



5 March 2015

Submitted electronically to StavrosThomadakis@ethicsboard.org

Mr Stavros Thomadakis

Chairman

International Ethics Standards Board for Accountants

529 Fifth Avenue

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COMMENTS ON IESBA CONSULTATION PAPER, "IMPROVING THE STRUCTURE OF THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS"

Dear Dr Thomadakis,

1. The International Forum of Independent Audit Regulators ("IFIAR") appreciates the opportunity to comment on International Ethics Standards Board for Accountants' ("IESBA") Consultation Paper "*Improving the Structure of the Code of Ethics for Professional Accountants*". As an international organization of independent audit oversight regulators that share the common goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high quality auditing and professional standards, and other pronouncements and statements.
2. IFIAR's more specific objectives are as follows:
 - Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms;
 - Promoting collaboration and consistency in regulatory activity;
 - Initiating and leading dialogue with other policy-makers and organizations that have an interest in audit quality; and
 - Forming common and consistent views or positions on matters of importance to its Members, taking into account the legal mandates and missions of individual members.

3. The comments we provide in this letter reflect the views expressed by many, but not necessarily all, of the Members of IFIAR. They are not intended to include, or reflect, all of the comments or views that might be provided by individual Members on behalf of their respective organisations.
4. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR of the proposals.

General Comments

5. The IESBA Code of Ethics is used by some IFIAR members, but not by all of them. Moreover, a number of audit firms and networks have voluntarily committed to complying with the Code. As a result, IFIAR sees a clear interest in enhancing the quality, clarity and enforceability of the Code.
6. As audit regulators, we believe that the Code should be sufficiently clear and enforceable. From that perspective, we observe that the project "Improving the Structure of the Code" could be a step in the right direction towards improving the usability and understandability of the Code.
7. This being said, we believe that changing the structure of the Code alone will not lead to sufficient improvements in as far as our expectations are concerned with regard to quality and enforceability.
8. Accordingly, we encourage the Board to identify and deal further with matters identified while restructuring the Code that could further enhance the clarity of the provisions and, as a result, their consistency in application and enforceability.

Link with safeguards and other projects

9. In particular, we strongly encourage the IESBA to pursue improving the Code through this project and in combination with other projects, such as a review of the safeguards currently provided for in the Code.

Distinguishing requirements from guidance

10. We support the idea of distinguishing requirements from guidance, as this is likely to improve the usability of the Code and the clarity of its provisions. However, we believe that the link between the fundamental principles of ethics and the specific requirements that stem from them should be clear so as to ensure that both are taken into consideration by users when applying the Code.

11. Indeed, providing clear, understandable and effective requirements is essential but, at the same time, the underlying principles should be given sufficient prominence in the structure of the Code, to allow for dealing with situations that would not have been foreseen by the set of requirements and still require an appropriate response from the auditor. The underlying principles allow the auditor to stand back and capture the potential situations that would not have been specifically dealt with through requirements.

Highlighting most stringent requirements

12. Furthermore, the current structure of the Code does not draw a clear distinction between provisions that are applicable only to auditors of certain types of audit engagements. In our view, increased clarity on the provisions applying in particular circumstances would enhance the understandability and enforceability of the Code. We believe that the most stringent provisions (for instance those applicable to auditors of public interest entities) should be more visible and prominent within the Code.

Clarifying responsibility with regards to ethics

13. We believe that adding clarity about audit firms' and individuals' responsibilities with regards to ethics provisions could improve the Code. At the same time, those provisions should recognize the existence of and accommodate the variety of sizes of audit firms and practices.

Use of language

14. We are in favour of changes to the language used in the Code. Indeed, a simplification of the grammatical structures used could facilitate the consistent application of the Code.
15. We encourage the Board to align terminology used in the independence and other sections of the Code with that used by the International Auditing and Assurance Standards Board. If the use of specific terms in the Code cannot be avoided, we believe that those terms should be linked to their definitions.

Initiatives in various jurisdictions

16. Many jurisdictions have developed their own national auditor ethics provisions, using the provisions of the IESBA Code as a baseline. We encourage the IESBA to consider the on-going initiatives regarding auditor ethics worldwide, as part of its research on this project, to ensure that the Code remains a reference globally.

Should you wish to discuss any of our comments, please do not hesitate to contact me or Marjolein Doblado, Chair of the IFIAR Standards Coordination Working Group.

Yours Faithfully,

A handwritten signature in black ink, appearing to read 'J. van Diggelen', with a long horizontal flourish extending to the right.

Janine van Diggelen
IFIAR Vice-Chair