

26 April 2017

Mr. Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants (IESBA)  
International Federation of Accountants (IFAC)  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, New York 10017 USA  
By email: KenSiong@ethicsboard.org

Dear Mr. Siong,

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

Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a submission on the IESBA's Exposure Draft *Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice* (Applicability ED).

APESB is governed by an independent board of directors whose primary objective is to develop and issue, in the public interest, high-quality professional and ethical pronouncements. These pronouncements apply to the membership of the three major Australian professional accounting bodies (Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants). In Australia, APESB issues APES 110 *Code of Ethics for Professional Accountants* which includes the Australian auditor independence requirements, as well as a range of professional and ethical standards that address non-assurance services.

**Overall comments**

APESB is supportive of the IESBA's project to clarify the applicability of the requirements and application material in extant Part C *Professional Accountants in Business* (Part C) to Professional Accountants in Public Practice (PAPPs). We believe the proposed clarifications will assist PAPPs to deal with the ethical challenges that they encounter as employees in firms or in external business relationships that do not involve clients.

Overall APESB supports the IESBA's proposals to include additional applicability paragraphs in the *Code of Ethics for Professional Accountants* (the Code) to highlight the guidance in the proposed Part 2 (extant Part C), subject to the recommendations noted below. APESB has also responded to the IESBA's general and specific questions in Appendix A.

In developing APESB's response to the Applicability ED, we have taken into consideration Australian stakeholders' feedback from two roundtable events conducted by APESB in Melbourne and Sydney in March 2017.

## Recommendations

APESB key recommendation for the IESBA's consideration is to change the applicability of the proposed Part 2 (extant Part C) to all professional accountants.

The proposed introductory paragraphs for the new Part 2 (the equivalent to the extant Part C) clearly indicates the applicability of this section to PAPPs when performing activities in relation to their employment or ownership relationship with their firm. This will be reinforced with the inclusion of the additional application paragraphs in Part 1 and 3 as per the Applicability ED.

It seems logical that the next step would be to make Part 2 applicable to all professional accountants. This would require a change to the heading of this section but otherwise should not significantly change the existing requirements and guidance in this section.

We believe that this approach would provide clarity to the applicability of Part 2 in the heading of the section rather than relying on a professional accountant reading a specific paragraph in the body of the section and realising that the applicability of the section is broader than what is stated in the heading of the section.

IESBA could also consider revising the heading for both extant Parts B and C to reflect the context in which ethical issues arise (for example, employment situations for extant Part C or client engagements for extant Part B).

## Concluding comments

We trust you find these comments useful in your final deliberations. Should you require additional information, please contact APESB's Chief Executive Officer, Mr Channa Wijesinghe at [channa.wijesinghe@apesb.org.au](mailto:channa.wijesinghe@apesb.org.au).

Yours sincerely



The Hon. Nicola Roxon  
**Chairman**

## APPENDIX A

### APESB's Comments

APESB's responses to the specific matters raised by the IESBA in the Applicability ED are as follows:

#### Specific Comments

Do respondents agree with:

- (a) The proposed applicability paragraphs; and
- (b) The proposed location of those paragraphs in Section 120 and 300 of the proposed restructured Code.

If not, why not?

APESB agrees with the inclusion of the proposed applicability paragraphs in the proposed restructured Parts 1 and 3 of the Code. The paragraphs will provide a cross reference that will assist users to navigate the Code and find relevant information.

However, APESB believes that there is an opportunity to clarify the applicability of the extant Part C (new Part 2) by clearly stating that it applies to all professional accountants.

As acknowledged by IESBA, the content of Part C is not entirely unique to Professional Accountants in Business (PAIBs) – it is also relevant to PAPPs. Therefore, it seems logical to amend the applicability to clearly state that Part C is applicable to all professional accountants.

Additional changes to reflect this would include changes to the introductory paragraphs and the inclusions of additional examples relating to PAPPs, for instance, in respect of circumstances that might create specific threats or actions that might be safeguards. The additional examples could include:

- Partners or other senior members highlighting engagements with positive margins and concealing engagements with significantly low profitability when reporting results. (paragraph 220.8 A1); and
- Partners and other senior members of engagement team receiving additional compensation for achieving client profitability targets. (paragraph 240.4 A2).

The Code is structured in Parts in which content is categorised, and named, according to the applicability of that content to the relevant professional accountant – either those in business and/ or those in public practice. This naming convention works well when the content can be separated into those discrete roles and labelled accordingly. However, when content is considered applicable to all professional accountants but is named or labelled to refer to just one category of professional accountants, there is a risk that that content will not be found by those who need to apply it.

Another matter for IESBA to consider is revising the heading of the extant Part C, and potentially even extant Part B. As noted above, the extant heading for Part C needs to be revised to reflect the applicability to all professional accountants. It could also be an opportunity for the IESBA to consider revising the heading for both the extant Parts B and C to reflect the context in which ethical issues arise rather than to whom the Part applies (for example employment situations for extant Part C or client engagements for extant Part B). This change would clarify further the applicability of the Code to professional accountants in different scenarios.

APESB believes that these revisions will further simplify the structure of the Code and facilitate its navigation and ease of interpretation of its requirements and application material.

***General Comments***

APESB's response to the general matters raised by IESBA are as follows:

*(a) Small and Medium Practices (SMPs)*

Not applicable.

*(b) Regulators and Audit Oversight Bodies*

Not applicable.

*(c) Developing Nations*

Not applicable.

*(d) Translations*

Not applicable.