



Grant Thornton

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

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Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2

To the members of the International Ethics Standards Board for Accountants:

Grant Thornton International Ltd. (GTIL) appreciates the opportunity to comment on the January 2017, Exposure Draft (ED) Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2 approved for publication by the International Ethics Standards Board for Accountants (the IESBA or the Board).

GTIL is an umbrella organisation that does not provide services to clients. Services are delivered by GTIL member firms around the world. Representative GTIL member firms have contributed to and collaborated on this comment letter with the public interest as their overriding concern.

We support the Board's proposals and believe they will enable IFAC in its mission to serve the public interest and allow the Board to achieve its objective of strengthening the IESBA Code (the Code) by continuing to set high-quality standards that will enhance the profession.

General Comments

GTIL supports the Board's work on improving the structure of the Code and believes the restructuring will help enhance the clarity and usability of the Code.

Understanding the Board is requesting comments on the structure of the Code, we would like to note that the threats listed in proposed Section 300.2 A1 and the safeguards listed in Section 300.2 A9 almost exclusively address objectivity and independence related threats (self-interest and self-review) resulting from the provision of non-audit services. There does not appear to be clear threats and safeguards guidance and examples that address threats to the fundamental principles of integrity, professional competence and due care, and professional behavior.

The business environment and the structure of audit firms are continually evolving. In order to strengthen the Code to help Professional Accountants deal with threats to the fundamental

principles referenced above, we would recommend the Board consider adding examples of threats and safeguards to the Code, or even questions to help assess compliance with the fundamental principles as some other professional bodies have done, to assist Professional Accountants in performing a reasoned analysis in assessing adherence to all the fundamentals principles.

Request for Specific Comment

Structure of the Code Phase 2

1. *Do you believe that the proposals in this ED have resulted in any unintended changes in meaning of:*

- *The provisions for Part C of the extant Code, as revised in the close-off document for Part C Phase 1 (see Sections 200-270 in Chapter 1)?*

GTIL does not believe the proposals have resulted in any unintended changes to the provisions for Part C of the extant Code, as revised in the close-off document for Part C Phase 1.

- *The NOCLAR provisions (see Sections 260 and 360 in Chapter 2)?*

GTIL does not believe the proposals have resulted in any unintended changes to the NOCLAR provisions.

However, with respect to proposed Section R360.32, we believe the Board's initial proposal would be strengthened by requiring professional accountants performing non-audit services for an audit client of a network firm to communicate the matter to the network firm except where prohibited by law. If a professional accountant performing non-audit services for an audit client of a network firm is aware of NOCLAR or suspected NOCLAR but does not communicate the matter to the network firm, then the auditor is conducting an audit with incomplete information with the consequent potential to impair audit quality. Furthermore, another consequent of not disclosing the matter is the engagement partner may not be able to comply with applicable laws, regulations and professional obligations, an outcome that ultimately does not serve the public interest.

- *The revised provisions regarding long association (see Sections 540 and 940 in Chapter 3)?*

GTIL does not believe the proposals have resulted in any unintended changes to the revised provisions regarding long association.

- *The provisions addressing restricted use reports in the extant Code (see Section 800 in Chapter 4)?*

GTIL does not believe the proposals have resulted in any unintended changes to provisions addressing restricted use reports in the extant Code.

- *The provisions relating to independence for other assurance engagements (Part 4B in Chapter 5)?*

GTIL does not believe the proposals have resulted in any unintended changes to provisions relating to independence for other assurance engagements.

2. *Do you believe the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum?*

GTIL believes the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum.

Conforming Amendments Arising from the Safeguards Project

3. *Respondents are asked for any comments on the conforming amendments arising from the Safeguards project. **Comments on those conforming amendments are requested by April 25, 2017 as part of the response to Safeguards ED-2.***

Please refer to our comment letter submitted to the Board on April 25, 2017.

Effective Date

4. *Do you agree with the proposed effective dates for the restructured Code? If not, please explain why not.*

GTIL agrees with the proposed effective dates for the restructured Code.

GTIL would like to thank the IESBA for this opportunity to comment. As always we welcome an opportunity to meet with representatives of the IESBA to discuss these matters further. If you have any questions, please contact Gina Maldonado-Rodek, Director - Global Independence at gina.maldonado-rodek@gti.gt.com.

Sincerely,

A handwritten signature in black ink that reads "F C Lagerberg". The signature is written in a cursive style with a large, stylized "F" and "C" at the beginning.

Francesca Lagerberg
Grant Thornton International Ltd
T +44 (0)20 77283454
E Francesca.lagerberg@gti.com