

Nov 29, 2012

Jan Munro, IESBA Deputy Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017
Via website: ifac.org

Re: IESBA Exposure Draft Responding to a Suspected Illegal Act

Dear Ms. Munro,

The Professional Ethics Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to provide comments on the proposed revisions to the Code of Ethics for Professional Accountants (the Code). The PICPA is a professional association of more than 20,000 CPAs working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is a cross-section of our membership, with practitioners from large, regional, and small public accounting firms, members serving in business and industry, and accounting educators.

Our comments are included below.

General Comments

The committee supports the objectives of the IESBA as outlined in the explanatory memorandum of the exposure draft. Specifically, the committee agrees that in certain cases the public interest is more important than the obligation to maintain client confidentiality. However, the committee has a number of concerns regarding the requirement that CPAs must disclose suspected illegal acts to third parties. First, many state CPA statutes in the United States include confidentiality provisions that legally prohibit a CPA from disclosing confidential client information. Second, whistleblower protections for CPAs in public accounting do not exist, and it would require legislative action to enact such provisions. Consequently, a requirement to disclose suspected illegal acts could expose a CPA to potential harm through litigation and other retaliatory actions. Third, the committee believes that those CPAs who report illegal acts would experience significant reputational damage that could adversely affect future potential client relationships. Fourth, the committee believes that the requirement to report suspected illegal acts would become an expectation to uncover and report such acts, in essence requiring CPAs to become a police force.

On the other hand, the committee supports providing guidance to CPAs who are providing nonaudit services so they can communicate suspected illegal acts to the appropriate level of management. The

committee also agrees with providing similar guidance to auditors; however, this guidance is already included within the audit standards.

Specific Comments

- A CPA providing professional services to a client who is not an audit client would be required to follow the same steps as a CPA providing professional services to an audit client. However, in many situations the services are of limited duration. This could preclude compliance with the proposed requirement to confirm or dispel suspicions of suspected illegal acts, as these CPAs may not have continued access to the relevant people or documents.
- The committee supports the right of the CPA “to discuss the matter with a relevant professional body on an anonymous basis,” and notes that this right is currently not provided for in the Code.
- The exposure document, in several locations throughout the text (e.g., Sections 225.5, 225.9, and 225.22), indicates that the accountant “may wish to consult with others within the firm, a network firm, or on an anonymous basis.” The committee believes that consultation is an important part of providing high quality professional services, and requests that the language in this section be strengthened to both encourage consultation and provide a right to consult on an anonymous basis.
- In several paragraphs throughout the document (e.g., 225.19), the proposal indicates that the accountant “has a right” and then notes that the accountant “is expected to exercise this right.” It is not clear how this expectation differs from a requirement. The committee requests that the language be clarified.

Thank you for the opportunity to provide our comments related to the proposed revisions to the Code of Ethics for Professional Accountants. Feel free to contact me at (412) 697-5237 or the PICPA Staff Liaison, Allison Henry, at (215) 972-6187 with any questions regarding our comments.

Sincerely,



Kenneth L. Urish, CPA
Chair, PICPA Professional Ethics Committee

cc: Lisa Snyder, Director AICPA Ethics Division
Allison Henry, CPA, PICPA Staff Liaison