

# Supplement 1 to Agenda Item 7-A

## Part C Phase 2 – Applicability ED Compilation of Comments – General

**Note:** This supplement has been prepared for information only. A comprehensive summary of the significant comments received as of June 6, 2017 on the January 2017 Exposure Draft, [Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice](#) (Applicability ED) and the Task Force’s related analysis are included in Agenda Item 7-A. All comment letters on the ED can be accessed [here](#).

**Please consider the environment before printing this supplement.**

**Note:** Members of the Monitoring Group are shown in bold below.

#	Source	Detailed Comment
1.	AAT	<p>AAT fully supports the direction of travel the IESBA proposes in this exposure draft, and agrees that the change of focus from “applying a safeguard” to “addressing a threat”; with requisite evaluation of effectiveness of the actions taken is the right approach to facilitate compliance with the fundamental principles. It is AAT’s view that this will enhance clarity, and be more appropriate and effective than the existing approach to the conceptual framework.</p> <p><i>Regulators and Audit Oversight Bodies</i> – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities. AAT continues to support a transparent and consistent approach from regulatory oversight bodies, and supports the continued direction of travel in regard to threat and risk based assessments amongst the bodies and their members.</p>
2.	ACCA	<p>It is essential to be clear about the status of the various elements of the Code, and the status of the Code itself. Fundamentally, a professional accountant who is a member of an IFAC member body is required to comply with the fundamental principles and to safeguard those ethical principles. If this is to be made absolutely clear, it must be stated concisely in Part 1 of the restructured Code (as it is in paragraphs R110.2 and R120.3 of the agreed-in-principle text). It follows that Part 1 is the area from which it is important to direct the professional accountant to the other parts of the Code that are relevant to the professional accountant’s role. This cannot be achieved by inserting the proposed text as paragraphs R120.4 and 120.4A1.</p>

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		<p>Instead, Part 1 should conclude by directing the reader to the other parts of the Code that are relevant to them. This cannot be done effectively without explaining thoroughly, at that point, what is meant by a professional accountant in business (PAIB). Secondly, the professional accountant in public practice (PAPP) must be reminded in Part 3 that the contents of Part 2 may be relevant to the PAPP's circumstances. If that reminder is to be effective, the meaning of PAIB must be explained again.</p> <p>Parts 2 and 3 of the restructured Code will provide guidance that explains how Part 1 might be complied with in a number of given situations. Although some sections of Parts 2 and 3 will include clear requirements, if those sections did not exist, a competent accountant would nevertheless be able to determine the appropriate course of action from the principles set out within Part 1.</p> <p>Therefore, the requirements within Part 1 are paramount, and Part 1 is where a PAPP or PAIB will expect to gain an understanding of the importance and context of Parts 2, 3 and 4. It follows that care should be taken in drafting the Guide to the Code, as there is a risk that it could undermine the importance of the Code itself.</p> <p>The above comments are consistent with the response that we provided to the phase 1 consultation on improving the structure of the Code, in April 2016. That response is provided in the appendix to this document.</p> <p><i>Small and Medium Practices (SMPs)</i></p> <p>PAPPs in SMPs have always been regarded as important stakeholders in the project to restructure the Code. It is within organisations with more limited resources (including fewer personnel) where improvements in behaviours can best be achieved through enhanced understandability and streamlining. However, we believe that the current proposals, as drafted, fall short of the clarity required in order to achieve meaningful improvements.</p> <p><i>Translations</i></p> <p>Although, as drafted, the proposed paragraphs would be unlikely to present translation issues, we believe the sentences should be made shorter and more assertive. Given that Part 2 of the restructured Code will almost certainly contain material relevant to a PAPP who is not a sole practitioner, we suggest that the words '... there might be requirements and application material in Part 2 that are also applicable ...' are inadequate.</p>
3.	AE	We will provide comments on translation issues in our response to IESBA Exposure Draft <i>Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2</i> .

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4.	AICPA	<p>We support the IESBA's objective of setting high-quality ethics standards for professional accountants around the world and facilitating the convergence of international and national ethics standards. Overall, we support the proposals contained in the Exposure Draft and agree that where the requirements and application material in Part 2 of the IESBA Code are relevant to professional accountants in public practice (PAPPs), they should be required to comply with them.</p>
5.	APESB	<p><b>Overall comments</b></p> <p>APESB is supportive of the IESBA's project to clarify the applicability of the requirements and application material in extant Part C <i>Professional Accountants in Business</i> (Part C) to Professional Accountants in Public Practice (PAPPs). We believe the proposed clarifications will assist PAPPs to deal with the ethical challenges that they encounter as employees in firms or in external business relationships that do not involve clients.</p> <p>Overall APESB supports the IESBA's proposals to include additional applicability paragraphs in the <i>Code of Ethics for Professional Accountants</i> (the Code) to highlight the guidance in the proposed Part 2 (extant Part C), subject to the recommendations noted below. APESB has also responded to the IESBA's general and specific questions in Appendix A.</p> <p>In developing APESB's response to the Applicability ED, we have taken into consideration Australian stakeholders' feedback from two roundtable events conducted by APESB in Melbourne and Sydney in March 2017.</p> <p><b>Recommendations</b></p> <p>APESB key recommendation for the IESBA's consideration is to change the applicability of the proposed Part 2 (extant Part C) to all professional accountants.</p> <p>The proposed introductory paragraphs for the new Part 2 (the equivalent to the extant Part C) clearly indicates the applicability of this section to PAPPs when performing activities in relation to their employment or ownership relationship with their firm. This will be reinforced with the inclusion of the additional application paragraphs in Part 1 and 3 as per the Applicability ED.</p> <p>It seems logical that the next step would be to make Part 2 applicable to <u>all</u> professional accountants. This would require a change to the heading of this section but otherwise should not significantly change the existing requirements and guidance in this section.</p>

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		<p>We believe that this approach would provide clarity to the applicability of Part 2 in the heading of the section rather than relying on a professional accountant reading a specific paragraph in the body of the section and realising that the applicability of the section is broader than what is stated in the heading of the section.</p> <p>IESBA could also consider revising the heading for both extant Parts B and C to reflect the context in which ethical issues arise (for example, employment situations for extant Part C or client engagements for extant Part B).</p>
6.	BDO*	Overall, we are supportive of the proposed changes to the Code, and believe they will help to address stakeholder concerns.
7.	CAANZ	Chartered Accountants ANZ is supportive of the proposed amendments to the Code.
8.	CHI	The proposal made in the Exposure Draft is logical and it is right for IESBA to clarify the applicability of Part C of the Code.
9.	CNCC & CSOEC	<p>We agree in principle with the application of part 2 of the Code to professional accountants in public practice.</p> <p>It is logical that the ethical principles applicable to professional accountants in business in their behavior and relationships with their hierarchy also apply to professional accountants in public practice when they are facing the same situations. The application of ethical principles by professional accountants in public practice should not be restricted to their relationships and behavior with clients.</p> <p>We note however that firms are also required to comply with ISQC1 in their internal organization.</p> <p>ISQC1 provides the appropriate context for a proper application of the code of ethics (and for quality audits and other engagements). We consider therefore that there should be a liaison in part 3 of the code of ethics (applicable to professional accountants in public practice) with ISQC1, stating for example that ISQC1 provides the proper context for the application of the code of ethics by professional accountants in public practice. This would clearly enshrine the application of the code by professional accountants in public practice in the policies and procedures of their firm.</p> <ul style="list-style-type: none"> <li>• <b>Small and Medium Practices (SMPs) and PAIBs -</b></li> </ul> <p>No specific comment, except that the smaller the firm, the more difficult it will be for professional accountants in practice to escalate the ethical problems they may face internally within the firm.</p>

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10.	CPAA	<p>We welcome the proposed explicit applicability of Part C of the <i>Code of Ethics for Professional Accountants</i> to Professional Accountants in Public Practice (PAPP). However, CPA Australia is of the view that the Code will be better understood, applied and enforced if its proposed Part 2 does not have the title Professional Accountants in Business but applies to all professional accountants.</p> <p>In our submission to the Exposure Draft: <i>Improving the Structure of the Code of Ethics for Professional Accountants - Phase 1</i>, we urged IESBA to ‘consider a new structure for the Code that contains a section for all professional accountants, thus merging extant parts A and C and a section that addresses specific requirements for public practitioners and independence for audit and review engagements’ and provided a number of reasons for this position. We think our position would be of benefit to the global accounting profession and we encourage its reconsideration.</p>
11.	CPAC	<p>We noted through our profession’s consultation, the considerable expectations and difficulty in consuming and responding to several exposure drafts and related documents simultaneously. Having said this, we also recognize the workload involved in the IESBA’s estimated timetable to finalize a newly restructured Code for adoption in 2019. Respectfully, however, we suggest that extending longer comment periods when multiple exposure drafts are issued would enhance the ability of accounting bodies to conduct meaningful consultations with stakeholders, increase efficiency and enable more thorough responses.</p> <p>Overall, we found that the proposed revisions were consistent with the clearly articulated rationale presented in the Explanatory Memorandum. However, the subject of this Exposure Draft and the need to clarify applicability between Parts of the Code became a focus of feedback that we received. It was generally noted through our discussions that while the current structure of the Code utilizing roles has some notable benefits, it also has limitations that should warrant additional exploration. Several respondents to our consultation advocated for Parts B and C of the Code to be consolidated with provisions applicable to all Professional Accountants (PAs) provided only once in a general section applicable to all. Further delineation could then be provided for additional provisions with specific scope and relevance to only Professional Accountants in Business (PAIBs) or Professional Accountants in Public Practice (PAPPs).</p>
12.	DTT*	<p>The Explanatory Memorandum notes that it is possible for professional accountants in public practice (PAPPs) to find themselves in ethically problematic circumstances that do not involve clients and they may face the same issues and ethical dilemmas as professional accountants in business (PAIBs). We agree this is possible and the ethical requirements for PAPPs should not be limited to their activities in connection with serving clients, but rather they are expected to act ethically when conducting any professional activities. We are therefore supportive of the requirements set forth in this ED, but as described</p>

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		further below we have concerns about the scope of individuals to whom this would apply. Our responses to specific comments are found below.
13.	EFAA	<p>EFAA broadly welcomes the IESBA's proposals to clarify the applicability of the requirements and application material in extant Part C, Professional Accountants in Business, of the <i>Code of Ethics for Professional Accountants</i> to professional accountants in public practice and is pleased to provide its comments to the Exposure Draft (ED), which have been prepared with input from our Assurance Expert Group. Notwithstanding our support for the proposals we wish to draw your attention to some EFAA research that is relevant to this project, outlined under 'General Observations' below, and have responded to the specific questions posed in the ED.</p> <p><b>General Observations</b></p> <p><i>EFAA Research</i></p> <p>A survey conducted by EFAA and the Accountants Association in Poland (SKwP) revealed that accountants, auditors and tax advisors experience significant pressure to, amongst other things, manipulate financial statements. The EFAA survey <a href="#">"Accounting and Ethics: Pressure Experienced by the Professional Accountant"</a> took stock of the realities facing finance professionals today. 622 European accountants, auditors and tax advisors answered the survey. 64% of respondents said they were put under pressure to act unethically or against regulations at least once in their careers. Significantly accountants value the opportunity to consult when facing pressure. We highlight this research since it may have implications for the proposals, especially in so far as they address pressure, as well as other IESBA projects and IESBA's future strategy and work plan. We therefore strongly recommend that the IESBA closely examines this report.</p>
14.	EXPERTsuisse	<p><b>Application to "professional accountants"</b></p> <p>While we do not believe this impacts the intended result, we do consider that there is a lack of clarity about whom extant Part C could apply to directly or indirectly. This stems from historic uncertainty in the extant definitions below:</p> <p>Professional accountant</p> <p>An individual who is a member of an IFAC member body</p>

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		<p>Professional accountant in business (PAIB)</p> <p>A professional accountant employed or engaged in an executive or nonexecutive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.</p> <p>Professional accountant in public practice (PAPP)</p> <p>A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.</p> <p>The explanatory memorandum to the ED says that <i>“While the extant definition of a PAIB covers professional accountants employed in firms in roles other than providing professional services to clients (for example, in finance or IT roles), questions were raised during the IESBA’s deliberations in Phase 1 of the project about the applicability of the provisions in Part C to PAPPs themselves, i.e., professional accountants in firms who provide professional services to clients”</i>.</p> <p>In looking at the extant definitions we note that:</p> <ul style="list-style-type: none"> <li>• There is no clear limitation in the definition of a PAPP to those who actually provide professional services, although we believe that was the intent. As drafted, however, it appears to include any professional accountant <b>in a firm</b> that provides professional services. Thus it can be read to also include <i>professional accountants employed in firms in roles other than providing professional services to clients (for example, in finance or IT roles)</i></li> <li>• Conversely, if the intent is that a firm providing professional services is in a “service” industry, then prima facie any professional accountant working in that service organisation, including those providing professional services, is also a PAIB.</li> </ul> <p>Accordingly, the distinction between the two is not clear and it could be argued that in the case of a firm of professional accountants (as opposed to a corporate) that all professional accountants employed by the firm are caught by both definitions. We recommend that for there to be clarity on the applicability paragraphs, and as regards which requirements apply to whom, these definitions should be revisited as soon as possible by the Board.</p>

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		<p><b>Application to “non-accountants”</b></p> <p>In addition, we take this opportunity to raise an important issue which, while recognising that this is a broader issue not directly related to the ED, is tangential and is giving rise to increasing questions.</p> <p>There has always been some uncertainty as to whether the definition of a PAPP includes non accountants working in a firm of professional accountants. This ED gives rise to the additional questions as to whether such individuals could also be PAIB. We have always broadly taken the view that such individuals, such as lawyers and IT professionals, are covered by certain aspects of the code as they work in “the firm” and the provisions in the Code also apply to the firm. Thus we apply the independence provisions in the code to these individuals when they provide non-assurance services to an audit client for example - this is not in question.</p> <p>However, we have a particular concern regarding lawyers, whether providing legal services to clients or legal services internally within the firm. Structurally these individuals may be employed in a separate law firm or could be employed by the audit firm itself. Lawyers are professionals subject to their own code of conduct/ethics governing such matters as client confidentiality, legal privilege and gifts.</p> <p>With the introduction of the new NOCLAR provisions, the proposal in the ED that other elements of Part C may apply to PAPPs, and also the planned extension of Part 3 (PAPPs) – for example in relation to gifts, hospitality and inducements - we believe that it is important that there is clarity on the term PAPP and if and when the provisions in the Code might apply to non-accountants in a firm.</p>
15.	EYG*	<p>We agree with the International Ethics Standards Board for Accountants’ (IESBA, or the Board) view that, similar to Professional Accountants in Business (PAIBs), it is possible for PAPPs to find themselves in ethically problematic circumstances that do not involve clients and that the applicability of Part C to PAPPs, particularly with respect to conflicts of interest, pressure and inducements, should be clear. We also support the Board’s approach to address this matter.</p> <p>We believe duplicating Part C requirements and application in material in Part B would be repetitive and cumbersome, and we believe attempting to clarify the definition of PAIB could be problematic. The approach suggested by the Board to clarify that the requirements and application material of the Code should be applied in a holistic manner and to raise the prominence of this requirement in the Code is the appropriate response to the questions raised on this matter.</p>



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16.	FAR	<p>However, FAR would like to take this opportunity to put forward an opinion regarding the general structure of the Code. According to FAR, the division of the Code into one section for public accountants in public practice and public accountants in business is unnecessary, confusing and misleading. There should only be one category of public accountants, or at least the outline of Code should not be based on the current differentiation. This is illustrated by the necessity of the proposed revisions to clarify the applicability of the extant Part C of the Code. The entire Code should apply to all public accountants, and any differentiation should focus on the professional role of the professional accountant - in public appointment relationships or in an employment or ownership relationship. This would make the proposed clarifications unnecessary and it would serve to unify the contents of the Code. FAR is aware of the difficulties in reforming the Code in such a manner, but as a major restructuring of the Code is underway, the opportunity of vastly improving the availability of the Code should be taken.</p> <p><b>IESBA's Request for General Comments</b></p> <p><b><i>(a) Small and Medium Practices (SMPs) –The IESBA invites comments regarding the impact of the proposed changes for SMPs.</i></b></p> <p>FAR does not see that the changes would have any particular impact for SMPs.</p> <p><b><i>d) Translations – Recognizing that many respondents may intend to translate the final pronouncements for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed changes.</i></b></p> <p>FAR has translated the Code into Swedish and has found it difficult to translate "professional accountant in public practice" and "professional accountant in business" in a way that is comprehensible to FAR's members, even less to the general public. Less focus on different categories of public accountants and more on the accountants' role in a particular situation would be helpful.</p>
17.	FSR	We refer to the comments dated 21. April from Accountancy Europe.
18.	GTI*	We believe the Board's proposals will enable IFAC in its mission to serve the public interest and allow the Board to achieve its objective of strengthening the IESBA Code (the Code) by continuing to set high quality standards that will enhance the profession.
19.	HKICPA	We support the proposed revisions to clarify the applicability of the provisions in Part C of the extant Code to professional

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		accountants in public practice (PAPPs).
20.	ICAEW	N/A
21.	ICAN	<p><b>B. REQUEST FOR GENERAL COMMENTS</b></p> <p><i>In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:</i></p> <ul style="list-style-type: none"> <li>• <b>Regulators and Audit Oversight Bodies</b> – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.</li> </ul> <p><b>Comments:</b></p> <p>The proposed amendment will help to emphasize the need for Small and Medium Practitioners (SMPs) to be on alert on ethical issues that may arise in the course of their work and the necessary safeguards and steps to take in order to maintain their independence and objectivity.</p> <p>We thank the Board for the opportunity given to the Institute to contribute to its work.</p>
22.	ICAP	<p><b><u>Small and Medium Practices (SMPs)</u></b> – The IESBA invites comments regarding any aspect of the proposals from SMPs.</p> <p><b>ICAP Comments</b> - In Pakistan, Small and Medium Practices (SMPs) represent the most significant part of the accountancy profession as large number of firms and practitioners are engaged with SMPs. ICAP is responsible for establishing ethical requirements for its members including the SMPs. The SMPs are well aware of the applicable Code of Ethics (the Code).</p> <p>We understand that revised Code with increased clarity of the language will help the understandability of the Code, and also believe that the revised Code will have no adverse impact for SMPs. However, a series of awareness-raising round table sessions would help in understanding and implementing the Code by the SMPs.</p> <p><b><u>Regulators and Audit Oversight Bodies</u></b> – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.</p> <p><b>ICAP Comments</b> – ICAP is a member body of the International Federation of Accountants (IFAC). ICAP is responsible for establishing and enforcing ethical requirements for its members. It not only as an obligation of its membership but also to be</p>

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		<p>aligned with the latest developments and international best practices supports the work of IESBA by: (a) informing its members of every pronouncement developed by IESBA and (b) implementing to the extent possible under local circumstances.</p> <p>ICAP supports IESBA initiative to restructure the Code, with the underlying objective of enhanced understandability and usability, thereby facilitating its adoption, effective implementation and enforcement.</p> <p><b>Developing Nations</b> – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.</p> <p><b>ICAP Comments</b> - ICAP is responsible for establishing ethical requirements for its members. ICAP has adopted the adopted the Code of Ethics issued by IESBA in July 2014 with some amendments which are more stringent than the IESBA Code.</p> <p>ICAP adopts the change/s prescribed by IESBA, unless it is not contradictory with Pakistan local law. At present, IESBA issued, new sections on <b>Non-Compliance with laws and Regulations (NOCLAR)</b> are under deliberation of the relevant committee of ICAP, and its implementation and application in Pakistan environment is under discussion. The new provisions come into effect from July 15, 2017.</p>
23.	ICAS	<p><b>Key Points</b></p> <p>We are supportive of the thrust of the IESBA proposals outlined in the above exposure draft. Our detailed comments on the specific questions posed in the exposure draft are included below.</p>
24.	IDW	<p><b>General Comments</b></p> <p>The fact that to date Part C has been relevant solely to accountants in business means that professional accountants in practice are unlikely to be familiar with this material and thus may not be well equipped to identify any potential implications for their circumstances, should the proposed change in applicability be made. This factor may impact the ability of and quality of comments elicited.</p> <p>In our view, the IESBA's contention in paragraph 15 (b) of the explanatory memorandum where the IESBA states that its approach would not impose an undue burden on PAPPs is problematical. If the individual professional accountant is tasked with deciding which sections of the Code need to be referred to it follows that each individual professional accountant will have to have a good level of working familiarity with all of the material (i.e., this would have to encompass all material that might ever become relevant in any conceivable professional situation) in order to make such a decision that was well founded. Of</p>

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		<p>course when an ethical issue arises the PPAP would need to enhance his or her depth of knowledge in that specific area. Nevertheless, the proposals introduce an (inexplicit) requirement for all PPAPs to be sufficiently familiar with material principally developed for PIABs. This does introduce burdens to individual practitioners – burdens that are likely disproportionate to those professionals who need to be familiar with material that may, in practice, turn out to be of no or only sporadic relevance to their professional activities and circumstances. There is a danger that the benefit of hindsight may also play a role if it transpires that in a particular circumstance the professional accountant had failed to decide “correctly” on relevance of a particular section of the Code.</p> <p>The IESBA has identified three areas from Part C that it views as likely to be of relevance to PPAPs, and so we do not agree that any requirement for familiarity with material beyond these areas is appropriate.</p> <p><i>In addition to the request for specific comments, the IESBA is also seeking comments on the matters set out below:</i></p> <ul style="list-style-type: none"> <li>• <i>Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMPs.</i></li> </ul> <p>We have two specific concerns:</p> <p>Many PPAPs, including SMPs, find it extremely challenging to keep abreast of the multitude of revisions to laws, regulations, standards and codes such as the IESBA Code etc. that are directly relevant to their professional activities. As we discuss in the accompanying letter, by placing the onus on PPAPs to have a good level of working familiarity with all of the material primarily directed at PIABs the IESBA exacerbates this challenge.</p> <p>The circumstances of SMPs may mean that the employment and other relationships in which PPAPs in such firms find themselves differ considerably from those in larger firms. This may also mean that different safeguards may be available. The reference to section 270 of the Code will not necessarily be helpful in specific SMPs; specifically, the example in 270.4A6 for the PPAP to request a restructure of, or segregation of certain responsibilities and duties so as to be no longer involved with the individual or entity exerting the pressure may be unavailable. Some alternative safeguards – beyond ending the employment, which ought to be an action of last resort – that would be workable in an SMP environment would be helpful.</p>
25.	IMCP	N/A

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26.	ISCA	Generally, we agree with all the suggestions in the ED and do not have significant comments or additional insights, except for the following specific question:
27.	JICPA	<p><i>Translations</i></p> <p>English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.</p>
28.	KICPA	N/A
29.	KPMG*	We are supportive of the effort of the Board to clarify the applicability of provisions in Part C of the extant code to professional accountants in public practice (PAPP).
30.	MIA	We applaud the effort of the International Ethics Standards Boards for Accountants (“IESBA”) in strengthening the applicability of the IESBA Code of Ethics for Professional Accountants (“IESBA Code”) in various circumstances.
31.	MICPA	The IESBA welcomes comments on all matters addressed in the ED, but especially those identified in the Request for Specific Comments below. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this ED, it will be helpful for the IESBA to be made aware of this view.
32.	NBA	Given the fact that we have not implemented the CoE as is in the Netherlands, but that we have implemented the requirements in a different structure, we have no comments regarding translation issues.
33.	NZAuASB	The NZAuASB agrees with the IESBA that it is possible for professional accountants in public practice to find themselves in ethically challenging circumstances that do not involve clients and therefore face the same issues and ethical dilemmas as a professional accountant in business. Accordingly, the NZAuASB fully supports the IESBA’s proposal to clarify in the extant Code that provisions in Part C may also apply to professional accountants in public practice.

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34.	PWC*	<p><b>Additional comments</b></p> <p><i>Application to “professional accountants”</i></p> <p>While we do not believe this impacts the intended result, we do consider that there is a lack of clarity about whom extant Part C could apply to directly or indirectly. This stems from historic uncertainty in the extant definitions below:</p> <table><tr><td>Professional accountant</td><td>An individual who is a member of an IFAC member body.</td></tr><tr><td>Professional accountant in business</td><td>A professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.</td></tr><tr><td>Professional accountant in public practice</td><td>A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.</td></tr></table> <p>The explanatory memorandum to the ED says that “<i>While the extant definition of a PAIB covers professional accountants employed in firms in roles other than providing professional services to clients (for example, in finance or IT roles), questions were raised during the IESBA’s deliberations in Phase 1 of the project about the applicability of the provisions in Part C to PAPPs themselves, i.e., professional accountants in firms who provide professional services to clients</i>”.</p> <p>In looking at the extant definitions we note that:</p> <ul style="list-style-type: none"><li>There is no clear limitation in the definition of a PAPP to those who actually provide professional services, although we believe that was the intent. As drafted, however, it appears to include any professional accountant <b>in a firm</b> that provides professional services. Thus it can be read to also include <i>professional accountants employed in firms in roles other than providing professional services to clients (for example, in finance or IT roles)</i></li></ul>	Professional accountant	An individual who is a member of an IFAC member body.	Professional accountant in business	A professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.	Professional accountant in public practice	A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.
Professional accountant	An individual who is a member of an IFAC member body.							
Professional accountant in business	A professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.							
Professional accountant in public practice	A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.							

#	Source	Detailed Comment
		<ul style="list-style-type: none"> <li>Conversely, if the intent is that a firm providing professional services is in a “service” industry, then prima facie any professional accountant working in that service organisation, including those providing professional services, is also a PAIB.</li> </ul> <p>Accordingly, the distinction between the two is not clear and it could be argued that in the case of a firm of professional accountants (as opposed to a corporate) that all professional accountants employed by the firm are caught by both definitions. We recommend that for there to be clarity on the applicability paragraphs, and as regards which requirements apply to whom, these definitions should be revisited as soon as possible by the Board.</p> <p><i>Application to non-accountants</i></p> <p>In addition, we take this opportunity to raise an important issue which, while recognising that this is a broader issue not directly related to the ED, is tangential and is giving rise to increasing questions.</p> <p>There has always been some uncertainty as to whether the definition of a PAPP includes non-accountants working in a firm of professional accountants. This ED gives rise to the additional questions as to whether such individuals could also be PAIB. We have always broadly taken the view that such individuals, such as lawyers and IT professionals, are covered by certain aspects of the code as they work in “the firm” and the provisions in the Code also apply to the firm. Thus we apply the independence provisions in the code to these individuals when they provide non-assurance services to an audit client for example - this is not in question.</p> <p>However, we have a particular concern regarding lawyers, whether providing legal services to clients or legal services internally within the firm. Structurally these individuals may be employed in a separate law firm or could be employed by the audit firm itself. Lawyers are professionals subject to their own code of conduct/ethics governing such matters as client confidentiality, legal privilege and gifts.</p> <p>With the introduction of the new NOCLAR provisions, the proposal in the ED that other elements of Part C may apply to PAPPs, and also the planned extension of Part 3 (PAPPs) – for example in relation to gifts, hospitality and inducements - we believe that it is important that there is clarity on the term PAPP and if and when the provisions in the Code might apply to non-accountants in a firm.</p>
35.	RSM*	N/A

#	Source	Detailed Comment
36.	SAICA	<p>General comments</p> <ul style="list-style-type: none"> <li>• <i>Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMPs.</i></li> </ul> <p><b>Response:</b></p> <p>The SMPs have less oversight by regulators due to the lower Public interest threats, and in some cases SMPs have less internal governance resources available within their smaller environment. Education of the relevance of this section to PA's working in SMP environments will be important.</p> <ul style="list-style-type: none"> <li>• <i>Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.</i></li> </ul> <p><b>Response:</b></p> <p>The IESBA could / should suggest to its members with member body oversight and regulatory enforcement roles to also adopt the IESBA code as a minimum standard in their Codes of Ethics and behaviour standards. This suggestion correlates well to the spirit of the new provisions in the Code, an example is NOCLAR which is to be applied by all employees employed by audit firms if they act in a professional capacity, even if they are not PA's. This would add greater credibility when regulators and member bodies discipline PAPP members for breaches of provisions of the current Part C of the Code.</p> <ul style="list-style-type: none"> <li>• <i>Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.</i></li> </ul> <p><b>Response:</b></p> <p>The developing nations may not have capacity for the potential increase in ethical breaches reported when firms apply Part C but we do not foresee many new cases once the new provisions are adopted by PAPP.</p>
37.	SMPC	<p>The SMPC has closely followed the IESBA Structure of the Code project and provided comment letters for the Board and Task Force's consideration as it has progressed since 2015. Overall, we have been broadly supportive of the general direction and approach taken by the Board.</p>



#	Source	Detailed Comment
		<p>It is important that the Board continues to maintain a principles-based approach in proposing any changes to the Code and does not, unintentionally, impose rigid requirements that may prove difficult for SMPs to apply. Our recent <a href="#">Global SMP Survey 2016</a> once again highlighted that one of the constant challenges faced by SMPs is keeping up with changes in regulations and laws.</p> <p>The SMPC generally supports the IESBA's objectives and the holistic approach to clarify that the requirements and application material in the Extant Part C applies to PAPPs. However, we remain concerned that PAPPs may continue to think that Part C of the Code is not applicable to them. It is only when the connection is made that accountants working in public practice may find themselves in ethically problematic circumstances that do not involve clients and hence face the same issues and ethical dilemmas as Professional Accountants in Business (PAIBs) that PAPPs may appreciate the implications of the extant provisions in Part C.</p> <p>The IESBA's contention in the Explanatory Memorandum (Para 15(b)) that its proposed approach would not impose an undue burden on PAPPs may not be accurate. As the individual professional accountant is tasked with deciding which sections of the Code need to be referred to, it follows that each individual accountant will need to have a good level of working knowledge with all of the Code (i.e., this would have to encompass all of the Code that might ever become relevant in any conceivable professional situation) in order to make such a decision that was well founded. Already many PAPPs in SMPs are finding it extremely challenging to keep abreast of the multitude of revisions to laws, regulations, standards etc. that are directly relevant to their professional sphere. Placing further onus on PAPPs to have a good level of working familiarity with all the materials primarily directed at PAIBs certainly exacerbates the challenge.</p> <p>The circumstances of SMPs may mean that the employment and other relationships in which PAPPs in such firms find themselves differ considerably from those in larger firms. This may also mean that different safeguards may be available. The reference to Section 270 of the Code will not necessarily be helpful in certain SMPs; specifically, the example in 270.4 A6, in most cases, may not be available. We believe that including some alternative safeguards, beyond ending the employment, (which ought to be an action of last resort) that would be workable in an SMP environment would be helpful.</p> <p>The IESBA should also consider an awareness campaign and developing communication messages to ensure Professional Accountancy Organizations will contact their own members to inform them that Part 2 of the revised Code (or the extant Part C) is equally applicable to PAPPs.</p>

#	Source	Detailed Comment
38.	UKFRC	We support the aim of IESBA to clarify the applicability of the provisions in Part C of the Code (Part 2 of the restructured Code) to professional accountants in public practice through the use of a requirement. We had highlighted the current lack of clarity in our response to the Structure Phase 1 ED.
39.	WPK	<p>WPK generally welcomes the IESBA's proposal to clarify the applicability of the requirements and application material in extant Part C, Professional Accountants in Business, of the Code to professional accountants in public practice.</p> <p>Generally we would like to mention that the scope and content of the Code have been significantly extended over the previous years due to various amendments. From our point of view, it has become increasingly difficult for the profession to keep up with the pace of these changes and to apply the Code which has become much more complex than it used to be.</p> <p>In addition, the profession is bound not only by the Code, but also by other legal requirements on different levels (e.g. national level, European level etc.). The present regulatory density is immense and difficult to cope with by the profession.</p>