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February 4, 2015

Mr. Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017

**International Ethics Standards Board for Accountant's November 2014 Consultation Paper, Entitled *Improving the Structure of the Code of Ethics for Professional Accountants***

Dear Mr. Siong:

This letter provides the U.S. Government Accountability Office's (GAO) comments on the International Ethics Standards Board for Accountant's (IESBA) Consultation Paper entitled *Improving the Structure of the Code of Ethics for Professional Accountants* (the Code). GAO promulgates generally accepted government auditing standards, which provide professional standards for auditors of government entities in the United States.

We support IESBA's efforts to improve the usability of the Code. IESBA is seeking responses to the following questions. Our selected responses and additional comments on changes made by IESBA in restructuring the Code follow. We are also recommending that the Code include clarifications of responsibility for the government sector and that IESBA consider the impact of the Code on government entities.

**GAO's Responses to Specific Questions Posed by IESBA**

- ❖ *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?*

We support the approach outlined in the Consultation Paper. The proposed format is consistent with our view that ethical principles should always be construed as requirements, with explanatory material provided strictly as support for those requirements. In our view, placing the explanatory material section directly after the requirements section increases ease in navigating the Code. We caution against placing the explanatory material too far from the related requirement, as we have found that users of clarified standards tend to place more emphasis on explanatory material that is located close to the related requirement rather than several pages away. Explanatory material that follows the related requirement within a page or two can help minimize problems resulting from insufficient attention to explanatory material.

We will consider IESBA's approach outlined in this Consultation Paper for our revision of the U.S. *Government Auditing Standards*.

- ❖ *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 find the numbering and ordering of the content of the Code as set out in paragraph 20 of the Consultation Paper concise and simple, and we concur with IESBA's use of the six-digit numbering scheme. We advise against using a numbering scheme exceeding six digits.

- ❖ *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?*

We believe that issuing the provisions of the Code as separate standards would improve the visibility and enforceability of the Code as it would enhance the transparency of changes made to sections of the Code and streamline the overall structure of the Code. For example, the General Application section of the Code could be issued as a separate standard that is applicable to all. Other provisions of the Code could also be issued as separate standards, such as Professional Accountants in Public Practice, as it is applicable to only professional accountants in public practice. Issuing separate standards would also facilitate revisions; the entire Code would not need to be reissued because of a revision that only affects one section.

We encourage IESBA to consider adopting this convention.

- ❖ *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 believe that clarifying responsibility in the Code would enhance its understandability, which would in turn enhance its usability and enforceability. We consider IESBA's illustrative approach appropriate. We believe that clarification of responsibility would also enhance the continuity between the Code and other standards, such as International Standards on Auditing and the International Standards on Quality Control.

- ❖ *Do you find the examples of responsible individuals illustrated in paragraph 33 useful?*

We find the examples of responsible individuals illustrated in paragraph 33 useful as they specifically suggest who, within a firm, may be responsible for compliance with the Code. However, we note that the current Code has very little language aimed at accountants in government. We encourage IESBA, going forward, to consider the impact of its standards on government entities.

- ❖ *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 support IESBA's plan to develop enhanced navigation and hyperlinks to defined terms for the electronic version of the Code. We suggest that for the electronic version of the Code, IESBA develop robust features that enhance usability, including the following:

- A feature that allows users to input multiple criteria into the search engine when they want to find a very specific topic or phrase within the Code.

- A feature that identifies the most popular searches by topic, allowing for research on potential problem areas.
- A feature that allows users to find a specific topic by clicking through the divisions and subdivisions of a section.
- A feature that allows for the creation of bookmarks and notes that are subsequently available only to the user.

For example, a user can input multiple criteria into the Code's search engine with "conflict of interest" as key words while setting the results to be filtered for "professional accountants in public practice." The auditor can also find that topic by following the hyperlinked table of contents. The user can then create bookmarks or add notes to a specific page for future reviews.

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We thank you for considering our comments on these important issues as IESBA restructures the Code for greater usability.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James R. Dalkin". The signature is fluid and cursive, with a prominent initial "J" and a long horizontal stroke at the end.

James R. Dalkin  
Director  
Financial Management and Assurance