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6 February 2015

Mr Ken Siong
Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
545 5th Avenue, 14th Floor
New York, New York 10017
USA

By email: kensiong@ethicsboard.org

Dear Mr Siong

Re: Improving the Structure of the Code of Ethics for Professional Accountants

Thank you for the opportunity to comment on this Consultation Paper (CP). CPA Australia is one of the world's largest professional accounting bodies, with a membership of more than 150,000 finance, accounting and business professionals and leaders in 120 countries. We make this submission on behalf of our global membership and in the broader public interest.

CPA Australia supports improvements in the Code of Ethics for Professional Accountants (Code) that are evidence based and aligned with the objectives of IESBA and the accounting profession. You would be well aware of the many implications of a fundamental restructure of the Code and we urge thorough consideration of the appropriateness of any change before proceeding. We appreciate that this is a great challenge since the consequences of any change may be difficult to identify and assess.

CPA Australia supports IESBA's commitment to the approach of the Code that is primarily principles and professional judgement based. We are of the opinion that a code of ethics and the exercise of professional judgement are key characteristics of a profession. We support changes that are necessary, based on evidence that they address identified issues and offer appropriate and effective global solutions.

We offer the following responses to the specific questions of the CP:

- 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?*

CPA Australia is of the opinion that the Code should contain the principles and ethical decision making framework for the profession. As such, we are not convinced

that it ought to follow the approach adopted in other standards and regulations. We are also not certain of the specific purpose of this project. Usability, understandability and enforceability are used interchangeably at times in the CP and we are not certain they are. Clarity around the perceived limitations of the current Code will assist in the identification of appropriate targeted solutions.

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 do not agree that the adoption of the Code into laws and regulations is a key objective of our Code. A distinguishing characteristic of a profession is the development and adoption of a Code of Ethics and a degree of self-regulation. We are of the opinion that a global Code, like the IESBA code, should focus on providing the principles and framework, so that it can be adopted by IFAC members throughout the world. Local laws and regulations, as well as professional standards are developed in different jurisdictions that may reflect or be aligned with the Code, but we do not think the Code should be drafted in a manner that enables it to become law.

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 are of the view that part C of the Code will be better placed after part A. We also strongly encourage IESBA to consider the division between the extant Parts A and C as much of the existing content of part C and content in the Exposure Draft on *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles* addresses issues faced by and provides guidance for all professional accountants. The fundamental changes proposed in the structure of the Code provide an opportunity for IESBA to consider the appropriateness of having a general section that contains what is currently in Parts A and C and a section that deals with considerations for accountants in public practice.

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?*

CPA Australia does not support the issuance of the Code as separate standards, nor does it support the rebranding of the Code to Standards on Ethics. As mentioned above, a Code of Ethics is a fundamental attribute of a profession. It is a term that is well understood globally and we do not see any possible benefits from renaming the Code standard, nor do we agree that such a name change will improve visibility or adoption. As mentioned above, we believe local jurisdictions are best placed to develop standards that take into consideration the local context, as is the case in Australia. We also think it is paramount that the accounting profession has a Code of Ethics.

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

CPA Australia supports the simplification of the language of the Code but urges caution so that any potential changes do not lead to changes in the meaning or intent.

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?*

The Code applies to all professional accountants and all our members are required to comply with the Code. We are of the view that the Code should have a general requirement for firms to develop appropriate policies and procedures to ensure compliance with the Code taking into consideration the characteristics of the firm but we do not think the Code should assign responsibility.

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

We find the examples would need clarification and the terms used would need to be defined. Our view is that the Code should refer to the need to ensure policies and practices are in place but allow firms to develop them.

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?*

CPA Australia believes that the Code should be available in multiple formats to accommodate different users and usage. However, we note that flexibility of format is most crucial at the local jurisdiction level as professional accountants use the Code as is adopted locally rather than the IESBA version, as is the case in Australia with APES 110 *Code of Ethics for Professional Accountants*.

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

Given the proposed considerations and changes we think the indicative timeline is overly optimistic. We are of the view that IESBA should consider feedback and gather evidence to ensure that any changes to the structure of the Code provide identifiable benefit to the profession and sustain its professional status and reputation. The proposed changes will have far reaching global consequences so we think that ensuring the right changes are implemented far outweigh any benefits of a short term completion.

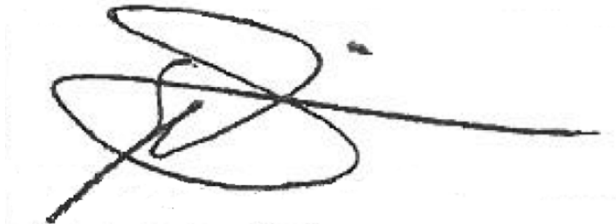
10. *Do you have any other comments on the matters set out in the Consultation Paper?*

Given the extent and depth of the proposed changes, CPA Australia urges IESBA to review the existing terminology of the Code. For example, PART A: General Application of the Code contains the principles and framework of the Code. We do not think the current title reflects content and aids understandability and utility. Similarly, the term professional accountants in business does not reflect the meaning assigned to it. We consider the exploration of alternative terms appropriate. Further, following our comments in question 3, it may be more effective to have the Code referring to all professional accountants in the first part and those who are in public

practice in the second part. The Code also refers to 'ethical conflict resolution'. This phrase is ambiguous and not aligned with general ethics terminology. It may be more appropriate to describe it as ethical decision making.

If you have any questions regarding this submission please do not hesitate to contact Dr Eva Tsahuridu, Manager – Accounting Policy, at eva.tsahuridu@cpaaustralia.com.au.

Yours sincerely

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Stuart Dignam
General Manager, External Positioning