



National Association of State Boards of Accountancy

◆ 150 Fourth Avenue, North ◆ Suite 700 ◆ Nashville, TN 37219-2417 ◆ Tel 615.880-4201 ◆ Fax 615.880.4291 ◆ www.nasba.org ◆

January 26, 2015

International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York 10017

Via email: KenSiong@ethicsboard.org

Attention: Ken Siong, IESBA Technical Director

Re: November 2014 Exposure Draft on Improving the Structure of the Code of Ethics for Professional Accountants.

Dear Members and Staff of the International Ethics Standards Board for Accountants (IESBA):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments on the Exposure Draft from the International Ethics Standards Board for Accountants on its *Exposure Draft on Improving the Structure of the Code of Ethics for Professional Accountants*. The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all certified public accountants and their firms in the United States and its territories. In furtherance of that objective, we offer the following comments on the Exposure Draft. Our comments focus on the proposed general structure of the Code and the Exposure Draft's request for specific comments.

OVERALL COMMENTS

We support the overall objective of improving the clarity of the *Handbook of the Code of Ethics for Professional Accountants (Handbook)*. We concur that the *Handbook* would be improved by separating requirements from guidance, and by structuring standards into three components: (1) the purpose of the requirement, (2) the requirements, and (3) application and other explanatory material. We also support the use of the word "shall" to denote requirements and clarifying the persons to whom the requirements relate. Finally, we support efforts to; where possible, improve the readability of the Code by using simpler and shorter sentences; to simplify complex grammatical structures; and to increase the use of the active voice.

Reorganization of the Code

When we evaluate the suggestions on reorganizing the *Handbook* we are considering this in the context that in the United States we have slightly more licensed Certified Public Accountants in public practice than in business or government. Hence we believe that any restructuring of the Code we would prefer that requirements for members in public practice be presented before the requirements for members in business.

Further, we believe that the concept of independence is extremely important to the way members in public practice serve the public interest. Hence, we believe that independence requirements should come toward the beginning of the section for members in public practice - rather than at the end.

Finally, we do not believe that rebranding is necessary for *Handbook of the Code of Ethics for Professional Accountants (Handbook)*. In the United States NASBA and the American Institute of Certified Public Accountants (AICPA) regularly evaluate proposed standards of the International Ethics Standards Board for Accountants, and their potential impact on existing professional standards in the United States. In our opinion, the current "brand" of the International Ethics Standards Board for Accountants, and the *Handbook* is sufficiently strong and robust.

Identification of a Firm's or an Individual Professional Accountant's Responsibility

We understand that various stakeholders have asked that responsibility for compliance with the Code in particular circumstances be clarified to facilitate compliance and enforcement. We recognize that some of the IESBA stakeholders would prefer that the Code stand on its own rather than cross reference to the International Standards on Quality Control or the International Standards on Auditing. NASBA, however, is comfortable with the current cross references. We believe that it is the responsibility of practitioners to understand all relevant standards (e.g., ethical standards, quality control standards, or accounting and auditing standards) and that cross referencing between the standards is appropriate.

Use of Language

We recognize that section 290 of the current *Handbook of the Code of Ethics for Professional Accountants* uses the word "audit" to mean either audit or review engagements, or audit or review teams. This is clearly laid out in paragraph 290.03. We do not support the suggested alternative of creating a separate section for review engagements that duplicates the section on audit engagements. The current section clearly lays out the use of language for most users. If an alternative is necessary then section 290 should simply use the term "audit or review" in place of "audit" to make the intended meaning clear.

Electronic Code

We support efforts to enhance the electronic functionality of the *Handbook of the Code of Ethics for Professional Accountants*. We welcome adding hyperlinks, improving search functions, and any other improvements that make it easier for a licensee to navigate the *Handbook*.

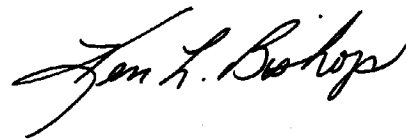
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Thank you for the opportunity to comment on the November 2014 Exposure Draft on Improving the Structure of the Code of Ethics for Professional Accountants.

Very truly yours,

Handwritten signature of Walter C. Davenport in black ink, featuring a stylized 'W' and 'D'.

Walter C. Davenport, CPA
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink, written in a cursive style.

Ken L. Bishop
NASBA President and CEO