CIMA has adopted the current Code into its own regulatory structure in the form of the CIMA Code of Ethics, and all members and registered students are required to be compliant with it.

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?

CIMA supports the reversal of Parts B and C; we would also support avoiding the use of contrived numbering. However, the current format has become well embedded in our supporting ethics tools and collateral and any revised format and structure would require changes to all of that as well as to the CIMA Code of Ethics itself.

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?

The Code should remain one entity so that it is accessible in one document (or web area). There is nothing to stop specific PAOs from issuing their own supporting guidance to members and regulators.

We believe that there should be no rebrand – the Code should remain named as such – to refer to it as a standard may mean different things in different jurisdictions and would be contradictory to its standing as a set of principles.

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

We agree that the suggestions would be helpful. Simpler language will help those individuals and jurisdictions for whom English is not the primary language. Moreover we support the use of the word “shall” exclusively to denote a requirement and its removal from supporting guidance.

The language of business is predominantly English but it is recognised that PAOs may translate the document. Sentences should be kept short and take account of how they may

be translated. For this reason CIMA strongly supports the removal of superfluous adjectives.

There is currently some repetition that could also be removed. However, any changes must be in line with the stated objective of this exercise – there should be no substantive changes. The instructions in the exposure draft should be clear on this point. Definitions should also be reviewed regularly to ensure there is no ambiguity of interpretation and to ensure that they remain up to date, relevant and, take account of contemporary usage.

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?

In a principles based code this is not necessary. The fundamental premise of an ethical code is to promote and sustain responsible business, whilst upholding confidence in the profession and protecting the public interest. Ultimately, individual responsibility and accountability for any breach will be determined via the regulatory regimes of the respective Member Bodies in relation to allegations of misconduct.

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

As CIMA is not supportive of the clarification of responsibilities we have no comment on this question.

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?

CIMA supports a fully functional electronic version of the Code – it will enable definitions to be available instantly. The cross referencing capability should be as good as possible. It would be useful if the table of contents were to be expanded as this is often the first place users look to narrow down their search for relevant clauses. An effective search facility is also essential.

The electronic version should also exist in pdf format to enable paper copies to be printed should PAOs wish.

Version control will be important for the application of the Code especially if it is adopted into national laws.

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

The timeline should be directed by the project itself and not compromised by any launch date or other project timelines. The most important outcome should be a robust code, the navigation of which has been thoroughly tested. As the substantive Code is not being changed (only the structure) then there is less urgency to complete a project that will enhance rather than change the Code.

The timeline should allow for due process.

CIMA suggests that the draft restructured Code should be piloted with a group of testers to ensure that usability is good.

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

We believe that a soft launch of a restructured Code is appropriate – any high profile launch may give the impression that the Code itself has been rewritten rather than restructured.

We look forward to the circulation of the exposure draft in due course.

Kind regards,

Samantha McDonough

Professional Standards Support Manager

Professional Standards and Conduct
Chartered Institute of
Management Accountants
The Helicon
One South Place
London
EC2M 2RB

Direct T. +44 (0)20 3814 2285
T. +44 (0)20 3814 5441
F. +44 (0)20 3814 5442
www.cimaglobal.com

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