

October 8, 2012

Ms. Jan Munro
Deputy Director
International Ethics Standards Board
for Accountants
545 Fifth Avenue, 14th Floor
New York 10017
USA

Institut der Wirtschaftsprüfer
in Deutschland e.V.

Wirtschaftsprüferhaus
Tersteegenstraße 14
40474 Düsseldorf
Postfach 32 05 80
40420 Düsseldorf

TELEFONZENTRALE:
+49 (0)211 / 45 61 - 0

FAX GESCHÄFTSLEITUNG:
+49 (0)211 / 454 10 97

INTERNET:
www.idw.de

E-MAIL:
info@idw.de

BANKVERBINDUNG:
Deutsche Bank AG Düsseldorf
BLZ 300 700 10
Kto.-Nr. 7480 213

Re: Exposure draft: Proposed Change to the Definition of “Those Charged with Governance”

Dear Ms Munro

As a member of IFAC, the IDW remains committed to following the progress of the International Ethics Standards Board for Accountants' work. The IDW appreciates the opportunity to comment on the above-mentioned Exposure Draft and proposed changes to the Code of Ethics for Professional Accountants hereinafter referred to as “the Code”.

We agree with the IESBA that definitions of terms should be aligned between the Code and relevant IAASB pronouncements when no difference in meaning is intended. We therefore support the proposed revision and include our responses to the questions raised in the IESBA's request for specific comments below. Firstly, we would like to draw your attention to the following issues of a more general nature:

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB CPA;
Manfred Hamannt, RA

Seite 2/4 to the comment letter to the IESBA dated October 8, 2012

General Matters

Proposed exclusion of explanatory material

The provisions of the Code are to be adhered to in a variety of situations and jurisdictions throughout the world, and may apply to individual professional accountants – both in business and in practice (including auditors and their firms). It is therefore essential that definitions are clear and capable of consistent interpretation. Whilst we appreciate the IESBA's decision to exclude the reference to application material found in ISA 260 (i.e., solely of audit relevance) within the definition itself, we would like to suggest that content similar to this be included within the Code, as it will assist those who need to apply the Code in determining how the definition applies in their individual engagement circumstances. In particular accountants in business may not be as used to needing to establish what the term “those charged with governance” should mean in their individual circumstances as might be the case with, for example, auditors. We therefore would support including some of this application and explanatory material in the Code. In our view there needs to be a link between the definition and the practical application thereof within the Code, such that the Code remains a stand-alone document. The IESBA might consider whether a separate section to complement its definitions could be a suitable place for such material that could then be cross-linked to the definition.

Definition of the term “Management”

We also note that the proposed revision introduces the term “management” in the context of “management personnel”. We would like to point out that “management” is defined in ISA 260 and the IAASB's Glossary of Terms, but not in the Code's definitions section, or elsewhere within the Code.

Including within a definition a term that may not be capable of consistent interpretation without defining that term is not helpful and will not aid consistent application of the Code. We therefore suggest the definition of the term “management” from ISA 260 be added to the definitions section of the Code.

Seite 3/4 to the comment letter to the IESBA dated October 8, 2012

Request for Specific Comments

1. *Do respondents agree with the proposed change to more closely align the definition of “those charged with governance” to the definition contained in ISA 260, Communication with Those Charged with Governance?*

We agree that the definition of the term “those charged with governance” in the IESBA Code of Ethics should be aligned with that in the ISA 260 and the IAASB’s Glossary of Terms.

2. *Do respondents agree that in each case as noted in the Exposure Draft, communication to “those charged with governance or a subgroup thereof” would be appropriate?*

In our view adding the phrase “or a subgroup thereof” to each reference to those charged with governance throughout the Code unnecessarily lengthens the text of the Code, without adding value in terms of content. Indeed, whether, in a particular case, it is appropriate, or even required by the national law of a particular jurisdiction, for a particular matter to be discussed with or brought to the attention of a subgroup of those charged with governance rather than with the entire governance body, is something that would generally need to be determined on an individual basis, and may vary with the size or legal form of the specific client, the jurisdiction in which the particular engagement is performed, and the matter needing to be communicated. The mere addition as proposed could imply that the Code foresees a choice in every case.

Furthermore, as the last sentence of the text to be added to 290.28 will already require the auditor to determine whether – when communication was with a subgroup of those charged with governance – communication with all of those charged with governance is also necessary, such repetition is not needed thereafter. Maybe this requirement needs to be given more prominence.

Seite 4/4 to the comment letter to the IESBA dated October 8, 2012

We hope that our comments will be useful to the IESBA in amending the Code. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.

Kind regards

Klaus-Peter Feld
Executive Director

Helmut Klaas
Director European Affairs