

International Ethics Standards  
Board for Accountants (IESBA)  
Submitted via the IESBA website

and via e-mail to:  
kensiong@ethicsboard.org

Paris, Wednesday 4th February 2015

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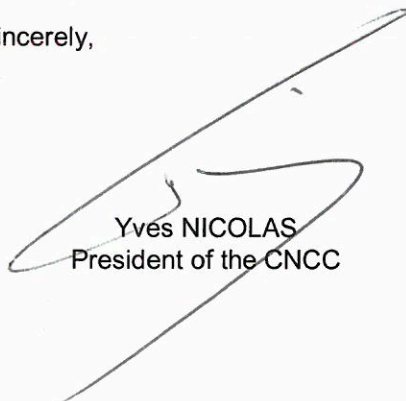
Dear Mr. Siong,

The French accountancy bodies « the Compagnie Nationale des Commissaires aux Comptes » (CNCC) and « the Conseil Supérieur de l'Ordre des Experts-comptables » (CSOEC) are pleased to provide you with their comments on the IESBA consultation paper " **Improving the Structure of the Code of Ethics for Professional Accountants** " in the IESBA Code of Ethics for professional accountants ("the Code").

Our response is twofold: it comprises general comments and answers to questions raised by the CP.

If you have comments or queries regarding our response, please do not hesitate to contact us.

Yours sincerely,



Yves NICOLAS  
President of the CNCC



Joseph ZORNIOTTI  
President of the CSOEC

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

## General Comments

As an introductory remark, we would like to point out that we have serious doubts that the proposed modifications will permit the recognition by the regulators. In addition, we believe that the timing is not appropriate for the member bodies in Europe, in a context<sup>1</sup> which has not yet been stabilized with the recently approved Audit reform. The EU has not decided to implement the Code and did not even refer to the Code in the discussions that have taken place during the preparation of the audit reform, although the 2006 version of the directive included a reference to the IFAC Code of Ethics (recital 9).

Besides, we would like to be sure that the modification of the structure of the Code will create real benefits because even a small modification in appearance may lead to a significant amount of extra work which creates a burden for the firms or the jurisdictions which use it, without even considering the translation cost. We are not sure that the benefits of these modifications of structure outweigh the cost of implementation as we do not have sufficient information concerning the problems of application of the 2009 Code, since no post-implementation review has been conducted by IESBA.

In addition, we understand that this modification should be only restructuring without any change in substance. It seems a good objective but difficult to achieve. In fact, we believe that the proposed modifications lead to reorient the Code toward a rule based approach (with, for example, the addition of definitions or the addition of sections called "purpose" and "requirements" in a part A which is mainly devoted to defining the conceptual framework and the principles). Moreover, it would be necessary for the modification of Part VI to clarify the consequences when the network is involved because this is a point of particular attention for the regulators. Since this is also a sensitive issue for the profession, we believe that it cannot be done without an exposure draft. Hence, if the modification of the structure leads to some modifications of the substance of the Code, the deadline fixed for 2017 cannot be achieved.

If the objective is convergence, it would be better to take proper time and wait for the implementation of the EU reform in order to assure that the proposed modifications correspond to the needs. Unfortunately, we believe that this project as proposed will not be sufficient to create the momentum for EU to consider adoption or at a minimum official recognition of the Code. Furthermore, we are of the opinion that the application of the Code could be better improved by writing FAQs and guidance.

In the light of the limited resources of the Board, we encourage the IESBA to focus their efforts on the section related to independence, which is the one that can raise questions and is the main concern to regulators (section 290).

Finally, we would like to inform you that responding to the questions raised by this consultation paper does not mean for us an agreement to the proposals. Thus, we believe that all these questions will have to be reexamined later on and October 2015 is much too soon to launch a related ED.

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<sup>1</sup> Directive 2014/56/EU of the European parliament and of the council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and Regulation n° 537/2014 of the European parliament and of the council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.



## Answers to questions

- 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?**

In principle, a better identification of the requirements may improve the readability of the Code; nevertheless we are strongly opposed to the creation of new requirements.

Even if some of the proposed modifications may be of interest, we do not believe that the modification of the structure will meet the objective of making the Code more understandable.

We strongly believe that the redrafting of Part 1 should remain essentially principles based. The fact that the "principles and framework" is not the title of Part 1 will give a "rule based" connotation to the Code and the impression of reinforcing the requirements while we prefer a conceptual approach as it is in the current Code.

We would like to highlight that a majority of the members of the EU' countries already have ethical standards or rules. Maintaining a principle based approach in the IESBA Code makes it easier for them to comply with the IESBA' Code and with their legislation, as a principle based Code better accommodate different local legislation, while a rule based Code provides less flexibility. We believe that the more the Code turns toward a rule based approach, the less convergence will be easy to achieve.

- 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?**

We believe that the responses to these questions belong in EU to the EU authorities and in worldwide to the regulators.

Even though, we are not convinced 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. We believe that the first objective should be clarity, as ambiguities are often put forward to delay the implementation of the Code.

We would like to point out to the fact that some countries have already implemented the Code which proves that it is already practicable.

In addition, it should be noted that the proposed modifications raise the risk to see EU' member states adopt only the requirements in their law, leaving the application material aside, which again leads to a rule based approach and will not facilitate a complete application of the Code.

Moreover, it seems to us that the lack of implementation is more due to non-acceptance of certain notions, such as "materiality" for example, than a problem of structure.

**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?**

We do not agree to the proposed numbering and ordering of the content of the Code. We have the impression that there is a trend of the IESBA to converge towards the ISAs structure which is, in our opinion, not suitable for a Code of ethics.

Moreover, we think that it would be better to issue two Codes in order not to mix the requirements applicable to accountants in public practice with those applicable to accountants in business. In our view, it is not appropriate to have a common Code for both categories of professional accountant even if the subjects could be common, but the circumstances are not the same. The same principles should be kept and Part 1 should be the same in each Code but the rest should be adapted to the type of professional accountants. Dealing with two different Codes might allow an easier implementation of the Code for professionals in public practice as carve-out of the part for professional accountant in business would not be necessary.

**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?**

No, we do not agree with the idea of rebranding the Code as "International standards of ethics", nor do we with separate standards because standards normally belong to "rule based approach". Moreover, we believe that using the branding "international standards" could lead stakeholders linking the application of the "International standards of ethics" with the application of the ISAs.

Therefore, we believe that the Code will certainly lose its principle-based aspect. Besides, as mentioned above, we support the "principle based approach".

**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 do not agree. We would like to draw your attention to the fact that the nuances of English language are quite difficult for non-English people to understand.

As for example, in paragraph 000.014, it is not obvious for non-English people to understand why the term "might" ought to be replaced by "may". In paragraph 000.005, the penultimate sentence lacks clarity. Generally speaking, some paragraphs are still very complicated to apprehend.

**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 with the necessity of clarifying responsibility in the Code, but it cannot be done "without impacting the substance of the Code". It does not constitute a modification of structure but of substance. Moreover, the network situations have to be dealt with, when you are looking at who is responsible in a firm. Consequently, we think that this suggestion cannot be included in the "modification of the structure of the Code" exposure draft, but should rather be dealt with a specific ED.



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

No, we do not. We believe that the modification introduced in paragraph 33 is of no use. Users could also be confused, regarding the fact that dealing with responsibility may raise the question of liability, which is not the purpose of the Code. Moreover, in some paragraphs it is mentioned that the “firm” is concerned. Specifying that the firm is concerned implies that when it is not specified, the firm is not concerned, therefore it would imply to systematically verify that when a paragraph does not mention the firm, it means that the firm is not concerned. This is the reason why we suggest, if the board wants to clarify the responsibilities of actions that each paragraph should determine who is responsible (engagement partner, engagement team, other individuals and/or firms) instead of a very general introductory paragraph.

**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?**

We believe that an electronic version is very useful and necessary. Nevertheless we are not sure that it is a question of the board or a question for the publishing department of IFAC.

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

Please refer to our general comments above.

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

Please refer to our general comments above.