

## 2. (untitled)

**1. From which perspective are you providing this feedback? [\* Required where indicated]**

Other, please specify:: IFAC SMPC

**Please provide the following contact information:**

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IFAC

**2. In which country or jurisdiction do you or your organization work or serve? (If international, please indicate so; if a region of the world, please indicate which region)**

**If country, please select country?**

United States

**OR if a region of the world, please indicate which region:**

**OR if international, please indicate by ticking the box:**

International

## 3. (untitled)

**B.1 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?**

The SMPC agrees that trends and developments in technology and innovation is a key area which the IESBA needs to actively monitor. The 2016 IFAC Global SMP Survey found that the anticipated impact of technology developments over the next five years had increased substantially from 2015. The likely impact of digital disruption on the work performed by professional accountants is a significant issue, and the rapid and differential pace of change make assessing the full impact at any one point of time very difficult.

Given the IESBA's acceptance of the need to limit changes to the Code in the near future, it makes sense for the IESBA to start a fact-finding project to monitor developments in order that the Board can give some initial thought to the potential impact(s) in terms of ethical issues arising from all these new trends.

**B.2 Do you have any specific comments on this topic and, in particular, why**

***this topic should or should not be prioritized?***

As new models of service delivery appear to be becoming more prevalent in response to the increasingly international (and complex) business landscape, the IESBA should actively monitor developments and consider any related ethical issues the Code will need to address in the near future.

***B.3 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

Setting a minimum global definition or describing characteristics of particular public interest other than listed entities may not be easy. The definition of a PIE varies from country to country - an entity may be a PIE because of the nature of its operations, its size, or the number of its employees and the range of sectors captured in different definitions can also be very wide. Hence, the circumstances and treatment of many entities labelled as PIEs may differ considerably from one region to another.

While there could be some value in having IESBA working together with IAASB to explore if the definitions of the two terms should be revised and understanding the potential implications, including any intended consequences, considerable work will be needed prior to arriving at whether a single global solution is likely to be appropriate.

There may also be a need for IESBA to consider coordinating with the IASB and its use of the public accountability concept in IFRS for SMEs.

***B.4 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We do not consider that a project on Collective Investment Vehicles is a priority from an SMP-SME perspective.

***B.5 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We recognize the importance of this topic in light of the recent public attention and that it is becoming a significant focus of governments around the world.

As tax compliance and planning continues to be a substantial service line for many SMPs, we believe that the scope and approach of any initiative in this area would need careful consideration. Given the different stances from country to country concerning the role of tax legislation vs. moral position, tax legislation needs to address the issue holistically, as ultimate responsibility lies with the relevant jurisdictional court.

***B.6 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We believe that cooperation with the IAASB should take place when exploring the issue of materiality as a whole – not just in the context of specifics listed in the survey paper. There should be a thorough consideration of what materiality as well as significance mean, so that a principles-based rather than context-driven solution can be developed for the IESBA Code. Such a cooperative project could also address the issue of matters falling below materiality thresholds (this may also have an impact on Item B.10 dealing with the Breach of the Code), so as to distinguish clearly trivial/ inconsequential matters from others in terms of the significance of any impact on an individual professional accountant's ethical behavior.

A further aspect of materiality that should be considered is that whilst matters may be immaterial when seen individually, they are potentially relevant when viewed cumulatively. So far the IESBA has not explored this aspect in a more holistic manner.

***B.7 Do you have any specific comments on this topic and, in particular, why***

***this topic should or should not be prioritized?***

We do not consider the topic as a priority from an SMP/SME perspective.

***B.8 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We do not consider the topic as a priority from an SMP/SME perspective.

***B.9 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We do not consider the topic as a priority from an SMP/SME perspective.

**4. (untitled)**

***B.10 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

As noted in our response to B.6 Materiality, IESBA could consider whether to more fully address the consequences of breaches of the Code, together with looking to develop a threshold to identify inadvertent minor breaches that by their nature and relative insignificance would not actually be deemed to impact an accountant's compliance with the fundamental principles.

***B.11 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

Certain recent changes to the Code have revealed that the IESBA's decisions have an increasing impact on the work of other standard setters, especially the IAASB. Consequently, it is increasingly important for the SSBs to align their respective terminology to foster consistent application, where appropriate. From our perspective, this is an exercise that should be undertaken before new initiatives or subject-specific work is to be considered in the future.

***B.12 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

In our view, it would be extremely beneficial for the IESBA to perform a post-implementation review of the Code. Such a review would inform the IESBA about any practical difficulties experienced in applying the provisions, whether unintended consequences have resulted from any specific provisions, and also whether specific aspects of the Code are as effective as IESBA had intended it to be. The results of such a review would indicate where change is needed to the existing provisions, where further clarification of existing provisions is needed and where perhaps the Code is less effective than the Board had intended. Besides looking at specific content of the Code, the initiative could be used to obtain information as to the global application (i.e. extent of take-up) of the Code. Information differentiating between jurisdictions where the Code is applied in its entirety, where there is partial application (and reasons therefor), and full or part transposition into national equivalents etc. All such information would be valuable to the future maintenance and development of the Code

***B.13 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

This is a very major topic and the lack of a clear definition and common understanding of public interest remains an issue as the interpretation of acting in the public interest can be highly subjective.

In addition, the degree of public interest in the work performed by the profession is not uniform. While there is a widespread recognition of the collective contribution of SMEs to the global economy, and hence the sector's high level of public interest, the public interest inherent in any one small practitioner's client base is typically much less than that of a large listed company.

When responding to the IESBA Strategy Survey in March 2013 and in our comment letter in response to the IESBA Proposed Strategy and Work Plan 2015-2018, we encouraged the IESBA to prioritize a project on guidance on the meaning of public interest in the context of the Code.

We would support the approach of exploring the topic through the development of a discussion paper and the intention to coordinate with the other standard-setting boards, as the relevance of this issue is not exclusive to IESBA.

***Are there any trends, developments or issues not otherwise covered in this section that you would rank in your top six priorities? If so, please explain why.***

The SMPC strongly supports the intended pause in any new changes to the Code becoming effective. We believe that there is need for IESBA to change its approach and focus its work on projects that will not result in further changes to the Code in the near future i.e. primarily fact gathering initiatives coupled with active monitoring of developments.

Keeping up with new regulations and standards has been consistently ranked as one of the top challenges facing SMPs in the Global SMP Surveys conducted by IFAC. In some jurisdictions the Code will need to be translated (possibly anew), other factors such as updating teaching and CPD material, adapting firm methodologies etc. all demand sufficient time if the Code is to be applied in the manner the IESBA intended. We therefore welcome the fact that the IESBA itself has specifically acknowledged this in the Survey.

With the above in mind, we have ranked the top six priorities from an SMP-SME perspective, but would also consider prioritizing emerging or newer models of service delivery (B.2), Breach of the Code (B.10) and Tax planning and related services (B.5).

***Please rank your top six priorities among items B.1 to B.13 above (1 being highest and 6 being lowest).***

1. B.12 Post-implementation review of the restructured Code
2. B.11 Definitions and descriptions of terms
3. B.1 Trends and developments in technology and innovation
4. B.6 Materiality
5. B.13 Meaning of public interest in the global context
6. B.3 Concepts of "public interest entity" and "listed entity"

**5. (untitled)**

***C.1 Do you have any comments on any of the above activities or initiatives? In particular, do you believe any of them should not be a strategic priority for the IESBA and, if so, why? Please be as specific as possible.***

All these activities are important to promote adoption and effective implementation. We believe that a robust communication strategy is important to the successful adoption of a worldwide Code.

***C.2 Are there any specific activities or initiatives you believe the IESBA should undertake to promote further adoption and more effective implementation of the Code? If so, please explain why.***

The IESBA should consider having some form of mechanism to continuously monitor whether the Code remains suitable as well as palatable for global application, as opposed to being perceived as overly

focused on the circumstances in only certain jurisdictions or responding to the needs of any particular stakeholder group. The Code needs to be easy to apply in practice and the Board needs to be aware of any in unintended consequences of its decisions, so that these can be dealt with as appropriate.

## 6. (untitled)

***D.1 Are there any particular matters you believe the IESBA should consider in relation to any one of these pre-existing commitments? Please be as specific as possible and explain your reasoning.***

The fact-finding work on the fees-related matters above has been useful to inform the Board's deliberations. We understand that IESBA has not yet determined whether it should launch a standard-setting project or undertake any initiative on this topic. We believe that there should be a strong evidence base with conclusive findings before the Board advances with any future initiative in this area. Otherwise, concerns could be raised that the initiative is being driven by particular stakeholders with difficult to justify rationale.

## 7. (untitled)

### **Section E: Any Other Strategic Matters**

***E.1 Are there any other matters of strategic importance not covered elsewhere in this survey or your earlier responses that you believe the IESBA should consider as it positions the Code for 2025? Please be as specific as possible.***

We would like to emphasize our support of the Board's decision to have a period of stability (see page 14 after the ranking of priority). In your recent June 2017 Board paper, a time frame of 18 months have been mentioned although a longer period of 24 months would have been much preferred. In addition, work efforts will need to be expended to collate the data on the take up rate of the revised Code given sufficient time, the reason for the partial application in certain jurisdiction and challenges on full or part transposition into national equivalents etc. These are valuable information to guide the Board on your maintenance and future expansion/ development of the Code over time.

## 8. (untitled)

**3. Please confirm that you have completed all your responses?**

Yes