

25 April 2017

Mr. Ken Siong  
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submitted electronically through the IESBA website

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**Re.: Proposed Revisions to Clarify the Applicability of Provisions in Part C  
of the Extant Code to Professional Accountants in Public Practice**

Dear Mr. Siong,

The IDW appreciates the opportunity to comment on the above mentioned Exposure Draft and proposed changes to the Code of Ethics for Professional Accountants hereinafter referred to as “the ED” and “the Code”, respectively. We submit general comments and then respond to the questions raised within the IESBA’s request for comments.

***General Comments***

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.

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

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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 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 (implicit) 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.

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.

We trust that our comments will be received in the constructive manner in which they are intended. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.

Yours truly,

Klaus-Peter Feld  
Executive Director

Helmut Klaas  
Director European Affairs

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## Appendix

### Request for Specific Comments

1. *Do respondents agree with:*
  - a) *The proposed applicability paragraphs, and*
  - b) *The proposed location of those paragraphs in Sections 120 and 300 of the proposed restructured Code.*

*If not, why not?*

- a) We refer to our accompanying letter, in which we question the need to implicitly require PPAPs to be familiar with Part C beyond the three areas identified by IESBA (conflicts of interest; pressure; inducements).

In addition, the example proposed for 120.4A1 and 300.5A1 illustrates the need for IESBA to be clear as to how significance should be addressed, i.e. to communicate IESBA's intent in this context. The relationship between an employee and an employer will generally mean that a professional accountant who is an employee does not have a choice of actions other than to face dismissal when directly instructed to undertake an action that may appear questionable. Indeed, there may be instances where if all the relevant facts and circumstances underlying that instruction had been known to the employee, the instruction would have proven less or even not questionable. The reference to Section 270 indicates the dilemma as to available safeguards. In practice the notion of restructuring or segregation of duties may not be available in all accounting firms or practices. Thus the circumstances and relative significance of such an action would be highly relevant. For this reason we strongly believe that the proposed requirement in paragraphs R120.4 and R300.5 need to clarify that significance and possible frequency of occurrence play a role in determining whether the threat to an individual PPAP's compliance with the fundamental principles exceeds an acceptable level.

- b) If the applicability is changed as proposed we have no issue with the placement as such.

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*In addition to the request for specific comments, the IESBA is also seeking comments on the matters set out below:*

- *Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMPs.*

We have two specific concerns:

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.

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.

- *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.*

N/A

- *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.*

N/A

- *Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.*

We do not comment on specific translation difficulties at this stage of the project.