

XX May 2017

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

Dear Mr. Siong,

RE: IESBA's Exposure Draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2*

Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a submission on the IESBA's Exposure Draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2* (Structure 2 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 (CPA Australia, Chartered Accountants Australia and New Zealand 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.

Introductory comments

APESB is supportive of the IESBA's project to restructure the existing Code. We believe that a restructured Code will raise the visibility of the Code's requirements, simplify the Code's language and assist professional accountants in understanding and applying the requirements of the Code.

We commend the IESBA in undertaking this major project and for the Board's efforts to ensure that the extant Code's requirements and guidance is maintained in Structure 2 ED. We believe that IESBA has achieved this objective subject to APESB's key recommendations in this submission.

APESB is supportive of the effective dates for the restructured Code. We strongly support the IESBA's plan to monitor developments in respect of the proposed long association provisions, including the review of the impact of the proposed jurisdictional clause before its expiry on 15 December 2023. It is imperative that this review should include gathering and consideration of empirical information relating to the impact of auditor rotation on audit quality.

In developing APESB's response to the Structure 2 ED, we have taken into consideration Australian stakeholders' feedback from two roundtable events conducted by APESB in Melbourne and Sydney in March 2017. APESB has also considered the Compilation of Proposed Restructured Code issued by the IESBA in conjunction with the release of the Structure 2 ED in January 2017.

Key Recommendations

APESB's key recommendations for the IESBA's consideration are:

- strengthen the general requirements in each section to ensure the requirements are clearly set out and understandable if the section is read in isolation;
- consider enhancing the requirements in the Code by removing from requirements paragraphs the need to meet obligations in application material;
- clarify specific provisions by removing or revising specific phrases to remove limitations or to enhance the readers' ability to understand the provision;
- perform a review of the Structure 2 ED in respect of instances where the term 'might' is used to ensure it is applied consistently with the drafting conventions;
- consider implementing consistent numbering of sections in Part 4A and Part 4B;
- consider adopting a simpler sequential numbering system that will clearly define the relationships between the requirements and application material in the Code; and
- relocate the glossary to the beginning of the Code, preferably after the Guide to the Code.

Further information on APESB's key recommendations and other comments are included in Appendix A and specific editorial comments are included in Appendix B for the IESBA's consideration.

Concluding comments

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

Yours sincerely

The Hon. Nicola Roxon
Chairman