

February 26<sup>th</sup>, 2014

International Ethics Standards Board for Accountants

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, NY 10017

To whom it may concern,

**KICPA's Comments on IESBA Consultation Paper "Proposed Strategy and Work Plan, 2014-2018"**

The KICPA is pleased to have an opportunity to comment on the Consultation Paper, Proposed Strategy and Work Plan for 2014-2018. We are a strong advocate of the IESBA that strives to improve professional ethics and serve the public interest by developing high-quality professional ethics standards.

Please see the below for our comments.

**1) Do you support the four work streams the Board added to its SWP in 2012, i.e., Long Association, Non-Assurance Services, Review of Part C, and Structure of the Code? If not, please explain why.**

As we understand, the IESBA has decided to add four new work streams to its current work plan taking into account the context where legislations on auditor independence are at the top of the agenda in major jurisdictions including the European Union and the United States. The legislations aimed at strengthening the independence requirements for auditors include

mandatory firm rotation and stricter restriction on non-audit services. We are with the IESBA's decision to add four work streams in 2012 considering the importance of facilitating the convergence of international and national ethical standards.

**2) Are the strategic themes identified for the period 2014-2018 appropriate? If not, please explain why.**

We agree with the IESBA's four strategic themes based on the below.

The IESBA has endeavored to improve the quality of ethics standards by conducting Independence projects for the past few years, which resulted in revising the Code, supplemented by detailed independence-related requirements. Meanwhile, legislations for enhancing auditor independence are being discussed in major jurisdictions including the European Union, the United States and Canada. In line with the global trends, it is considered necessary even for a jurisdiction establishing different national legal and regulatory frameworks to ramp up their efforts to adopt and implement the Code and facilitate the convergence, which will eventually benefit to the public interest.

In addition, the needs for evolving the Code to be continually relevant are also growing in significance with a rapidly changing global environment including the globalization of capital markets and the advancement of technology.

**3) Are the actions identified with respect to each strategic theme, and their relative prioritizations, appropriate? If not, please explain why.**

Regulators and investors have raised the issue of auditor independence and audit quality in the aftermath of the global financial crisis. The IAASB's Audit Quality project initiated in response to the request for improving audit quality is also a very important issue to auditors. This is why we consent to IESBA's strategic direction that sets aside resources to initiate a potential work stream and utilize resources when considered necessary.

We also agree with the IESBA's plan to review the safeguards in the Code and initiate a new work stream on fee dependency in response to regulatory input from the strategy survey conducted in January, 2014. The nature of relations among stakeholders that tend to be complex and not to be general in the Collective Investment Vehicles also led us to express our consent to the IESBA's plan to review the application of the "related entity" definition in the code to such investment vehicles.

As for priorities, we are with the IESBA's plan to commence the review of safeguards, fee dependency, and Collective Investment Vehicles after Q3 2015 when the on-going Independence projects initiated in 2012 are expected to be completed.

**4) Are there any actions not included in the proposed SWP that you believe the Board should consider for the 2014-2018 period? If so, please explain why, and indicate which actions identified in proposed SWP should be displaced (i.e., deferred or eliminated).**

The Code of Ethics for Professional Accountants clearly stipulates in its preface that “Some jurisdictions may have requirements and guidance that differ from those contained in this Code. Professional accountants in those jurisdictions need be aware of those differences and comply with the more stringent requirements and guidance unless prohibited by law or regulation.”

Aside from the differences, there could be other impediments to more rapid and wider adoption of the independence requirements of the Code even though there is not certain law or regulation to prohibit a jurisdiction from complying with the Code. Considering the difficulties, it would be necessary for the IESBA to study various environments and frameworks of the respective jurisdictions and ponder over how to encourage adoption.

We hope our comments would be helpful in your efforts to set up Strategy and Work Plan for 2014-2018. Please feel free to contact us via [global@kicpa.or.kr](mailto:global@kicpa.or.kr) for further inquiries.

Thank you.