



WIRTSCHAFTSPRÜFERKAMMER

Körperschaft des
öffentlichen Rechts

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Stellungnahme zum Exposure Draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2*

Die WPK hat mit Schreiben vom 24. Mai 2017 gegenüber dem International Ethics Standards Boards (IESBA) zu deren Exposure Draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2* wie nachfolgend wiedergegeben Stellung genommen.

The Wirtschaftsprüferkammer (WPK) is pleased to take this opportunity to comment on the above mentioned Exposure Draft (ED) and the proposed changes to the Code of Ethics for Professional Accountants. We would like to address some general comments first and provide you with our responses to the questions of the ED subsequently.

General Comments to the Exposure Draft

We welcome the overall result of the extensive project to restructure the Code. We believe that the proposed restructuring enhances the understandability and usability of the Code, thereby facilitating its adoption, effective implementation, consistent application, and enforcement. We also believe that the proposals are consistent with the key elements of the restructuring as described in the Explanatory Memorandum.

Nevertheless we hear from our members that it has become increasingly difficult to keep up with the pace of changes which the Code has undergone over the last couple of years. The profession does urgently need time to digest the changes in order to carry out corresponding implementation measures within their firms. The same is true for IFAC's member organizations as most of them need to translate the changes in a first step before being able to display efforts as to how to implement the changes in their respective national laws. Particularly the latter process is usually time-consuming since it requires an involvement of the relevant stakeholders and is usually subject to an approval process by an oversight authority. When the Standard Setting Boards need many

years for the finalization of new standards, the stakeholders cannot be expected to implement these standards in only a fraction of that time period.

As mentioned in our comment letter to 'Restructuring Phase 1', we deem the restructuring of the Code as only one component among others to enhance its adoption. From our point of view the decisive factor for its acceptability is quality. The quality derives of course from clarity and understandability but as well from adequacy and practicability of the requirements. In this context we think it is not advisable if the quality of the Code seems to be increasingly measured by whether it is easily enforceable. We doubt that such an approach is appropriate to promote compliant behaviour with the fundamental principles of the Code.

Responses to the Exposure Draft Questions

Structure of the Code Phase 2

1. *Do you believe that the proposals in this ED have resulted in any unintended changes in meaning of:*

- *The provisions for Part C of the Extant Code, as revised in the close-off document for Part C Phase 1 (Sections 200-270 in Chapter 1)?*
- *The NOCLAR provisions (Sections 260 and 360 in Chapter 2)?*
- *The revised provisions regarding long association (Sections 540 and 940 in Chapter 3)?*
- *The provisions addressing restricted use reports in the extant Code (Section 800 in Chapter 4)?*
- *The provisions relating to independence for other assurance engagements (Part 4B in Chapter 5)?*

We are not aware of material unintended changes in meaning in relation to the named Sections of the Code. Nevertheless we would like to address the following content-related issues:

Applicability of Part C to professional accountants in public practice

As already mentioned in our comment letter to the ED *Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice* we fear that a mere reference to Part C in R120.4 / R300.5 might impair the clarity and manageability of the Code.

Although the ED stipulates examples for applying Part C provisions to PAIPP, the precise range of situations for which PAIPP shall apply Part C remains unclear. This lack of precision would inevitably bring about legal uncertainties for the profession. Thus, the "applicability" to professional accountants in public practice should not be to the entire section but limited to the areas conflicts of interest, pressure and inducements.

Legal Prohibitions

260.20 A1 refers to the existence of legal prohibitions in some jurisdictions that preclude reporting of NOCLAR to external parties. We believe that this significant specification should obtain more prominence within the Code.

Inconsequential Matters

260.7 A3 and 360.7 A3 include references to clearly inconsequential matters. We think that these clarifications should not be limited to NOCLAR only, but be extended to all circumstances giving rise to potential threats covered by the Code, since a clearly inconsequential matter can per se not be deemed to threaten compliance with a fundamental principle anywhere in the Code.

2. *Do you believe that the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum?*

Yes, we believe that the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum.

Conforming Amendments Arising from the Safeguards Project

3. *Respondents are asked for any comments on the conforming amendments arising from the Safeguards project. Comments on those conforming amendments are requested by April 25, 2017 as part of a response to Safeguards ED-2.*

Please see our corresponding comment letter to Safeguards ED-2.

Effective Date

4. *Do you agree with the proposed effective dates for the restructured Code? If not, please explain why not.*

We understand that IESBA has taken into account the anticipated approval dates for various sections of the Code currently under revision or restructuring. The result of this approach is that some parts of the Code will be applicable in the old format, for a short period of time, in a very inefficient way. For the sake of clarity and consistency, we support only one application date.