

April 24, 2017

Chair
International Ethics Standards Board for Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017

Re: Exposure Draft, Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice

Dear Members of the International Ethics Standards Board for Accountants:

We appreciate the opportunity to provide comments on the exposure draft "*Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice*" (the ED) issued in January 2017 by the International Ethics Standards Board for Accountants (IESBA or Board).

The Explanatory Memorandum notes that it is possible for professional accountants in public practice (PAPPs) to find themselves in ethically problematic circumstances that do not involve clients and they may face the same issues and ethical dilemmas as professional accountants in business (PAIBs). We agree this is possible and the ethical requirements for PAPPs should not be limited to their activities in connection with serving clients, but rather they are expected to act ethically when conducting any professional activities. We are therefore supportive of the requirements set forth in this ED, but as described further below we have concerns about the scope of individuals to whom this would apply. Our responses to specific comments are found below.

Specific Comments

1a Do respondents agree with the proposed applicability paragraphs?

We acknowledge that professional accountants (PAs) may be faced with a variety of ethical dilemmas, both in their client interactions and their activities within their particular organizations, and a member of an IFAC body should be required to act ethically in all professional activities. If a PAPP is only required to follow extant Part B of the Code, there could be an impression that the individual's ethical responsibilities only relate to his or her client interactions. This clarification of the expectations for PAPPs to follow all parts of the Code makes it clear that a PAPP is to act ethically in all aspects of professional life.

We recognize that a firm that has committed to following the Code is required to ensure all of its employees abide by extant Part B of the Code when providing professional services to clients, regardless of whether the individual is a "professional accountant" (i.e., a

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member of an IFAC member body). It is not clear to us if the proposed changes regarding applicability of Part C are intended to apply to all of the employees of a firm who provide services to clients or only those who are themselves “professional accountants.” We agree members of an IFAC member body should be required to follow all aspects of the Code considering whether the activity involves providing a professional service to a client (Part B) or conducting professional activities within the firm (Part C). However, it is overly expansive to *require* individuals who are not members of an IFAC member body to follow Part C of the Code when conducting activities *within* their firm. It could also place an undue burden on firms to have internal policies and monitoring procedures to ensure their professionals who are not professional accountants are aware of, and abide by, Part C.

Some of the information in Part C may be useful, so we would not object to encouraging such individuals to consult with Part C of the Code for guidance in instances where an ethical dilemma within the firm is encountered. Accordingly, to clarify this we suggest the following change to the proposed text in R120.4: “When facing an ethical issue, a professional accountant shall consider the context within which the issue has occurred. Where a professional accountant in public practice is performing professional activities pursuant to the accountant’s employment or ownership relationship with the firm, an individual who is a professional accountant shall comply with the relevant ~~there might be~~ requirements and application material in Part 2 that are also applicable to those circumstances. ~~If so, the professional accountant in public practice shall comply with the relevant provisions.”~~”

Separately, we suggest the Board include an example in paragraphs 120.4 A1 and 300.5 A1 that is more closely aligned with what would be considered a professional activity for a PAIB. For instance, preparing engagement budgets that will be used by the firm to project the financial performance and resource needs of the firm would be clearer example for a reader.

1b Do respondents agree with the proposed location of those paragraphs in Sections 120 and 300 of the proposed restructured Code?

We note that the paragraphs in Sections 120 and 300 are identical and the Board is striving not to repeat information in the Code. It is expected that a PAPP has an understanding of the requirements set forth in Part 1 of the Code so it should not be necessary to repeat the paragraph again in Part 3. Additionally, the conceptual framework as presented in proposed Part 3 is focused on client service matters, not ethical dilemmas related to the employing organization so it does not seem an individual would naturally turn to Part 3 for guidance on such matters. Therefore, it is sufficient and more appropriate to only include the proposed paragraph in Part 1 of the Code. We would be supportive, however, of a comment in the forthcoming Guide to the Code that highlights Part 2 of the Code would also be applicable to a PAPP.

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We would be pleased to discuss our comments with members of the IESBA or its staff. If you wish to do so, please feel free to contact Wally Gregory, Senior Managing Director of Global Independence, via email (wgregory@deloitte.com) or at +1 203 761 3190.

Sincerely,

Deloitte Touche Tohmatsu Limited

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