

Analysis of Comment Letters received by December 31, 2003

X ref	Par Ref	Issue	Respondent	Proposed Resolution (to be completed for May meeting)
		General		
1.		<p>The confidence of investors and the public is of key importance for capital markets to operate effectively and efficiently. The interests of stakeholders, who rely on information in the public domain, must be protected. ACCA believes that any system of regulation of the accounting and auditing profession must be transparent and proportionate, and must reflect global best practice. It must also rise above vested interests which have undermined confidence in the past. ACCA welcomes, therefore, this opportunity to respond to the exposure draft issued by the International Federation of Accountants (IFAC) <i>Proposed Revised Code of Ethics for Professional Accountants</i> (the Code).</p> <p>ACCA believes that:</p> <ul style="list-style-type: none"> • Ethical standards should be principles-based as this approach is best suited to a rapidly changing business environment; legalistic, rules-based standards encourage creative, loophole-based avoidance; • The fundamental ethical principles of ‘being an accountant’ should be common to all accountants irrespective of the nature of their work; • Global problems need global solutions. ACCA welcomes, therefore, the elevation of the Code to a ‘standard’ to promote the necessary harmonisation of global markets; and • For the Code to meet the expectations of being a ‘standard’, it must be sufficiently robust. The Code needs to meet this challenge and demonstrate to the world that a principles-based code is best suited to protect the interests of stakeholders. To that end, it is vital that the Code works properly. 	ACCA	

2.	General	<p>Grant Thornton International appreciates the opportunity to comment on the proposal of the IFAC Ethics Committee (Committee). We are pleased to submit our comments on the <i>Proposed Revised Code of Ethics for Professional Accountants</i>. We commend the Committee for its continued commitment to the development of and adherence to high ethical standards for professional accountants. We also concur with the IFAC Board and the Committee that the establishment of a conceptual framework for applying the fundamental principles for professional ethics is in the best interest of the public.</p> <p>We strongly concur with the proposal to elevate the <i>IFAC Code of Ethics for Professional Accountants (Code)</i> from a model code to a standard that must be complied with by IFAC member bodies and firms unless prohibited by law or regulation. The elevation of the <i>Code</i> to a standard sends a commanding message to the public of the importance that IFAC and its member bodies and firms place on the establishment of and adherence to ethical requirements. We also believe that the elevation of the <i>Code</i> to a standard will facilitate IFAC's efforts to work with member bodies and firms to raise the quality of practice by accountants worldwide.</p>	Grant Thornton	
3.	General	We refer to our communication dated December 3, 2003 on the IFAC Ethics Committee - Exposure Draft and wish to advise that we endorse to the Exposure Draft on the proposed Revised Code of Ethics for Professional Accountants	ICMAP	
4.	General	<p>ACCA fully supports the principles-based approach and welcomes the move to place the whole of the Code on a threats and safeguards footing. This will provide a framework for analysing the threats and safeguards which accountants can use to determine appropriate courses of action. It is best suited to the rapidly changing business environment as it allows for the multitude of circumstances which may arise in practice. As such, it best serves the requirements and interests of both the general user and the financial markets.</p> <p>Major jurisdictions are acting to review existing practices so that they can maintain and enhance market confidence. Nevertheless, uncoordinated action by national bodies, however well motivated, will not promote the necessary harmonisation of global markets. ACCA welcomes, therefore, the elevation of the Code to a 'standard'. As a standard, the Code will be much more influential around the world. ACCA also welcomes the increased guidance for professional accountants in business.</p>	ACCA	

5.	General	We strongly support the IFAC's move towards a principles based approach to the entire IFAC <i>Code of Ethics for Professional Accountants</i> (the "Code"). Such an approach, which would be based on identified threats and safeguards, should enable accountants and others who have a stake in accountants holding themselves to the highest ethical standards, to analyze ethics issues in a consistent and logical manner.	AICPA	
6.	General	<p>We agree with the overall approach of the proposed Code of Ethics for Professional Accountants (the Code). The Australian Accounting Bodies are committed to international harmonisation, and anticipate that we will continue to maintain adherence to the principles of the Code in the Australian professional standards.</p> <p>This submission on the Code is based on comments we have received from a range of stakeholders. All members were invited to comment and a number were specifically contacted due to previous interest and involvement in Professional Standards issues. Members of the taskforce drawn together to specifically comment came from a variety of backgrounds including large, medium and small practice, large corporations and the public sector.</p> <p>Whilst we fully support the new Code, and generally agree with its contents, we have some areas of fundamental concern. These are outlined below. We also include a table of areas where the current Australian Standards mandate a higher standard than currently noted in the Code. We would like to see the Code strengthened in these areas for adoption internationally.</p>	AAB	
7.	General	In general we would like to point out that we agree with a Code based on principles instead of rules and that in the revision of our national Code we will rely on the IFAC Code as a guide model.	OROC	
8.	General	The HKSA has a policy of converging its Ethics Standards with the IFAC Code of Ethics. The standard setting due process applied in Hong Kong (details of which are available on the HKSA's website) acts to support this policy. The HKSA Ethics Committee issued an Invitation to Comment on the captioned IFAC Exposure Draft. Accordingly, the accompanying comments may reflect the views not only of members of the HKSA Ethics Committee but also of constituents in Hong Kong who provided comments to the HKSA	HKSA	

9.	General	CIPFA welcomes the revised Code. The move to a framework approach based on fundamental principles is consistent with the current UK regulatory regime and existing CIPFA Standards of Professional Practice (SOPP), including the Ethics SOPP. CIPFA does however have concerns regarding the structure, clarity and user friendliness of the Code, particularly with respect to professional accountants working in the public sector. These will be considered in the context of the questions listed in the request for comments.	CIPFA	
10.	General	<p>We, CNCC and OEC, agree in principle to a threats and safeguards approach provided by the IFAC exposure draft. In Europe, the legislation regarding the statutory audit is currently evolving, namely with the modernisation of the E.U. 8th directive which tends to move towards this threat and safeguards approach.</p> <p>Nevertheless, we would like to point out that our legislation requires that the French Codes of Ethics (also referred to as “Code de déontologie”) fit in with a regulatory approach (rule based approach).</p> <p>The code of ethics applicable to statutory auditors as well as the code applicable to chartered accountants are currently under review and once finalised, will be approved by a decree in Conseil d'Etat (the highest French administrative court). Consequently, the Codes will be used either by third parties or by courts.</p> <p>Regarding the structure and the content of the IFAC exposure draft, we welcome the reshaping and strengthening of part C, applicable to professional accountants in business. This initiative will undoubtedly have a positive impact on the relationship between professionals concerned with either one or the other section.</p>	CNCC	
11.	General	We have identified three specific issues arising from our review of the proposed revised code of ethics for professional accountants (the code) and comment on these issues below. we have also provided comment on the issues on which the IFAC ethics committee has sought specific comment, in the attachment to this letter.	CAGNZ	
12.	General	After recent scandals, the issue of ethical conduct by accountants and auditors has attracted the public’s attention. The Committee is pleased to note that the exposure draft may contribute to the restoration of public confidence in the auditing profession. We support the proposal to have a worldwide Code of Ethics for all professional accountants, including those who operate in public practice and in business. In the remainder of the note, we identify areas where we have concerns or recommendations. Our main comments include the following:	Basel Committee	

13.	General	<p>We are very supportive of the proposed Code and believe that it is in the best interest of the profession and of IFAC to move quickly to embrace these changes. While we support the proposed Code, we offer some suggestions to clarify and further improve the content. Our suggestions are covered in the remainder of this letter.</p> <p>In summary, we are very supportive of the proposed Code and urge the Ethics Committee to approve it at your next meeting.</p>	E&Y	
14.	General Cont	<p>We welcome the conceptual framework approach adopted by the Ethics Committee, and the application of the Code to all professional accountants</p> <p>Aside from the above comments, we find the proposed revised Code to be thorough and complete in terms of the education and development responsibilities of professional accountants. We would be happy to elaborate on our comments further, if necessary.</p>	EDCOM	

15.	General	<p>FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) is pleased, as the representative organisation of the European accountancy profession, to have the opportunity to comment on the IFAC Exposure Draft – Proposed Revised Code of Ethics for Professional Accountants (hereinafter referred to as “the Code”). We welcome the extension of the framework approach as applied in Section 8 on Independence to the rest of the Code. FEE advocated a principles-based approach in its 1998 independence paper (“Statutory Audit Independence and Objectivity – Common Core of Principles for the Guidance of the European Profession – Initial Recommendations”) and wholeheartedly endorses this approach. It has formed the basis of the European Commission (EC) Recommendation on Statutory Auditor Independence and has been endorsed by the International Organisation for Securities Organisations (IOSCO) in its Principles of Auditor Independence published in October 2002.</p> <p>FEE fully supports a principles-based approach to ethical standard setting, supplemented by appropriate guidance, restrictions and prohibitions. FEE believes this approach is best suited to a rapidly changing business environment. The professional accountant must conscientiously consider whether a proposed engagement involves threats which would, or would appear to a reasonable and informed third party, threaten observance of the fundamental principles. Where such threats exist, the professional accountant should put in place safeguards that eliminate the threats or reduce them to acceptable levels. Where it is not possible to reduce or mitigate the threats, the professional accountant should not carry out the work. By focusing on the underlying aim rather than detailed prohibitions, the principles-based approach combines flexibility with rigour in a way that is unattainable with a rules-based approach.</p>	FEE	
16.	General Cont	<p>FEE is about to publish a paper on a “Conceptual Approach to Safeguarding Integrity, Objectivity and Independence throughout the Financial Reporting Chain” outlining how the conceptual approach could be used in setting ethical requirements throughout the financial reporting chain. For example, in developing ethical codes and independence requirements for members of the audit committee. We enclose an advance copy for your information.</p> <p>FEE also welcomes the elevation of the Code to a "standard". It is important, therefore that the Code works properly. Its status as a standard means that the Code will be much more important around the world. Major jurisdictions are acting to review existing practices so that they can maintain and enhance market confidence. FEE is concerned that uncoordinated action by national bodies, however well motivated, will not promote the necessary harmonisation of global markets.</p>	FEE	

17.	General	<p>In the present draft of IFAC's "revised Code of Ethics for Professional Accountants" IFAC takes steps to decide on an overall ethics standard for auditors' services that all IFAC members are to follow. The existing "model code" only contains guidance on auditors' independence in relation to assurance services (chapter 8 on Independence) as basis for the preparation of national ethics rules.</p> <p>The proposed revised code shall comprise all auditors who are members of IFAC and can only be departed from due to national rules if the national rules stipulate higher demands on auditors' ethic behavior.</p> <p>"The principle-based approach" from the existing Code is maintained in the draft, not only in respect of chapter 8 on Independence, but also in respect of the entire set of ethics rules, as the fundamental principles in general are supported by examples of threats and safeguards.</p> <p>Thus, the present draft has to be recognized as yet another effort to ensure a more uniform ethics behavior in IFAC's member countries. However, the question is whether it will be possible to establish standards through a principle-based code and achieve uniform standards by national implementation of the principle-based code.</p>	FSR	
18.	General Cont	<p>IFAC's proposed revised code is in general in conformity with the EU Commission's strategy and statements as well as position papers from FEE on auditors' independence that supports a principle-based approach to auditors' independence, which is flexible in application, but firm in principles.</p> <p>Generally, FSR approves a common framework to secure auditor independence across the world that incorporates a degree of adaptability to the legal and regulatory variations in member states and the basic arguments in favor for such an approach instead of a detailed rules-approach, cf. FEE's position on auditors' independence, June 2003.</p>	FSR	
19.	General Cont	<p>In FSR's opinion, it is important that the Code is structured and prioritized to such an extent that it encourages the national regulators to increased convergence and exchange of best practice in this field.</p> <p>The present draft in general is an important step towards increased convergence, transparency and clarity in respect of the rules of ethics, but we find it necessary further to disclose and provide clarity on the national differences in rules on ethics.</p>	FSR	

20.	General	<p>We are an informal group of professional accountants who are deeply concerned with the state of the profession; we feel that the damage to its reputation is at least partly deserved. We feel that confidence in the profession can only be restored by taking the interests of the user of professional accountants' reports ('a reasonable and informed third party, having knowledge of all relevant information') as a starting point: "the public is our client!"</p> <p>Therefore, we welcome the revision of the Code of Ethics for Professional Accountants. Judged from the above point of view, we feel the Proposed Revised Code is a very valuable document. We hope you will read our following comments in the light of that appreciation.</p> <p>We had difficulty in determining the range of admitted comments, as Section 8 of Part B was declared 'off-limits'. As far as we can see, a large part of Section 8 of the Code of Ethics as revised in November 2001 has been included in the Proposed Revised Code, in similar or exact the same wording. Therefore, we assume that comments are admissible on the entire text of the Proposed Revised Code, apart from Section 8 of Part B.</p>	Group from NL	
21.	General	<p>We are writing in response to your request for comments on the above exposure draft. The Institute believes that sensible international harmonisation is an important contributor to the functioning of global capital markets and has long supported the application of a principles-based framework approach as the most appropriate means of achieving this. We warmly welcome IFAC's efforts in providing an international code around which harmonisation can progress.</p> <p>Our comments on the exposure draft (ED) are set out below, categorised as responses to the specific questions raised in your explanatory memorandum, but also adding a final category containing other comments on specific sections and paragraphs.</p>	ICAEW	
22.	General	<p>The Institute's comments on the exposure draft (ED) are set out under the questions posed in the document. In light of our active participation in the Ethics Committee we have reserved our comments to high level matters as opposed to specific drafting comments</p>	ICAI	

23.	General	<p>We support IFAC's intention to issue a principles-based Code of Ethics with guidance on the more commonly encountered ethical issues in the accountancy profession. Since many ethical dilemmas arise from new and changing situations, we consider a principles-based approach appropriate. We strongly believe that the responsibility for the ethical behavior of the profession lies with the professional organizations, firms and the individuals and their various interactions with one-another. One of the great-est threats to ethical behavior is non-communication where issues are not considered because those concerned lack the necessary tools to analyze ethical issues. The Code aims to provide appropriate guidance to facilitate this process, and together with the provisions of the proposed Statement of Membership Obligations No. 4 should enable practical application throughout IFAC's membership.</p> <p>The completion of the revision of the IFAC Code of Ethics will go a long way to protecting and reinforcing the reputation of IFAC and its member bodies and helping to restore confidence in financial markets.</p>	IDW	
24.	General	<p>CIMA welcomes the new proposed IFAC Code of Ethics as being more comprehensive, more explicit and generally more helpful to members than its predecessors. It also very much welcomes the framework approach taken, which offers principles and guidance rather than setting "hard and fast" rules. This is consistent with the UK regulatory system.</p> <p>CIMA responded to the draft IFAC Code of Ethics circulated in 2002-3, and recognises that some of those comments have been incorporated into the latest proposals.</p>	CIMA	
25.	General	<p>May I please make the following comments on your new draft as per the above as a member of various professionals accounting institutes world wide , with 28 years of experience in the matter .</p> <p>Who will follow and audit that the behaviour of accountants in public practices world wide , will be of upmost integrity and consistent</p>	Jean Bechard	
26.	General	<p>In principle, we support the "Proposed Revised Code of Ethics for Professional Accountants," except for the parts we will argue below.</p>	JICPA	

27.	General	<p>We fully support and applaud IFAC's efforts to establish the fundamental principles of professional ethics for professional accountants. This is indeed timely, as recent global developments have certainly brought under close scrutiny the professional conduct of accountants and their adherence to ethics.</p> <p>We are generally in support of the principles contained in the Exposure Draft, and agree with the establishment of a conceptual framework that requires professional accountants to identify, evaluate and address threats to compliance with the fundamental principles. Such a framework would be in the public interest.</p>	MIA	
28.	General	<p>We applaud your efforts in defining the elements of professional ethics for international accountants and believe that these elements of integrity, objectivity, professional competence and due care, confidentiality and professional behavior -- together with independence where applicable -- provide the foundation for confidence, trust and dependability in the profession worldwide. However, the current document appears to have deviated from IFAC's stated intent to adopt a "principles based approach."</p>	NASBA	
29.	General	<p>It is important that public accountants understand their role in society. Incidents over the last couple of decades seem to indicate that accountants on many occasions perceive themselves as protecting the individual client interests. Therefore we believe a more comprehensive wording should be implemented into the code to better explain the professional accountant's responsibilities and his role in society and how he should meet the expectations of the public.</p>	DNR	
30.	General	<p>First of all we would like to remark that we support a principle-based approach to ethical standard setting and therefore the conceptual framework of the draft Code.</p>	NivRA	
31.	General	<p>Only accountants in public practice and other highly qualified specialists in accounting firms are members FAR. Consequently we provide only general comments on Part C of the Code.</p>	FAR	
		General Concerns		

32.	Principles approach	<p>Expectations of ethical behaviour of accountants are constantly changing. It is important therefore that the IFAC Code of Ethics is regularly reviewed and revised to ensure it remains relevant.</p> <p>The amendments proposed to the IFAC Code of Ethics are extensive. However, the objective of the proposed changes is not clear to us. That is, what problem or shortcoming of the current Code are the proposed changes intended to address?</p> <p>We have two particular concerns with the approach proposed.</p> <p>First, the PPB is concerned that applying the threats and safeguards approach is not appropriate in relation to all Fundamental Principles in the Code. Many of the threats are expressed in terms of the effect on 'objectivity'.</p> <p>However, the application of threats and safeguards to the other fundamental principles does not always 'work' so well. For example, the 'threat' to not staying up-to-date may be as simple as laziness!</p> <p>Second, the result of focusing almost exclusively on threats and safeguards is that there is now very little clear guidance given on important issues.</p> <p>The PPB notes that the proposed revised Code does contain some 'rules' but they are interspersed throughout the document and not easily identified. This, in our opinion, will result in the Code of Ethics being largely unenforceable. This issue is discussed in more detail in paragraphs 4.11 to 4.19.</p> <p>In addition, the PPB is unclear about the status of the Code of Ethics. You state in some documents that it is a "standard", while in other places it is referred to as a "model code". This issue is discussed in more detail in paragraphs 4.1 to 4.10.</p>	ICANZ	
33.	Partner accountability	At present, few jurisdictions in Canada have the legislative authority to register, discipline, and sanction firms as well as individuals. Traditionally it has been assumed that individual partners are accountable for actions taken on behalf of the firm by other partners or employees.	CGA	
34.	Accuracy	<p>We also welcome the fact that the IFAC Code intends to serve as a model on which to base national ethical guidance. As a "standard", its impact will widen around the world. Therefore, it is of utmost importance to add consistency between its different sections. Therefore, we would like to stress the fact that the remaining sections of the IFAC Code appear to be less accurate than the current section 8 of the Code. We strongly believe that improvements regarding the structure content and the wording are necessary in the remaining sections.</p> <p>Moreover, we believe that as it stands, the Code provided by the Exposure draft, together with section B is difficult to read. As an example : the reference which is used to "threat to the fundamental principles" without clear and detailed illustrated examples does not provide sufficient clarity in comparison with section 8.</p>	CNCC	

35.	Authority of Code	<p>The PPB considers that clarity is needed regarding the status of the IFAC Code of Ethics as there are references to the document being used as a “standard” and being used as a “model code”. The IFAC needs to clearly explain what is meant by the terms “standard” and “model code”.</p> <p>The press release announcing the issue of the IFAC ED proposes that the revised Code be elevated from a “model code” on which to base national requirements to a “standard” requiring IFAC member body compliance.</p> <p>The proposed revised Code, paragraph A1.2, states that “The IFAC believes that preparing detailed ethical requirements is primarily the responsibility of the member bodies in each country, which are also responsible for implementing and enforcing such requirements.” and paragraph A1.5 states that “No member body or firm is allowed to apply less stringent standards than those stated in this Code.”</p> <p>The IFAC Exposure Draft <i>Proposed Statements of Membership Obligations</i> was issued in July 2003. Statement of Membership Obligation 4, states “The IFAC Code is intended to serve as a model on which to base national ethical guidance.” (paragraph 3) and “Member bodies should use their best endeavors specifically to incorporate in their national code of ethics the fundamental principles set out in the IFAC Code.” (paragraph 4).</p> <p>The PPB notes that the Explanatory Memorandum to the Exposure Draft <i>Proposed Statements of Membership Obligations</i> states that a conforming change will be necessary to paragraph 3 of proposed SMO 4 regarding the IFAC Code of Ethics. SMO 4, paragraph 3, states that the IFAC Code is intended to serve as a model.</p> <p>As discussed above in paragraphs 3.19 through 3.38 [JM note responses to questions (a)-(f) in the ED], the PPB considers that the proposed revised Code lacks requirements in some important areas and this lack of specific guidance could result in member bodies experiencing difficulties in enforcing the proposed revised Code.</p> <p>The PPB developed a new Code of Ethics which was approved by the Council of the Institute of Chartered Accountants of New Zealand in October 2002, effective from 1 July 2003.</p>	ICANZ	
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36.	Authority of Code	<p>In developing the new Code of Ethics, the PPB considered the outcome of complaints made against members of the Institute that had been considered by the Professional Conduct Committee. It was noted that many of the cases were dismissed because the Code of Ethics had not been breached. However, many of the cases would have a different result if the current Code of Ethics was the benchmark against which the behaviour of the members was measured.</p> <p>The PPB considers that member bodies will meet their obligations if national Codes of Ethics include all the fundamental principles contained in the IFAC Code and if the requirements in those national codes are no less stringent than those stated in the IFAC Code, particularly where current codes are of a higher standard than the proposed revised Code.</p> <p>The PPB is concerned that the proposed revised Code is not as robust as the current IFAC Code of Ethics and does not support the proposed revised Code being used as a “standard” by member bodies.</p>	ICANZ	
37.	Complicated phrase Structure	<p>We also believe that complicated phrase structure and a lot of words which are used in the exposure draft such as : assess, consider, envisage, etc....are difficult and to some extent source of confusion and inconsistency regarding the translation in another language.</p>	CNCC	
38.	Independence is a Fundamental Principle	<p>We note that the fundamental principles set out in paragraph 1.14 of Part A of the Code do not include independence. Independence is only discussed in Section 8 of the existing Code, in the context of professional accountants’ involvement with assurance clients.</p> <p>In our opinion, independence is a fundamental principle that guides all professional accountants in all aspects of their day-to-day work. To limit the application of independence to professional accountants’ involvement with assurance clients diminishes a principle that has long been one of the cornerstones of the accounting profession.</p> <p>Independence is a prerequisite, in many instances, to a professional accountant or a firm satisfying their need to maintain “Integrity” and “Objectivity” - being two of the fundamental principles set out in paragraph 1.14 of Part A of the Code.</p> <p>In our opinion, the Code should be amended to explicitly recognise independence as a fundamental principle.</p>	CAGNZ	

39.	Order of Principles	We believe the soundness of the proposed Code of Ethics could benefit from a rearrangement of the principles. We recommend that Part A (applicable to all professional accountants) should be followed by current Part C (applicable to professional accountants in business) and that the Code should be concluded with current Part B (applicable to professional accountants in public practice). We feel that the Code for professional accountants in public practice should be the most strict.	Basel Committee	
40.	Wide interpretation	<p>However, it is of concern also to FSR that the implementation of the conceptual framework in IFAC Code of ethics, as any other framework that is based on member states interpretation, will vary widely between the member states.</p> <p>Within the EC alone, some member states appear to regard the EC Recommendation on independence as an instrument with minimum requirements and introduce additional restrictions and prohibitions.</p> <p>The risk of similar national differences seems even more obvious in respect of the principles of the IFAC Code of Ethics to be implemented and interpreted by member countries all over the world.</p> <p>Benchmarking the new Danish Auditors Act against EC Recommendations as well as the IFAC Code, including chapter 8 on Independence, adds further to the number of examples of national differences in implementation and interpretation.</p> <p>Thus, although FSR shares the vision of clear, transparent and harmonized independence requirements derived from a common conceptual framework, FSR finds that there is a need for more instructive guidance within the principle-based approach and that IFAC's request for comments on the proposed revised Code is highly relevant and needed.</p> <p>The comments below reflect this position of FSR and the fact that FSR acknowledges the great difficulty in balancing the need for further guidance/interpretation within a truly principle-based approach:</p>	FSR	

41.	Enforcing the Code of Ethics	<p>As mentioned in paragraph 4.3 above, paragraph A1.2 of the proposed revised Code of Ethics states that member bodies are responsible for implementing and enforcing the requirements of their national Code of Ethics.</p> <p>This responsibility is reiterated in the IFAC Exposure Draft <i>Proposed Statements of Membership Obligations</i>. Statement of Membership Obligation 4 states “Member bodies should take steps to ensure that failure to comply with ethical requirements is investigated and appropriate disciplinary action taken.” (paragraph 5).</p> <p>The PPB is concerned that the approach adopted in the proposed revised Code is more subjective than the current Code and that enforcement will be more difficult. This is because the professional accountant is required to identify and evaluate the threats to compliance with the Code and then consider safeguards to reduce the threats to an acceptable level.</p> <p>However, very little specific guidance is provided, for example the requirement to “Make clients aware of the terms of the engagement and, in particular, the basis on which fees are charged and which services are covered by the quoted fee.” (paragraph B6.2) and no requirements relating to tax practice.</p> <p>For example, paragraph 10.9 of the current IFAC Code of Ethics states “It is in the best interests of both the client and the professional accountant in public practice that the basis on which fees are computed and any billing arrangements are clearly defined, preferably in writing, before the commencement of the engagement to help in avoiding misunderstandings with respect to fees.</p> <p>The PPB considers that informing the client of the basis on which fees are computed and billing arrangements is very important. and that this should preferably be done in writing in order that misunderstandings between professional accountants in public practice and their clients are minimised.</p>	ICANZ	
42.	Enforcing the Code of Ethics	<p>The requirements of paragraph 10.9 are more specific than those of paragraph B6.2 and would, therefore, be more easily enforceable in the event of a complaint against a member.</p> <p>The PPB recommends that the requirement to inform clients, preferably in writing, regarding fees and billing arrangements be retained.</p> <p>The PPB also recommends that IFAC review the proposed revised Code and provide more specific requirements regarding areas of professional behaviour that are more prone to form the basis for complaints against professional accountants</p>	ICANZ	

43.	Status and authority of the Code	<p>In general we support IFAC's intention to raise the status of the Code to that comparable to a standard. However, we are concerned that there is ambiguity in this respect.</p> <p>In Part A there appears to be a contradiction between paragraphs 1.2 and 1.5. The former states that it is the responsibility of the member bodies in each country to prepare detailed ethical requirements, whilst the latter requires compliance with the Code for all parts of the Code where compliance is not prohibited by law or regulation. It is not clear whether the Code constitutes a basis for preparation of national codes or whether it lays down exact requirements for direct compliance. IFAC should clarify this matter. From a German perspective direct adoption of the Code would pose problems on constitutional grounds. We strongly favour incorporation of the Code's requirements into national ethical requirements. We also consider it desirable that IFAC (much like the IAASB) include a provision that "where not all requirements of the Code are complied with (even when this is due to a requirement of national law or regulation) the member body or professional accountant in question is not permitted to claim compliance with the IFAC Code of Ethics".</p>	IDW	
44.	Fundamental Principles	<p>The proposed revised Code regards its identified principles or objectives as a dichotomy, rather than as a continuum. It should be stressed that sufficient application of each principle is required as, for example, the level of integrity a professional accountant should adopt or competence required will vary from case to case.</p> <p>Similarly the concept of "conflict of principles" has not been addressed. An example, of this may be an instance where a conflict of interest between integrity and confidentiality exist, in which it is impossible to comply 100% with both principles concurrently. We consider it necessary for IFAC to address the phenomenon of "conflict of principles" as an integral part of its consideration of Fundamental Principles. In addition, the Code should make readers aware that in some situations specific safeguards applied to alleviate threats to some principles may create threats to other principles. For example, the safeguard of rotating senior personnel in an engagement as listed under Part B 1.16 aims to have a positive impact on objectivity, but may have a negative impact on professional competence. These represent basic deficits in the Code that should be remedied.</p> <p>In addition we raise specific points on the following Fundamental Principles:</p>	IDW	

45.	Fundamental Principles a) Integrity	Introducing the term business relationships results in an interpretation which is too wide; e.g., where a professional accountant buys something in a personal capacity is also a business transaction which entails a business relationship with the sales person. At the same time, it does not encompass all activities that we feel should be covered, e.g. voluntary activities of a professional nature that may not be deemed to be business relationships. We suggest that the term “professional or commercial relationships resulting from any engagement, office, employment or agency...” would be more suitable.	IDW	
46.	Fundamental Principles b) Objectivity	This item is considered above.	IDW	
47.	Fundamental Principles c) Professional Competence and Due Care	Section 4 is headed Professional Competence and Due Care. In our opinion these are two distinct concepts and should therefore be separate principles. One relates to the professional competence required – the other to the exercise of that professional competence. The term “due care” is a recognized legal term in some jurisdictions, the meaning of which is not within the scope of section 4. Rather, the term “diligence” might be more appropriate because it is not burdened with legal meaning. The requirement in Part A, 4.6 should be expanded to include the situation in which the professional accountant may foresee implications resulting from an engagement, which the client or employer may not have anticipated, known about or have even overlooked. The professional accountant will not be acting with diligence unless he or she draws attention to such matters, for example, during the course of a consultancy assignment a professional accountant may become aware of hitherto unforeseen legal or taxation considerations.	IDW	
48.	Fundamental Principles d)	Intentionally left blank	IDW	

49.	Fundamental Principles e) Professional behavior	Part A, paragraph 1.14 (e) describes professional behaviour as compliance with relevant laws and regulations together with the avoidance of any action that discredits the profession. In our opinion this does not go far enough, as IFAC has not taken account of professional standards or guidance among others. We consider that compliance with the following constitutes professional behavior: legislation or statutes, regulations or other statutory instruments, administrative rules, court decisions, contractual agreements and constructive obligations, codes of professional or industry conduct, professional or industry standards, the (employing) organization's codes of conduct, the organization's programs, policies and procedures, and community standards (e.g., what is acceptable conduct in one community may not be so in another). Furthermore, the threats identified in paragraph 1.15 all relate to Objectivity; threats to the other principles are not addressed.	IDW	
50.	Transparency	Many of the codes of ethics, or similar, in member countries explicitly include that the professional accountant should be seen to be complying with the fundamental principles therein. The Proposed Revised Code does not refer to this aspect at any point. In our opinion, given the current deliberations on a global scale, it would appear to be in the general interest of all concerned were this to be encouraged by IFAC. This matter may be worthy of inclusion within the Code	IDW	
51.	Re-Exposure	We have indicated a number of deficiencies in the draft Code of Ethics that suggest that it may not be appropriate to adopt the Code as currently drafted, but have not addressed all of the matters that we have identified in this comment letter. Implementation of the suggestions in this comment letter would lead to major changes in the proposed Code. We therefore recommend that the Ethics Committee consider whether re-exposure of the proposed Code may be useful in these circumstances.	IDW	

52.	Case studies	<p>Whilst CIMA accepts that the substance of the proposed guidance is a considerable improvement on the current guidance, we do have concerns relating both to readability and usability. In particular, CIMA believes that there are aspects of the exposure draft which are too practice orientated. For example, we have concerns that resignation is suggested as a “safeguard” far too willingly, and the guidance does not sufficiently explore other courses of mitigating action which would be relevant to Members in Practice.</p> <p>In our view, it is likely that the matters referred to in Paragraph above would have an adverse effect on how members in business perceive the guidance, and would not see it as being of practical assistance in resolving ethical dilemmas in the workplace. Consequently, by suggesting practice based solutions, it may not be possible for members in business to gain a clear idea of the action which should be taken in situations where their professional obligations may conflict with their duty to their employing organisation. CIMA considers that the inclusion of case studies would be appropriate in order to overcome the above difficulty as these could illustrate how the guidance could be applied in practice</p>	CIMA	
53.	IT systems	<p>You should perhaps if I may include that in the internal control of companies , continuous IT Systems audits and business rules are audited , as a matter of fact that due to the continuous upgrades and customizing of systems like ERP , complex and the lack of continuous audit and skill from the audit profession .</p>	Jean Bechard	
54.	Enforceability of Code	<p>While it is understood that the proposed revised Code is intended to be principles-based rather than prescribing a set of detailed rules, we consider that the proposed revised Code should suggest member bodies to seek legal advice when adopting the proposed revised Code to ensure that it is sufficiently clear and unambiguous to be enforceable against members in their own jurisdictions in disciplinary proceedings and legal proceedings in the form of judicial review. The enforceability of the proposed revised Code depends on the legal systems and regulatory frameworks in which member bodies operate which may vary by jurisdiction.</p>	HKSA	

55.	Appearance of a rules-based code	<p>The overall length of the code and its numerous examples give it the appearance of a rules-based code, with its inherent risks, contrary to IFAC's goal. By way of illustration, consider Part C Section 1.18 with ten bulleted items to which safeguards "are not restricted to." Such examples are useful; however, it would be advisable to segregate them into a subsequent document that would be more consistent with IFAC's goal and give more guidance where it is needed.</p> <p>However, despite necessitating some redundancy, the section specifically tailored to "professional accountants in business" was an excellent way of underscoring what we refer to as a CPA = CPA. In other words, if you use the professional designation, then you must comply with the professional responsibilities of that designation.</p>	NASBA	
56.	Interdependence between the principles	<p>Regarding professional accountants in business, we also have concerns that the principle of objectivity might not always mean the same thing as it means for professional accountants in public practice.</p> <p>We believe that the question of interdependence between the principles should be further considered and discussed in the guidance. Also the question of whether the principles are practical to use for professional accountants in business should be reconsidered.</p>	DNR	
57.	The relation of threats to the principles and objectivity	<p>Apart from the concerns we have regarding the principles, we also have problems relating to the principles, as explained in part A to the examples of threats in part B and C of the code. We find that several of the threats to the principles relate to objectivity, some of them relate to integrity, however, very few to competence and due care, confidentiality and professional behaviour.</p> <p>For the accounting world to accept all of the principles as equally important we believe it is necessary to relate the principles to the threats in a more precise way. We also believe more examples regarding threats from competence and due care, confidentiality and professional behaviour should be included.</p> <p><i>Examples of threats in Part B section 1</i></p> <p>All of the examples in paragraphs 1.7 to 1.11 seem to be closely related to independence. This raises the question of how chapter 8 about independence is to be understood in relation to this part of the code of ethics. It also highlights the question about the relationship between objectivity and independence.</p> <p>We think it is important to clarify the relationship between this chapter and chapter 8 to avoid misunderstandings. We also believe that all examples regarding independence should be removed from this part of the code and replaced by a reference to chapter 8.</p>	DNR	

58.	Clear distinction of mandatory rules	We strongly suggest to make a distinction between mandatory rules (e.g. by blacklettering) and explanatory text, in order to clarify the status of various paragraphs in the Code. In addition we feel, that there should be a clear link between each of the rules and relevant explanatory notes.	NivRA	
59.	Assessment of threats	Throughout the Code reference is made to the potential threats posed where close or immediate family members are concerned. It should be made clear that any assessment of the threats needs to be based on information which the professional accountant can reasonably be expected to be aware of.	ACCA	
60.	Rotation	The continuous of rotating of audit clerks , how do you expect that as you mention that the accountants must have acquired appropriate , and understanding of the nature of business of their clients , most of them while on the job they are on a learning session and curve .	Jean Bechard	
61.	Inter-relationship with ISAs	Paragraphs 2.3 to 2.8 and 2.11 to 2.14 of Part B discuss threats to compliance with the fundamental principles in the areas of Client Acceptance and Engagement Acceptance. Detailed guidance regarding these matters has also been included in ISAs. For practical reasons it may be better to exclude guidance regarding these issues from the Code of Ethics. Instead, the Code could contain a high level principle for each of these issues with a cross-reference to the relevant ISA.	Basel Committee	
62.	Link to ISAs	To keep the Code of Ethics and the International Standards on Auditing (ISAs) separate, we recommend including in the Code a link to the relevant ISA, particularly the ISAs for Client Acceptance and Engagement Acceptance (paragraphs 2.3 to 2.8 and 2.11 to 2.14 in current Part B). This could be achieved by including in the Code a paragraph summarising the relevant principles and giving the reference to the specific ISA for further details.	Basel Committee	
		Other Editorial		
63.	Use of Soft Wording	We would like to point out that the constant use of “try”, “consider”, “assess” may be in certain circumstances misleading for the users of the Code. Also we recognize that such wording may need to be used within a framework approach, there are circumstances where a stronger terminology such as “must” or “should” should be used. Therefore we suggest reviewing carefully the illustrated examples in order to make sure that certain situations are clearly addressed.	CNCC	

64.	Use of Soft Wording	There are instances where soft wording has been inappropriately used. For example, Part B, 4.8 is weakly worded. Where effective application of safeguards cannot eliminate or reduce threats to an acceptable level, a professional accountant in public practice should decline the engagement. Likewise paragraphs 6.5 and 6.6 suggest that referrals or commissions received or paid “may” give rise to self-interest threats: we believe that such receipts or disbursements always give rise to self-interest threats, but would question how they should give rise to threats to either professional competence or due care.	IDW	
65.	Paragraph numbering	It would be helpful that the paragraphs be numbered with the letters A, B, or C in front of them as the current system is confusing.	CNCC	
66.	Paragraph numbering	It would be helpful if the paragraph numbers could have A, B or C in front of them as the current numbering system is confusing.	FEE	
67.	Paragraph numbering	We understand that the system of numbering each part from section 1 onwards gives more flexibility going forward than the existing sequential numbering from beginning to end. However, it leads to confusion when discussing / referring to specific paragraph numbers. This could be resolved by including the part lettering in the paragraph numbers (the procedure we have adopted throughout this letter).	ICAEW	
68.	Paragraph numbering	Cross-references should be unambiguous when they refer to parallel sections in Parts A, B and C.	FAR	
69.	Consistency with IAASB	However, we do have specific reservations as to the current draft of the Proposed Revised Code, not least, as IFAC members are required to comply with the standards promulgated and exposure drafts issued by the IAASB, which in turn require compliance with the Code of Ethics. There are inconsistencies in both terminology and approach, which could have been avoided if liaison with the IAASB had occurred at an earlier stage. We note from the explanatory memorandum that certain IFAC committees participated in the revision of Part C, and do not understand why liaison with the IAASB did not also occur at this stage	IDW	

70.	Use of common name and Ownership	<p>Though probably outside the scope of admitted comments, we feel that the following issues should be addressed in the interest of 'reasonably and informed third parties', as they normally are not 'having knowledge of all relevant information'.</p> <p><i>Use of common name</i></p> <p>The definition of 'Firm' only applies the yardstick of 'control'. There are many 'conglomerates' of firms and companies that use a common name (like 'KPMG'), even though these firms and companies are not under common control. We are aware of the fact that companies and firms that are not controlled by the assurance firm, add different names to the common one, but so do firms and companies that are controlled by the assurance firm. The public is unable to know where control lies. In the light of independence in appearance, this is a problem for the assurance profession not dealt with in the Proposed Revised Code.</p> <p><i>Ownership</i></p> <p>Firms of professional accountants in public practice are sometimes directly or indirectly owned, partly or wholly, by persons who are not professional accountants. Even though the by-laws of such firms may provide that said persons do not have any say in the public practice, they normally have indirect influence on the quality of the practice, e.g., by withholding the financial means to modernize the practice (automation) or to maintain professional competence. At this point in time, we feel that such outdated arrangements should be terminated.</p>	Group from NL	
		Responses to Specific Questions		
		Is the structure of the proposed revised Code understandable and useable?		
71.	Q (a)	The proposed Code has a clear and operational structure;	OROC	
72.	Q (a)	Yes, the structure of the proposed revised Code is understandable and useable	INCP	
73.	Q (a)	In general, we consider the structure of the proposed revised Code understandable and usable. We also agree to the framework approach adopted in the proposed revised Code.	HKSA	
74.	Q (a)	Yes, the Code reads a lot easier.	SAICA	

75.	Q (a)	Yes	FAR	
76.	Q (a)	Generally, we believe that the proposed structure of the Code is appropriate and the explanation of the framework approach sufficiently clear.	AICPA	
77.	Q (a)	“Yes”	CAGNZ	
78.	Q (a)	“Yes”	E&Y	
79.	Q (a)	We strongly support the extension of the conceptual framework first embodied in Section 8 of the Code to the remainder of the Code, and support the proposed structure of the report (Parts A, B and C) although this inevitably leads to some necessary duplication.	PwC	
80.	Q (a)	The structure of the proposed revised Code is in our view both understandable and useable. It seems appropriate to separate the portion of the Code applicable to professional accountants in public practice from the portion pertinent to professional accountants in business. Although there is a certain amount of repetition, we agree that it enhances the readability of the two parts.	D&T	
81.	Q (a)	ACCA has major concerns, however, about the usefulness and usability of the revised Code as currently drafted. In particular, while the Code has an appropriate scope, very much more work is needed on its structure. Section 8 of the Code <i>Independence for Assurance Engagements</i> has a useable format which can be (and has been) recommended to regulators, such as the International Organisation for Securities Organisations (IOSCO) and European Commission as a useable standard. The remainder of the Code in its current form is clearly not of the same quality. It could not be adopted as it stands.	ACCA	

82.	Q (a)	<p>ACCA believes that for the Code to be useful, it needs to be user-friendly and easy to apply in practice. The structure of the proposed revised Code is, however, both difficult to understand and not useable as currently drafted. The three-part structure fails to serve the needs of the user.</p> <p>There is a risk that these parts will be used as stand-alone documents, which they are not meant to be. ACCA believes that Code's structure should be such that much of the material currently in Parts B and C be incorporated into Part A leaving only those items of particular significance to professional accounts in business or public practice as 'bolt-ons'. Certainly much of what is in Part C could apply to all professional accountants.</p> <p>It may therefore be helpful to construct the Code differently in that Part A sets out the high level principles and explains the threats and safeguards framework leaving the other parts to address only specific circumstances. This would mean that the other parts address the specific circumstances for professional accountants in public practice and professional accountants in business in terms of how the framework can be applied to eliminate or reduce the threats to compliance with the fundamental principles. This would also avoid a perception that Part A is too much public practice oriented, as is currently the case in the proposed Code.</p>	ACCA	
83.	Q (a)	<p>By restructuring the Code in this way, it will also provide a platform to assimilate Section 8 in to the Code as a whole, thus removing much of the material which is repeated in Section 8.</p> <p>ACCA also believes that the current structure only fuels the scope for inconsistency in approach. By way of an example Part B paragraph 1.3 does not discuss the responsibilities of professional accountants in public practice whereas Part C paragraph 1.3 does so for professional accountants in business. Similarly, paragraphs 1.6, 1.14 and 4.4 of Part B and 1.9, 1.17 and 6.9 of Part C refer to Part A whereas in all other areas of Parts B and C relevant aspects of Part A are repeated in full.</p> <p>The Code should be sufficiently clear so that professional accountants know what to do in practice. It should also allow a reasonable and informed third party to assess the proper application of the principles. To this end the text needs to be kept short and simple.</p> <p>In its current form, the proposed revised Code is not very helpful as it lacks clarity. ACCA believes the Code would benefit from the use 'black' and 'grey' lettering as this will aid clarity by clearly identifying the principles which need to be observed.</p>	ACCA	

84.	Q (a)	<p>The Bodies agree with the proposed conceptual framework approach for the application of the fundamental principles. However, members are concerned with a number of issues.</p> <p>Having the fundamental principles set out in Parts A, B and C is seen to be very repetitive and not particularly user friendly. The more concise the document, the more likely members are to use it. To enhance the clarity, to avoid the repetition and to highlight the need to comply with the principles, an alternative structure to the document could be:</p> <ul style="list-style-type: none"> • Preface and Definitions (including detail regarding IFAC) • Conceptual Framework Approach (from Part A) • Fundamental Principles (from Part A) • Guidance <ul style="list-style-type: none"> ○ - Professional Accountants in Public Practice (from Part B) ○ - Professional Accountants not in Public Practice (from Part C) <p>In addition, the use of the term “Professional Accountant in Business” in Part C, while useful when read in terms of the definition, may not be intuitive for those members working “in business” in the general sense (eg public sector or academic members). We consider the term “Professional Accountants not in Public Practice” to be a better alternative to ensure clarity and applicability to members and to ensure that ALL professional accountants are included. The definition of “Professional Accountant in Business” will need to be replaced with a definition of “Professional Accountants not in Public Practice”. Alternatively, the description “All other professional accountants” could be considered.</p> <p>We would appreciate clarification in the Code as to the mandatory application of some sections. In the past, the ICAA/CPAA have used the word “should” to mean “may” and the word “shall” to mean “must” in the context of the professional standards. In the IFAC context, the word “should” means must. For example, Part A 6.2 states “Professional accountants <i>should</i> be honest and truthful and <i>should</i> not.....”. Clearly, professional accountants <i>must</i> be honest and truthful. Some reference to this difference in interpretation in the preface to the materials would be helpful.</p>	AAB	
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85.	Q (a)	<p>Although the structure of the proposed revised Code is understandable we do not feel that the level of repetition makes it particularly useable. At present the fundamental principles, threats to compliance with the Code and safeguards are repeated in all three parts of the Code. We believe this is unnecessary.</p> <p>The PPB spent several months developing a new Code of Ethics which was approved by the Council of the Institute of Chartered Accountants of New Zealand (the Institute) in October 2002, effective from 1 July 2003. During the development of this Code, the PPB consulted with third parties who had expertise in the area of business and professional ethics. The final document was developed in such a way that the Fundamental Principles can form a one-page summary of the Code.</p> <p>The New Zealand Code contains:</p> <ul style="list-style-type: none"> • Fundamental Principles — these form the basis of the behaviour expected from all members; • Rules — each fundamental principle is supported by a number of specific Rules that prescribe aspects of professional and ethical behaviour expected of members; and • Application of the Rules — establishes appropriate ethical behaviour in a number of typical situations that can occur in the accountancy profession. <p>The Application of the Rules specifically relevant to particular members, for example those in public practice or those in employment, is indicated by a heading above the appropriate guidance. This means that the fundamental principles and the Rules are not unnecessarily repeated.</p> <p>A copy of the New Zealand Code of Ethics is attached to the email accompanying this submission for your information. This format appears to have been well received by Institute</p> <p>The PPB recommends that the contents of Parts B and C be incorporated throughout Part A. This can be achieved by incorporating the requirements from Parts B and C under the appropriate fundamental principle in Part A, with appropriate headings to identify requirements that are specific to all professional accountants, professional accountants in public practice and professional accountants in business.</p> <p>Further, we recommend that the approach to adopting a threats and safeguards approach be reviewed to ensure it is appropriate as applied to each of the fundamental principles.</p>	ICANZ	
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86.	Q (a)	<p>In comparison to the IFAC Code released in November 2001, the structure of the IFAC 2003 Exposure Draft is more understandable, with a clearer numbering and indexing scheme. As a result of the reorganization, some redundancy among the three main Parts is introduced, but overall the result is improved clarity. The one confusing item in the structure is that the numbers used on the left of the Table of Contents on page 7 bear no relation to the actual section in the Part.</p> <p>The revised structure makes the IFAC Code more useable in the sense that finding specific topics and examples is easier, although it does not make the proposed Code any more useable as an enforceable Code of Conduct. Please note our comments to the following question.</p> <p>We felt the issue with the structure lies in the failure to clearly distinguish the “framework” of the Code from illustrative examples. Please note our response to the following question.</p>	CGA	
87.	Q (a)	<p>CIPFA is concerned that the three-part nature of the Code lacks clarity, contains much repetition and does not encourage the reader to proceed. From the viewpoint of the accountant in the public sector it is, first of all, not clear which part(s) apply. The inclusion of public sector accountants within a generic heading of <i>Professional Accountants in Business</i> is not helpful in this respect. The failure to state the definition of <i>Professional Accountants in Business</i> in Part C exacerbates this issue and there is a danger that a public sector accountant may not believe the Code has direct relevance to them. None of the example threats and safeguards in Part C are of an identifiable public sector nature. Furthermore, a significant number of public sector accountants provide consultancy, audit and assurance services within the public and not for profit sectors and therefore should apply Part B, even though this is unhelpfully entitled <i>Professional Accountants in Public Practice</i> and would not on the face of it appear relevant. CIPFA would prefer to see a more generic Code, focussing on the fundamental principles and the framework approach, with additional standalone and user-friendly guidance on specific threats and safeguards, including guidance on the resolution of ethical conflict with use of case study examples (already included in the CIPFA Ethics SOPP), for particular groupings of accountants.</p>	CIPFA	

88.	Q (a)	<p>We, CNCC and OEC feel that the current Code falling into the following three parts:</p> <ul style="list-style-type: none"> A. Applicable to all professional accountants; B. Applicable to professional accountants in public practice C. Applicable to professional accountants in business <p>can be a source of confusion.</p> <p>As it stands, the Code appears to be difficult to read. We believe that a code comprising two parts : one applicable to professional accountants in public practice, the other to professional accountants in business, would add clarity. As an example of possible confusion, it should be noted that the public accountants working in the public sector who belong to part C of this Code should also apply the content of part B although the position is different for accountants in public practice.</p> <p>Moreover, we think that clarification and a better articulation is needed regarding part B of the IFAC exposure draft and the current section 8 in order to avoid repetitions which are misleading and a source of potential confusion. As an example, the exposure draft in part B constantly refers to potential threats to the fundamental principles, whether in section 8, every threat is identified and described. The difference of assessment of the threats is misleading and we believe that the lack of explanation regarding the nature of the potential threats ruins the benefit of a threats and safeguards approach because there is no clear illustrative example.</p>	CNCC	
89.	Q (a)	<p>The Code of Ethics is intended to serve as the basis for the ethical requirements for professional accountants who are registered with a member professional body. It seems to us that the expectations the public has for professional accountants in public practice in applying the Code of Ethics are more specific than for other professional accountants. One way to address this is to have a pyramid structure in the Code. Therefore we suggest that the Code should begin with the principles applicable to all professional accountants, followed by additional principles applicable to professional accountants in business and should conclude with additional principles especially for the professional accountants in public practice. As a result of this rearrangement of the draft Code, for example, the recitations of the fundamental principles in paragraph 1.2 of both Parts B and C could be deleted and replaced with a cross-reference to the discussion of the fundamental principles in paragraph 1.14 of Part A.</p>	Basel Committee	

90.	Q (a)	<p>FEE is nevertheless concerned about the usefulness and usability of the Code as currently drafted. We expand on this below. Section 8 of the Code is in a useable format which can (and has) been recommended to regulators such as IOSCO and the EC as a useable standard. It is important that the remainder of the Code is in a useable format such as Section 8 and therefore should be in line with Section 8. The structure and the redundancies in the proposed Code results in it being longer and more complex than it needs to be, thus making it difficult to apply the Code in practice. It could not be adopted as it stands and requires further thought. This issue is of crucial importance to us given that the EC is currently revising the Eighth Directive, which will include the key principles on ethics and independence based on the framework approach. In this way, a legal underpinning is provided to the conceptual approach to ethics and independence so it is important that the Code works properly.</p>	FEE	
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91.	Q (a)	<p>We have concerns about the structure of the Code, notably that its length and complexity may detract from its usefulness. Part of the complexity in our view results from the strict division of the Code into three parts, leading to unnecessary or inconsistent repetition and redundancies. There is a risk that Parts B and C will be used as stand-alone documents, which is not what is intended, with part A being ignored. In addition, it only partially recognises the reality that professional accountants in practice are also professional accountants in business by duplicating certain elements of C in B. It may therefore be helpful to construct the Code differently in that Part A sets out the high level principles and explains the threats and safeguards framework leaving the other parts to address only specific circumstances as well as indicating how these principles are to be applied in the specific circumstances for accountants in public practice and accountants in business. The duplication in Parts B and C should be removed and it should be made much clearer that both parts may be relevant depending on the circumstances. For Parts B and C, it should be made clear in Part A that their purpose is to assist respectively accountants in public practice and accountants in business to apply the principles set out in Part A. This would also avoid the perception that, for instance Part A is too public practice orientated as is the case in the current draft.</p> <p>The Code should be sufficiently clear so that accountants know what to do in practice and a reasonable and informed third party can assess whether the principles have been properly applied. It is important that the profession can demonstrate to the world that a principles-based Code can work and is the best way of protecting the public interest.</p> <p>Insofar as the current structure is concerned, we would like to make the following suggestions in relation to inconsistencies and redundancies.</p>	FEE	
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92.	Q (a)	<p>There are items that are addressed on several occasions in the Code and also in Section 8. These items (e.g. fees) should at the very least be properly cross-referenced or preferably be consolidated. We realise that this may depend on how Section 8 will be integrated into the Code. The Code should be structured in such a way that this can be easily done, thus removing much of the material which is repeated in Section 8.</p> <p>Instead of copying the principles set out in Part A into Parts B and C, in full the principles could be simply referred to: (a) integrity; (b) objectivity, etc. without repeating the supporting explanation. If there is a preference for a further need for repetition of the principles, this should only be in summary.</p> <p>Many of the redundancies are not consistent between the different parts. It is not clear why certain elements of Part A are not repeated in Parts B and C or only repeated in Part B, whereas others are repeated in both sections. Are the repeated elements of Part A more important than the other elements of Part A? Furthermore, redundancies are occurring in different forms: under the form of a full repetition of the texts, a summary of the text or a cross-reference. In addition, paragraphs 1.6, 1.14 and 4.4 of Part B and 1.9, 1.17 and 6.9 of Part C refer to Part A whereas in all other areas of Part B and C relevant aspects of Part A are repeated in full. See also our comments above regarding the structure.</p> <p>We consider consistency in each of the parts and between the parts important. For example, the titles of the subsections are not aligned in the various parts: Part B, section 3 is labelled as Conflicts of interest whereas the comparable section in Part C, section 2 is called Potential conflicts. In Part B, a section on professional behaviour or on acting with sufficient expertise, is missing. The titles of the subsections need to be aligned and should show how the principles of Part A can be applied to each type of accountants.</p>	FEE	
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93.	Q (a)	<p>The structure is in general understandable. However, FSR generally finds that the code should be supported by specific requirements included in the guidance, considering the national requirements that IFAC's Code is assumed to be benchmarked against.</p> <p>Thus, difficulties with implementation/interpretation/common standard-setting and use are expected to be most likely with regard to:</p> <p>The argument that a rule-based approach, as opposed to the chosen principle-based approach, may lead to unquestioning obedience to the rules and at the same time that some will try to circumnavigate definitive lines in legislation, cf. IFAC proposed revised code page 6, rests on the ideal assumption that ethics can be taught. Any willingness or attempts to disobey or circumnavigate seem to be just as likely to be successful under a principle-based approach as under a rule-based approach, unless some specific requirements are set out in the guidance.</p>	FSR	
94.	Q (a)	<p><i>the independence requirements vary depending on the type of assurance engagement and the (identified) users addressed in the auditors' statements:</i> As a result of this, the whole structure of the code and the required evaluation of threats and safeguards is complex and leaves room for many differences in interpretation. In the Danish Auditors Act no such interdependency/consideration has been enacted in the general independence requirements.</p> <p><i>prohibitions (where it is not possible to reduce or mitigate threats to an acceptable or clearly insignificant level):</i> Specific prohibitions (requirements) should be pointed out/summed up more explicitly in a separate guidance section and further substantiated (by stating specific requirements, situations, businesses, occupations, activities etc.). In the Danish Auditors Act a number of specific, and in some cases more strict, prohibitions have been included with regard to auditors' independence.</p> <p><i>threats to be reduced to acceptable or clearly insignificant levels:</i> the interpretation of what is to be regarded as being "acceptable" or "clearly insignificant" should be supported by specific requirements included in the guidance, considering the national requirements that IFAC is assumed to have benchmarked the Code against.</p> <p>An overview of the structure (auditors' activities, threats, safeguards and prohibitions) could clarify the Code – and the principles included in the code – further.</p>	FSR	

95.	Q (a)	<p>We understand that the IFAC code needs to be applied across a wide range of countries, with very different professional structures. In the United Kingdom, the accountancy profession is more integrated across practice and business, than in some other countries. Accordingly, we do not believe that artificial boundaries between different sections of the code are helpful. We do recognise that different professional structures in other countries may have led to the structure that it proposed, but we do believe that there are a number of problems with the structure of the ED as it stands:</p> <ul style="list-style-type: none"> • It fails to recognise fully that accountants in practice are also in business and that many of them are employees that may face issues that are not directly-client related. The circumstances discussed in part C apply equally to accountants in practice. Some overlap has been included, for example by both parts having sections dealing with gifts and hospitality. However, this creates its own problems as the two sections have different titles, use different words, but mean much the same thing. • The reverse situation can also occur. Public sector accountants, who would be regarded by IFAC as professional accountants in business, often perform audits or other engagements in which they deal with clients within the public sector. Elements of part B, including section 8, can equally apply to them. • Retaining the discussion of the fundamental principles in part A but trying to make parts B and C relatively standalone by putting the discussion of threats and safeguards in those parts causes a number of problems: <ul style="list-style-type: none"> ○ the quite-short section A is likely to be ignored (an issue raised strongly by some business members) but B and C alone do not give the full picture; ○ having separate discussions of threats and safeguards in parts B and C results in wasteful duplication, making the code longer than it need be; ○ it makes the framework approach difficult to understand (see (b) below). • Had section 8, independence for assurance engagements, been written after the ED was adopted, much of the preamble contained therein might have been in the front of the overall code instead. Should IFAC wish to integrate section 8 more fully going forward, it will not be helpful to have the discussion of the approach and process split between several parts. 	ICAEW	
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96.	Q (a)	<p>There is an argument that parts A and C should apply to all accountants and that part B is an add-on for those in practice. If it is considered necessary to retain a multi-part structure to the code more along the existing lines, we believe that either parts B and C need to be made fully standalone (an option favoured by some business members), in which case A would effectively disappear and the discussion of the fundamental principles integrated into B and C, or part A should contain the full discussion of the principles and process. The introductory sections of parts B and C could then be drastically shortened (though there is a case for repeating the fundamental principles) and part A would have a clearer purpose than it does in the ED.</p> <p>Either way, we believe that it needs to be made much clearer (for example in A1.13 and/or A1.15) that the circumstances in C can apply to accountants in practice and, in the case of some public sector accountants for example, vice versa. This would allow the removal of duplicated topics, with, where necessary some cross-referencing.</p>	ICAEW	
97.	Q (a)	<p>The Institute is concerned at the artificial boundaries created by the three part nature of the revised Code. Whilst we understand that the IFAC code needs to be applied across a wide range of countries, with very different professional structures we believe that as structured the Code fails to recognise the following:</p> <ul style="list-style-type: none"> • that accountants in practice are also in business and that many of them are employees that may face issues that are not directly-client related. Therefore many circumstances discussed in part C apply equally to accountants in practice. • that public sector accountants, who would be regarded by IFAC as professional accountants in business, often perform audits or other engagements in which they deal with clients within the public sector. Hence elements of part B, in particular section 8, can equally apply to them. <p>We also believe that considerable confusion is caused by:</p> <ul style="list-style-type: none"> • attempting to structure Parts B and C as stand alone but dividing the discussion of the fundamental principles in part A and the discussion of threats and safeguards in Parts B and C. • the brevity of Part A which is likely to be ignored, resulting in members reading Part B and C only and thus passing over the discussion of the fundamental principles. <p>There is an argument that parts A and C should apply to all accountants and that part B is an add-on for those in practice.</p>	ICAI	

98.	Q (a)	<p>We feel that the current draft includes an inordinate amount of unnecessary repetition and duplication. The current draft is excessively long. We fear there is a danger that less relevance may be interpreted in respect of not-repeated items. In particular, we are concerned that Parts B or C may be viewed as stand-alone documents; this would undermine the authority of Part A.</p> <p>We suggest that Part A provide a framework covering the objectives or principles, risks or threats thereto, and identification of possible responses or safeguards, so that Parts B and C address only specific circumstances for professional accountants in their activities and operating roles. This would remove the need for duplication, and it would be clear that the relevance of the principles set out in part A are generally relevant depending upon the particular circumstances, rather than on the categorization accorded to an individual professional accountant.</p>	IDW	
99.	Q (a)	<p>CIMA considers that the structure of the guidance could be improved by incorporating the principal elements of Part A into Part C itself. At the present time, Part C has to be read in conjunction with Part A and this imposes practical difficulties and could lead business members to consult only Part C and not put that part into the context of Part A. By combining elements of Part A, particularly the fundamental principles, into Part C, this would enable members in business only to have to refer to one statement, and would avoid the repetition inherent in the current structure and facilitate a clearer understanding of the most significant issues</p>	CIMA	

100.	Q (a)	<p>On the whole we believe that it is, but we do have a number of specific comments, as follows:</p> <ul style="list-style-type: none"> • We are concerned that the Code is overly long. • We would prefer to see the key principles set out more clearly. • We would also like to see all the examples removed from the main document and published separately, if at all. This is partly because examples can be seen as prescriptive, rather than illustrative. More importantly, however, the examples currently included have a strong North American/European slant to them and are therefore not universally applicable. In addition, their applicability even within North America/Europe is likely to change over time. • The introduction of the concept of “the public interest” tends to confuse the issue and in our view the Code should concentrate on the basic underlying principles. • The Code itself seems to be more applicable to large rather than small organisations, although we appreciate that this is where the greatest threat to “the public interest” is likely to lie. • These points could all be addressed by publishing a high-level Code and leaving it to others to interpret and apply it as appropriate. 	LSCA	
101.	Q (a)	<p>The overall structure of the Code is acceptable ie, the division into three parts - applicable to all professional accountants (Part A); applicable to those in public practice (Part B) and applicable to those in business (Part C).</p> <p>There is a degree of repetition of information in the three parts of the Code - there are three introduction sections for each part, whereby there is repetition of material from Part A in both Parts B and C. This according to IFAC, is to aid in the readability and understandability of Parts B and C, but does not remove the need for all professional accountants to be also familiar with Part A.</p> <p>This repetition however, makes the Code cumbersome and lengthy to read - especially since any professional accountant would have to be familiar with both Parts A and B or C as the case may be. It would be more appropriate if the repetitive material in Parts B and C which are contained in Part A, are removed from Parts B and C.</p>	MIA	

102.	Q (a)	<p>We find that the structure used in the code is logical and therefore easy to understand. We therefore believe that the current structure should be upheld in the final version of the code.</p> <p>We do not, however, find the document very usable as it is now. The reason for this is mainly that too many paragraphs from part A are repeated in parts B and C. We find that this confuses more than it helps the reader. To uphold the current structure of the code we suggest that instead of repeating, references should be made to the actual paragraphs in part A, or a brief summary of the relevant paragraphs from section A could be included in section B and C. Other than this, sections B and C should, in our opinion, be limited to containing relevant examples.</p>	DNR	
		Is the explanation of the framework approach sufficiently clear?		
103.	Q (b)	“Yes”	CAGNZ	
104.	Q (b)	“Yes”	E&Y	
105.	Q (b)	This is consistent with the approach we have already adopted in relation to Professional Independence and so presents no problems to us.	AAB	
106.	Q (b)	We believe the explanation of the framework approach in paragraphs 1.9 – 1.13 is sufficiently clear.	D&T	
107.	Q (b)	The explanation of the framework approach is clear. Examples are of great help. Examples should be collected with experiences that may be complex to analyze.	INCP	
108.	Q (b)	Yes.	LSCA	
109.	Q (b)	We support the principles based framework approach as it is explained in the code. We believe it is sufficiently clear.	DNR	
110.	Q (b)	Yes, the framework approach is preferred to a rules-based approach.	SAICA	
111.	Q (b)	Yes. The Swedish Auditors Act is structured in accordance with the framework approach, so the fundamentals will already be familiar to our Members.	FAR	

112.	Q (b)	Yes	ICANZ	
113.	Q (b)	Yes	FSR	
114.	Q (b)	The explanation of the framework approach is clear	OROC	
115.	Q (b)	The framework approach as set out in Section 1 of Part A is sufficiently clear. However, it must be noted that there is some explanation of the framework approach in Section 8 of the Code on Professional Independence, thus giving rise to repetition in the Section 1 of Part A of the Code. This repetition should be omitted from Section 8 of the Code on Professional Independence.	MIA	
116.	Q (b)	CIPFA agrees with the fundamental principles as worded and considers that the explanation of the framework approach in Part A is sufficiently clear. However, as noted above, CIPFA is concerned that the example threats and safeguards in Part C are not worded in a manner that facilitates an accountant working in a public sector context understanding how this applies to them. A particularly useful addition would be to include political pressure as an example of an intimidation threat at paragraph 1.14 in Part C.	CIPFA	
117.	Q (b)	It is important that the principles approach is not overly stretched by a desire to give examples in each area of the possible application of principles to specific circumstances and the Committee should, in our view, avoid any pressure to be too descriptive in the detail. We believe that the fundamental principles are well articulated and it is the strength of the Code that allows users to interpret and apply the principles in practice without the need for overly detailed guidance.	PwC	
118.	Q (b)	This explanation, in our view, is not sufficiently detailed, compared to the approach developed in section 8 which is more precise and didactic (Please refer above). Indeed, in the proposed exposure draft the threats are mentioned but they are not sufficiently identified and explained. Therefore, we strongly believe that consistency in the wording which is used compared with section 8 is essential. We also believe that, due to the scrutiny of regulators, an external quality control system be considered as an appropriate safeguard in various circumstances.	CNCC	

119.	Q (b)	<p>There is only a limited explanation of the framework approach in the revised Code. Part A would benefit if much of the explanation of the framework approach in Section 8 were incorporated into it.</p> <p>Part A should explain in greater detail how the principles need to be applied, what questions need to be asked and what principles are at risk.</p> <p>The Code should clearly explain the difference between eliminating a threat and reducing it to an acceptable level. In situations where there are no safeguards to reduce or eliminate a threat the only option is a prohibition. As such the prohibition is not a safeguard. The resignation or declining the appointment is a means of changing the circumstances that gave rise to the threat rather than a safeguard itself.</p> <p>ACCA is also concerned about the ‘should and should not’ style which is used in Code. ACCA believes that such a style is not suited to a Code which is meant to be principles based. ACCA is concerned that the tendency towards more and more detailed underlying rules undermines the robustness of the principles-based approach. For example paragraph 2.2 of Part A is phrased as a rule rather than as a principle. Care should be taken that principles do not become rules; professional accountants need to be able to use their own judgement.</p>	ACCA	
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120.	Q (b)	<p>The explanation as presented in Part A, Paragraphs 1.9 through 1.13 seems to be clear enough at first reading. However, if the remainder of the Code is intended to be a “framework” it is considerably more detailed than one would expect a “framework” to be. A framework is defined as “a fundamental structure, as for a written work”. When reading the explanation of the framework approach in Part A, one expects that the IFAC Code will be a high level conceptual discussion, such as that contained in the remainder of Part A, or in Paragraphs 1.1 and 1.2 in each of Parts B and C. However the many specific examples provided are clearly not part of a “framework” as such. The document makes this distinction in the narrative (see Part B, Paragraph 1.5 for example), but the two components (framework and example of situations) are not clearly differentiated in the document. We feel this approach detracts somewhat from the ideal of a framework.</p> <p>The intended approach, that of articulating fundamental principles and a conceptual framework is admirable. Both professional accountants and the public benefit from understanding the principles that form the basis of the ethical standards expected of professional accountants. A code of ethics based on clearly stated principles and built on a coherent and consistent conceptual framework is more likely to be credible and accepted by interested parties. However at the member body level principles alone are difficult to enforce and monitor. The illustrative examples in the IFAC Code may provide useful guidance to individual members in making day to day professional judgments, but in order to be applied in our traditional disciplinary structure, the framework will have to be supplemented by specific rules, stating what professional accountants must or must not do. The IFAC 2003 Exposure Draft provides a sound basis in its framework and its examples for the development of such rules.</p>	CGA	
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121.	Q (b)	<p>Section 8 is understandable and readable as a standalone document. The current text of Parts B and C does not sufficiently clarify the application of the conceptual approach because the text refers mainly to the threats to compliance with the fundamental principles rather than discussing the nature of the threats and the possible safeguards. It is not helpful to only refer to Part A for safeguards. Parts B and C do not make sufficiently clear how the threats and safeguards approach works under the specific circumstances.</p> <p>It would also be helpful to explain in greater detail how the framework should be applied in practice: what questions need to be asked and what are the principles at risk. Care should be taken to ensure that the principles do not become rules as the principles-based approach is predicated on accountants using their own judgement based on their analysis of the circumstances. For example in Part A, paragraph 3.2 is more akin to a rule rather than a principle and does not fully reflect the circumstances of business members. Moreover Section 8 will at some point need to be integrated into the Code. Much of the explanation of the framework approach in Section 8 could usefully be incorporated into part A which as drafted is not as comprehensive. We are of the opinion that the text needs to clarify that where there are no sufficient safeguards to reduce or eliminate a threat the only option is to decline the engagement. As such the prohibition is not a safeguard but a consequence. Within a framework approach if there is no sufficient safeguard to reduce or eliminate the threat the ultimate consequence is a prohibition. It is important that the Code is consistently worded.</p> <p>The Code should be sufficiently robust for enforcement. We would therefore propose to add in the current text of paragraph 1.10 of Part A the sentence: "The framework is sufficiently developed and robust to ensure that the judgements of accountants are transparent and where appropriate capable of review by interested third parties for example quality assurance systems, oversight and disciplinary systems, or courts".</p>	FEE	
122.	Q (b)	<p>Taking the overall code, including the commentary on the fundamental principles and to an extent threats and safeguards in part A, the more detailed discussions of the latter in parts B and C and the material in the front of section 8, we believe that there is sufficient information to explain the approach. However, the disbursement of these comments does not aid overall understanding. It would be clearer if the commentary on the fundamental principles, their overriding status, the need to analyse threats, determine safeguards and act (or not) accordingly, were collected in one place. This would also clarify certain matters such as whether the discussion in 8.14 about whether threats should be looked for in relation to network firms, applies to other aspects of the code.</p>	ICAEW	

123.	Q (b)	<p>The Institute fully supports the principles-based framework approach adopted in the Code. We consider that if the Code is read in its entirety, including the commentary in Section 8, there is sufficient information to explain the approach.</p> <p>However as noted above we believe the division of the discussion on the fundamental principles and the analysis of the threats and safeguards into different parts of the Code will result in it being less user-friendly than would otherwise have been the case.</p>	ICAI	
124.	Q (b)	<p>We are concerned that the Code does not accurately reflect the modern risk management approach as implemented by the IAASB in the recent audit risk management standards. This approach is equally applicable to the management of ethical risks, in which the risk management process is established, the objectives (principles) identified, the risks assessed (threats) and the risk responses ascertained (safeguards). We suggest that PART A be amended in line with the current IAASB approach to audit risk.</p> <p>We do not believe that IFAC has provided a conceptual framework as is stated in paragraph 1.9, as various elements have not been addressed in the current draft. We would like to point out that the proposed framework does not lay down the theoretical logical basis, as described in the FEE issues paper “Principles of Assurance: Fundamental theoretical issues with respect to Assurance in assurance Engagements”; instead this is assumed rather than explained. It appears that further consideration and redrafting is necessary in this regard. Once further research has been carried out it may be desirable for the IFAC Ethics Committee to issue a conceptual framework at a later date. On this basis, we suggest that the term “conceptual” be dropped from the current description of the “framework” in the text of the Code.</p> <p>The framework should be designed to enable effective enforcement. Moreover, it should ensure that the application of judgment by accountants is made transparent and thus capable of review by quality assurance systems.</p>	IDW	
		Are the fundamental principles sufficiently articulated?		
125.	Q (c)	The fundamental principles are sufficiently articulated	OROC	
126.	Q (c)	CIPFA considers that the fundamental principles are clear and unambiguous.	CIPFA	
127.	Q (c)	We have no specific comments.	CNCC	

128.	Q (c)	The fundamental principles as articulated in the ED are familiar concepts to professional accountants and further explanation is not necessary. We have noted some suggested changes to the drafting of the fundamental principles on the attached.	D&T	
129.	Q (c)	Yes, but see additional comments	E&Y	
130.	Q (c)	Fundamental principles are well articulated	INCP	
131.	Q (c)	ACCA believes the fundamental principles are sufficiently articulated and defined. We would however point out that the definition of objectivity in the definitions section is not in line with the definition in paragraph 1.14 of Part A. Additionally, we cannot see why only the definition of objectivity is included in the definitions section but none of the other fundamental principles. We see little point including a definition of the fundamental principles in the definitions section when these are sufficiently defined in Part A.	ACCA	
132.	Q (c)	We are concerned by the wording of the principle of acting in the “Public Interest”. Clients and employees are only mentioned in Part A para 1.6 in a somewhat negative context, (“..accountant’s responsibility is not exclusively to satisfy the needs of an individual client or employer”). A proposed alternative wording is given in the “Other Comments” table below. The Standard would be strengthened by clearly identifying the fundamental principles using ‘black lettering’, thus indicating their mandatory nature.	AAB	
133.	Q (c)	The fundamental principles and the subsequent description of potential threats to compliance with these principles are well articulated. In the IFAC 2003 Exposure Draft, the fundamental principle previously titled “Technical Standards” has been modified and included in the “Professional Competence and Due Care” principle. The new treatment is more appropriate and eliminates the previous redundancy.	CGA	
134.	Q (c)	No. Refer to our comments in the covering letter.	CAGNZ	

135.	Q (c)	The fundamental principles are sufficiently articulated and defined. Section 3 of Part A, however, needs to be further developed in that accountants in business cannot always be unbiased, but still need to act with objectivity and integrity. This clarification could be included in part C.	FEE	
136.	Q (c)	Generally, yes. However, we found it appropriate to add that “confidentially” should not only be mentioned in connection with “third parties”. There is also an obligation to maintain confidentiality within the firm, where necessary,	FSR	
137.	Q (c)	We have no objection to the existing six fundamental principles being condensed into five in the manner proposed. We do have some concerns over the description of the principle of objectivity. This discusses, inter-alia, bias. Business members, and indeed members employed in practice firms, have a duty to their employers and will inevitably be biased. The wording in A1.14b, A3.1 and A3.2 does not actually prohibit bias but in not acknowledging that bias is inevitable and not unreasonable, adds to the impression given to some business members in particular, that the code is practice-orientated and unrealistic. The issue could be dealt with by removing the word ‘bias’ or by acknowledging its not-improper status up-front. Alternatively the description could be reworded: our own Institute’s existing discussion describes objectivity as a state of mind which has regard to all considerations relevant to the task but no other. While on the subject of objectivity, having a separate and differently worded explanation in the definitions section is unhelpful: this should be deleted.	ICAEW	
138.	Q (c)	We agree generally that the fundamental principles are sufficiently articulated. However members in business are concerned at the wording supporting Objectivity is not appropriate for members in business in that it states, inter-alia, that they should not be biased in their business relationships. We believe this is difficult to apply to members in business with a duty of loyalty to their employer and an obligation to advance the employer’s legitimate business interests. It therefore considers that “bias” should be deleted; the remaining wording gives sufficient coverage to the threats.	ICAI	

139.	Q (c)	<p>No</p> <p><i>Objectivity</i></p> <p>The PPB notes that the fundamental principles set out in paragraph A1.14 do not include Independence. This principle is discussed in Section 8 of the Code in the context of independence regarding assurance clients.</p> <p>The PPB considers that the fundamental principle of Objectivity should be “Objectivity and Independence”.</p> <p>Although independence is an essential requirement for external audits and reviews of financial reports, it also applies to some other professional services, including some insolvency engagements, independent business valuations and expert witness engagements. Adding “Independence” to this fundamental principle would allow the link to Section 8 of the Code.</p> <p>The PPB recommends that the fundamental principle of Objectivity be renamed “Objectivity and Independence” as the two concepts are interlinked.</p> <p><i>Confidentiality</i></p> <p>The PPB considers that Confidentiality should not be a separate principle. Confidentiality should be included with Professional Behaviour as confidentiality is an important aspect of a professional accountant’s behaviour.</p> <p><i>Professional Competence and Due Care</i></p> <p>The Fundamental Principle of Competence is critical to professional accountants and the work they undertake. This should therefore be a separate principle.</p> <p>The PPB notes that there is no specific Fundamental Principle that deals with the manner in which professional accountants conduct their work, that is ‘Quality Performance’. Such a principle would include topics such as Due Care and Timeliness.</p> <p>The PPB recommends that the IFAC reconsider the Fundamental Principle of Professional Competence and Due Care.</p>	ICANZ	
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140.	Q (c)	<p>Our reservations in this regard are detailed in our general comment no. 3. Furthermore, we are unsure as to how the current Section 8 will articulate with the rest of the Code. In concurrence with IFAC, we view independence as a means to an end; namely that of attaining objectivity rather than as a principle in its own right. In our view, independence may not, in every case, relate solely to professional accountants in public practice. Clarification of the need for professional accountants in business to act with objectivity is not adequately covered in Part A. There are other circumstances in which employed professional accountants should be independent, e.g. those working for professional bodies and advising their members on technical and factual matters; there are numerous other such examples. In-dependence in appearance as defined by the Code may be equally, if not more important.</p> <p>The Code as currently drafted would not require any deliberations regarding independence on the part of such individuals where they fall within parts A and C of the Code. The danger is not that independence could be referred to unnecessarily in parts A or C of the Code, but that it would be erroneously excluded. In an individual set of circumstances where independence is not currently required by the Code the individual will be able to justify his or her decision or actions by stating that the Code did not require the exercise of independence in any circumstances, even though this may otherwise be detrimental to the reputation of the whole profession and to IFAC itself.</p>	IDW	
141.	Q (c)	<p>CIMA believes that the fundamental principles have been expanded helpfully and clearly, as compared with the previous code, with the exception of objectivity. This principle includes “bias”. CIMA believes the use of this word to be unhelpful in the guidance as business members have a duty to their employer and will inevitably be to some degree or other biased. We believe that the word bias should be removed from the objectivity fundamental principle as presently drafted.</p>	CIMA	
142.	Q (c)	<p>In our view the principles are overly articulated, with the result that there is a danger that they are lost in the mass of examples and detail. This also means that the Code looks prescriptive, rather than principles based.</p>	LSCA	

143.	Q (c)	<p>The fundamental principles are sufficiently articulated and clearly set out in Section 1 of Part A. The fundamental principles are also further elaborated in Sections 2 - 6 of Part A.</p> <p>However, the fundamental principles are briefly repeated in the Introduction sections to Parts B and C. This repetition should be omitted. Reference should instead be made in Parts B and C to the fundamental principles as set out in Part A. For example, paragraph 1.2 of Section 1 to Part B should read as follows:</p> <p>“Professional accountants in public practice should comply with the fundamental principles as set out in Part A”.</p> <p>The phrase “fundamental principles” should also be set out in the Definitions section to the Code and defined as including “integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour”</p>	MIA	
144.	Q (c)	<p>We have some concerns about the principles used in the Code. They are essentially the same principles as are used in the current code, only slightly rearranged. Each principle is set out as if it is an independent variable that can exist without the others. We feel that this is not always the case.</p> <p>First of all we notice that independence no longer exists as a separate principle. This must mean that independence is included in objectivity. We believe that independence is a means to secure objectivity. We therefore support this move. However we would prefer to have more guidance on how independence relates to objectivity. This could also make the inclusion of chapter 8 “Independence” easier to understand. As it is now this chapter seems to exist on its own without being an actual part of the code.</p> <p>There are good reasons to view “objectivity” as the end goal for the professional accountants in public practice. The argument is that it is easier to believe that the accountant is objective if he is independent, both in appearance and in fact. His integrity is of good help when he evaluates his independence in fact, because that is impossible for outsiders to evaluate. His professional competence and due care also help him achieve his goal of being objective. To a certain extent the principles are interdependent, at least in certain circumstances. In other situations, for example for professional accountants in business, this relationship may not exist. It would be very helpful if these relationships are explained in the code.</p>	DNR	

145.	Q (c)	<p>Yes. The following specific comments were NOTED:</p> <ul style="list-style-type: none"> • The Committee suggested that greater emphasis be placed early in the IFAC Code on the duty of all professional accountants, not only those in public practice or commerce and industry, but also owners of businesses, not to apply undue pressure on subordinates due to their respective positions. • Paragraph 3.2 on page 17 – replace the word “allow” in the second sentence with “may result in or allow for”. • Paragraph 4.4 on page 17 – this aspect needs to be positively encouraged, and a cross-reference to the IFAC Guidance on Continuing Professional Development needs to be inserted. • Why have the sections on “Tax Practice” and “Cross Border Activities” been removed. In particular, the Committee felt that the section on “Tax Practice” should be retained • Paragraph 1.4 on page 21 – the words “where appropriate” in the third sentence should be removed. 	SAICA	
146.	Q (c)	<p>Part A is understood to be the presentation of fundamental principles of professional ethics for professional accountants.</p> <p>Accordingly, FAR believes that the principles based approach should be maintained without divergences and that direct rules for specific circumstances, such as Part A, section 6, paragraph 6.2, should be avoided.</p>	FAR	
		Does the guidance on specific circumstances contained in Parts B and C cover the appropriate activities and relationships in sufficient depth?		
147.	Q (d)	The guidance on specific circumstances contained in parts B and C are appropriate, without prejudice of the consideration of the specific circumstances in each member and country	OROC	
148.	Q (d)	In our view the examples included in Parts B and C cover the appropriate activities and relationships that typically confront professional accountants. The depth with which these activities and relationships are covered is adequate to provide useful guidance to professional accountants.	D&T	
149.	Q (d)	The guidance on specific circumstances are appropriate and comprehensive.	MIA	
150.	Q (d)	Yes, the principles-based, framework approach obviates the need for detailed examples, which could be restrictive.	SAICA	

151.	Q (d)	We believe that Parts B and C cover the common situations that need to be addressed. We have provided some detailed comments in Appendix 1.	PwC	
152.	Q (d)	Guidance contained in Parts B and C cover appropriate activities and relationships in sufficient depth.	INCP	
153.	Q (d)	Yes, but see additional comments	E&Y	
154.	Q (d)	The guidance on specific circumstances contained in Parts B and C covers adequately the common activities and relationships that give rise to threats which may compromise compliance with the fundamental principles. However, ACCA is concerned that where the same circumstance is covered (for example inducements), there is inconsistency in approach.	ACCA	
155.	Q (d)	There are many areas within Part B where our local requirements are more stringent than those proposed in the Code. At this stage we would prefer to adopt the new proposed IFAC Code in its entirety with minimal “tailoring”. Accordingly we have noted in the table below, areas where our rules are more stringent than those proposed, together with suggested alternative wording. The move to international harmonisation provides the opportunity to ‘raise the bar’ in relation to the ethical standards adopted by the IFAC member bodies. We welcome the specific guidance for members not in public practice.	AAB	
156.	Q (d)	The guidance provided in these two parts is generally appropriate. Undoubtedly various member bodies will want to add specific rules or guidance to cover unique issues and situations that may have arisen in their respective jurisdictions. As guidance to individual members, however, there are enough examples that thoughtful professional accountants can find principles relevant to most situations in which they may find themselves. These Parts are just guidance, and has been mentioned before, are neither enforceable nor specific. We find that in both the existing IFAC Code and this Exposure Draft contains a mixture of direction to individual professional accountants and direction to member bodies. This mix can be somewhat confusing. As examples of this situation please refer to Part A 1.17 which is directed to the professional body or association and Part B, 1.15, which provides guidance to individuals. Perhaps these could be separated into guidance for member bodies and guidance for firms and individuals.	CGA	

157.	Q (d)	CIPFA considers that Parts B and C would be enhanced with the inclusion of guidance on ethical conflict resolution using case study examples of how to apply the fundamental principles in the specific circumstances. The example threats and safeguards are reasonably comprehensive but again CIPFA considers that the examples should be more widely drawn so as to engage accountants working in a variety of areas.	CIPFA	
158.	Q (d)	<p>As an overall comment, we believe that the IFAC exposure draft does not address clearly enough certain issues in order to restore confidence of the business community and the public at large.</p> <p>We believe that, for instance, it would be appropriate to provide more detailed guidance regarding:</p> <ul style="list-style-type: none"> • issues of confidentiality and, particularly, relationships of professionals i.e.: relationship between partners and employees within a practice. • In the same way, the analysis concerning section 6 of part B “Fees and other types of remuneration” should be reviewed in a more stringent way. 	CNCC	

159.	Q (d)	<p>Examples of circumstances that may create self-interest threats for professional accountants in public practice are provided in paragraph 1.7 of part B of the code. the first two examples are:</p> <ul style="list-style-type: none"> • A financial interest in a client where the performance of professional services may affect the value of that interest; and • A loan to or from an assurance client or any of its directors or officers where the performance of professional services may affect the value of that loan. <p>In our opinion, these two examples are inappropriate, because they indicate that the factor creating the self-interest threat is whether the “value of that interest” or the “value of that loan” might be affected by the performance of professional services. The fact that the professional accountant, or their firm, has a financial interest in a client or a loan to, or from, an assurance client or any of its directors or officers, creates the self-interest threat. To suggest that the self-interest threat arises because the value of the interest or loan might be affected is inappropriate as it ignores the implied principle of “independence in appearance” in paragraph 1.13 of Part B of the Code.</p> <p>In making these comments we are not suggesting that the existence of a financial interest in a client or a loan to, or from, an assurance client or any of its directors or officers automatically disqualifies a professional accountant in public practice from accepting an engagement to perform professional services. In this situation it is essential the self-interest threat is acknowledged and steps are taken to either eliminate the threat or to reduce it to an acceptable level.</p> <p>We would, however, regard any engagement where the professional service may affect the value of the interest or the value of the loan as presenting an unacceptable self-interest threat and the only appropriate course of action is to not accept the engagement. An example of such an engagement is when a professional accountant in public practice performs work on behalf of a potential purchaser to assess the value of an entity for sale when the professional accountant also has an interest in that entity and the outcome of the engagement may have a direct affect on the value of the professional accountant’s interest.</p>	CAGNZ	
160.	Q (d)	<p>Coverage seems sufficient. As far as the depth is concerned, see (a) above</p> <p>We find it should be considered whether the text in the brackets of part C, section 2.2 (including misleading by keeping silent) implies a too restrictive interpretation of the current duties imposed on professional accountants in business. IFAC should be aware of that membership of some Institutes, e.g. FSR, is voluntarily. The requirements set in Part C should in general be considered in the light of this fact.</p>	FSR	

161.	Q (d)	<p><u>Perception of part C</u></p> <p>A number of business members were concerned that part C appears to suggest resignation as a safeguard rather too willingly and does not adequately explore other courses of mitigating action. We are aware, from our involvement in the drafting process, that this is not the intention and that resignation is regarded very much as a last resort. Nevertheless, the perception is very real, supports a view by some business members that section C imposes practice-based solutions and needs to be addressed.</p> <p>Clearly resignation is an option, especially for non-executive directors. Whether it is the ultimate safeguard, or whether it is a consequence of there being no safeguards and there being no other way of not carrying out the task at issue, is debatable (see (e) below). Nevertheless, it needs to be made clear, perhaps in the introductory section, that it is understood that resignation from employment is a far more serious consequence than resigning from one of several clients and that all other possibilities would be expected to be exhausted first. The terminology used in the paragraphs that refer to resignation (for example C2.4) should similarly be reviewed to make this clear.</p> <p>One option to overcome the perception of some business members that the code is rather theoretical and practice-orientated, would be to include, possibly as an appendix, some case studies illustrating how it would be applied. We are considering whether to do this when updating our own code in due course.</p>	ICAEW	
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162.	Q (d)	<p><u>Structure of part B</u></p> <p>The argument for structuring the greater part of a principles-based code around circumstances rather than around the principles themselves is that accountants will find it easier, in practice, to know which parts of the code to look at for guidance, when faced with a particular problem. We support that argument. Section 2 of part B, behaviour in professional practice, gives little clue from the title as to the circumstances it deals with. It could be divided into sections dealing with acceptance, use of experts and marketing, albeit that the latter two are short (note that as noted above, we would remove gifts and hospitality and cross refer to C if necessary).</p> <p>Section 3, conflicts of interest, is not so much a circumstance as a general issue pervading all circumstances. There is an argument for making this part of the introduction section (this would also apply to C) but it should at the very least be promoted to being section 2 of B.</p> <p><u>Comprehensiveness</u></p> <p>The ED does not, and cannot, cover all circumstances likely to be faced by accountants across the world, and it states this in several places. Some areas of activity, for example Insolvency and investment business, have such variable legal frameworks that it would be difficult to construct useful international guidance to deal with them. We do not believe there are any areas of significant omission from the ED. However, clearly in adopting the code locally, national guidance setters will need to add elements to the code to ensure that issues particularly relevant to them are included.</p>	ICAEW	
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163.	Q (d)	<p>Whilst we do not believe there are any areas of significant omissions we consider that the Code would benefit significantly from further guidance on ethical conflict resolution. We understand that the Code cannot cover all circumstances accountants are likely to face in many different jurisdictions therefore we believe that national standard setters should have the flexibility to extend and adapt the Code to address issues of relevance to them.</p> <p>Members in business have expressed concern that Part C appears to imply that resignation as the only option without exploring the other options available. Whilst resignation is clearly an option in certain circumstances the consequence for a member in business is much more serious than for those facing a member in practice hence all other possibilities should be exhausted first. Perhaps this could be set out more clearly in the introduction.</p> <p>In certain circumstances the ultimate safeguard has been identified as a prohibition. Where such circumstances have been identified, is this analysis appropriate?</p> <p>We support the concept that activities can only be carried if a safeguard exists to counter a threat, hence the prohibition (in most cases resignation or refusal to undertake the assignment) will result when there is no such acceptable safeguard. This premise, which we support, appears to be the one on which the Code and in particular section 8 has been developed.</p> <p>In relation to the appropriateness of resignation in all circumstances we would refer you to our comments above in relation to members in business.</p>	ICAI	
164.	Q (d)	<p>We are pleased that part C has been significantly extended and consider this to be a significant improvement.</p> <p>In our view, in paragraph 1.18 of Part B it is not appropriate that the Code consider competent employees as a reliable safeguard because competence alone does not lead to ethical behavior in matters other than competence.</p> <p>In contrast to the content of Part B 2.2, we do not believe that compliance with laws and regulations alone can be considered a safeguard, because such compliance is a principle or objective of ethical behavior (professional behavior) rather than a safeguard. On the other hand, compliance with best practice may be regarded as a safeguard in some circumstances.</p>	IDW	

165.	Q (d)	<p>As noted above, the guidance is practice orientated and should better recognise the needs of business members through the application of business related solutions to professional dilemmas. These would recognise that there are other options available to business members when faced with ethical dilemmas, other than resignation. The need for an ethical issue to be addressed at the earliest opportunity should also be stressed, as this could avoid more serious action having to be taken at a later stage. As referred to above, case studies will be helpful in demonstrating how members in business can utilise the framework in order to mitigate threats.</p> <p>An increasing number of CIMA members and students work in the public sector, especially in the United Kingdom. We would expect these members to observe the Code as laid down in Section C, and the application of that part of the Code to such members should be made clear; it is not clear at present. Conversely, there are areas where there would be difficulty for public sector accountants; for example, some engagements in the sector are statutory, and the options of withdrawal or refusal would not be possible.</p>	CIMA	
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166.	Q (d)	<p>Not always.</p> <p>For example the ‘rule’ in paragraph B1.3 regarding the concurrent engagement in any business which might impair the good reputation of the profession is equally relevant to all professional accountants, not only those in public practice.</p> <p>The PPB notes that the second bullet point of paragraph B1.7 regarding loans to or from clients is mainly an independence issue. These situations may be less of an issue in non-assurance engagements.</p> <p>Furthermore, independence is not included as a fundamental principle in the proposed revised Code exposed for comment as mentioned earlier in paragraph 3.10.</p> <p>Similarly, the self-review threats in paragraph B 1.8 are heavily biased towards independence.</p> <p>There are many examples in Parts B and C where the requirements are not clear enough. For example, the first bullet point of paragraph B6.2 “Making clients aware of the terms of the engagement and, in particular, the basis on which fees are charged and which services are covered by the quoted fee” is only a suggested safeguard.</p> <p>Paragraph 10.9 of the current IFAC Code of Ethics states “It is in the best interests of both the client and the professional accountant in public practice that the basis on which fees are computed and any billing arrangements are clearly defined, preferably in writing, before the commencement of the engagement to help in avoiding misunderstandings with respect to fees.”</p> <p>The PPB considers that informing the client of the basis on which fees are computed and billing arrangements is very important and that this should preferably be done in writing in order that misunderstandings between professional accountants in public practice and their clients are minimised.</p> <p>The PPB therefore recommends that the requirement to inform clients, preferably in writing, regarding fees and billing arrangements be retained.</p> <p>The PPB also notes that the requirements pertaining to Tax Practice (Section 5) and Clients’ Monies (Section 12) of the IFAC Code of Ethics have not been carried forward into the proposed revised Code.</p> <p>No explanation has been provided regarding the non-retention of these important requirements or whether these topics will form the subject matter of their own separate standards.</p> <p>The PPB recommends that the IFAC inform member bodies of its intentions regarding these important requirements.</p>	ICANZ	
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167.		<p><i>Ethical Conflict Resolution</i></p> <p>The PPB considers that the requirements relating to Ethical Conflict Resolution do not recognise the complexity of the issues involved.</p> <p>The proposed revised Code does not adequately explain that the reason for the conflict is normally because there is tension between the fundamental principles in the proposed revised Code and that professional accountants may, in certain circumstances, have to ‘rank’ the fundamental principles in order to resolve the situation.</p> <p>An example of this would be the tensions that are often found between confidentiality and integrity. For example, a professional accountant may become aware of inappropriate behaviour by a fellow professional accountant that could bring the profession into disrepute.</p> <p>The tension between the principles could be appropriately incorporated into paragraph A1 .22 which identifies matters to be considered when initiating a resolution process.</p> <p>An important part of most ethical decision-making models is the requirement to consider the stakeholders in a particular dilemma. We recommend that paragraph A1 .22 include the identification of stakeholders as a factor to consider.</p> <p>The PPB also considers that paragraph A1 .22(c) should include ethical principles in general and not only the fundamental principles contained in the proposed revised Code.</p> <p><i>Second Opinions</i></p> <p>The PPB considers that the requirements on Second Opinions, Part B Section 5, are insufficient.</p> <p>New Zealand has a separate standard Advisory Engagement Standard No 1 <i>Opinions on Accounting and Reporting Matters</i> (AES- 1) dealing with second opinions. The standard provides guidance on such matters as General Principles Relating to an Advisory Engagement, Performance of the engagement, Performance Standards for this type of Engagement and Opinions expressed as a result of these engagements.</p> <p>The PPB recommends that the IFAC include more guidance for professional accountants.</p>	ICANZ	
168.	Q (d)	<p>We believe that they are covered in too much depth. As mentioned under question (a) above, we also feel that the examples should be removed from the body of the Code itself.</p>	LSCA	

169.	Q (d)	While we realize that not all employment areas can be addressed, we would like to point out that a large number of our members hold positions in the non-for-profit sector (government, educational institutions and other non-for-profit organizations). We feel that it might be useful to provide a separate section that would provide guidance to those individuals in that unique sector.	CGA	
170.	Q (d)	We have not included specific comments with respect to those matters covered by our rules of professional conduct that are not included in the IFAC Exposure Draft. It is likely that these matters will be continued in the Canadian rules. We believe, however, that the Code would be enhanced by the inclusion of additional examples of the application of the principles covering subjects such as: <ul style="list-style-type: none"> • conflict of interest, • advertising and solicitation; and • operation of professional practice offices. 	CICA	
171.	Q (d)	The PPB recommends that guidance be included or that more guidance be provided in the proposed revised Code on: <ul style="list-style-type: none"> • Conflicts of interest between two or more clients (paragraphs 66-70); • Clients in dispute (paragraphs 71-74); • Timeliness (paragraph 99); • Receipt of commissions from third parties (paragraphs 75-77); • Termination of engagements (paragraphs 157-158); • Publicity and promotion of services (paragraphs 131-135); and • Professional Fees (paragraphs 136-156) [JM note – paragraph references refer to the NZ Code]	ICANZ	
172.	Q (d)	The fundamental principles introduced in Part A, section 1, paragraph 1.14, are supplemented by examples of specific circumstances in Part B, section 1, paragraphs 1.7–1.12. FAR notes that these threats are more profoundly treated in Part B, Section 8. Although we are aware that Section 8 should not be commented upon we would propose references to paragraphs 8.28–8.33, as those descriptions better cover the issues in question.	FAR	
173.	Q (a) to (d)	Answered all questions a) to d) - Yes	ICPAS	
174.	Q (a) to (d)	Answered all questions a) to d) - Yes	ICPAK	

175.	Q (a) to (d)	<p>We support, in principle, the use of the conceptual framework approach in drafting the Code of Conduct provided that the framework contains sufficient rigor to ensure that certain conduct that is never acceptable is clearly prohibited.</p> <p>We believe the standard contains unnecessary repetition. For example, the fundamental principles are stated in A-1.14, B-1.2 and C-1.2. We understand this was specifically intended so that each part stands alone. However, as Part A applies to all professional accountants, we believe that restating the principles in Parts B and C should not be necessary. Similarly, we question the need to repeat in B-1.6 and C-1.9 the threats to the fundamental principles set out in A-1.15.</p> <p>There may be an inconsistency in some of the terminology used in the standard. For example, Paragraph A-1.14 sets out the “fundamental principles” whereas, paragraph A-1.21 refers to applying “standards of ethical conduct”. Are these terms meant to refer to the same thing, or are the standards of ethical conduct simply derived from the fundamental principles? We would also ask if “unethical behavior” or “unprofessional behavior” (A-1.19) is the same as a failure to comply with the fundamental principles. Some clarity or linkage of this terminology is suggested.</p> <p>We also suggest that the standard would be more user-friendly if the paragraph numbers were preceded by the Section number (for example A-1.6, B-2.1 etc.).</p>	CICA	
		In certain circumstances, the ‘ultimate’ safeguard has been identified as a prohibition. Where such prohibitions have been identified, is this analysis appropriate?		
176.	Q (e)	It seems appropriate to consider the “ultimate” safeguard as a prohibition	OROC	
177.	Q (e)	Yes, subject to our comments in (d) above.	CAGNZ	
178.	Q (e)	The analysis seems appropriate. However, specific requirements should be included, see (a) above.	FSR	
179.	Q (e)	We did not identify any behavior that should be avoided as inappropriate	INCP	
180.	Q (e)	The prohibitions where identified, are appropriate.	MIA	
181.	Q (e)	Yes, wherever a prohibition has been identified it is not unduly harsh.	E&Y	

182.	Q (e)	We believe it is appropriate to include circumstances when the professional accountant “should not” act in a particular manner and including such prohibitions is not, in our view, inconsistent with a framework that provides for analyzing threats and safeguards. In effect, the analysis in such cases leads to the conclusion that no safeguards would be appropriate to mitigate the risks of violating the fundamental principles. Moreover, in certain instances, the proscribed behavior, such as disclosing confidential information (other than in limited circumstances) is itself a violation of a fundamental principle.	D&T	
183.	Q (e)	Appendix A (as attached) provides examples of “ultimate” safeguards that have been identified as prohibitions in the IFAC Proposed Revised Code of Ethics for Professional Accountants. All the examples of safeguards provide guidelines for prohibited actions, except for Part B, section 3.6 which provides prescriptions for prohibited acts. The analysis leading to the prohibitions are in line with the general Principles of national pronouncements and corporate practicalities. However, it should be noted that despite identifying the prohibitions, the provisions still require members to exercise professional judgment in determining the appropriateness of their application.	ICPAS	
184.	Q (e)	ACCA believes that where the ‘ultimate’ safeguard has been identified as a prohibition, the analysis is appropriate. Nevertheless, ACCA considers that where the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, it should be clearly stated that professional accountants should decline the engagement. To that end words such as ‘may’, ‘try’, ‘consider’ should be avoided where a ‘prohibition’ is identified, for example in paragraph 4.8 of Part B.	ACCA	
185.	Q (e)	We were unable to find any clear prohibitions within The Code. In fact, we have concerns that detailed prescriptive rules will still be required in many areas at a local level to ensure appropriate disciplinary action is available where there have been breaches of the fundamental principles.	AAB	
186.	Q (e)	It is our view that the prohibitions are not specifically identified and readers and users of the framework have to guess what the prohibitions are. It is therefore difficult to state whether we consider them appropriate or not. We can only assume what was intended to be a prohibition	ICPAK	

187.	Q (e)	<p>There are few prohibitions outside of Section 8, which was and is addressed separately. In the rest of the document, most of the guidance is provided in the form of suggestions (the accountant <i>may</i>, or the accountant <i>might</i>). Even in those sections which are worded more strongly and include the word <i>should</i>, the advice is often qualified, and more often than not, the directive is something the accountant <i>should consider</i>. Since each section includes reference back to the fundamental principle that is being illustrated, any prohibitions are clearly grounded in a fundamental principle.</p> <p>Of particular concern is section 6.5, 6.6 and 6.7, it is difficult to expect the public to understand that a practitioner could be independent if they receive or pay a referral fee or commission. Advising or obtaining consent of the client does not, in our view, make this situation acceptable. In addition, at 6.3 we would support the addition of a prohibition of tax preparation on a contingent fee basis.</p>	CGA	
188.	Q (e)	<p>Many of these prohibition safeguards in the Code are in Part B and relate to the acceptance and continuation of audit and assurance engagements. Public sector audit and assurance engagements are often statutory in nature and therefore refusing or withdrawing from the engagement may not be possible. These situations are therefore reflected in the public sector perspectives of international standards on auditing.</p> <p>The prohibitions in Part C, such as conflict of interest (para 2.4) and association with misleading information (para 3.4), are very quick to suggest the accountant consider resigning from the employing organisation. Whilst this may be appropriate in some extreme circumstances it would be more useful to detail of some of the many other courses of action available before reaching that point. The case study approach that CIPFA proposes would facilitate this.</p>	CIPFA	
189.	Q (e)	<p>In many circumstances, identifying and assessing threats may lead to some situations where a professional accountant in public practice should refuse to act and some other situations lead to final prohibitions.</p> <p>These situations could be identified more specifically. As an example the provisions dealing with conflicts of interest should be addressed in a more stringent way.</p>	CNCC	

190.	Q (e)	<p>We consider the analysis to be appropriate.</p> <p>However with respect to paragraphs 2.13 and 2.14 of Part B regarding the use of experts it is not clear to what extent the paragraphs apply in general or are meant to address specific circumstances. IFAC should clarify in its Code that the professional accountant should ensure that the total knowledge available, including that of the expert, is sufficient to comply with the fundamental principles before continuing his work. Therefore, consideration should be given as to whether the use of experts mentioned in 2.14 is a reliable and appropriate safeguard. If a professional accountant does not have the appropriate competence, there is a limit to the extent that he can use an expert. For example the auditor has to at least be able to assess the work of the expert and periodically check the expert's competence. The use of an expert over a long period may also create a familiarity threat. The explanation in the proposed Code is insufficient.</p> <p>With regard to paragraph 4.8. of Part B where the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, it should be clearly stated that professional accountants in public practice should decline the engagement. Moreover the text of both paragraphs 4.7 and 4.8 is not clear and they should be combined. The last sentence of paragraph 4.7 should read: "If the proposed accountants are unable to obtain information either by communicating with the existing accountants or by other means, they should decline the engagement" (i.e. paragraph 4.8 should be deleted).</p> <p>We also would like to refer to the use of wording at several instances in the Code such as "may", "try", "consider" which may give the appearance of being soft. We are of the opinion that the use of stronger terminology should be considered, where appropriate, or an explanation for the apparent flexibility built into the Code. Examples are paragraphs 1.25 of Part A, 4.7 and 4.8 of Part B. In Section 6 of Part B, Fees and Other Types of Remuneration, we would also recommend stricter wording in the sixth line of paragraph 6.5. Here the word "may" is used, which is not appropriate because accepting referral fees or commissions does give rise to self-interest threats.</p>	FEE	
191.	Q (e)	<p>In general, we consider the analysis to be appropriate. However, the use of experts, as described in 2.14 of part B, should be limited to those circumstances where the professional accountant has or can obtain the competence to assess the basis for the work of the expert.</p>	IDW	

192.	Q (e)	It can be argued that in a principles-based conceptual framework approach, there is always a safeguard, and that the ultimate safeguard is prohibition (or possibly resignation –see above). Another plausible argument is that activities can only be carried out if there are acceptable safeguards, and that prohibition (or resignation) is the consequence of no acceptable safeguard being available in a specific circumstance. The most important point is that within a code, consistency is applied to describe this. The ED seems to support the latter view throughout, which may have consequences for the discussion necessary re resignation (see above). A matter to consider going forward, in relation to a future revision of section 8 is that some paragraphs in the examples part of section 8 (e.g. 8.104, imply the other approach).	ICAEW	
193.	Q (e)	In the final analysis, it must be left to the individual to identify threats, weigh up the safeguards in place and his or her particular circumstances, and act accordingly. If the Code becomes too prescriptive, it detracts from the principle-based approach that it is trying to promote. However, we support the fact that the Code makes clear that not all problems can be managed and that sometimes an accountant may have to say that he or she can no longer continue in a particular role, but this should be up to the individual to evaluate, depending on the circumstances.	LSCA	
194.	Q (e)	We believe that the possible circumstantial facts mentioned as safeguards in part A paragraph 1.17 – 1.19 are not practical safeguards for the professional accountant's use. However, we realize that the same safeguards are also explained in the independence chapter of the code. It would be very helpful if it was explained that these are conditions necessary to uphold the general trust in the profession as such.	DNR	
195.	Q (e)	Yes, although the PPB notes that there could be more circumstances where this safeguard could be applied and they could be more clearly identified.	ICANZ	
196.	Q (e)	It is not clear what the IFAC Ethics Committee meant by this statement, as the ultimate safeguard in any threat would be to refuse the assignment. Only one example of an explicit prohibition was found, in paragraph 3.6 on page 28 and this was supported.	SAICA	
197.	Q (e)	Yes. We do note, however, that the structure of sections 2–7 differs from the structure of section 8 in approaching the circumstances in a specific case. Accordingly, we would like to stress the advantage of referring to appropriate parts/paragraphs in section 8.	FAR	

		The IFAC Ethics Committee is considering an implementation date of January 1, 2006 for the proposed revised Code. Is this appropriate?		
198.	Q (f)	Two sets of Code of Ethics exist in Singapore as promulgated by the Public Accountants Board Singapore and the ICPAS respectively. Given that the Public Accountants Board (PAB) controls and regulates the practice of the accounting profession, it will be necessary to obtain concurrence from PAB in relation to the implementation date, should a wholesale approach be adopted in revising the Code.	ICPAS	
199.	Q (f)	An implementation date of January 1, 2006 for the <i>Proposed Revised Code of Ethics for Professional Accountants</i> is appropriate. The implementation date provides sufficient time to allow member bodies and firms to both revise their standards, policies or procedures to comply with the <i>Proposed Revised Code of Ethics for Professional Accountants</i> and to notify those who are impacted of the changes. We would encourage the Committee however, in establishing the implementation date for the changes, to also encourage and permit member bodies and firms to adopt the changes earlier than the implementation date.	Grant Thornton	
200.	Q (f)	ACCA considers the implementation date of 1 January 2006 as appropriate. However, given that International Standards on Auditing must be applied in Europe by 2005 coupled with the fact that Section 8 applies to reports for the period ending 31 December 2004, the Code should encourage early adoption.	ACCA	
201.	Q (f)	Given that we have already adopted the conceptual framework in the area of Professional Independence and that our members are comfortable with this framework, we support an adoption date of 1 January 2006. We would also support a statement that “earlier adoption is encouraged as soon as practicable or at the latest by 1 January 2006” to enable a progressive move to the new Code.	AAB	
202.	Q (f)	Yes	ICPAK	
203.	Q (f)	We consider appropriate the implementation date of January 1, 2006 that will give us time to review and implement our national Code	OROC	
204.	Q (f)	We believe that this is an achievable date.	CGA	
205.	Q (f)	CIPFA considers that an implementation date of 1 January 2006 is appropriate and achievable, provided the issues outlined above are accepted and appropriate changes made.	CIPFA	

206.	Q (f)	Yes	GAGNZ	
207.	Q (f)	The need for the profession to establish robust ethical standards and guidance, as articulated in the fundamental principles and throughout the ED, has never been greater. Accordingly, we believe it is desirable to have an implementation date that is as soon as is practicable. If it is possible for members of IFAC to revise their standards during 2004, with the result that the effective date could be moved up to January 1, 2005, it would be beneficial. We appreciate that members may have difficulty implementing these changes in one year. Consequently, if the effective date is January 1, 2006, we suggest that earlier adoption be encouraged.	D&T	
208.	Q (f)	Yes, however as the framework approach is already applicable in respect of independence for assurance reports dated on or after December 31, 2004 in accordance with Part B Section 8, IFAC could recommend that early application be encouraged.	E&Y	
209.	Q (f)	The implementation date of January 1, 2006 is appropriate. However, given that IASs must be applied in Europe by 2005, and the fact that section 8 comes into force on 31 December 2004, early adoption of the Code should be encouraged.	FEE	
210.	Q (f)	Yes. However, earlier adoption should be allowed.	FSR	
211.	Q (f)	Assuming the revised code is issued later in 2004, we have no issue with the proposed implementation date of 1 January 2006. Earlier adoption could be encouraged.	ICAEW	
212.	Q (f)	We believe that an implementation date of 1 January 2006 should be the latest date. Earlier adoption should be strongly encouraged.	ICAI	
213.	Q (f)	Early adoption of the Code should be permitted since Section 8 comes into force on December 31, 2004 and International Standards on Auditing (which are predicated on compliance with the Code) are to be applied in Europe by 2005. Otherwise, we feel that an adoption date of January 1, 2006 for the proposed revised Code is appropriate.	IDW	
214.	Q (f)	CIMA believes it could meet the proposed implementation date of 1 January 2006.	CIMA	
215.	Q (f)	Yes, the implementation date has no problems	INCP	

216.	Q (f)	We feel that this is an unnecessary delay in implementation of the Code and would instead suggest a date of January 1, 2005. This should still give time for all members to bring the Code into force.	LSCA	
217.	Q (f)	The implementation date for Section 8 of the Code on Professional Independence remains - this section is applicable to assurance engagements when the assurance report is dated on or after 31 December 2004. In view of this, the implementation date of 1 January 2006 for the revised Code (other than Section 8) is appropriate, provided that the Code is issued by IFAC by early January 2004. This would give member bodies a full two years to implement the Code.	MIA	
218.	Q (f)	We believe the implementation date is appropriate. However we believe that earlier implementation should be encouraged.	DNR	
219.	Q (f)	It was felt that the proposed implementation date of 1 January 2006 was appropriate but that earlier adoption by member countries should be encouraged.	SAICA	
220.	Q (f)	As to the implementation date, we believe that that date is quite generous and would certainly not be in favour of any later date. If practicable, consideration might be given to bringing this forward to say 1 July 2005, assuming the Code is finalised in the first half of 2004.	PwC	
221.	Q (f)	Yes	FAR	
222.	Q (f)	Concerning the Code of Ethics, we think that the application should be immediate, as there should not be practical difficulties in the implementation of fundamental principles.	CNCC	
		Definitions		
223.	General	We underline the need for consistent definitions in all documents issued by IFAC be it standards on auditing (ISA) by the IAASB or the Code of Ethics, including Section 8 on independence. We recognise that some of the definitions are exclusive to Section 8 and may therefore not be easy to change. Below, we list some examples of inconsistencies:	FEE	

224.	General	It is crucial that definitions be both precise and clear. We are extremely concerned with the definitions because a number of these appear ambiguous; there is inapt use of terminology and instances of terms which do not accord with terms used by IFAC elsewhere. In general, from a technical point of view, the definitions have not been well drafted. We would like to draw IFAC's attention to the following: Proposed definitions which are ambiguous	IDW	
225.	Assurance engagement:	The definition of 'assurance engagement' should as far as is possible tie in with final standard on Assurance Engagements. The definition may nevertheless, need to include some explanation regarding its scope insofar as it relates to the Code. ACCA appreciates that the Code does not take instruction from IAASB and the Ethics Committee will consider any changes to definitions, but a common definition would aid clarity.	ACCA	
226.	Assurance engagement:	it should be noted that the definition which is used for assurance engagement would need to be updated for the result of the exposure draft on assurance engagements: Proposed "international Framework for Assurance Engagements" and may need to include some explanation regarding the scope of the Framework.	CNCC	
227.	Assurance engagement:	This would include an engagement in accordance with the International Standard on Assurance Engagements issued by the International Auditing and Assurance Standards Board or in accordance with specific standards for assurance engagements issued by the International Auditing and Assurance <u>Standards</u> Board such as an audit or review of financial statements in accordance with International Standards on Auditing.	D&T	

228.	Assurance engagement:	<p>this definition needs to be updated for the results of the ED on Assurance Engagements: Proposed “International Framework for Assurance Engagements” and may need to include some explanation regarding the scope of the Framework. We would like to emphasise the critical importance of a clear definition of assurance engagement, as otherwise the risk of inadvertent breach of the IFAC independence code, through a misunderstanding, will be high. Therefore, to demonstrate compliance with independence requirements, it is vital that all non-audit assurance clients are identified and tracked, so as to avoid taking on as an assurance client one for which a firm has previously undertaken conflicting non-assurance work, and to prevent such work being taken on in the future, at least until the assurance engagement is completed. Thus in addition to audit clients, there is a need to manage independence very carefully for all non-audit assurance clients. In this respect we refer also to our comments on the scope of the assurance engagement in our letter of 30 June 2003 on Assurance Engagements, Proposed “Implementation Framework for Assurance Engagements” and Proposed ISAE 2000 “Assurance Engagements on Subject Matters other than Historical Financial Information”. (We enclose a copy for your information) Moreover there is the challenge of translation of the very complex description or definition of assurance engagement in the proposed revised Code of Ethics.</p>	FEE	
229.	Assurance engagement:	<p>The definition of ‘Assurance engagement’ and other related definitions should be modified or amended in line with the definition of similar terms in the Exposure Draft on the Proposed International Framework for Assurance Engagements, once the Proposed International Framework for Assurance Engagements is finalised and issued.</p>	MIA	

230.	Audit Engagement Assurance Engagement and Assurance levels	<p>These proposed definitions refer to the provision of both high and moderate levels of assurance. These terms can be interpreted as representing absolute rather than relative levels of assurance. In contrast, ISA 220(8), which was approved by the IAASB in October 2003, states “an audit in accordance with ISAs is designed to provide reasonable assurance that the financial statements taken as a whole are free from material misstatement.” Furthermore, the Proposed International Framework for Assurance Engagements identifies both reasonable-assurance engagements and limited-assurance engagements.</p> <p>The proposed definitions in the draft Code of Ethics do not state to whom the assurance is provided or for whom obtained and therefore from whose perspective it should be considered as high or moderate (i.e. to the information user as the level of assurance given by the auditor, or alternatively by the auditor as the level of assurance obtained in the audit). In the proposed definition of Audit Engagement reference is made to the Standards issued by the IAASB but the terminology is not consistent. Reference should be made to the ED Proposed “International Framework for Assurance Engagements”.</p>	IDW	
231.	Assurance team:	Similarly, it would also be helpful if there is a common definition of ‘assurance team’. Currently, the Code considers ‘those who provide quality control for the assurance engagement’ to be part of the assurance team. This is not the case insofar as ISA 220 is concerned. Again, a common definition would aid clarity.	ACCA	
232.	Assurance team:	Assurance Team – should the part (a) definition refer to “all professionals participating” or to “all professional accountants participating...”.	AAB	

233.	Assurance team:	<p>Assurance team</p> <p>(a) All professionals participating in the assurance engagement;</p> <p>(b) All others within a firm who can directly influence the outcome of the assurance engagement, including:</p> <p>those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement. For the purposes of an audit engagement this includes those at all successively senior levels above the lead engagement partner through the firm's chief executive; those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and those who provide quality control for the assurance engagement; and---</p> <p>Our concern is in the phrase "including:</p> <p>those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement"</p> <p>We are of the view that it should not only include those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner alone but also those who recommend the compensation of, or who provide direct supervisory, management or other oversight of other members of the engagement team in connection with the performance of the assurance engagement</p>	ICPAK	
234.	Assurance team:	this definition is not in line with ISA 220 on quality control.	CNCC	
235.	Assurance team:	Assurance team: this definition is different from ISA 220 on quality control. There may prove to be sound reasons for different definitions but these should be made clear. Ideally, the IAASB should be prevailed upon to consider whether their definition could be brought in line.	FEE	
236.	Assurance team:	This definition is very broad; it explicitly encompasses the chief executive officer of the firm, who would be a member of all assurance teams on all assurance engagements. The responsibility for identifying specific threats in all assurance engagements cannot be borne by the chief executive officer of a large firm. To a lesser extent, the same goes for other senior levels of management, e.g. those that supervise the assurance engagement partner's compensation. For practical reasons, we suggest to stop at the partner in charge of the engagement.	Group from NL	

237.	Assurance team:	In addition to our comments above concerning ISA 220 we would like to point out that this definition refers to the participation of “all professionals”. It should be clarified that the term “professionals” refers to all those engaging in professional activities, regardless of whether or not they bear a professional title. In our view, the term used ought to be “engagement team” unless the Code is specifically addressing only audits of financial statements (in which the term ought to be “audit team”) because some engagements do not involve the acquisition of assurance (e.g., related services engagements or consulting engagements).	IDW	
238.	Audit Client	The word client is imprecise, as it could represent the engaging party, the appointing party, the responsible party, or the user who may or may not be one of the others. Hence, the term “client” should not be used.	IDW	
239.	Directors and officers	We are concerned that the proposed definition as “those charged with governance” may be open to misinterpretation. It is not clear whether legal representatives of the entity are included in the definition. In those jurisdictions where a supervisory board exists there could be confusion. In Germany, those charged with governance are termed the “supervisory board”, whilst the “directors and officers” are those which legally represent the entity in its day-to-day transactions. To cover those individuals legally empowered to act on behalf of an entity the term Directors and officers should exclude those charged with governance and be ex-tended to read “directors, officers or partners”.	IDW	
240.	Office	The definition as drafted begs the question: A sub-group of what? As such it is meaningless. We suggest “a permanent establishment of a firm based on geographical or practice lines” as an alternative.	IDW	
241.	Professional services & Client monies	Two terms that are contained in the current list of definitions in the Code appear to have been omitted from the proposed list of defined terms. Those terms are “professional services” and “client monies.” We recommend that they be included when finalizing the revised Code as those terms are used in various parts of the Code and would be useful to the users	AICPA	
242.	Professional accountant	There are many references to the “professional accountant” but in some places certain safeguards applicable to the “professional accountant” are also applicable to the “firm” which is not otherwise (and rightly should not be) included in the definition of “professional accountant”. The Code covers “firm” safeguards in Part B, but additional references, as appropriate to the firm in certain sections of the Code may be helpful.	E&Y	
243.	Professional accountant	The term person is meaningless unless it itself is defined. It is not clear whether an individual is meant or a legal person or both.	IDW	

244.	Professional accountant in public practice	<p>The term “professional accountant in public practice” is defined in the Code as:</p> <p>Each partner or person occupying a position similar to that of a partner, and each employee in a practice providing professional services to a client irrespective of their functional classification (<i>e.g.</i>, audit, tax or consulting) and professional accountants in a practice having managerial responsibilities. This term is also used to refer to a firm of professional accountants in public practice.</p> <p>While we understand that this definition has not been revised, we believe it can be improved by deleting the phrase “<i>and professional accountants in a practice having managerial responsibilities.</i>” Specifically, we believe that all appropriate individuals are captured under the phrase, “<i>each partner or person occupying a position similar to that of a partner, and each employee in a practice providing professional services to a client irrespective of their functional classification (e.g., audit, tax or consulting)</i>” and therefore find the inclusion of these additional individuals with “managerial responsibilities” to be confusing and unnecessary.</p>	AICPA	
245.	Professional accountant in public practice	<p>Professional accountant in public practice</p> <p>The definition in the draft is:</p> <p>Each partner or person occupying a position similar to that of a partner, and each employee in a practice providing professional services to a client irrespective of their functional classification (<i>e.g.</i>, audit, tax or consulting) and professional accountants in a practice having managerial responsibilities. This term is also used to refer to a firm of professional accountants in public practice.</p> <p>The questions arising from this definition is whether the phrase;</p> <p>“and each employee in a practice providing professional services” refers to the employee or the practice providing professional services. If reference is to the employee, the definitions then assumes that services other than audit will always be provided by persons who are qualified accountants which is not the case in many countries. In Kenya for example, employees of professional firms need not be accountants if they are providing services other than audit. Even where they are part of an audit engagement team they need not be qualified accountants and therefore may not be members of our Institute.</p> <p>We propose the phrase to read as follow.</p> <p>“ Each partner or person occupying the position similar to that of a partner and each employee of a practice who is a member of a member body irrespective of---</p> <p>-----</p>	ICPAK	

246.	“firm” and “Professional accountant in public practice”	It is not clear from the definitions of “firm” and “professional accountant in public practice” whether they are intended to be applicable to public sector auditors. we consider that the requirements of part b should be applicable to public sector auditors and that the definitions of “firm” and “professional accountant in public practice” should be amended to make this clear.	CAGNZ	
247.	Professional accountant in public practice	This definition is deficient for a number of reasons. Firstly, we assume that person means individual in this context; it is not entirely clear. Secondly, the term partner is not defined elsewhere in the Code; this term has been defined most recently in ISQC 1 and this definition could equally be applied here. Thirdly, reference to client should be to third parties outside of the firm. Lastly, the wording in the second line “each employee in a practice providing professional services to a client...” is ambiguous. It is entirely unclear as to whether the description “providing professional services to a client” relates to the employee or to the firm (employer). We assume that the former is intended, but recommend that all confusion be avoided whenever possible and that the wording of this definition be amended to read “Every partner or individual occupying a position similar to that of a partner within a firm, and every employee performing professional work in a firm, that provide professional services to a third party outside of that firm, irrespective of their functional classification....”.	IDW	
248.	Firm	We consider the definition of “firm” in the current IFAC Code of Ethics to be seriously deficient and, as included in our comment letter to the IAASB regarding ISQC 1 and ISA 220, and our comment letter to IFAC regarding the proposed SMOs the definition of (b)“Firm” is not precise enough to take into account all circumstances in which professional accountants may use the name of an entity in the issuance of an assurance or related services report. For example, given the desire of the IAASB to incorporate the considerations with respect to government auditors (INTOSAI), we believe the definition should be more generic to cover all of the circumstances that might be encountered in practice. Furthermore, in Germany there are associations of auditors in whose name audit reports are issued that are not sole practitioners, partnerships or corporations of professional accountants. For the purpose of ISQC 1 we suggested the following definition of firm: “any entity in whose name an assurance or related services report is issued or other professional services are performed”. For the purposes of the Code, we suggest that this definition be adapted as follows: “any entity in whose name a professional service is performed”.	IDW	

249.	Firm and practice	<p>The definition of “practice” is almost identical to paragraph (a) of the definition of “firm”.</p> <p>Use of the term “firm” consistently throughout the document rather than using both “firm” and “practice” would make the document more readable and easier to understand.</p> <p>The PPB recommends that the words “which offers professional services to the public” be added to the end of paragraph (a) of the definition of “firm”, that the definition of “practice” be deleted and that all references to “practice” be replaced by “firm”.</p>	ICANZ	
250.	Network Firm	The last part of the definition of ‘Network Firm’ should read “as part of the <u>network</u> nationally or internationally”. This was, we believe, an error in the original drafting.	PwC	
251.	Professional accountant in business	<p>A professional accountant employed in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies.</p> <p><i>Should not this definition be “ A professional accountants not in public practice” instead of attempting to provide the details which may not be exhaustive?</i></p>	ICPAK	
252.	Professional accountant in business	The definition of professional accountant in business refers to accountants ‘employed’. It might be helpful to clarify that this includes accountants engaged in an executive or non-executive capacity in the various areas listed.	ICAEW	
253.	Professional accountant in business	In our opinion, the use of a negative definition is preferable. For example, “A professional accountant not in public practice”. Adoption of this definition would en-sure that no professional accountant could be excluded from either Part A or Part B of the Code.	IDW	
254.	Professional accountant in business	The definition of a professional accountant in business should include accountants engaged in an executive and non-executive capacity.	CIMA	
255.	Professional accountant in business	We are of the opinion that the definition needs more clarification. For instance, we do not think the definition makes it clear whether professional accountants who are teachers of college on contract base are included in this definition.	JICPA	

256.	Listed Entity	We are of the opinion that the proposed definition of listed entity may not encompass all situations where special accounting or other legal requirements may exist with respect to the public offering or trading of securities. The proposed definition is deficient because it does not cover derivative securities or the public offering or trading of securities where such offering or trading is subject to securities regulation but not an exchange or equivalent body. We suggest that the definition be extended and recommend the following wording "any entity that has issued, or has specific intentions to issue, financial instruments that are intended to be quoted, listed or traded on a recognized stock exchange, offered or traded under the regulation of a recognized stock exchange or other equivalent body, or are subject to securities regulation over their public offering or trading". We made the same recommendation to the IAASB in our comment letter dated August 27, 2003 in respect of the exposure drafts of the proposed International Standard on Quality Control 1 and the Proposed Revised International Standard on Auditing 220.	IDW	
257.	Practice:	the definition should refer to public practice.	FEE	
258.	Publicity:	we question whether a definition is needed. The definition provided is not helpful	FEE	
259.	Independence	Independence - as a result of the changing environment regarding audit independence, the Australian position is still in a state of flux. It has been indicated by Treasury, that our current definition of independence (adopted from IFAC Section 8) may require amendment. We would therefore flag this as an on-going issue in the Australian environment and would welcome the opportunity to provide input into any revision of Section 8 in the future.	AAB	

260.	Independence	<p>If the IFAC Ethics Committee accepts the proposition that independence is a fundamental principle, it follows that the definition of independence in the Code will need to be amended. This is because, currently, independence only applies to assurance engagements under Section 8 of the Code.</p> <p>Independence is defined in the Code as:</p> <ul style="list-style-type: none"> (a) <i>Independence of mind – the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism; and</i> c) <i>Independence in appearance – The avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude a firm's, or a member of the assurance team's, integrity, objectivity or professional scepticism had been compromised.</i> <p>An amended independence definition would require a review of both “independence of mind” and “independence in appearance” – to broaden the definition to encompass the work of all professional accountants whether they be in public practice or in business.</p> <p>The definition of “independence of mind” is currently limited to work involving “the provision of an opinion”. An amended definition would involve extending the notion of “independence of mind” to apply to all professional accountants.</p> <p>The definition of “independence in appearance” appears to be limited to “firms” (as providers of assurance engagements) and to “a member of the assurance team”. An amended definition of “independence in appearance” could be derived from paragraph 1.20 of Part A of the Code and paragraph 1.13 of Part B of the Code which requires the professional accountant to consider “... <i>what a reasonable and informed third party, having knowledge of all relevant information, including the significance of the threat and the safeguards applied, would reasonably conclude to be unacceptable</i>”.</p> <p>Such an amendment would result in a consistent definition of “independence in appearance” applying throughout the Code and would address our concern that independence is a fundamental principle that has application to all professional accountants – not just those professional accountants and firms who are involved with assurance clients.</p>	CAGNZ	
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261.	Independence	We would suggest to use the term ‘professional independence’ instead of the word ‘independence’. The definition of independence is two-tier: Independence in mind and in appearance. The first tier is clear – a reference to a state of mind whilst the second tier is very vague and quite useless. Professional independence is about acting with integrity and exercising objectivity and professional scepticism to the best of our ability. It is not about avoidance of significant facts and circumstances. In this respect, no safeguards can help us when we put our act together our behaviour follows. We must first know what to do and then we will know how to do it.	CPA Aus. Malaysia	
262.	A spouse (or equivalent)	A spouse (or equivalent) or dependent. <i>What does “equivalent” mean in this definition</i>	ICPAK	
263.	Close family:	it needs to be clear that this should be based on information the professional accountant can be reasonably expected to be aware of.	CNCC	
264.	Close family:	Close family: it needs to be clear that this should be based on information the professional accountant can be reasonably expected to be aware of.	FEE	
265.	Close family:	It is unclear whether the adjective non-dependent relates to only the child or also to the sibling. How are stepparents addressed? Our concern is that in some circumstances and cultures it may be appropriate to widen this definition, or to add a supplementary definition to encompass close non-family relationships that entail frequent or regular social contact, which also pose an actual or perceived threat to independence. Presently, the national Codes or their counterparts of most major jurisdictions do include, or are currently being updated to include more stringent criteria and so, in our view, it would be entirely appropriate for the IFAC Code to stipulate a wider scope in respect of this requirement. Additionally, this definition should be based on information of which the professional accountant can reasonably be expected to be aware.	IDW	
266.	Immediate family	The position of ex-spouses, live in partners etc. is not adequately dealt with in the current definition. Where does the term dependent start? Does IFAC mean financial independence or are other factors included?	IDW	
267.	Related entity:	in combination with the definition of audit client this seems to imply that related entities are only to be included for listed companies. We would rather like to refer to the position taken in the EU Recommendation on auditor independence where the term “affiliate” includes any undertaking, regardless of its legal form, which is connected to another by means of common ownership, control or management.	CNCC	

268.	Related entity:	in combination with the definition of audit client this seems to imply that related entities are only to be included for listed companies. As far as statutory audit is concerned we would prefer the position taken in the EC Recommendation on Auditor Independence in relation to statutory audit of financial statements where the term “affiliate” will include any undertaking, regardless of its legal form, which is connected to another by means of common ownership, control or management. The text would need to make clear that this would only apply for statutory audit clients and not for non-audit assurance clients. It is not our intention to widen the scope of independence requirements for non-audit assurance clients beyond the requirements already established in the IFAC Code of Ethics.	FEE	
269.	Related entity:	The definition of audit client includes the thought that where the audit client is a listed entity, the term will always include its related entities. We see no reason for this distinction to be made in respect of listed entities alone. In our view an entity related to the entity in question would be any entity that is 1. under the common control of or subject to common significant influence by a third entity, 2. under the control of or subject to significant influence by the entity in question, 3. controlled by or under the significant influence of the entity in question. An entity, in this sense, would include an individual, group of individuals or organization.	IDW	
270.	Related entities Assurance client	We believe that there are some cases where related entities of an “assurance client” should also be regarded as assurance clients. We wonder if limiting the scope of assurance clients would cause some problems. Contrary to this exclusion, the proposed definition clearly states that “audit client will always include its related entities.”	JICPA	
271.	Receiving accountant	<u>[The receiving accountant may receive the referral from other than an existing accountant or client. Is this intended to cover successor accountants? If so, it should be broadened.]</u>	D&T	
272.	Receiving accountant	this term is not used in the Code (Part B - Section 4) - only “Existing Accountant” is used, so there is no need for this definition.	E&Y	
273.	Receiving accountant	according to the definition an external consultant is meant. Therefore it would be helpful if the receiving accountant could be renamed “external consultant”.	FEE	
274.	Receiving accountant	Why does this definition attempt to list services? Unless this list is all-encompassing (which it isn’t: what about agreed-upon procedures engagements and assurance engagements), the principles-based definition should suffice: “... has referred professional services ...”.	IDW	

275.	Objectivity	is defined in the Definitions and addressed under the fundamental principles in Part A.. However, the other fundamental principles are also addressed in Part A but not defined in Definitions. The Objectivity definition should be directly incorporated in the fundamental principles.	E&Y	
276.	Objectivity	While on the subject of objectivity, having a separate and differently worded explanation in the definitions section is unhelpful: this should be deleted.	ICAEW	
277.	Objectivity	the definition provided here is not in line with the definition in Part A, paragraph 1.14. It can also be questioned why objectivity would need to be defined being one of the key principles, and for example “integrity” not. We believe that the principles should not be repeated in the definitions section since they are fully covered in the main text.	FEE	
278.	Objectivity	Objectivity is state of mind in which an individual weighs all facts and circumstances in a fair and neutral manner and attempts to eliminate subjective factors before reaching a reasoned judgment. Objectivity may be improperly influenced by lack of impartiality, but it is possible for an individual to be objective yet partial, in that the individual recognizes his or her own impartiality: that is, the individual may consciously choose not to apply the conclusions objectively reached. We fail to understand how intellectual honesty is a factor in objectivity, perhaps the Code is referring to self-delusion. The relationships in Part A Section 3 are not correctly depicted: From a technical point of view, objectivity is threatened by a lack of neutrality, or bias, which results from subjectivity or prejudice; the latter in turn results from undue influence, conflict of interest or lack of impartiality in the reasoning process. Furthermore, Section 3 does not make clear that complete objectivity is not attainable.	IDW	
279.	Definitions not addressed professional service	The definition of professional service versus other kinds of service has not been addressed. Which services entail the application of professional judgment, and which constitute purely commercial or gratis services? We refer to the FEE issues paper mentioned above. For example the provision of printing or photocopying services do not constitute professional services. As noted above, we also suggest that the term “partner” be defined.	IDW	
280.	‘Professional Services’ & ‘Client Monies’	The definition of ‘Professional Services’ and ‘Client Monies’ in the existing code may need to be re-instated.	PwC	

281.	Ethical Conflict	Paragraph 1.21 of Part A does not define what is meant by an ethical conflict. As the responsibilities of a firm and an individual are not the same, we suggest that IFAC should explain this matter. For example, a firm has the responsibility to set guidelines, whilst the individual has the responsibility to apply them. The concept of these two levels of responsibility has not been addressed.	IDW	
282.	Ordering of Def'n	The intended alphabetic sequencing of the definitions requires minor re-ordering.	PwC	
		Parts A, B & C		
283.	Safeguards	When showing any examples of safeguards, it should be clearly stated whether all of those conditions must be met or meeting any one of those is enough. When an appropriate combination of some of the examples is necessary, it should be clearly stated as well.	JICPA	
		Part A		
284.	General	We also concur that the structure of the <i>Proposed Revised Code of Ethics for Professional Accountants</i> is both understandable and useable. Further, we concur that the explanation of the framework approach is sufficiently clear and that the fundamental principles are sufficiently articulated. The structure and related explanations will serve to facilitate the implementation by member bodies and firms of high quality standards for ethical requirements. We would recommend the following changes to Part A, <i>All Professional Accountants</i> :	Grant Thornton	
285.	General	When discussing clients or employers, it is notable that they are always listed in part A in that order. This is perhaps a small point, but has been noticed by members in business, adding to the perception (see above) of a practice-orientated code. Because of the repetition of aspects of A in C, the issue also appears in C1.2c. Similarly, it would be helpful to have a business-related safeguard in A1.11.	ICAEW	
286.	General	Part A is too practice orientated and should use language equally applicable to business members.	CIMA	
287.	1.2	Given our comments about the need to avoid giving overly detailed guidance in the Code, we also recommend that member bodies should not unduly be encouraged to prepare “detailed” local ethical guidance, as might be conceived by this paragraph. Emphasis should be given o the “principles”.	PwC	

288.	1.6	<p>Consider balancing the proposed statement by emphasising that the distinguishing mark of the profession is the joint obligation to the client, firm, employer and to the public.</p> <p>Proposed alternative:</p> <p>After the first sentence, delete the second sentence and replace with:</p> <p>“Professional Accountants must at all times safeguard the interests of their clients and employers provided that they do not conflict with the duties and loyalties owed to the community and its laws”.</p> <p>Plus consider re-instating paragraphs 10 to 12 from the existing IFAC Code of Ethics by way of explanation.</p>	AAB	
289.	1.6	<p>We agree that it is the responsibility of professional accountants in practice to act in the public interest. However the responsibility of members in business is primarily to serve the needs of their employers. We suggest consideration be given to deleting this paragraph from part A and including it in Section 1 of Part B, reworded to exclude reference to “employer”. Similarly, paragraphs 1.7 and 1.8 might be more appropriately located in Section B.</p>	CICA	
290.	1.6	<p>The distinction between audit client, non-audit assurance client or non-assurance client is very useful. Further developing and illustrating the distinction as to how the nature and significance of the threats may differ when addressing examples of threats and safeguards would be useful guidance.</p>	E&Y	
291.	1.6	<p>The words “or him- or herself” should be added to paragraph 1.6 of Part A, accordingly the word “or” before employer should be deleted.</p>	IDW	
292.	1.6 & 1.7	<p>Both paragraphs are widely drawn and could imply a very wide obligation owed by accountants to “the public interest”, opening up issues of liability. We suggest (1.6) “the distinguishing mark of the accountancy profession is it’s acceptance of the responsibility <i>not to act against</i> the public interest”, (1.7) “ The public interest is ... and others who the <i>professional accountant reasonably expects will rely</i> on his or her work”, and (1.8) “... <i>not act against</i> the public interest”.</p>	E&Y	
293.	1.6	<p>The November 2001 version included a more detailed discussion of the role of the public interest and how this underlies the existence of the profession. Since serving the public interest is the underlying purpose of articulating and adhering to a Code of Ethics, we feel the more detailed discussion should be retained (paragraph 9 through 13).</p>	CGA	

294.	1.6 to 1.8	Sections 1.6 through 1.8 address the concept of the public interest. To comply with applicable local laws or regulations, we believe that the phrase, “to the extent permitted by law or regulation” should be added to the end of the sentence in Section 1.7. As you may be aware the laws or regulations in certain countries consider the concept of the establishment of privity between parties, including between professional accountants and the community of people and institutions the professional accountant serves. The addition of the phrase would consider those laws or regulations in defining the community of people and institutions to which a professional accountant owes a responsibility to act in the public interest.	Grant Thornton	
295.	1.6 to 1.8	<p>We are concerned about the implications of these paragraphs. We would prefer not to see the public interest defined in such sweeping terms and ideally would prefer to see 1.7 deleted entirely. If the public accountant is stated to have an obligation to act in the interest of such a diverse array of parties, it is a small step to conclude that the public accountant should therefore owe a duty of care to virtually anyone who may read the accountant’s report and choose to rely on it for some purpose or another. This is not reality and is dangerous for the profession. With respect to so-called “general purpose” financial statements, the courts in a number of countries have already determined that as a matter of public policy it is unreasonable for the accountant, with respect to his opinion on those statements, to have an indeterminate liability to an indeterminate class of user for an indeterminate period of time. Special purpose audit engagements almost invariably specify the intended user group and the intended purpose to which the statements may be put.</p> <p>“Well-being” is a very broad term and could be considered to include matters beyond the capacity of the accountant to influence.</p> <p>If, however, para 1.7 is retained, we believe it is important to amend the wording along the following lines to properly clarify the accountant’s role:</p> <p>“The public interest is considered to be the collective well-being of the community of people and institutions that the professional accountant may serve, including clients, lenders, governments, employers, employees and business and financial community and others, insofar as within the competence of the professional accountant to influence and in so far as they are entitled to rely on the work of the professional accountant”.</p>	PwC	

296.	1.7	<p>We recommend the following revision to paragraph 1.7 to clarify that the professional accountant should only be held responsible to those individuals who he or she can <i>reasonably expect</i> would rely on his or her work:</p> <p>The public interest is considered to be the collective well-being of the community of people and institutions the professional accountant serves, including clients, lenders, governments, employers, employees, investors, the business and financial community and others who <i>the professional accountant reasonably expects will rely on his or her</i> the work of professional accountants.</p>	AICPA	
297.	1.7	<p>The public interest is considered to be the collective well-being of the community of people and institutions the professional accountant serves, including clients, lenders, governments, employers, employees, investors, the business and financial community and others who <u>the professional accountant reasonably expects will rely on the his or her</u> work of professional accountants</p>	D&T	
298.	1.7 Editorial	Part A, paragraph 1.7 the word “is” should be changed to “could be”.	FEE	
299.	1.7	<p>The ED makes, or at least carries forward, an attempt to define the public interest, something that has defied many commentators in the past. The current code actually uses the phrase ‘is defined as’ which given the multitude of variations possible, seems over-presumptive. The ED changes this to ‘is considered to be’ but that still seems very prescriptive. Perhaps ‘could be considered to be’ might be more appropriate.</p>	ICAEW	
300.	1.7	We would prefer to include a more narrow definition of public interest in paragraph 1.7 of part A (in particular the term well-being).	NivRA	
301.	1.10	<p>Suggested addition to the middle of para 1.10</p> <p>“.....A conceptual framework that requires professional accountants to identify, evaluate and address threats to compliance with the fundamental principles, rather than merely comply with a set of specific rules which may be arbitrary, <i>forms a good basis for adopting a risk management process which ultimately benefits the public.</i>”</p>	AAB	

302.	1.10	The framework approach requires professional accountants identify, evaluate and address threats to compliance with the fundamental principles. Where threats are identified that are other than clearly insignificant, it then requires the professional accountant to apply safeguards to eliminate the threats or reduce them to an acceptable level. Many of the safeguards that are suggested are not ones that a professional accountant can apply; they are safeguards that already exist in the environment in which the professional accountant practices or is employed. Therefore, we believe this paragraph should be reworded to require the professional accountant to either identify pre-existing safeguards or identify and apply other safeguards that will eliminate the threats to compliance with the fundamental principles or reduce them to an acceptable level.	CICA	
303.	1.10 Editorial	Part A, paragraph 1.10, second sentence to read: “It is impossible to define every situation that creates such threats and specify the mitigating action.”	FEE	
304.	1.10 1.11 & 1.12	Paragraphs 1.10, 1.11 and 1.12 of Part A should be amended to refer to safeguards which should be both appropriate and effective. The word necessary is then not required.	IDW	
305.	1.11	If they cannot implement appropriate safeguards, they <u>should</u> either <u>decline or discontinue</u> the specific professional service involved, or consider resigning from the client or the employment organization	ICPAS	
306.	1.11	Professional accountants should take qualitative as well as quantitative factors into account when considering the significance of any potential threat. If they cannot implement appropriate safeguards, they should either—decline or discontinue the specific professional service involved, or consider—where necessary, resigning from the client (in the case of professional accountants in public practice) or the employing organization (in the case of professional accountants in business). <u>[For an explanation of our view on this suggested change, see paragraph 1.4 of Part B.]</u>	D&T	
307.	1.12	At paragraph 1.12 of Part A there is a discussion on inadvertent violations of the Code. ACCA believes a fuller analysis of the situations where this can occur is required. For example a breach of confidentiality is a breach whether inadvertent (which would imply a lack of due care) or on purpose (which would imply a lack of integrity). Merely attempting to adapt a Section 8 situation does not work.	ACCA	

308.	1.12	This paragraph discusses an inadvertent violation of a provision of the Code. We believe that not all provisions of the Code are susceptible to inadvertent violations. For example, it is difficult to conceive of an inadvertent violation of the principle of integrity. We recommend that inadvertent violations of the Code be discussed within the specific examples where such a violation could be corrected.	CICA	
309.	1.12	Paragraph 1.12 of Part A relates to inadvertently violating the Code. The last sentence of this paragraph: “if that happens, depending on the nature and significance of the matter, it may not compromise compliance with the fundamental principles as long as, once the violation is discovered, its effect is evaluated promptly, corrected when appropriate and any necessary safeguards are applied.” is unclear. A comprehensive analysis of the situations where this can occur is required rather than merely attempting to adapt a section 8 situation.	CNCC	
310.	1.12	We believe there should be a general and permanent obligation for the professional accountant to identify and evaluate threats to compliance with the fundamental principles. The proposed text only requires the professional accountant to evaluate any threats when the accountant knows or could reasonably be expected to know of circumstances that might compromise compliance with the fundamental principles. We believe this to be too narrow.	Basel Committee	
311.	1.12	Paragraph 1.12 of Part A relates to inadvertently violating the Code. The last sentence of this paragraph: “If that happens, depending on the nature and significance of the matter, it may not compromise compliance with the fundamental principles as long as, once the violation is discovered, its effect is evaluated promptly, corrected when appropriate and any necessary safeguards are applied.” is unclear. An explanation of the situations where this can occur, is required rather than merely attempting to adapt a Section 8 situation. Some principles cannot inadvertently be violated, only consciously.	FEE	
312.	1.13 (and Part C 1.8)	Examples are not intended to be complied with. This would read better as follows: “Consequently, it is not sufficient for professional accountants merely to consider the examples presented; rather they should apply the principles to the particular circumstances they encounter”.	PwC	
313.	1.14	Suggest paragraph to stress the mandatory nature of the fundamental principles. For example: “All professional accountants are required to comply with the following fundamental principles”	AAB	

314.	1.14	The principle of confidentiality prohibits the sharing of confidential information with third parties. The principle should make it clear that ‘third parties’ includes others within the professional accountant’s firm who are not associated with the particular engagement to which the confidential information relates.	CICA	
315.	1.14	Paragraph 1.14 of Part A and other paragraphs of the Code refer to business judgement, professional and business judgement at various instances. We consider it important that where judgement is exercised the accountant should adequately document his decision so that the judgement can be objectively reviewed. The explanation in paragraph 1.14(b) Objectivity would be more useful if it were to read: “professional judgment when performing professional and business activities”.	FEE	
316.	1.14	Part A, paragraph 1.14 (e) describes professional behaviour as compliance with relevant laws and regulations together with the avoidance of any action that discredits the profession. In our opinion this does not go far enough, as IFAC has not taken account of professional standards or guidance among others. We consider that compliance with the following constitutes professional behavior: legislation or statutes, regulations or other statutory instruments, administrative rules, court decisions, contractual agreements and constructive obligations, codes of professional or industry conduct, professional or industry standards, the (employing) organization’s codes of conduct, the organization’s programs, policies and procedures, and community standards (e.g., what is acceptable conduct in one community may not be so in another). Furthermore, the threats identified in paragraph 1.15 all relate to Objectivity; threats to the other principles are not addressed.	IDW	
317.	1.14	In paragraph 1.14 insert after contracts “or presentation of financial information by controlling relations with auditors or other oversight bodies.”	CIMA	
318.	1.14	Fundamental Principles - the explanation for Professional Behaviour in paragraph (e) of Section 1.14 to Part A should be extended to read as follows: “A professional accountant should comply with relevant laws, regulations <u>and professional standards</u> and should avoid any action that discredits the profession”. Compliance with professional standards is a fundamental aspect of professional behaviour and should therefore be included in this paragraph. Other parts of the Code should be accordingly amended, for example, paragraph 6.1 in Section 6 of Part A.	MIA	

319.	1.14	We would advise that the Code include recognition of the oversight and regulatory role of the licensing authority in the country in which one offers professional services. As accountants participate in more international engagements, the importance of their being in compliance with local laws cannot be overstated. This would fall under the fundamental principle of “Professional Competence and Due Care” - Part A , 1.14 c. To clarify that point, the “Definitions” section should contain an entry for “regulatory body,” which is the governmental body that licenses and oversees the competence of professional accountants. In the US, only the state boards of accountancy can issue or revoke a license to practice public accountancy.	NASBA	
320.	1.14	Paragraph 1.14 of part A sets out certain fundamental principles, which are applicable to all professional accountants. In our view, also taking into account part C, it should be considered whether the principles of objectivity and confidentiality are applicable to professional accountants in business without any constraints. As an example we note that part C, paragraph 7.1 could also allow disclosure of confidential information to the extent that this is suitable taking into account the role and tasks of the accountant in question.	NivRA	
321.	1.14 (and Section 5)	Confidentiality is defined entirely in terms of “third parties” being neither the party to which the information pertains, nor the accounting firm. However, there is also an obligation to maintain confidentiality within the firm, where necessary – e.g. one client engagement team should not be swapping confidential client information with the team on another client in the same industry. This is not the same as sharing general know-how. We question whether internal confidentiality needs to be discussed as well.	PwC	
322.	1.14 (c)	<i>Professional Competence and Due Care</i> A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives the advantage of competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards in all when providing professional services and business relationships.	D&T	

323.	1.14 (e)	<p>We suggest to describe professional behaviour in paragraph 1.14 (e) of part A as follows: A professional accountant should act according to his professional responsibilities and in accordance with the values of his profession.'</p> <p>In the Netherlands both internal auditors and public sector auditors are members of Royal NIVRA and NOvAA and would therefore qualify as professional accountants under the Code of Ethics. These substantial groups of members are not specifically dealt with in the Code. We strongly suggest to clarify the respective positions in the Code, preferably by introducing separate parts in the Code.</p> <p>Internal auditors in the Netherlands focus on performing operational audits and/or financial audits, on the basis of an assignment by the Board of their employer. Their position is clearly defined in present professional rules. In particular there are stringent rules regarding professional competence and due care.</p> <p>Public sector auditors are employed by the government and municipalities. Auditor's opinions provided by public sector auditors are in a substantial number of cases to be provided to relevant supervisory bodies and are made public as a result. This practice is acknowledged in law and by professional rules. The professional rules cover the aspect of professional competence and due care. We suggest to include separate parts in the Code of Ethics to adequately describe the rules applicable to these two categories. As an example profit related bonuses should be forbidden for internal auditors.</p>	NivRA	
324.	1.15	This paragraph includes the statement "Many threats fall into the following categories" and implies there are other categories of threat that are not articulated in the paragraph. (Note: This comment also applies to paragraphs B-1.6 and C-1.9.)	CICA	
325.	1.15	In Firm-wide safeguards, we recommend having an Ethics & Independence group/officer, not only a responsible person, overseeing the functioning of the safeguarding system.	E&Y	
326.	1.15 (a)	Part A, paragraph 1.15(a) : before the word "financial", the words "direct or indirect" are to be inserted. It would be helpful to use the same wording as in section 8.	CNCC	
327.	1.15 (a) Editorial	Part A, paragraph 1.15(a) before the word "financial" the words "direct or indirect" are to be inserted. It would be helpful to use the same wording as in Section 8.	FEE	

328.	1.15 (b)	Self-review threats, which may occur when a previous judgment needs to be re-evaluated by the professional accountant responsible for <u>who made</u> that judgment;	D&T	
329.	1.16	It is suggested at paragraph 1.16 of Part A that there are only two broad categories that safeguards fall into. The Code ignores the specific safeguards which can be implemented by the individual. Similarly, the Code fails to make a distinction between strategic safeguards that professional accountants must have regard to and the specific ones which can be implemented. The Code would therefore benefit from a fuller analysis of what safeguards exist and which ones can actually be applied.	ACCA	
330.	1.16	Paragraph 1.16 of Part A: it is suggested to add a third category of safeguard e.g. c) safeguards that can be implemented by the individual professional accountant.	CNCC	
331.	1.16	Part A, paragraph 1.16 suggests two broad categories that safeguards fall into. It ignores specific safeguards that can be implemented by the individual. Examples of individual safeguards include complying with CPD requirements, keeping records of contentious issues and approach to decision making, and using an independent mentor. Also, the section makes no distinction between strategic safeguards that professional accountants must have regard to and the specific ones that can be implemented. It would benefit from a fuller analysis of what safeguards exist and which ones can actually be applied.	FEE	
332.	1.17	As to the last bullet on external review by a legally empowered third party, we are unsure whether this refers solely to so-called peer reviews or to reviews done by oversight boards, when applicable, or whether it also encompasses reviews of working papers and client communications by governmental authorities with access to these materials under national legislation.	Basel Committee	

333.	1.17	<p>The NASBA/AICPA International Qualifications Appraisal Board develops mutual recognition agreements with the professional organizations of other countries. It is assumed that, when international professionals come into the United States, they will understand applicable US law, in particular the requirements for practice set down by the state board of accountancy in the jurisdiction where they are rendering services. This would include becoming licensed in that jurisdiction if appropriate. As referred to in Part A ,1.17, regulators have created safeguards for the public they serve through entry-level education, training and experience requirements along with mandated continuing professional education.</p> <p>Similarly, operating in a global economy, local regulators need to work with those from other countries through GATS and similar agreements to ensure their requirements are based on what is clearly relevant for public protection. Recognizing substantially equivalent standards met by international professionals is necessary for the effective operation of global trade and the protection of the public.</p>	NASBA	
334.	1.19	<p>Section 1.19 addresses certain safeguards that increase the likelihood that unethical behavior will be identified. We believe that an additional safeguard should be included that requires member bodies and firms to establish a sanctioning system to address violations of ethical standards. We believe that the existence of a clearly defined sanctioning system, including a mechanism for imposing the sanctions outlined is a strong inducement for compliance with applicable ethical standards and requirements.</p>	Grant Thornton	
335.	1.19	<p>The identification of unethical behaviour is not of itself a safeguard, unless it has a deterrent effect. The phrase “identifying or deterring” should thus read “identifying and thus deterring”.</p>	ICAEW	
336.	1.20	<p>We recommend the following revision to the last sentence of paragraph 1.20 to be consistent with comparable language in paragraph 8.35:</p> <p>In exercising their judgment, professional accountants should consider what a reasonable and informed third party, having knowledge of all relevant information, including the significance of the threat and the safeguards applied, would <i>reasonably</i> conclude to be unacceptable.</p>	AICPA	
337.	1.20 Editorial	<p>“...including the significance of the threat and the safeguards applied would conclude that the threat had been eliminated or reduced to an acceptable level.”</p>	E&Y	

338.	1.21 to 1.25 of Part A	The section on dispute resolution (paragraphs 1.21 to 1.25 of Part A) is too brief to provide much practical guidance. More information should be provided in Part C to assist PAIBs to deal with different situations. This section would be a possible location where the system of internal control, the corporate governance structure and the channels of communication within a company could be highlighted, in order to assist/guide PAIBs in identifying avenues for reporting matters/problems as well as in identifying the appropriate route to resolve disputes/problems.	HKSA	
339.	1.21	This paragraph states professional accountants may encounter problems in resolving an ethical conflict but it is not clear what is meant by an “ethical conflict”. In situations where policies of firms or employers are not in conformity with the fundamental principles, following the policies of their firm or employers may not assist in resolving an ethical conflict or may lead to an inappropriate resolution. We believe professional accountants should also consider whether these policies are consistent with the fundamental principles.	CICA	
340.	1.21	In applying standards of ethical conduct, professional accountants may encounter problems in resolving an ethical conflict. When faced with significant ethical issues, they should follow the established policies of their firms, employing organizations or professional bodies to try and resolve the conflict.	D&T	
341.	1.21	Paragraph 1.21 of Part A does not define what is meant by an ethical conflict. As the responsibilities of a firm and an individual are not the same, we suggest that IFAC should explain this matter. For example, a firm has the responsibility to set guidelines, whilst the individual has the responsibility to apply them. The concept of these two levels of responsibility has not been addressed	IDW	
342.	1.22	Paragraph 1.22 of Part A requires the professional accountant to “determine the best course of action.....”. This is too onerous on the professional accountant and we therefore suggest that the term “reasonable course” be used. This paragraph also is unclear as to what steps can be taken in the event that the matter remains unresolved, and is similarly confusing as to when a matter should be determined as resolved.	IDW	
343.	1.23	The requirement to document the identification and resolution of an ethical conflict should be extended to all ethical conflicts and therefore should be set out as a separate paragraph.	CICA	

344.	1.24	If a significant conflict cannot be resolved, professional accountants may wish to consult their relevant professional bodies, which may be able to provide guidance on ethical issues without breaching confidentiality. They may also conclude consider to seeking legal advice.	D&T	
345.	1.24 Editorial	“If an ethical conflict cannot be resolved as described above, professional accountants may wish to consult with their relevant professional bodies.....”	E&Y	
346.	1.25	If, after exhausting all relevant possibilities, the ethical conflict matter remains unresolved, professional accountants should, where possible, refuse to remain associated with the matter creating the conflict . They may also consider whether, in determine that, under the circumstances, it is appropriate to withdraw from the engagement team or specific assignment, or to resign altogether from the engagement, the firm or the employing organization.	D&T	
347.	1.25 Editorial	“If, after exhausting all relevant possibilities the ethical conflict remains unresolved.... Refuse to remain associated with the matter giving rise to the ethical conflict.”	E&Y	
348.	2.2	Clarify what is meant by the terms, “reports” and “returns” and add the word “materially” before “misleading” in item (c). Those terms may have different meanings depending on the country in which a professional accountant is practicing. For example, in the United States, the term “report” typically refers to the auditors’ report or to the accountants’ report, but is not understood to refer to the client’s financial statements. Also, in certain countries, generally accepted auditing standards require an auditor to either express an opinion regarding the financial statements of an entity, or an assertion to the effect that an opinion cannot be expressed. As currently written, Section 2.2 implies that an accountant is prohibited from issuing an adverse opinion that states that the financial statements do not present fairly the financial position or results of the entity in conformity with generally accepted accounting principles. We do not believe that prohibiting the expression of an adverse opinion was the intended meaning of the wording in the Section and thus we would suggest that the wording be revised accordingly.	Grant Thornton	

349.	2.2	Professional accountants <u>should not be associated</u> with reports, returns, communications or other information where they believe the information: (a) contains a materially false or misleading statement; (b) contains statements or information furnished recklessly; or omits or obscures information required to be included where such omission or obscurity would be misleading.	ICPAS	
350.	2.2	It is unclear as to the circumstances under which information could be considered to be furnished recklessly. An example of this would be helpful. Further, the standard appears to provide that a professional accountant could make disparaging statements about another professional accountant, so long as those statements could be substantiated. We believe this behavior should be discouraged. Consideration should be given to replacing the term “believe” with a more factual term, such as “know”. In addition, since the document is intended for professional accountants who are expected to have an appropriate knowledge base, we suggest adding the term “or should know”.	CICA	
351.	2.2	Professional accountants should not be associated with reports, returns, communications or other information where <u>that</u> they believe that the <u>information</u> : (a) Contains a materially false or misleading statement; (b) Contains statements or information furnished recklessly; or (c) Omits or obscures information required to be included where such omission or obscurity would be misleading.	D&T	
352.	2.2	A professional accountant should not be associated with false or misleading statements. Materiality should not be a factor.	E&Y	
353.	2.2 Editorial	Part A, paragraph 2.2 to insert the word “Accordingly” at the beginning of the paragraph.	FEE	
354.	2.2	This paragraph has the initial appearance of a rule, rather than the consequence of a principle. Insertion of the word “Accordingly” at the front might clarify it.	ICAEW	

355.	2.2 Practitioner Override	<p>Paragraph 2.2 includes the stipulation that “professional accountants should not be associated with reports, returns, communications or other information where they believe that the information:”. The currently proposed wording would, for example require that the auditor resign from the engagement if the financial statements upon which he or she is issuing an opinion are incorrect and hence misleading. This cannot be the intention of the Code. Hence in these circumstances, the Code should provide more guidance to professional accountants as to the possible courses of action when information is misleading. These courses of action include disassociation (e.g., withdrawing from the engagement), getting the information changed by the responsible party or ensuring that any association (e.g., by means of any report attached by the professional accountant) by the professional accountant with that misleading information clearly indicates the misleading nature of that information (e.g., qualification of an opinion or an adverse opinion).</p> <p>Furthermore, the ability to persuade the responsible party to change the information or to enable the professional accountant to add a report to that information that indicates its misleading nature means that the accountant must have a point of reference for determining that the information is misleading. For financial statements, such a point of reference are the requirements of the financial reporting framework. However, adherence to specific requirements in a framework may not be adequate to ensure that information is not misleading: in this case, a professional accountant requires the ability to “override” the particular requirements of that framework.</p> <p>If IFAC intends that a professional should be able to exercise an option to override (professional override) appropriate guidance must be given. As presently drafted, a de-facto override is assumed. This is not adequate, as there may be other considerations such as accounting frameworks that do not provide for overrides. We refer to our comment letter (September 2003) to the IAASB in respect of the exposure draft of the proposed International Standard on Auditing “Review of Interim Financial Information Performed by the Auditor of the Entity” where we discuss the issue of practitioner overrides in detail.</p>	IDW	
356.	2.2	A professional accountant may be associated with reports that contain some of the information mentioned in circumstances where the accountant provides a qualified or adverse opinion. This possibility should be envisaged.	PwC	

357.	3	Section 3 of Part A, Objectivity, similarly needs further analysis to make it applicable to all professional accountants. Again simply adapting a public practice situation fails to take into account the needs of the professional accountant in business. For example, a professional accountant in business cannot always be independent of his/her employer but would nevertheless need to be objective and act with integrity.	ACCA	
358.	3.1	The principle of objectivity imposes an obligation on all professional accountants that not to compromise their professional or business judgment should not be compromised by because of -prejudice or bias, conflicts of interests or the undue influence of others.	D&T	
359.	3.1	In the wording supporting Objectivity in 3.1 of part A substitute “allow” in the second line with “result in.”	CIMA	
360.	3.2	relationships that allow prejudice, bias or the undue influences of others to override professional judgment <u>should be avoided</u> .	ICPAS	
361.	3.2	Professional accountants may be exposed to situations that may impair their objectivity. It is impracticable to define and prescribe all such situations. Relationships that allow prejudice, bias or the undue influences of others to override the professional accountant's professional judgment should be avoided.	D&T	
362.	3.2 Editorial	“Relationships that allow prejudice, bias or the undue influences of others to override professional judgement [delete “should”, replace with “must”] be avoided.”	E&Y	
363.	3.2 Editorial	Part A, paragraph 3.2, second sentence to change the word “allow” to “result in”.	FEE	
364.	3.2	Prohibiting relationships that “allow” prejudice, etc. to override professional judgement is too wide. Many relationships could allow this, but steps could also be taken to overcome the matter. “ Might be expected to result in” is better than “allow” (with consequent change from “override” to “overriding”).	ICAEW	
365.	3.2	Paragraph 3.2 on page 17 – replace the word “allow” in the second sentence with “may result in or allow for”.	SAICA	

366.	4 Section	<p>We wish to comment only on one specific aspect of the Code, Part A, Section 4, regarding the explanation of professional competence and due care, an area of particular relevance and interest to the Education Committee. Our comments and suggestions are offered in light of the development of the International Education Standards for Professional Accountants (IES), released in October 2003, and our suggestions can be found in a marked up form at Appendix 1, attached to this letter.</p> <p>The recently issued IES prescribe the essential elements of education, practical experience and continuing professional development required for professional accountants. The standards lay down the specific requirements to develop the required professional knowledge, professional skills and professional values, ethics and attitudes to produce competent professional accountants.</p>	EDCOM	
367.	4	<p>Section 4 is headed Professional Competence and Due Care. In our opinion these are two distinct concepts and should therefore be separate principles. One relates to the professional competence required – the other to the exercise of that professional competence. The term “due care” is a recognized legal term in some jurisdictions, the meaning of which is not within the scope of section 4. Rather, the term “diligence” might be more appropriate because it is not burdened with legal meaning.</p> <p>The requirement in Part A, 4.6 should be expanded to include the situation in which the professional accountant may foresee implications resulting from an engagement, which the client or employer may not have anticipated, known about or have even overlooked. The professional accountant will not be acting with diligence unless he or she draws attention to such matters, for example, during the course of a consultancy assignment a professional accountant may become aware of hitherto unforeseen legal or taxation considerations.</p>	IDW	
368.	4.1 (b)	To act diligently in accordance with applicable technical and professional standards <u>when providing in all professional services and business relationships.</u>	D&T	
369.	4.3	Professional accountants should ensure that those working under their authority are competent and act with due care. The standard should therefore state that “professional accountants should also take steps.... have appropriate training <u>and are properly supervised</u> ”.	CICA	

370.	4.3 Work Experience	<p>Paragraph 4.3 of the proposed revised Code states, "...attainment of professional competence initially requires a high standard of general education followed by specific education, training and examination in professionally relevant subjects and, if prescribed, a period of work experience". The IES require all professional accountants to complete professional accounting education to develop the required professional knowledge, skills and professional values, ethics and attitudes, as well as a period of relevant practical experience, prior to qualification. The notion of "general education" is addressed in the IES, however we consider the wording used in the Code may differ from what is intended in the IES. Instead, we suggest the Code address, in broad terms, the need to complete accounting education in professionally relevant areas.</p> <p>We suggest the reference to work experience be altered to reflect that a period of practical experience is compulsory for all professional accountants, in line with the requirements prescribed in the IES. We also find the use of the term "training" used here to be potentially confusing, especially in addition to the term "work experience". We suggest the term training be deleted and encompassed within the reference to work experience or practical experience.</p> <p>We have also offered some suggested wording which explains the purpose of accounting education and practical experience.</p>	EDCOM	
371.	4.3 Suggested Changes	<p>The attainment of professional competence initially requires a high standard of general education, followed by specific <u>accounting</u> education, training and examination in professionally relevant subjects and, if prescribed, a period of <u>work-practical</u> experience. This should be the normal pattern of development for professional accountants. The education and practical experience of professional accountants should provide a foundation of professional knowledge, professional skills and professional values, ethics and attitudes that enable them to continue to learn and adapt to change throughout their professional lives. Professional accountants should also take steps to ensure that those working under their authority in a professional capacity have appropriate training.</p>	EDCOM	
372.	4.3	The terminology used in paragraph 4.3 of Part A is not in line with that employed by the IFAC Education Standards.	IDW	
373.	4.4	The current IFAC Code of Ethics for Professional Accountants requires under "Maintenance of professional competence" [Section 3 3.2(b) (ii)] "A professional accountant should adopt a program designed to ensure quality control in the performance of professional services consistent with appropriate national and international pronouncements." We believe a similar requirement for a quality control program is required in the proposed Code.	E&Y	

374.	4.4	Paragraph 4.4 addresses continuing professional development requirements. We have offered some additional wording which explains the purpose of CPD.	EDCOM	
375.	4.4 Suggested Changes	The maintenance of professional competence requires a continuing awareness of relevant technical professional and business developments. <u>Continuing professional development develops and maintains the capabilities to enable professional accountants to perform competently within their professional environments-</u>	EDCOM	
376.	4.4	After “awareness”, the words “and understanding of ” should be inserted. Awareness of relevant standards alone will not result in competence.	ICAEW	
377.	4.4	In 4.4 of part A insert after “awareness” “and understanding of”	CIMA	
378.	4.4	Paragraph 4.4 on page 17 – this aspect needs to be positively encouraged, and a cross-reference to the IFAC Guidance on Continuing Professional Development needs to be inserted.	SAICA	
379.	4.4	“Relevant developments” might be an appropriately narrower descriptor that “business developments” which is arguably too broad	PwC	
380.	4.6	Where appropriate, professional accountants should make clients or employers aware of limitations inherent in certain services to avoid the misinterpretation of an expression of opinion as an assertion of fact. <u>[An example here would be useful.]</u>	D&T	
381.	4.6	This paragraph should be strengthened, to require “making clients aware”. We suggest adding a sentence along the following lines - “Where necessary this could to be in writing whether through contractual terms, engagement letter etc.”	E&Y	
382.	4.6 Editorial	(b)(ii) “Disclosure to the appropriate public authorities of infringements of the law that come to the attention of the professional accountant”	E&Y	
383.	4.6	It is not entirely clear what the intent of this paragraph means. We assume the key point is that opinions should not be misrepresented as facts, in which case the reference to “certain services” could be deleted, as being a red herring.	ICAEW	
384.	4.6	We would like to point out that the term services as in paragraph 4.6 of Part A is not accurate as not all services will include an opinion. Also this paragraph refers to “clients or employers”; a more accurate term would be “users and employers”.	IDW	

385.	5.4	Professional accountants should take all reasonable steps to ensure that staff under their control and persons from whom advice and assistance is obtained respect the <u>professional accountant's</u> duty of confidentiality.	D&T	
386.	5.4 & 5.5	There is inconsistency between reference to “duty” and “principle” of confidentiality.	PwC	
387.	5.5	They <u>should not</u> , however, use or disclose any confidential information either acquired or received by them as a result of a professional or business relationship.	ICPAS	
388.	5.5	Professional accountants in order to discharge their duties diligently owe it to their employer to share experience and knowledge from their previous employment. It is extremely onerous and also difficult to ‘police’ what is and what is not ‘confidential information’. The last sentence in the paragraph should be omitted.	CPA Aus Malaysia	
389.	5.6	Professional accountants should be honest and truthful and <u>should not</u> : (a) make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; or (b) make disparaging references or unsubstantiated comparisons to the work of others.	ICPAS	
390.	5.6	In paragraph (c)(ii), we suggest the term “protect” be replace by a more specific term that ties in directly with actual legal proceedings, such as “defend”.	CICA	
391.	5.6	The text of paragraph 5.6(b)(ii) should be redrafted to include the disclosure obligation existing in many countries that professional accountants should report infringements of anti-money laundering laws to the competent authorities.	Basel Committee	
392.	5.6 (a)	Disclosure is permitted by law and is authorized by the client, or the employer <u>or other authorized party</u> ;	D&T	
393.	5.6 (b)	Disclosure is <u>authorized or</u> required by law, for example: (i) Production of documents or other provision of evidence in the course of legal proceedings; (ii) —Disclosure to the appropriate public authorities of infringements of the law that come to light <u>the professional accountant's attention</u> ; and	D&T	
394.	5.6 (c)	Paragraph 5.6(c)(i) in Section 5 of Part A should be amended to read as follows: “To comply with technical standards and <u>ethical</u> requirements;...”	MIA	

395.	5.6 Editorial	“The following are circumstances where professional accountants are <i>or may be</i> required to...”	E&Y	
396.	5.6	Paragraph 5.6 of Part A does not address all combinations of circumstances where professional accountants are required to disclose confidential information; e.g., where disclosure is not prohibited by law nor by professional requirements, but is authorized by the client. As such this cannot be viewed as complete.	IDW	
397.	5.7	The current IFAC Code of Ethics for Professional Accountants Section 4 4.9 more clearly covers this issue and should replace the proposed paragraph.	E&Y	
398.	5.7 (a) & (b)	In deciding whether to disclose confidential information, professional accountants should consider the following points : a) Whether the interests of all the parties, including third parties whose interests might be affected, could be harmed <u>When a client, or employer or other appropriate party gives authorization consents to the disclosure by the professional accountant of confidential information, whether or not the interests of all the parties, including third parties whose interests might be affected, could be harmed;</u> b) Whether or not all the relevant information is known and substantiated, to the extent it is practicable; when the situation involves unsubstantiated facts, incomplete information or unsubstantiated conclusions, professional judgment should be used in determining the type of disclosure to be made, if any; and	D&T	
399.	6.1	We recommend that paragraph 6.1 be revised as follows since presumably only professional behavior that results in a <i>negative</i> impact to the profession should be avoided: This also applies to any actions situations which could be presumed by a reasonable and informed third party, having knowledge of all relevant information, would conclude <i>would have a negative to</i> impact on the good reputation of the profession	AICPA	
400.	6.1	The principle of professional behavior imposes an obligation on professional accountants to comply with relevant laws and regulations and avoid any action that might bring discredit to the profession. This also applies to <u>those</u> situations which could be presumed by a reasonable and informed third party, having knowledge of all relevant information, <u>would conclude to</u> impacts on the good reputation of the profession.	D&T	

401.	6.1	We recommend strengthening the wording. It should really be taken for granted that a professional accountant should “comply with relevant laws and regulations”. The standards of behavior required should go above the absolute minimum. The wording used in the current fundamental principles is far stronger than that proposed Code and should be retained.	E&Y	
402.		Parts B and C		
403.	General	The guidance on specific circumstances contained in Parts B and C cover appropriate activities and relationships. We believe that except for the following, that guidance is presented in sufficient detail to allow IFAC member bodies and firms to easily implement the guidance into their own standards or policies and procedures:	Grant Thornton	
404.	Guidance provided for safeguards	We note that in a number of paragraphs, the following guidance is provided: “If identified threats are other than clearly insignificant, safeguards should be considered and applied as necessary to reduce them to an acceptable level.” Specifically, this statement is made in paragraphs 2.5, 2.10, 2.12, 3.2, 4.5, 5.2, and 6.2 under Part B and 2.3, 3.3, and 4.3 under Part C. The proposed framework approach as described in paragraph 1.10 (Part A) recognizes that safeguards could be applied to <i>eliminate the threats</i> or reduce them to an acceptable level. Accordingly, we recommend that the paragraphs cited above be revised to state that if identified threats are other than clearly insignificant, safeguards should be considered and applied as necessary to <i>eliminate them or</i> reduce them to an acceptable level.	AICPA	
405.	1.2	Paragraphs 1.2 in Part B and Part C are the same as paragraph 1.14 in Part A. Do we really need to be redundant ?	CNCC	
		Part B		
406.	General	Current Part B of the Code should explicitly state that the governing body (board of directors or corresponding body) of a firm should ultimately be responsible for the adherence to the Code of Ethics by its professional accountants.	Basel Committee	

407.	General	Section B does not directly apply to CIMA members, who are not trained in (or authorised by CIMA to undertake) audit work in public practice. They are, however, users of auditors, and therefore have interest in their work. Additionally, members working in other (non-regulated by statute) areas of public practice could expect to follow the proposed Code (as laid out) selectively as appropriate. The proposed revision to Part C (see below), if agreed, would help overcome any confusion.	CIMA	
408.	1	Section C1 includes commentary on the responsibilities of professional accountants in business, their opportunity to influence events and the fact that their legal status is unimportant. There is only a brief equivalent commentary on professional accountants in practice in section B1, at B1.3	ICAEW	
409.	1.2(b) Objectivity	A professional accountant <u>should not</u> allow prejudice or bias, conflict of interest or under influence of others to override professional or business judgment.	ICPAS	
410.	1.2 (b)	This paragraph is identical to paragraph A-1.14(b), which applies to all professional accountants. Yet in the case of a professional accountant in public practice, the principle of objectivity is broader and should include the obligation to be independent when so required under Section 8 of the Code.	CICA	
411.	1.2 (b)	A professional accountant should not allow prejudice or bias, <u>conflicts</u> of interests or undue influence of others to override professional or business judgment.	D&T	
412.	1.2 (c)	A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives the advantage of competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards in all when providing professional services and business relationships.	D&T	
413.	1.3	Professional accountants in public practice <u>should not concurrently engage</u> in any business occupation or activity that impairs or might impair their integrity, objectivity or the good reputation of the profession and that would be incompatible with the rendering of professional services.	ICPAS	

414.	1.3	Professional accountants in public practice should not concurrently engage in any business, occupation or activity that impairs or might impair their integrity, objectivity or the good reputation of the profession and – or that would be incompatible with the rendering of professional services. <u>[With the “and”, it implies that there is only a problem if the business the accountant is engaged in is incompatible with rendering professional services. Thus, if it would otherwise impair objectivity, as long as it was not incompatible, it would be okay.]</u>	D&T	
415.	1.3	Part B paragraph 1.3 does not discuss the responsibilities of accountants in public practice whereas Part C paragraph 1.3 does so for accountants in business. Both paragraphs need to be brought in line.	FEE	
416.	1.3	Any activity “might impair” integrity, etc. “might be expected to impair...” would be better.	ICAEW	
417.	1.3	Paragraph 1.3 in Section 1 of Part B is a material provision and should not be inserted in the Introduction to Part B. Instead, this paragraph should be inserted in Section 2 of Part B either at the very beginning of Section 2 or before the sub-heading ‘ <i>Gifts and Hospitality</i> ’, under the sub-heading ‘ <i>Other Business, Occupation or Activity</i> ’.	MIA	
418.	1.4	If they cannot implement appropriate safeguards, they <u>should</u> either <u>decline or discontinue</u> the specific professional service involved, or consider resigning from the client or the employment organization	ICPAS	
419.	1.4	My concern is that “applying safeguards to eliminate threats...(para 1.4)” can be abused and used as a loophole to justify an action.	CPA Aus Malaysia	

420.	1.4	<p>The circumstances in which professional accountants operate may give rise to specific threats to compliance with the fundamental principles. This Part of the Code of Ethics provides a framework, built on principles, to assist professional from the client relationship. <u>[In some cases, it may be possible to eliminate the threat without applying a safeguard, declining/discontinuing the engagement or withdrawing from the relationship. For example, in the marketing example below, truthful advertising is not really a safeguard; rather, it is complying with the principle of integrity. Also, here as elsewhere, the professional accountant is either to decline the engagement or consider withdrawing from the relationship. First, it seems that these are not really alternatives. There may be instances that either course of action would resolve the issue. In others, the only appropriate course of action might be to resign from the client. Giving consideration to withdrawing would not seem sufficient since the situation covered accountants in public practice to identify, evaluate and respond to threats to compliance with the fundamental principles. If identified threats are other than clearly insignificant, professional accountants should, where appropriate, apply safeguards to eliminate the threats or reduce them to an acceptable level, such that compliance with the fundamental principles is not compromised. If they cannot implement appropriate safeguards, professional accountants should either decline or discontinue the specific engagement involved or consider where necessary, withdrawing is where appropriate safeguards cannot be implemented. If consideration is given to withdrawing and the accountant does not withdraw, then the principle presumably would be compromised without an adequate safeguard.]</u></p>	D&T	
421.	1.4	<p>States that ‘this’ part of the code provides a framework... Given the location of the various elements of the framework (see previous comments) it is the whole code that does that. This also applies to C1.7.</p>	ICAEW	
422.	1.4	<p>Paragraph 1.4 on page 21 – the words “where appropriate” in the third sentence should be removed.</p>	SAICA	
423.	1.5	<p>The examples in the following sections are intended to illustrate the application of the principles and are not intended to be, nor should they be interpreted as, an exhaustive list of all circumstances experienced by professional accountants in public practice that may create threats to compliance with the fundamental principles. Consequently, it is not sufficient for professional accountants merely to comply with the examples presented; rather, they should <u>apply/comply with</u> –the principles to the in whatever –particular circumstances they face.</p>	D&T	

424.	1.5 – 1.6	A sub-heading ' <i>Threats</i> ' should be inserted in Section 1 of Part B after paragraph 1.5 and before paragraph 1.6. Similarly, a sub-heading ' <i>Safeguards</i> ' should be inserted in Section 1 of Part B after paragraph 1.12 and before paragraph 1.13. This is to aid readability and segregate the Introduction (Section 1) appropriately.	MIA	
425.	1.7	Section 1.7 – We suggest that the term “or jointly with a client” be added to the first bullet regarding financial interests. Both financial interests in a client and certain joint financial interests between an accountant and a client create a self-interest threat to the independence of the accountant that should be mitigated through appropriate safeguards.	Grant Thornton	
426.	1.7, 1.16 & 2.10 Editorial	Part B, paragraphs 1.7, 1.16 and 2.10: the terminology needs to be brought in line: “those in charge of client governance”, “those charged with client governance”, “those responsible for the client’s governance”.	FEE	
427.	1.8	Bullet points 3 and 4 both refer to “recent” involvement with an assurance client. Suggest that this could be quantified as to what constitutes “recent”. Bullet point 4 - Suggest that the words “direct” and “significant” are unnecessary qualifications of “influence” and should be removed.	AAB	
428.	1.8	The term “engagement team” is not defined. Should the reference in the third bullet be to “assurance team”, which is defined?	CICA	
429.	1.8 4 th Bullet	A member of the engagement team being, or having recently been employed by the client in a position to exert direct and significant influence over the subject matter of the engagement.	D&T	
430.	1.8 – 1.9	A sub-heading ' <i>Threats</i> ' should be inserted in Section 1 of Part C after paragraph 1.8 and before paragraph 1.9. Similarly, a sub-heading ' <i>Safeguards</i> ' should be inserted in Section 1 of Part B after paragraph 1.15 and before paragraph 1.16. This is to aid readability and segregate the Introduction (Section 1) appropriately.	MIA	
431.	1.10 4 th Bullet	Accepting gifts or preferential treatment <u>from a client</u> , unless the value is clearly insignificant.	D&T	
432.	1.10 & 2.16	It is not the size nor the value of the gift or hospitality rendered. A link to value presumably using the \$ value is not a strong basis for a good conclusion. Moreover an interest is extremely difficult to measure nor can it be measured.	CPA Aus Malaysia	

433.	1.10	In paragraph 1.10 of Part B the first bullet point seems to be a subset of the second bullet point and may be redundant.	FEE	
434.	1.15 3 rd bullet	Documented policies regarding the identification of threats to compliance with the fundamental principles, the evaluation of the significance of these threats and the identification and the application of safeguards that can eliminate the threats or reduce the threats, other than those that are clearly insignificant, them to an acceptable level.	D&T	
435.	1.15 7 th bullet	Using different partners and <u>engagement</u> teams with separate reporting lines for the provision of non-assurance services to an assurance client.	D&T	
436.	1.15 9 th bullet	Timely communication of a firm's policies and procedures, <u>including and</u> any changes to them, to all partners and professional staff, including and appropriate training and education <u>on such policies and procedures</u> .	D&T	
437.	1.15 10 th bullet	Designating a member of senior management to be responsible for overseeing the adequate functioning of the safeguarding <u>firm's quality control</u> system.	D&T	
438.	1.15 Editorial	Remove the word "Firm" from the start of the 1 st bullet point.	E&Y	
439.	1.15	The first bullet point refers to "firm leadership". It should be clarified whether this means strong leadership, or leadership of the firm.	ICAEW	
440.	1.15	Part B, 1.15 is a long list, and does not uphold the strived-for a principles-based approach. Furthermore, it could be unhelpful as it is open to misinterpretation as representing a complete list rather than as providing guidance.	IDW	
441.	1.16 3 rd Bullet	Rotating senior <u>engagement team</u> personnel.	D&T	
442.	1.18	At paragraph 1.18 of Part B the fact that the client has competent employees to make managerial decisions is considered a safeguard. ACCA questions whether this necessarily constitutes a reliable or adequate safeguard. It is possible that even competent employees may be unwilling to make important strategic decisions.	ACCA	

443.	1.18	The second example of safeguards within the client's systems in paragraph 1.18 of Part B should be deleted or replaced. The fact that the client has competent employees to make managerial decisions does not necessarily constitute a reliable (or adequate) safeguard since it is a subjective measure. It is possible that even competent employees may be unwilling to make important strategic decisions. We could accept the inclusion as a safeguard of having competent management with experience and seniority, since management has the ultimate responsibility. However, competent people can be unethical and non-competent people can be ethical. Moreover we suggest paragraphs 1.17 and 1.18 be combined.	FEE	
444.	1.18	The second example of safeguards within the client's system described in paragraph 1.18 of Part B should be reworded. We believe that the fact that the client has competent employees to make managerial decisions does not necessarily constitute an appropriate safeguard. In certain circumstances, even competent employees could be reluctant to take important strategic decisions.	CNCC	
445.	1.18	In 1.4, safeguards are identified as actions applied by the professional accountant in practice to eliminate or reduce the threats, and it is the accountant's responsibility to implement such relevant safeguards. Paragraph 1.18 deals with "safeguards" that cannot be implemented by the accountant, as they are client's responsibility. The four examples should rather be addressed under Client acceptance (2.3) and be considered as threats when the conditions are not present. Another threat would be policies and procedures that do not emphasize the assurance client's commitment to fair reporting.	E&Y	
446.	1.18	Having competent employees to make decisions does not of itself result in ethical behaviour. Perhaps "and ethically minded" or something similar might be inserted after "competent".	ICAEW	
447.	1.19	Paragraph 1.19 states: <p>"Where professional accountants wish to rely on client-implemented safeguards, they should evaluate the safeguards they wish to rely on to determine whether those safeguards are sufficient and appropriate. This evaluation will vary depending on the circumstances and will be affected by matters such as the significance of the potential threat and the nature of the engagement."</p> <p>We believe that this guidance applies to all three categories of safeguards and therefore should not be directed solely to <i>client-implemented</i> safeguards. We suggest that the term "client-implemented" be deleted from the paragraph.</p>	AICPA	

448.	1.19	. <u>[Why is this paragraph only covering client-implemented safeguards? It would apply as well to safeguards created by the profession, etc., and those in the work environment.]</u>	D&T	
449.	2 Section	In Section 2, Behavior in professional practice, no mention is made of gifts and hospitality provided by the professional accountant. In our view, these sometimes lead to 'self-induced familiarity', which is even more harmful to the reputation of the profession, as independence in appearance is compromised. A paragraph that draws attention to this evil may enrich the Code.	Group from NL	
450.	2.1	When professional accountants in public practice solicit new work through advertising or other forms of marketing, there may be potential threats to compliance with the fundamental principles. For example, a self-interest threat to compliance with the principle of professional behavior might arise if —services, achievements or products are marketed in a way that is inconsistent —with that principle. <u>[Here, as elsewhere, the example indicates that a threat “might arise”. If would seem that a threat to professional behavior would arise if the products are marketed in a way inconsistent with that principle. It is only a matter of how significant the threat, not whether one arises.]</u>	D&T	
451.	2.2	Similarly, at paragraph 2.2 of Part B, <u>‘complying with relevant laws, regulations and best practice’</u> “complying with relevant laws, regulations and best practice” is considered to be a safeguard. Professional accountants are expected to comply with relevant laws and regulations and follow best practice. ACCA therefore questions its use as a specific safeguard in this context; it is a general safeguard.	ACCA	
452.	2.2	In paragraph 2.2 of Part B the third example “Complying with relevant laws, regulations and best practice” should not be used as a safeguard in this context. Professional accountants are expected to comply with relevant laws and regulations. We believe that compliance with best practice could be mentioned as a safeguard, however compliance with relevant laws and regulations is a general implicit safeguard rather than a specific one to be applied to individual circumstances.	FEE	

453.	2.2	<p>Paragraph 2.2 identifies safeguards applicable to a self-interest threat to professional behavior as follows:</p> <p>Safeguards against such a threat include:</p> <ul style="list-style-type: none"> • Providing information fairly and in a manner that is not misleading. • Avoiding unsubstantiated or disparaging statements. • Complying with relevant laws, regulations and best practice. • Consultation with the relevant professional body. <p>We do not believe that the first three bullets are safeguards but rather specific behavior that the professional accountant should comply with. For example, professional accountants should always provide information fairly and in a manner that is not misleading and avoid unsubstantiated or disparaging statements. If the professional accountant failed to do so, no safeguard could reduce the threat to professional behavior to an acceptable level.</p>	AICPA	
454.	2.2	<p>Para 2.2 first bullet point. Extend to include deceptive conduct. “providing information fairly and in a manner that is not misleading <i>or deceptive</i>”.</p> <p>Para 2.2 second bullet point. The word “avoiding” would seem to give some latitude to making unsubstantiated claims. We would consider ““Not making unsubstantiated claims” would strengthen the statement.</p>	AAB	
455.	2.2	<p>In paragraph 2.2 of Part B the third example “Complying with relevant laws, regulations and best practice” should not be used as a safeguard here. In principle, professional accountants are required to comply with relevant laws and regulations. Therefore, we believe that only compliance with best practice should be mentioned as a safeguard.</p>	CNCC	
456.	2.2	<p>Safeguards against such a threat include: <u>[Other than the last bullet point, these do not seem like safeguards. In effect, they say, comply with the principles by acting with integrity and professionally. In some cases, it may be that it is reasonable to just conclude that the principles must be complied with, notwithstanding there may be threats. The need for safeguards in certain circumstances implies that one is inclined to act without integrity or professionally.]</u></p>	D&T	
457.	2.2	<p>It is unclear whether disparaging statements could be made if substantiated.</p>	PwC	
458.	2.3	<p><u>[Why is the professional accountant’s integrity threatened in this case? The client’s integrity may be questionable, but it doesn’t seem that that necessarily threatens the accountant’s integrity.]</u></p>	D&T	

459.	2.3 to 2.8	Consider including client acceptance procedures in Section 4 “Changes in a Professional Appointment”.	CICA	
460.	2.4	Consider including a reference to opinion shopping as a “questionable financial reporting practice”.	CICA	
461.	2.4	<u>[As above, the reason why this would threaten the accountant’s compliance is unclear. It assumes the accountant lacks integrity or is dishonest.]</u>	D&T	
462.	2.4	We believe that the use of ‘could’ in this paragraph is an understatement. The examples of client issues cited in paragraph 2.4 of Part B represent significant threats to the professional accountant’s compliance with the fundamental principles enumerated in paragraph 1.14 of Part A (and repeated in paragraph 1.2 of Part B). Paragraph 2.4 should be revised accordingly.	Basel Committee	
463.	2.4	We suggest that rather than refer to “questionable financial reporting practices”, which is rather ill-defined, the paragraph should refer to “fraudulent financial reporting practices”, which is addressed in ISA 240, <i>The Auditor’s Responsibility to Consider Fraud and Error in an Audit of Financial Statements</i>	PwC	
464.	2.5	The significance of any threats should be evaluated. If identified threats are other than clearly insignificant, safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level. <u>[In some places, the draft uses this language. Would suggest consistency throughout.]</u>	D&T	
465.	2.5 Editorial	“....safeguards should be considered and applied as necessary to eliminate or reduce them...”	E&Y	
466.	2.6	Paragraph 2.6 identifies specific safeguards associated with client acceptance. One additional safeguard is where the client commits to replacing those individuals who may have been involved in the questionable activity. We recommend that this be included under paragraph 2.6	AICPA	
467.	2.6	Appropriate safeguards might include obtaining a knowledge and understanding of the client, its owners, managers and those responsible for its governance and business activities, or securing the client’s commitment to improve corporate governance practices or internal controls-	D&T	

468.	2.6	In our opinion, a professional accountant should always obtain knowledge and understanding of its clients and the owners, managers and others responsible for its clients' governance and business activities. Therefore, we believe that this paragraph should be redrafted in such a way that it becomes a requirement to obtain such knowledge and understanding.	Basel Committee	
469.	2.7	Where it is not possible to reduce the threats to an acceptable level, professional accountants <u>should ordinarily</u> decline to enter into the client relationship.	ICPAS	
470.	2.7	See para 2.2 comments above. The wording should be strengthened. Rather than “should ordinarily decline to enter into the client relationship” we would suggest “should decline to enter into the client relationship”.	AAB	
471.	2.10	At paragraph 2.10 of Part B, ACCA questions the adequacy of the safeguards suggested by the last two bullets as there is no action implied. The bullets needs to explain why these would be effective safeguards.	ACCA	
472.	2.10	Professional accountants should evaluate the significance of identified threats and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level. Such safeguards may include:	D&T	
473.	2.10	In paragraph 2.10 of part B we question whether the last bullet point “Discussing the issue with those responsible for the client’s governance” is actually a safeguard since there is no action implied. The bullet point would at least need to explain why it is an effective safeguard. (The same applies to the penultimate bullet)	FEE	
474.	2.10	The last two items are not safeguards as such. Discussing the issue with senior management or audit committees needs to be followed by acting on any resulting decision, to be an effective safeguard.	ICAEW	
475.	2.11	Professional accountants in public practice should agree to provide only those services that they are competent to perform. Before accepting a specific client engagement, professional accountants should consider whether acceptance poses any threats to compliance with the fundamental principles. For example, a self-interest threat to professional competence and due care may <u>arises</u> if the engagement team does not possess, or cannot acquire, the competencies necessary to properly carry out the engagement. <u>[Another instance where use of “may arise seems incorrect, as the threats would arise if the team does not have the necessary competencies.]</u>	D&T	

476.	2.12	Professional accountants should evaluate the significance of identified threats and, if they are other than clearly insignificant, safeguards should be applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level. Such safeguards may include:	D&T	
477.	2.12 last bullet	Complying with quality control policies and procedures designed to provide a reasonable assurance that specific engagements are accepted only when they can be performed competently.	D&T	
478.	2.12 Editorial	“ safeguards should be applied as necessary to eliminate or reduce them...”	E&Y	
479.	2.13	Paragraph 2.13 duplicates substantially the information contained in Paragraph 2.11. The example provided could be included in Paragraph 2.11 and Paragraph 2.13 could be deleted.	CICA	
480.	2.13	Professional accountants should be in a position to competently perform whatever engagements they undertake. Where this is not the case, there is a clear threat to compliance with the fundamental principles. For example, a self-interest threat to professional competence and due care may arises when professional accountants accept an engagement without having the necessary specialist knowledge for the competent performance of that engagement. <u>[The threat would arise in such a case.]</u>	D&T	
481.	2.13 Editorial	Part B, title above 2.13 e.g. “Use of experts” should be printed in italics.	FEE	
482.	2.13 & 2.14	Paragraphs 2.13 and 2.14 of Part B refer to the use of experts. It is not clear to what extent the paragraphs apply in general or are meant to address specific circumstances. We suggest that the circumstances described in the last sentence of paragraph 2.13 be identified as a prohibition. Without having the necessary knowledge for the competent performance of the engagement, the professional accountant should not accept the engagement. Therefore, consideration should be given as to whether the use of expert mentioned in paragraph 2.14 is a reliable and appropriate safeguard.	CNCC	
483.	2.14	Paragraph 2.14 lists examples of “experts” and includes lawyers, actuaries, engineers and <i>valuers</i> . We believe the term valuers may be misunderstood and suggest that the term <i>appraisers</i> be used instead.	AICPA	

484.	2.14	Such a threat may be mitigated or reduced to an acceptable level by seeking advice or assistance from experts such as other professional accountants, lawyers, actuaries, engineers and appraisers valuers . Professional accountants should evaluate whether it is appropriate for them to rely on the advice or work of such experts, having regard to factors such as <u>their</u> reputation, expertise, resources available and applicable professional and ethical standards. Such information may be gained from prior association with the expert or from consulting others.	D&T	
485.	2.14	The penultimate sentence of paragraph 2.14 is not clear as to which professional and ethical standards are referred to (those of the accountancy profession or those of the expert involved - we believe it should be those of the accountancy profession). The issue here is that the professional accountant should be satisfied that he/she can rely on the work of the expert. To that end we suggest that paragraph 2.14 ends with the words: "rely on the activities of such experts" and delete the remaining part of the paragraph.	FEE	
486.	2.15 to 2.17	The proposed revised Code allows professional accountants and their immediate close family members to receive gifts from clients when the recipients consider the self-interest threat in accepting the gift is insignificant. To enhance the independence of assurance duties, we suggest that the proposed revised Code should explicitly advise professional accountants in public practice and their immediate close family members not to accept gift of value (except token gift) from clients during the course of assurance duties. This would effectively bring out the message that acceptance of gifts and hospitality by professional accountants in public practice is something exceptional and the act should be cautiously decided.	HKSA	
487.	2.15	Professional accountants may find themselves in situations where they, or immediate or close family members, are offered gifts and hospitality. Such offers ordinarily give rise to threats to compliance with the fundamental principles. For example, self-interest threats to objectivity may arise from the temptation to accept if gifts from a client are accepted ; intimidation threats to objectivity may result from the possibility of such gifts offers being made public. <u>[It seems that neither the temptation to accept the gift nor the offer creates the threats identified. If the offer is declined, it is not clear why the fact of the offer being made public raises an intimidation threat to objectivity?]</u>	D&T	
488.	2.15 Editorial	2 nd sentence "Such offers may give rise to...."	E&Y	

489.	2.16	The significance of such threats will depend on the nature, value and intent behind the offer. Where offers of gifts or hospitality which a reasonable and informed third party, having knowledge of all relevant information, would consider insignificant are made in an open manner , professional accountants may conclude that the offers are made in the normal course of business without the specific intent to influence decision making or to obtain information. In such cases, they may generally conclude that there is no significant threat to compliance with the fundamental principles. <u>[Is it a requirement that the offer be made in “an open manner”?</u> As drafted it appears to be, without an explanation of what it means to be made in an open manner. As a result, we would suggest it be deleted.]	D&T	
490.	2.16 Editorial	2 nd sentence “Where gifts or hospitality are other than....”	E&Y	
491.	2.17	If evaluated threats are other than clearly insignificant, professional accountants <u>should not</u> accept such offers.	ICPAS	
492.	3	The wording of the section needs some tightening and clarification, as it is currently confusing. Please see suggestion in Appendix 2. Further, it may be preferable and more common practice to say that firms advise their clients that they are not acting for them exclusively. Firms do not necessarily tell clients how many parties they are acting for (e.g. competing bidders).	PwC	
493.	3.1	Professional accountants should take reasonable steps to avoid circumstances that could pose a conflict of interests. Such circumstances may give rise to threats to compliance with the fundamental principles. For example, a self-interest threat to objectivity may arises when professional accountants compete directly with a client or have joint ventures or similar arrangements with major competitors of that client. A self-interest threat to objectivity may also arise when professional accountants perform services for clients whose interests are in conflict with each other in relation to the matter or transaction in question. <u>[As noted elsewhere, it would seem that the threat does arise when the professional accountant competes directly with a client. The issue is the significance of the threat, not its existence. However, in the case of conflicts between clients, the self-interest threat to objectivity is less apparent and may not always exist.]</u>	D&T	
494.	3.1	Conflicts of interest do not automatically result in unmanageable ethical issues, as seems to be implied here. The concern should be in respect of conflicts that adversely effect the interests of either party.	ICAEW	

495.	3.2	Professional accountants should evaluate the significance of threats. Evaluation includes considering, before accepting or continuing a new client relationship or specific engagement, whether they have any relationships with clients or third parties that could give rise to threats. If threats are other than clearly insignificant, safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level.	D&T	
496.	3.3	such safeguards <u>may</u> , however, <u>be precluded</u> in some circumstances due to the constraints of confidentiality.	ICPAS	
497.	3.3	<p>Paragraph 3.3 lists safeguards applicable to potential conflicts of interest matters. We recommend the following clarifying revisions to the first two bullets and suggest one additional safeguard:</p> <p>Safeguards will ordinarily include professional accountants:</p> <ul style="list-style-type: none"> • Notifying all relevant parties <i>known to the professional accountant</i> that they professional accountant is <i>are</i> acting for two or more parties in respect of a matter where their respective interests are in conflict, and obtaining their consent that they may to so act. • Notifying all relevant parties <i>known to the professional accountant</i> that they professional accountant has <i>have</i> relationships with clients or third parties that could give rise to conflicts of interest. • <i>Notifying all relevant parties known to the professional accountant whose respective interest may conflict that the professional accountant is not acting exclusively for them in relation to a matter and obtaining their consent to so act.</i> 	AICPA	
498.	3.3	<p>Safeguards will ordinarily include professional accountants:</p> <ul style="list-style-type: none"> • Notifying all relevant parties <u>known to the professional accountant</u> that they are <u>the professional accountant is</u> -acting for two or more parties in respect of a matter where their parties' <u>parties'</u> respective interests are in conflict, and obtaining their consent that they may to to so act. • Notifying all relevant parties <u>known to the professional accountant</u> that they have the <u>professional accountant has</u> relationships with clients or third parties that could give rise to conflicts of interest. 	D&T	

499.	3.3	The existence of a client relationship between a professional accountant and a client may be considered to be confidential information. Therefore, the safeguards identified in the first two bullets could be preceded by the phrase “When permitted to do so by the affected clients, ...” and the third bullet could then be deleted. If an affected client denies permission to disclose the confidential information, we believe the professional accountant should still disclose that a conflict exists, the nature of which the professional accountant is not at liberty to disclose.	CICA	
500.	3.3	A better safeguard would be: “Notifying all relevant parties that they have relationships with clients or third parties that could give rise to conflicts of interest <i>and obtaining an informed consent that they may so act</i> ”.	E&Y	
501.	3.3 Suggested Re-wording	<p>Safeguards will ordinarily include professional accountants, where appropriate:</p> <ul style="list-style-type: none"> • Notifying all relevant parties that they are acting for two or more parties in respect of a matter where their respective interests are in conflict, and obtaining their informed consent that they may so act. • [or Notifying all relevant parties, whose respective interests may conflict, that they are not acting for them exclusively for them in relation to a matter, and obtaining their informed consent that they may so act.] • Notifying all relevant parties that they have relationships with clients or third parties that could give rise to conflicts of interest, and obtaining their informed consent that they may so act <p>Such safeguards may, however, be precluded in some circumstances due to the constraints of confidentiality.</p>	PwC	
502.	3.4 Editorial	Replace 1 st statement with “ In all circumstances, the following additional safeguards may be appropriate”	E&Y	
503.	3.4	The third bullet refers to “engagement personnel”. For consistency with section 8, it would be better to refer to ‘members of the engagement team’.	ICAEW	

504.	3.4 Suggested Re-wording	<p>In all such circumstances, the following additional safeguards may be appropriate:</p> <ul style="list-style-type: none"> • The use of separate engagement teams, with separate internal reporting lines. • Procedures to prevent access to information (eg strict physical separation of such teams, confidential and secure data filing) • Clear guidelines for engagement personnel on issues of security and confidentiality. • Regular review of the application of safeguards by a senior individual not involved with either client engagement. • Policies and procedures for dealing with conflicts of interest. 	PwC	
505.	3.5	Where a threat cannot be eliminated or reduced to an acceptable level through the application of safeguards, professional accountants <u>should</u> conclude that it is <u>not appropriate to accept</u> a specific engagement or that they should resign from one or more conflicting engagements.	ICPAS	
506.	3.6	Where professional accountants in public practice have requested consent from a client to act for another party in respect of a matter where the respective interests are in conflict and that consent has been refused by the client, then they <u>must not continue to act</u> for the other party in the matter giving rise to the conflict of interest.	ICPAS	
507.	3.6	<p>Where professional accountants in public practice have requested consent from a client to act for another party in respect of a matter where the respective interests are in conflict and that consent has been refused by the client, then they must not continue to act for the other party in the matter giving rise to the conflict of interest. If this was intended to be a prohibition we would consider it as appropriate.</p> <p>We recommend that the prohibitions be specifically identifies in the framework</p>	ICPAK	

508.	3.6	Where professional accountants in public practice have requested consent from a client to act for another party in respect of a matter where the respective interests are in conflict and that consent has been refused by the client, then they must not continue to act for the other party in the matter giving rise to the conflict of interest. <u>[This in our view goes too far. If, for example, the professional accountant has two existing clients that happen to enter into a transaction and both clients request the accountant's assistance with the transaction, this would require the accountant to resign from acting for one client merely because the other refuses to consent to the accountant representing both. This often tends to be a business decision regarding which client (or perhaps both clients) the accountant will conclude to decline to provide services to with respect to the particular matter. The accountant must take action to eliminate the conflict if both parties do not consent to the accountant representing both, but there are alternative means to eliminate the conflict.]</u>	D&T	
509.	3.6 Suggested Re-wording	Where professional accountants in public practice have requested consent from a client to act for another party in respect of a matter where the respective interests are in conflict or where the firm itself has conflicting interests and that consent has been refused by the client, then they must not continue to act for the other party in the matter giving rise to the conflict of interest.	PwC	

510.	4	<p>Section 4 – We believe that certain inconsistencies exist within this Section as to when a professional accountant is permitted or obligated to disclose information about a clients' affairs and that legal impediments may exist in certain countries that would prohibit an accountant from complying with certain of the requirements in the Section or that would force a professional accountant to disclose information about a clients' affairs. We believe that the requirements of the Section should be based on overarching principles of confidentiality of clients' affairs and consideration needs to be given to laws or regulations that may prohibit a professional accountant from complying with certain provisions of the Section. In addition, this Section should specifically allow professional accountants to disclose information about clients' affairs in connection with quality assurance reviews, whether performed internally by a firm or as a requirement of law, regulation or standard, unless prohibited by law or regulation. Finally, we believe that Section 4.6 should include examples of information that should be asked of the existing accountant regarding facts or circumstances that the proposed accountant should be aware of before deciding whether or not to accept an engagement. Examples of information to request should include the integrity of management, disagreements with management, the existence of fraud, illegal acts or internal control related matters and the reason for the change in accountants.</p>	Grant Thornton	
511.	4	<p>We support the requirement that a new accountant should ask the existing accountant to provide information on any facts or circumstances within their knowledge that, in their opinion, the proposed accountant should be aware of before deciding whether or not to accept the engagement. Paragraph 4.7 indicates that when the proposed accountant is unable to communicate with the existing accountant, the proposed accountant should attempt to use other means to obtain information. We believe that a client's refusal to allow the existing accountant to discuss the client's affairs with the proposed accountant represents a significant threat that cannot be eliminated or reduced by obtaining information by other means. Thus, when a client refuses to give permission, the proposed accountant should be required to decline the engagement. Accordingly, we recommend that Section 4 be revised to include such a requirement</p>	Basel Committee	

512.	4	<p>In our view, the proposed regulation in Section 4 is not in the interest of users of professional accountants' reports. If a client wants to replace his professional accountant by another one, he is interested in limiting the cost involved in the replacement. This can be accomplished by permitting the outgoing professional accountant to share all relevant information with the proposed professional accountant. If the client refuses such permission, there is something completely wrong, e.g., fraud. In our view, the rules should prohibit a professional accountant even from making an offer if the prospective client refuses such permission.</p>	Group from NL	
513.	4	<p>Guidance on communications between the existing accountants and the proposed accountants</p> <p>We consider that the proposed guidance in Section 4 of Part B about changes in a professional appointment too weak and inadequate to deal with public interest audits.</p> <p>In summary, it requires a professional accountant who is asked to replace another professional accountant to determine whether there are any professional or other reasons for not accepting the engagement. This may require direct communication with the existing accountants. If the proposed accountants are unable to communicate with the existing accountants, they should try to obtain information about any possible threats by other means. If identified threats are other than clearly insignificant, safeguards should be considered and applied as necessary to reduce them to an acceptable level. Where the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, professional accountants in public practice should, unless there is satisfaction as to necessary facts by other means, consider whether to decline the engagement.</p> <p>In considering communications with the proposed accountants, the proposed revised Code reminds the existing accountants of their obligation of confidentiality.</p> <p>What is missing is a clear ethical requirement, subject to any legal restrictions, for the existing accountants to respond in full to requests for information from the proposed accountants. The proposed revised Code actually acts as a barrier to communications between the existing accountants and the proposed accountants. The proposed revised Code precludes disclosure unless it is required to comply with a technical standard or an ethical requirement, but it does not set out the ethical requirement.</p>	HKSA	

514.	4 cont	<p>Borrowing from the existing Hong Kong requirements (HKSA Ethics Statement 1.207 “Changes in a professional appointment” which is available at: http://www.hksa.org.hk/professionaltechnical/ethics/index.php), the proposed revised Code should also include guidance that:</p> <ol style="list-style-type: none"> 1. precludes the proposed accountants from accepting the nomination without first communicating in writing with the existing accountants to enquire whether there is any reason for or circumstance behind the proposed change of which they should be aware when deciding whether or not to accept nomination; and 2. requires the proposed accountants to decline to accept nomination unless they receive confirmation from the existing accountants that the client has waived all confidentiality obligations in respect of the existing accountants reply to the proposed accountants. <p>Only if the law or circumstances other than a refusal by the client to waive confidentiality requirements is the reason for the proposed accountants not being able to communicate with the existing accountants should the proposed accountants rely on other procedures.</p> <p>We also draw to your attention that the HKSA is currently considering what additional guidance can be provided by the HKSA on how much and what sort of information should the existing accountants provide to the market and to the proposed accountants. We may write to the IFAC Ethics Committee again once we have identified the areas where additional guidance can be provided to our members.</p>	HKSA	
515.	4.2	<p>An important aspect of our Code of Professional Conduct has <i>required</i> direct communication with an existing accountant. Paragraphs 4.3 to 4.8 discuss procedural aspects of dealing with existing accountants, however, we believe that these paragraphs will be irrelevant if there is no requirement to communicate with an existing accountant.</p> <p>Existing wording “Depending on the nature of the engagement, this may require direct communication with the existing accountant....”</p> <p>Suggested change “<i>This will</i> require direct communication with the existing accountant...”</p>	AAB	

516.	4.2	However, we would prefer an elaboration of the description on safeguards in connection with changes in professional appointment in section 4.2. In the case of an audit engagement, communication between the old and the new auditor about the reasons for the change should be required, and should not be regarded as a violation of confidentiality. The client should, of course, be informed about this duty and about the content of the communication.	FSR	
517.	4.2	We believe a professional accountant should <u>always</u> communicate with the predecessor for the reasons stated in the last sentence of the paragraph.	CICA	
518.	4.2	In the case of audit, there are compelling public interest reasons why communication should always be required, even if, as discussed in our comments on paragraph 4.4 below, due to confidentiality reasons, the communication merely informs the successor auditor that there are matters of which the successor should be aware.	PwC	
519.	4.4	In the absence of specific instructions by their client, existing accountants <u>should not ordinarily volunteer</u> information about the client's affairs.	ICPAS	
520.	4.4	In the absence of the client's authorization, the professional accountant should not disclose confidential information about the client's affairs to a successor or potential successor. We believe the word "ordinarily" should be deleted.	CICA	
521.	4.4 Editorial	"...safeguards should be considered and applied as necessary to eliminate or reduce them...."	E&Y	

522.	4.4	<p>In general, this might give more useful and specific guidance. Suppose the predecessor had become aware of illegal acts being carried out by the client, and that discovery led to the end of the relationship between the predecessor and the client. Is the Code saying that absent specific instructions from the client, which would almost certainly not be forthcoming, the predecessor would be constrained from saying anything to the successor? Might an existing accountant not say to the potential successor “There is something you ought to be aware of before accepting this engagement, but I do not have permission to disclose it to you?” This would not betray confidentiality of the client’s affairs, but at least gives a warning to the successor that the successor should insist on the client removing the gag on the predecessor.</p> <p>It is interesting to compare this to Part C, paragraph 7.2, which suggests that there may be a public interest that transcends the obligation to protect confidentiality and we believe there that there may be circumstances where the public interest can only be served by disclosure. Accordingly we recommend adding as item (v) to Part A, para 5.6 the following:</p> <p>“Where the public interest can only properly be served by such disclosure (subject to taking legal advice)”</p>	PwC	
523.	4.5	If identified threats are other than clearly insignificant, safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level.	D&T	
524.	4.5	Paragraph 4.5 of Part B mentions identified threats without giving further guidance on what kinds of threats a professional accountant in public practice would need to consider when determining whether or not to accept an engagement, though one example is given in paragraph 4.1 of Part B. We suggest more examples of possible threats should be provided.	HKSA	
525.	4.6	Such safeguards <u>may</u> include:	D&T	
526.	4.7	Paragraph 4.7 of Part B of the proposed revised Code suggests that the proposed accountants should try to obtain information about any possible threats by other means if they are unable to communicate with the existing accountants. However, the proposed revised Code does not further explain what the “other means” of obtaining information about possible threats are. We suggest that guidance is provided on how the proposed accountants can obtain the necessary information	HKSA	

527.	4.8	With regard to paragraph 4.8 of Part B where the threats cannot be eliminated or reduced to an acceptable level through the use of safeguards, it should be clearly stated that professional accountants in public practice should decline the engagement. Moreover, both paragraphs 4.7 and 4.8 are not clear enough and should be combined	CNCC	
528.	4.8	Where the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, professional accountants in public practice should, unless there is satisfaction as to necessary facts by other means, consider whether to decline the engagement. <u>[Is consideration sufficient when the threats cannot be reduced to an acceptable level with safeguards?]</u>	D&T	
529.	5	For consistency with the comments on changes in appointments and in light of our current mandatory requirements, we would suggest that members are obliged to communicate with the existing accountant where second opinions are sought. Existing wording: "Such safeguards will ordinarily include seeking client permission to contact the existing accountant...." Suggested wording: "Such safeguards <i>must include</i> seeking client permission to contact the existing accountant...." Note: The Australian Accounting Bodies' current rules allow members <i>not</i> to communicate with the existing accountant "provided such advice relates to an opinion already given by that member or member's firm and is tendered solely in response to a bona fide enquiry concerning proposed or actual litigation against that member or member's firm".	AAB	
530.	5	We also feel that the proposed regulation in Section 5 is not in the interest of users of professional accountants' reports. The proposed regulation still allows for 'opinion shopping', which is highly damaging to the reputation of the profession. The phenomenon exists in various forms, e.g., financial institutions that devise 'leasing products' and submit it to a number of reputable audit firms until they have found one that is prepared to state that such a lease can be held 'off-balance'. At this point in time, the sensible way would be to prohibit professional accountants from giving an opinion on financial statements they are not engaged to audit.	Group from NL	Note – while comment letter referred to Section 4, the comment seems better suited to Section 5

531.	5	In section 5 of part B, although we do not challenge in principle a second opinion, we strongly believe that particular circumstances may occur where second opinion may create undue pressure on the judgment and objectivity of the accountant. We draw your attention on the fact that this type of situation is addressed in the current Code and we believe that the situation and the wording should be retained in the draft.	CNCC	
532.	5 part A and 7 of Part C	Section 5 of Part A and Section 7 of Part C relating to Confidentiality and Disclosure of Confidential Information, contain a considerable degree of overlap. For example, paragraphs 7.1, 7.2, 7.3 and 7.5 of Part C are materially similar to the provisions in Section 5 of Part A. Further, the principles in these paragraphs are equally applicable to professional accountants in public practice. To avoid the duplication of material and to ensure application of the principles to all professional accountants, it is proposed that Section 7 of Part C be merged into Section 5 of Part A, with the necessary modifications.	MIA	
533.	5.1	<u>[This example does not seem to pose the threats indicated. If the client provides different facts than were provided to the existing accountant, there certainly is the potential that the two accountants will reach different conclusions, but that is not to say that either, based on the facts provided by the client, were not reached with due care.]</u>	D&T	
534.	5.1	The second opinion material has been restricted to engagements to provide a written opinion. An implication is that if the engagement is structured to result in oral advice it would not give rise to threats to compliance with the fundamental principles. Since it is generally difficult to communicate an opinion on specific circumstances and transactions without describing the exact facts and related circumstances, professional accountants in public practice should not provide oral second opinions of this type. The Code might address this.	PwC	
535.	5.2	When asked to provide such an opinion, professional accountants should evaluate the significance of the threats and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level. Such safeguards will ordinarily include seeking client permission to contact the existing accountant, describing the limitations surrounding any opinion in communications with the client and providing the existing accountant with a copy of the opinion.	D&T	
536.	5.2 Editorial	“safeguards should be considered and applied as necessary to eliminate or reduce them....”	E&Y	

537.	6.1	We believe the last sentence could be strengthened by changing “perform the engagement satisfactorily for that price” to “perform the engagement in accordance with generally accepted standards of practice for that price”.	CICA	
538.	6.1	When entering into negotiations regarding professional and business relationships, professional accountants may quote whatever fee they deem to be appropriate. The fact that one professional accountant may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. For example, there may be <u>is</u> a self-interest threat to professional competence and due care if the fee quoted is so low that it may be difficult to perform the engagement satisfactorily for that price.	D&T	
539.	6.1	As the term “business relationships” is used in another context in section 8, we recommend using “When entering into negotiations regarding professional assurance engagements”.	E&Y	
540.	6.2	The significance of such threats will depend on factors such as the level of fee quoted, the services to which it applies and the availability of comparison with other quotes. <u>[The relevance of the availability of comparison with other quotes is unclear. The issue is whether the professional accountant has reasonably estimated the amount of work required to complete the assignment in a quality manner and is charging a fee commensurate with the effort. What others quote seems irrelevant.]</u> In view of these potential threats, safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level. Safeguards which may be adopted include:	D&T	
541.	6.2 Editorial	“safeguards should be considered and applied as necessary to eliminate or reduce them....”	E&Y	

542.	6.3	<p>Strengthen in accord with the Australian accounting bodies' current requirements which do not allow for contingency fees on assignments requiring objectivity and independence. In addition, members <i>must</i> disclose to clients in writing any commissions or referral fees received or paid.</p> <p>Suggested wording for addition to para 6.3:</p> <p>“For assignments requiring objectivity and independence, no such safeguards could be applied to reduce the threat to an acceptable level. Hence, a contingency fee arrangement for professional services requiring independence and objectivity must not be entered into.”</p>	AAB	
543.	6.3	<p>Contingent fees are widely used for certain types of non-assurance engagements.¹ They may, however, give rise to threats to compliance with the fundamental principles in certain circumstances. For example, there may be a self-interest threat to objectivity when a contingent fee is agreed on but is not considered normal professional or business practice for the type of engagement in question. <u>[The threat is there regardless whether it is considered normal. For example, it is normal to receive a success fee if the accountant is providing corporate finance services. We believe the fee arrangement would nevertheless create a self-interest threat to objectivity.]</u> The significance of such threats will depend on factors including:</p>	D&T	
544.	6.3	<p>Contingent fees in paragraph 6.3 of Part B should be defined. This could be by way of a footnote using the definition in Section 8. Alternatively, the definition of “contingent fees” could be included in the definition section. At the very least paragraph 6.3 should refer to the appropriate paragraph reference in Section 8.</p>	FEE	
545.	6.3	<p>The bullet refers to outcome being reviewed by an independent third party. “Independent” is unnecessary.</p>	ICAEW	
546.	6.4	<p>Paragraph 6.4 lists safeguards applicable to contingent fee arrangements. One such safeguard proposed is “Disclosure of the work the professional accountants have done and the basis of remuneration for any document they have prepared in contemplation that a third party may (with their agreement) rely on it.” We are not clear as to what is contemplated under this safeguard. For example, is the Committee considering a situation where the basis for the contingent fee would be disclosed in the professional accountant’s report? We recommend clarification with respect to this safeguard.</p>	AICPA	

¹ Contingent fees for assurance engagements are discussed in Section 8 of this part of the Code

547.	6.4	The significance of such threats should be evaluated and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate <u>them</u> or reduce them to an acceptable level. Such safeguards might include:	D&T	
548.	6.4 2 nd bullet	<u>[The above do not seem to be safeguards.]</u>	D&T	
549.	6.5	Section 6.5 – We suggest that the type of engagements for which the receipt by a professional accountant of a referral fee or commission is permissible and those types of engagements for which such a receipt is not permissible be clarified. We also suggest that consideration should be given to whether the entity is a listed entity. For example, consideration should be given to revising the statement, “Professional accountants may receive commissions from third parties (e.g. software vendors) in connection with sales of goods or services to a client” to note that such practice is not allowable when the accountant is providing assurance services to a listed entity, unless permitted by law or regulation. We believe that the self-interest threat that is created when an accountant accepts a commission from a third party for the recommendation of a product or service of that third party to a listed entity to whom the professional accountant provides assurance services is so significant that there are no safeguards that can be implemented to reduce the threat to an acceptable level.	Grant Thornton	
550.	6.5	In certain circumstances, professional accountants may receive referral fees or commissions relating to their clients. For example, where they do not themselves provide the specific service required, they may receive a fee for referring a continuing client to another professional accountant in public practice or other expert. Professional accountants may receive commissions from third parties (e.g., software vendors) in connection with sales of goods or services to a client. Accepting such referral fees or commissions may gives rise to self-interest threats to objectivity and professional competence and due care.	D&T	
551.	6.5 “Fees and Other Types of Remuneration,”	In Japan, professional accountants shall not receive referral fees or commissions, whether they are professional accountants in public practice or not.	JICPA	

552.	6.6	Professional accountants may also pay referral fees to obtain clients, for example, where the clients continue as clients of other professional accountants but require specialist services not offered by the existing accountants. The payment of such referral fees may also gives rise to self-interest threats to objectivity and professional competence and due care.	D&T	
553.	6.7	Paragraph 6.7 lists safeguards applicable to referral fees and commissions. The last two bullets state: <ul style="list-style-type: none"> • Disclosing to clients any arrangements to receive commission in connection with the sale by third parties of goods or services to those clients. • Obtaining agreement in advance from clients to commission arrangements in connection with the sale by third parties of goods or services to those clients. We do not see how these two safeguards differ from one another. Specifically, it would seem appropriate that disclosure to the clients should always occur before the fact and it is implicit that the client does not object to the arrangement. We therefore recommend that one of these two safeguards be deleted or that they be combined into one.	AICPA	
554.	6.7	Existing wording “Professional accountants should not pay referral fees or receive such fees or commission unless they have established safeguards to eliminate the threats or reduce them to an acceptable level. Such safeguards may include.....” Suggested wording ...acceptable level. No such safeguards could reduce the threats to an acceptable level without: <ul style="list-style-type: none"> • Disclosing to clients.....” 	AAB	
555.	6.7	<u>[As with contingent fees, it seems that disclosure is not really a safeguard. The last two safeguards under the contingent fee discussion would be appropriate here as well.]</u>	D&T	
556.	6.7	The wording “for work performed by them” is confusing. A clearer alternative would be “where work has been introduced to the disclosing firm”. In addition, paragraph 6.5 refers to “another professional accountant in public practice or other expert”. The disclosure requirements in 6.7 should also apply to fees and commissions received from those other experts. Also, reorder bullet points 3 and 4 for correct chronological order	E&Y	

557.	7	<p>Section 7 provides guidance when a professional accountant has custody of client assets and paragraph 7.1 states:</p> <p>Professional accountants should assume custody of client monies or other assets only where permitted to do so by law and having regard to any additional legal duties imposed on professional accountants in public practice holding such assets.</p> <p>For purposes of this provision, we believe the Committee should define what is meant by “client monies” and as noted above (see “Definitions”), reinstate the definition included in the current Code.</p>	AICPA	
558.	7.1	<p><u>[Does the “only where permitted to do so by law” cover all situations not prohibited by law? One could infer that the law must explicitly allow, which may not be the case where the accountant has custody of client monies. For example, the accountant may provide payroll services to a client and the accountant may have authority over an imprest account to pay the tax liabilities. This should be okay assuming it is not illegal.]</u></p>	D&T	
559.	7.2	<p>The holding of client assets gives rise to threats to compliance with the fundamental principles for example there may be <u>is</u> a self-interest threat to integrity or professional behavior arising from holding client assets. To safeguard against such threats, professional accountants entrusted with money (or other assets) belonging to others should:</p>	D&T	
560.	7.2 (c)	<p>We suggest adding to this sentence that the accountant should also account for the proceeds of the assets (e.g. dividends and interest).</p>	Basel Committee	
561.	7.3	<p>In addition, professional accountants should be aware of threats to compliance with the fundamental principles through association with such assets, for example, if the assets were found to derive from illegal activities, such as money laundering. As part of client and engagement acceptance procedures for such services, professional accountants should make appropriate enquiries about the source of such assets and should consider their legal and regulatory obligations. They may also consider seeking legal advice.</p>	D&T	
562.	7.3	<p>We believe client acceptance procedures should also consider the integrity and identity of the proposed client, not just whether any client assets might derive from illegal activities. This part belongs to 2.3, Client Acceptance.</p>	E&Y	
		Part C		

563.	General	<p>In the interest of users of professional accountants' reports, we feel that a professional accountant in business should not appear to act as a professional accountant in public practice, and would welcome explicit rules to that effect. This may be accomplished by introducing rules like:</p> <p><i>"If a report is issued within the scope of an employee-employer relationship, the report should explicitly state such relationship."</i></p> <p>and:</p> <p><i>"A professional accountant who does not act in public practice shall inform everybody to whom he issued a report that it may not be provided for use by a party other than the one to whom it was issued, unless required by law or regulation. In the event a report is nevertheless submitted by his employer to other parties, he shall be required to take measures to remedy the situation and to prevent repetition."</i></p> <p>These rules would serve to protect both the users of professional accountants' reports and internal auditors.</p>	Group from NL	
564.	General	<p>CIMA has participated in the work of a Consultative Committee of Accountancy Bodies working party, which is in the process of recommending (to CCAB) a revised and more comprehensive Section C. We understand that Consultative Committee of Accountancy Bodies may in due course forward to you comments on Section C and any revisions that they would propose, and CIMA will be a party to that joint detailed revision.</p>	CIMA	
565.	General	<p>We suggest that there should be more guidance in relation to Part C. The principles should be provided in the main body of Part C, supplemented by a separate section containing practical guidance which encompasses implementational issues and examples on the application of the principles to specific situations and safeguards to mitigate the threats (similar to the setting of section 8 of the existing Code). More specific examples, i.e. beyond generalised situational examples contained in the ED would be desirable. It should be made clear that any specific examples quoted are not intended to be and cannot be exhaustive.</p>	HKSA	
566.	General	<p>The threats and safeguards in respect of employed PAIBs are different from those of business owners, whilst those of PAIBs employed in large organisations and in SMEs are also likely to be different from each other. Therefore, the structure of Part C needs to cater for these various situations. While we appreciate that the proposed revised Code should not be too voluminous, Part C should go some way towards acknowledging and addressing these differences, at least in general terms.</p>	HKSA	

567.	Scope	<p>PAIBs occupy positions at many different levels, ranging from junior accountants to senior management/board members or business owners, in companies/organisations of different sizes in a range of sectors. The system/structure and corporate culture of the companies/organisations that PAIBs work for also vary, for example, the system/structure and corporate culture of small and medium sized enterprises (SMEs), family-controlled corporations, local business entities and international conglomerates are different. Accordingly, PAIBs face a wide variety of ethical problems in their day-to-day work. They will also encounter implementation difficulties of the requirements of the proposed revised Code.</p> <p>Therefore, the scope of Part C needs to be more clearly defined. It is noted that the definition of professional accountants [in business] (paragraph 1.4 of Part C) appears to be wider than that in Part A, as the latter covers not only employed professional accountants, but also owner managers, directors (executive or non-executive), etc. We believe that the scope of PAIBs should be wider rather than narrower.</p>	HKSA	
568.	1.2 (a)	<p>Paragraph 1.2(a) of Part C: consideration could be given to separating “honesty” from “integrity”. It is noted however that this will also affect paragraph 1.14(a) of Part A as the fundamental principles apply to all parts of the proposed revised Code.</p> <p>[c.f. the “Seven Principles of Public Life” from the <i>First Report of the Committee on Standards in Public Life</i> (“Nolan Committee”)(May 1995) in which <u>integrity</u> and <u>honesty</u> are defined independently of each other, as follows:</p> <p><u>Integrity</u> – one should not place himself under any financial or other obligation to outside individuals or organisations that might influence him in the performance of his official duties.</p> <p><u>Honesty</u> – one has a duty to declare any private interests relating to his public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.]</p> <p>Although there may be a limit on how far the concepts of the above report can be used as a reference, given that it deals with ethics in the public sector, account is taken of the Nolan principles in the IFAC study: <i>Governance in the Public Sector: A Governing Body Perspective</i> (August 2001, paragraph .064-.068). In any case, honesty is such a basic part of ethics, and as a concept it is more straightforward than integrity, that it probably merits a specific mention.</p>	HKSA	

569.	1.2(b) Objectivity	A professional accountant <u>should not</u> allow prejudice or bias, conflict of interest or under influence of others to override professional or business judgment.	ICPAS	
570.	1.2 (c)	A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives the advantage of competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards in all when providing professional and business relationships services.	D&T	
571.	1.3	This paragraph is arguably too strong about the role of the professional accountant in business. For example, even if the CFO is a professional accountant, the directors of the company have responsibility for the financial statements and the CFO is not directly responsible to investors, creditors etc for their work.	PwC	
572.	1.3 (c)	Confidential information acquired a result of professional and business relationships <u>should not be used</u> for the personal advantage of the professional accountant or third parties.	ICPAS	
573.	1.4	Consider including a reference to professional accountants who serve on audit committees and/or boards of directors.	CICA	
574.	1.4	Professional accountants may be salaried employees, partners, directors (whether executive or non-executive), owner managers, volunteers or others working for one or more employing organization. The legal form of the relationship with the employing organization has no bearing on the ethical responsibilities incumbent on professional accountants in business.	D&T	
575.	1.6	<p>We believe that one of the most effective safeguards applicable to professional accountants in business is the “tone at the top” of the employing organization. We recommend that this safeguard be stressed under paragraph 1.6 as follows:</p> <p>Professional accountants in business often occupy senior positions within employing organizations. The more senior they become, the greater will be their ability and opportunity to influence events, practices and attitudes. Professional accountants are encouraged, therefore, to establish an ethics-based culture in their employing organizations <i>to ensure that the tone at the top of the organization conveys the importance that senior management places on ethical behavior.</i></p>	AICPA	

576.	1.6	This states, in respect of accountants in senior positions, that they “are encouraged, therefore, to establish an ethics-based culture” Even those in senior positions may not be able to establish such a regime. Perhaps “are expected to encourage, therefore, an ethics-based culture” might be more appropriate.	ICAEW	
577.	1.7	The environment in which professional accountants operate may give rise to specific threats to compliance with the fundamental principles. This Part of the Code of Ethics provides a framework, built on principles, to assist professional accountants in business to identify, evaluate and respond to threats to compliance with the fundamental principles. If identified threats are other than clearly insignificant, professional accountants should, where appropriate, apply safeguards to eliminate the threats or reduce them to an acceptable level so that compliance with the fundamental principles is not compromised.....	D&T	
578.	1.8	The examples presented in the following sections are intended to illustrate the application of the principles and are not intended to be, nor should they be interpreted as, an exhaustive list of all circumstances experienced by professional accountants in business that may create threats.....	D&T	
579.	1.9	The link between the types of threats outlined in paragraph 1.9 of Part C and the subsequent situational examples in sections 2 to 7 of Part C should be made clearer.	HKSA	
580.	1.10 to 1.13	Some of these examples are unclear in that it’s not always obvious what the threat is, and indeed that in 1.12 may be difficult to follow. A CFO may well publicly support a particular accounting treatment which (s)he believes to be correct but where “the validity of that position might later be called into question”.	PwC	
581.	1.11	Circumstances that may create self-review threats include, but are not limited to, business decisions or data being subject to review and justification by the same person <u>professional accountant</u> responsible for making those decisions or preparing that data	D&T	
582.	1.12 Bullet 2 nd	Acting publicly as an advocate for a particular position where bias may arise or where the validity of that position may later be called into question. [It is not clear what “where bias may arise” means. Also, there is an advocacy threat regardless whether the position may be called into question.]	D&T	

583.	1.12	In discussing advocacy, it should be clarified that there is nothing improper in business members advocating their employer's position provided it does not result in any misleading information being given. The examples would then serve to highlight the situations where advocacy would be unacceptable.	ICAEW	
584.	1.12	In 1.12 of part C there should be additional wording clarifying that there is nothing improper in business members advocating their employer's position provided it does not result in any misleading information being given. The examples would then serve to highlight the situations where advocacy would be unacceptable.	CIMA	
585.	1.13 Bullet 1 st	A person <u>professional accountant</u> in a position to influence financial or non-financial reporting or business decisions having an immediate or close family member who is in a position to benefit from that influence.	D&T	
586.	1.14	The wording of the threat of a dominant personality is good and should be applied in Parts A and B as well.	E&Y	
587.	1.14	When discussing the impact of dominant personalities, it might be helpful to insert after "awarding of contracts" "or presentation of financial information by controlling relations with auditors or other oversight bodies."	ICAEW	
588.	1.16	Safeguards that may eliminate <u>threats faced by professional accountants</u> or reduce <u>them</u> to <u>an</u> acceptable levels the threats faced by professional accountants fall into two broad categories:	D&T	
589.	1.16	We believe that there is a third broad category of safeguards: safeguards created by the individual. This would also apply to A1.16 and B1.13. There should be a new paragraph giving examples of such safeguards (e.g. complying with CPD requirements, personal record keeping, using an independent mentor, circumstance-specific safeguards etc). In due course, 8.36 would need to be brought in line (this is already inconsistent, even if the wording of C1.16 etc is left unchanged). It should be made clear that some safeguards are of a structural nature and can be relied on without specific tailoring, assuming they are effectively applied, but that others would need to be demonstrated (where necessary) as applying to the particular circumstance.	ICAEW	

590.	1.16	1.16 should recognise a third broad category of safeguards: safeguards created by the individual. There should be a new 1.19 giving examples of such safeguards (e.g. complying with CPD requirements, personal record keeping, using an independent mentor etc).	CIMA	
591.	1.18	PAIBs are not operating in a vacuum but are working inside a system/structure, for example, systems of internal control and corporate governance structures (including channels for internal reporting, etc.), which may provide checks and balances and some support/protection for PAIBs in their working environment. It is noted that apart from in the introduction (paragraph 1.18 of Part C in respect of safeguards in the work environment), there appears to be no recognition of these organisational issues in the remaining content of Part C. We suggest that the proposed revised Code should provide examples of internal control and corporate governance structures to mitigate specific threats.	HKSA	
592.	1.18	Paragraph 1.18 provides examples of safeguards in the professional accountant's work environment. We believe that the eighth and last bullets would be enhanced by the following revisions: <ul style="list-style-type: none"> • <i>Training on and</i> Timely communication of the employing organization's policies, procedures, and any changes to them <i>for</i> to all employees. • Policies and procedures to empower <i>and encourage</i> employees to communicate to senior levels <i>within the employing organization</i> any ethical issues that concern them <i>without fear of retribution. The policies and procedures should describe the avenues that are available to</i> This includes informing employees to communicate such issues of the procedures open to them. 	AICPA	
593.	1.18	<u>[See paragraph 1.15 in Part B for suggested edits.]</u>	D&T	
594.	1.18	The examples of safeguards in the work environment are good and should be adopted in Part B as well.	E&Y	
595.	1.18	Corporate governance is a major topic of discussion presently. While not directly relevant to the ED, a key issue is what common usage terms 'the tone at the top'. It may be helpful to expand a little on the safeguard relating to firm leadership. This would also apply to B1.15	ICAEW	

596.	2.2	Definitions could be clearer and language more forceful in places. For example, paragraph 2.2 of Part C should define more clearly situations of “acting contrary to law or regulation”. In addition, in the fourth bullet point “misleading” should be replaced by “misrepresenting”, and reference should also be made here to shareholders and stakeholders.	HKSA	
597.	2.2	Paragraph 2.2 provides examples where a professional accountant may find themselves under pressure to act in a manner that could threaten compliance with the fundamental principles. Paragraph 2.3 lists safeguards that might mitigate such <i>pressures</i> . We believe these safeguards are focused on mitigating <i>threats</i> to the fundamental principles, rather than “pressures.” In order to avoid any confusion between the two terms, we recommend that the lead-in to the specific safeguards be revised to state: Safeguards that might mitigate such <i>threats</i> pressures include:	AICPA	
598.	2.2 Bullet 4 th sub Bullet 1 st	These acting as auditors of the employing organization; or	D&T	
599.	2.3	The significance of threats arising from such pressures, such as intimidation threats, should be evaluated and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level. Safeguards that might mitigate such pressures include:	D&T	

600.	2.3	<p>Taking the section on potential conflicts (section 2 of Part C) as an example, we suggest that paragraph 2.3 can be expanded in the separate section to provide more practical implementation guidance to professional accountants in business (PAIBs) on what they should do if:</p> <ul style="list-style-type: none"> • there is no appropriate person within the employing organisation that the PAIBs can consult/obtain advice from; • they have no access to an independent professional adviser or legal adviser except at their own expense; and • there is no formal dispute resolution process within the employing organisation. <p>The guidance should deal with, for example, the appropriate actions for PAIBs to take when facing different ethical situations, such as:</p> <ul style="list-style-type: none"> • when they are aware of wrongdoing (misconduct/unethical practice) by their superiors who are non-accountants; • when they are under pressure to act or behave in an unethical manner; or • when they have a conflict with their employer. <p>It should cover the following areas, amongst other things:</p> <ul style="list-style-type: none"> • classification of the issue; and • advice to PAIBs at different levels in an organisation, and working in different business set-ups (see also points (b) and (c) below), for example, those working in companies/organisations: <ul style="list-style-type: none"> ○ which have well-established channels of reporting and control and oversight structure; ○ where there is no formal control, reporting and oversight structure; and ○ where there is nobody whom the PAIBs can consult. 	HKSA	
601.	2.3 Editorial	“safeguards should be considered and applied as necessary to eliminate or reduce them....”	E&Y	
602.	2.4	<p>Where it is not possible to reduce the threats to an acceptable level, professional accountants may conclude that it is appropriate to consider resigning from the employing organization. In circumstances where professional accountants believe that unethical behaviors or actions by others will continue to occur within the employing organization, they may wish to consider seeking legal advice.</p>	D&T	

603.	2.4	It should be considered to prescribe in section 2.4 of part C that the professional accountant should resign if it is not possible to reduce the threats to an acceptable level.	NivRA	
604.	3.1	Paragraph 3.1 states that “Professional accountants are often involved in the preparation and reporting of information that may either be made public or used by others inside or outside the employing organization. Such information may include financial or management information...” The following sentence describes examples of such information but focuses solely on “financial” information and does not provide examples of “management” information. Accordingly, we recommend the following revision: Such information may include financial or management information, for example, <i>internal forecasts and budgets</i> , financial statements, management discussion and analysis, and the management letter of representation.	AICPA	
605.	3.2	Threats to compliance with the fundamental principles, for example self-interest or intimidation threats to objectivity or professional competence and due care, may arise where professional accountants are <u>may be</u> pressured (either externally or by the possibility of personal gain).....	D&T	
606.	3.3	The significance of such threats will depend on factors such as the source of the pressure and the degree to which the information is, or may be, misleading. The significance of the threats should be evaluated and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level.....	D&T	
607.	3.3 Editorial	“safeguards should be considered and applied as necessary to eliminate or reduce them....”	E&Y	
608.	3.4 Section 7. They may also wish to <u>seek</u> take legal advice or consider <u>resignation</u> .	D&T	

609.	4 (Whole)	Section 4 is titled, “Acting with Sufficient Expertise” and provides guidance in connection with the principle of professional competence and due care. Paragraph 4.1 states, “The fundamental principle of professional competence and due care requires that professional accountants should only undertake significant tasks for which they have, or can obtain, <i>sufficient specific training or experience</i> .” There is no specific reference in this paragraph of the requirement to act diligently or perform professional services with due care. However, paragraph 4.2 lists circumstances that may threaten this fundamental principle and three of the four bullets (i.e., first, second and last) address threats specific to the issue of due care (i.e., are unrelated to the specific training or experience of the professional accountant). We recommend that the title of Section 4 be revised to state “Acting with Sufficient Expertise <i>and Due Care</i> ” and that paragraph 4.1 include discussion on the requirement of due care.	AICPA	
610.	4.2	I suggest to add this after the fourth bullet point: - Inability to obtain assistance.	CPA Aus Malaysia	
611.	4.2	Circumstances that may threaten the ability of professional accountants.....	D&T	
612.	4.3safeguards should be considered and applied as necessary to <u>eliminate them or</u> reduce them to an acceptable level. Safeguards that may be considered.....	D&T	
613.	4.4	Paragraph 4.4 states that, “Where threats cannot be eliminated or reduced to an acceptable level, professional accountants should refuse to perform the duties in question, making clear their reasons for doing so.” We believe it is not always practical for a professional accountant to <i>refuse</i> from performing specific duties as requested by his or her employer. We recommend that this paragraph be revised to state the following: Where threats cannot be eliminated or reduced to an acceptable level, professional accountants should <i>consider whether to</i> refuse to perform the duties in question. <i>If the professional accountant determines they should refuse to perform such duties, they should makeing</i> clear their reasons for doing so <i>and to the extent the issue involves the professional accountant’s lack of sufficient expertise, arrange for the duties to be performed by individuals who do possess sufficient expertise.</i>	AICPA	

614.	5.1	<p>Paragraph 5.1 provides examples of self-interest threats to objectivity or confidentiality and states, “Examples include situations where the professional accountant or an immediate or close family member...”. We suggest that this lead-in be revised as follows to be consistent with other sections of the Code:</p> <p style="padding-left: 40px;"><i>“Examples of circumstances that may create self-interest threats include, but are not limited to situations where the professional accountant or an immediate or close family member...”</i></p> <p>In addition, the first bullet under this paragraph appropriately recognizes that a threat may exist when a professional accountant or family member “holds a <i>significant</i> direct or indirect financial interest in the employing organization.” However, the remaining bulleted examples dealing with bonuses and share options do not address the significance of such financial incentives. We do not believe the examples listed pose a threat to independence in cases where the bonus or share options are insignificant. Accordingly, we recommend that the notion of significance be incorporated into these examples.</p>	AICAP	
615.	5.1	<p>The PPB expresses a concern that paragraph C5.1 could be interpreted as a prohibition on professional accountants not in public practice undertaking accounting work for a family business.</p> <p>The PPB accepts that the undertaking of audit work for a family business is not acceptable but queries the prohibition on accounting work and the preparation of income tax returns.</p> <p>The PPB requests the IFAC to clarify this paragraph. <i>Additional material</i></p> <p>The PPB has undertaken a detailed comparison between the proposed revised IFAC Code and the current New Zealand Code of Ethics. The following are areas the proposed revised IFAC Code does not address or for which additional guidance is in our view necessary.</p>	ICANZ	
616.	5.1	<p>Professional accountants in business may have financial interests that could, in certain circumstances, give rise to threats to compliance with the fundamental principles. For example, self-interest threats to objectivity or confidentiality may arise through the existence of the motive and opportunity to manipulate price sensitive information in order to gain financially.....</p>	D&T	

617.	5.1	<p>Employment itself constitutes a financial interest and there can therefore be few professional accountants in business who do not have FIs. It might be useful to explain this and clarify that there is nothing improper in having such an interest, provided the threat is recognised and addressed.</p> <p>The remainder of the paragraph could be rationalised by deleting the last two bullet points and inserting “or may qualify for” after “indirectly” in the first line of the third bullet.</p> <p>It is unclear here and in C5.2 whether financial interests held by related parties are to be assessed on an absolute basis or on what the accountant knows about. If the firmer, we believe that there could be human rights issues, at least in Europe.</p>	ICAEW	
618.	5.2	In evaluating the significance of such a threats, and the appropriate safeguards to be applied to eliminate the threats or reduce them to an acceptable level, professional.....	D&T	
619.	5.2	This paragraph is presumably meant to link the issues of significant interests, referred to in C5.1, and significant threats, addressed in C5.3. We take the key point to be that the significance of the interest is one of a number of issues to be considered in determining the significance of the threat: this could be made clearer.	ICAEW	
620.	5.3	If threats are other than clearly insignificant, safeguards should be considered and applied as necessary to <u>eliminate them</u> or reduce them to an acceptable level. Such safeguards.....	D&T	
621.	5.3 Additional Bullet	<u>Limitations on the financial interests that professional accountants or their immediate or close family members may hold in the employing organization.</u>	D&T	
622.	5.3	We believe it would be better to be more specific with respect to internal and external audit procedures by explicitly including the informed disclosure of a significant threat to audit personnel, subject to confidentiality constraints.	E&Y	
623.	5.4	Professional accountants <u>should neither</u> manipulate information nor use privileged information for personal gain.	ICPAS	
624.	5.4	<u>["Privileged information" often refers to information that is subject to privilege under law and the reference here could be confusing.]</u>	D&T	

625.	6	In general, the net in Section 6 is cast too widely and does not adequately distinguish between acceptable and unacceptable inducements. Inducements to influence behaviour, build relationships and influence decision making over the longer term, are an everyday event in commerce (eg cash-back or low interest incentives for car buyers; tenant inducements in commercial real estate transactions; volume rebates for purchases beyond a threshold amount; and post-deal consulting contracts for vendors of an owner-managed business). All are intended to influence economic behaviour, all involve the self-interest of the parties involved, yet all are accepted business practices. Accordingly, it is not inducements per se that are the problem, it can only be inducements that are intended to encourage behaviour that is contrary to one or more of the fundamental principles. Not all inducements fall into this category, and we believe that Section 6 should better explain the delineation.	PwC	
626.	6.1	Consider clarifying that this section refers only to inducements that are offered to encourage behavior that is contrary to the fundamental principles. There are many types of inducement that reflect common commercial practices and which should not be prohibited.	CICA	
627.	6.1	Professional accountants in business may find themselves in situations where they or <u>their</u> immediate or close family members are offered inducements.....	D&T	
628.	6.1	In 6.1 delete sub-paragraphs (d) and (e) and insert “or may qualify for” after indirectly in the first line of (c).	CIMA	
629.	6.2	Offers of inducements may create threats to compliance with the fundamental principles. When they or their immediate or close family members are offered inducements, professional accountants should consider the situation carefully. Self-interest threats to objectivity or confidentiality may arise where inducement offers are made in an attempt to unduly influence actions or decisions, encourage illegal or dishonest behavior or obtain confidential information. Intimidation threats to objectivity or confidentiality may arise if an offer of an inducement, whether accepted or declined, is followed by threats to make that offer public and damage the reputation of either the professional accountant or <u>his or her</u> an immediate or close family member. <u>[As above in the discussion of gifts, it is not clear why the offer, standing alone, creates a self-interest threat or why there is an intimidation threat if the offer is made public when the offer was declined.]</u>	D&T	

630.	6.3	The significance of such threats will depend on the nature, value and intent behind the offer. When offers of inducements which a reasonable and informed third party, having knowledge of all relevant information, would consider insignificant and not intended to encourage unethical behaviour are made in an open manner <u>[see discussion in Part B]</u> , then professional accountants may conclude that the offers are made in the normal course of business <u>public relations without the specific intent to influence decision making or to obtain information.</u> <u>[The accountant is not really in the position to determine the intent of the person making the offer.]</u> In such cases, they may generally conclude that there is no significant threat to compliance with the fundamental principles.	D&T	
631.	6.3	Contingent fees referred to in paragraph 6.3 of Part B should be defined. This could be by way of a footnote using the definition in Section 8. Alternatively, the definition of <u>'contingent fees'</u> "contingent fees" could be included in the definition section. At the very least paragraph 6.3 should refer to the appropriate paragraph reference in Section 8.	ACCA	
632.	6.3	This paragraph illustrates the concern above. It contemplates the accountant receiving an inducement that is acceptable because it is made "without the specific intent to influence decision making or to obtain information". This is an oxymoron, because by definition an offer of an inducement is made to influence decision-making even if in general and over the long term. The point must be that an inducement is normally acceptable if the purpose of the inducement is to encourage behaviour that does not contravene one or more of the fundamental principles.	PwC	
633.	6.4 (a)	Where such offers have been made <u>to professional accountants</u> , immediately inform higher levels of management or those charged with governance of the employing organization;	D&T	
634.	6.4 (d)	Consider whether it is appropriate to inform higher levels of management or those charged with governance of the employing organization where immediate or close family members <u>who have received the offer of inducement</u> are employed by competitors or potential suppliers of that organization.	D&T	
635.	6.4	The second sentence states that in some circumstances threats arise merely from an inducement offer being made and says that additional safeguards 'should' be adopted. This is quite stringent given that it could be immaterial. The required safeguards should add "consider whether they need to:" in front of the list, with consequent deletions in bullets (b) and (d).	ICAEW	

636.	6.4	In relation to paragraph 6.4 of Part C regarding receiving offers of inducements, we have similar concern as our comments on paragraphs 2.15 to 2.17 of Part B about relying on self-evaluation of the materiality of “clearly insignificant” by the recipients in accepting the inducements or not. There is a need for additional guidance in this respect. For instance, professional accountants dealing with public interest assignments should be prohibited from accepting any inducement, regardless of significance.	HKSA	
637.	6.5	In response to question (d), ACCA suggested that where a prohibition is identified, it should be clearly stated. Similarly where a threat is identified, it should similarly be clearly stated. Again words such as ‘may’, ‘try’, ‘consider’ should be avoided. For example at paragraph 6.5 of Part B the use of the word ‘may’ is not appropriate because accepting referral fees or commissions does give rise to a self-interest threat.	ACCA	
638.	6.6	Such pressure may come from within the employing organization, for example, from a colleague or superior. It may also come from an external individual or organization suggesting actions or business decisions that would be advantageous to the employing organization and, by extension, possibly influencing the professional accountant, can be influenced improperly.	D&T	
639.	6.7	Threats to compliance with the fundamental principles may arise in the following circumstances:	D&T	
640.	6.7 1 st Bullet influence a decision-making process or obtain <u>confidential</u> information; or	D&T	
641.	6.8	Professional accountants should not offer inducements that a reasonable and informed third party, having knowledge of all relevant information, would <u>conclude</u> consider to have an improperly influence on the professional judgment of those to whom the offer is made with whom the accountants have a professional or business relationship.	D&T	
642.	7	This section does not appear to discuss safeguards at all.	ICAEW	
643.	7	Section 7 should provide more information and guidance on the interface between “confidentiality” and “disclosure”, which may require legal input given that the issues on confidentiality and disclosure may have legal implications. This issue is important, particularly in relation to disclosing information in the public interest.	HKSA	

644.	7 of Part C and 5 part A	Section 5 of Part A and Section 7 of Part C relating to Confidentiality and Disclosure of Confidential Information, contain a considerable degree of overlap. For example, paragraphs 7.1, 7.2, 7.3 and 7.5 of Part C are materially similar to the provisions in Section 5 of Part A. Further, the principles in these paragraphs are equally applicable to professional accountants in public practice. To avoid the duplication of material and to ensure application of the principles to all professional accountants, it is proposed that Section 7 of Part C be merged into Section 5 of Part A, with the necessary modifications.	MIA	
645.	7.1	Professional accountants should maintain the fundamental principle of confidentiality. They <u>should not disclose</u> confidential information acquired in the course of their work unless permitted to do so or as required by law or regulation.	ICPAS	
646.	7.1	In 7.1 substitute “maintain” with “observe” in 8.1.	CIMA	
647.	7.2	<u>[The use of “may” seems appropriate here as the fundamental principle permits disclosure in certain cases, including the below.]</u>	D&T	
648.	7.2 & 7.6	At the end of the second dot point suggest adding: “..a crime of fraudulent act, <i>or pursuant to whistleblowing legislation.</i> ” Suggest adding “should obtain legal advice <i>and may consult with their professional body.....</i> ”	AAB	
649.	7.3professional accountants— in business should always disclose that information.....	D&T	
650.	7.4 to 7.6	(f) Paragraphs 7.4 to 7.6 should contain a more structured way to deal with the problem. These paragraphs should be further expanded to incorporate the internal processes that should be available to a PAIB under such circumstances. If these have been exhausted and the problems have not been resolved, a PAIB might consider making a discretionary disclosure. However, he may need to seek legal advice first.	HKSA	

651.	7.4 to 7.6	Further to (f) above, there is no provision in the proposed revised Code to safeguard/protect the professional accountants who try to comply with the ethical principles. PAIBs could well put their livelihood into jeopardy by making a disclosure, and there could be legal implications if the whistle-blower is later proved to be wrong. While the company may engage a team of lawyers, the PAIB who disclosed the information is not offered any obvious support. It is acknowledged however that a professional body, like HKSA, cannot provide any safeguard, such as legal protection, to professional accountants in this position. Therefore, when an ethical problem cannot be resolved, the PAIB concerned would in practice be more likely to resign from the company than spend money to consult legal advisers on a discretionary disclosure. In fact the proposed revised Code seems to be very non-committal on the whole issue of discretionary disclosures and it should be made clearer as to whether there are any situations in which it would be an appropriate course of action and, if so, examples should be given.	HKSA	
652.	7.4	In s Some circumstances, professional accountants may consider disclosing information outside the employing organization, when not obligated to do so by law or regulation, because they believe it would be in the public interest. When considering such disclosure, professional accountants should, where appropriate, follow the internal procedures of the employing organization in an attempt to rectify the situation . If the matter cannot be resolved within the employing organization, professional accountants in business should consider matters including the following	D&T	
653.	7.4	The word “In” is missing from the front of this paragraph	ICAEW	
654.	7.5	In deciding whether to disclose confidential information, they <u>professional accountants</u> should also consider the following points:	D&T	
655.	7.5 1 st Bullet	When the employer gives authorization to disclose information, whether or not the interests of all the parties, including third parties whose interests might be affected, could be harmed	D&T	
656.	7.5 2 nd Bullet	Whether or not all the relevant information is known and substantiated, to the extent it is practicable; when the situation involves unsubstantiated.....	D&T	

657.	7.6	Section 7.6 – We suggest revision of the phrase “should obtain legal advice” to “should consider obtaining legal advice” as it refers to the disclosure by a professional accountant in business of confidential information outside of their employing organization. Certain laws or regulations may require immediate disclosure and not allow for the accountant to obtain legal advice.	Grant Thornton	
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