

25 April 2017

Ken Siong
Technical Director
International Ethics Standards Board for Accountants
545 Fifth Avenue, 14th Floor
New York, 10017
USA

Dear Ken,

IESBA Exposure Draft – Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice

Thank you for the opportunity to comment on the IESBA exposure draft of proposed revisions to clarify the applicability of provisions in Part C of the extant Code to professional accountants in public practice. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB).

The External Reporting Board (XRB) is a Crown Entity responsible for developing and issuing accounting and auditing and assurance standards in New Zealand. The XRB's outcome goal is to contribute to the creation of dynamic and trusted markets through the establishment of an accounting and assurance framework that engenders confidence in New Zealand financial reporting, assists entities to compete internationally and enhances entities' accountability to stakeholders. The NZAuASB has been delegated responsibility by the XRB for developing and issuing auditing and assurance standards, including ethical standards for assurance practitioners.

In adopting the extant Code in New Zealand, the NZAuASB has adopted extant Parts A and B. The NZAuASB does not generally comment on matters pertaining to Part C of the extant Code as these matters are generally considered outside the responsibility of the NZAuASB in its role as standard setter for assurance practitioners. However, in this instance the NZAuASB considers that it is appropriate to comment as the proposed provisions will impact the assurance practitioner.

Overall comment

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.

Specific comments

In reviewing the proposals to clarify the applicability of Part C of the extant Code, the NZAuASB considered the definitions of Professional Accountant in Business and Professional Accountant in Public Practice. We have the following observations:

Definition of Professional Accountant in Business

The NZAuASB fully supports the revised definition of professional accountant in business, in particular, clarifying that professional accountants in business include, amongst others, volunteers.

Definition of Professional Accountant in Public Practice


The NZAuASB notes that the wording of the definition of professional accountant in public practice included in the *Compilation of Proposed Restructured Code* (as of January 2017) is slightly different to the wording used in the Guide to the Code of the same document. This difference in wording creates a significant difference in meaning, and potentially gives rise to some of the confusion around the applicability of Part C.

Professional accountant in public practice is defined as, “a professional accountant, irrespective of functional classification (for example, audit, tax or consulting) *in a firm that provides professional services* [emphasis added].”¹ Whereas the Guide to the Code² states, “Part 3... which sets out additional material that applies to professional accountants in public practice *when providing professional services* [emphasis added].”

The wording “*when providing professional services*” indicates that it is in the action of providing the services that Part C would apply, whereas “*in a firm that provides professional services*” indicates that it is the role of the firm that determines whether Part C would apply. The NZAuASB recommends that the IESBA aligns the wording in the definition and the Guide to the Code to ensure that the correct meaning is taken. Further, the NZAuASB urges the IESBA to undertake a full review of the entire restructured Code, taking care to ensure consistency in wording, prior to issuing the finalised restructured Code. Even apparently minor differences in wording may have a significant effect on meaning and create confusion.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Sylvia van Dyk (sylvia.vandyk@xrb.govt.nz).

Yours sincerely,



Robert Buchanan

Chairman

Email: robert@buchananlaw.co.nz

¹ *Compilation of Proposed Restructured Code* (as of January 2017) page 188.

² *Compilation of Proposed Restructured Code* (as of January 2017) page 3.