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Dear Mr Siong,

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

The Financial Reporting Council (FRC) welcomes the opportunity to comment on the Exposure Draft concerning the proposed clarification of the applicability of the provisions in extant Part C of the Code to professional accountants in public practice.

We support the aim of IESBA to clarify the applicability of the provisions in Part C of the Code (Part 2 of the restructured Code) to professional accountants in public practice through the use of a requirement. We had highlighted the current lack of clarity in our response to the Structure Phase 1 ED.

All professional accountants are required to comply with the conceptual framework and the fundamental principles. Accordingly, it is appropriate that they should be required to have regard to all ethical provisions in the Code that are applicable to their circumstances. We agree that it is appropriate to have requirements to this effect in both the Conceptual Framework and Part 3, Professional Accountants in Public Practice, of the proposed restructured Code. However, we suggest the requirement could be improved by rewording it as follows:

When facing an ethical issue, a professional accountant shall consider the context within which the issue has occurred and shall comply with all requirements within the Code that are applicable to the circumstances. Where a professional accountant in public practice is performing professional activities pursuant to the accountant's employment or ownership relationship with the firm, ~~there might be~~ and there are 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.

The illustrative example would be more helpful if it was more explicit as to the applicable requirements and application material set in out in Section 270 and gave guidance on how the professional accountant should apply them. The primary applicable requirement for that example would be:

R270.4 A professional accountant shall not:

- (a) Allow pressure from others to result in a breach of compliance with the fundamental principles.

Succumbing to pressure to under-report chargeable hours for a client engagement in order to artificially enhance engagement profitability which might impact the partner's remuneration, would be a breach of the fundamental principles of integrity and professional behaviour. However, it could also give rise to threats to compliance with the fundamental principles of objectivity and professional competence and due care if the pressure resulted in the professional accountant looking to cut corners to reduce the number of hours actually worked.

Given this new requirement, we believe that the title of Part C (Part 2 in the restructured Code) should be amended to be clear that it is not restricted just to professional accountants in business, and introductory text added to explain that in some circumstances the requirements and application material may be relevant to professional accountants in public practice. Alternatively, it could be explained that a "business" may include a public practice firm.

If you wish to discuss our response further please contact Mark Babington, Deputy Director of Audit Policy on +44-207-492-2323 or m.babington@frc.org.uk.

Yours sincerely,



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