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International Federation of Accountants
Attn. Ms. Jan Munro,
Senior Technical Advisor of the
International Ethics Standards Board for Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017
USA

Date	Re	Our ref	Attachment	Direct dial nr
October 21st. 2008	Exposure Draft July 2008 Code of Ethics for Profes- sional Accountants	FBB	0	T +3120-3010308 F +3120-3010302

Dear Ms. Munro,

Royal NIVRA supports the Drafting Conventions Project and its objectives, and welcomes most of the proposed changes. The proposed changes certainly enhance the clarity and understandability of the provisions in the Code, and therefore make the Code more workable. In addition, these changes may contribute to an adequate translation and implementation process of the Code.

Your request for Specific Comments

Question 1

NIVRA agrees with the IESBA that identifying a requirement by the use of the word "shall" clarifies the Code. Therefore NIVRA welcomes the proposal to change the word "should" in "shall" as in the ISAs.

Question 2

NIVRA disagrees with the IESBA that separately presenting the objective to be achieved, the requirements designed to achieve that objective, and the application guidance as in the ISAs would not further improve the clarity of the Code. We are of the opinion that the ISAs' approach would actually improve its clarity. Separation of, in particular, requirements and guidance would make the requirements clearer and would make the Code more readable. We believe that it would also contribute to a more uniform implementation of the Code into national regulation. It is also logical and desirable that regulation forming part of the same structure has a consistent look and feel (see 'Structure of pronouncements issued by the IAASB' in the Handbook of International Standards on Auditing, Assurance, and Ethics Pronouncements, 2008 Edition, Part I, page 131. The Code of Ethics is the top of the structure). It is for all these reasons that we plead for applying the ISAs' approach to the Code.

Should IESBA decide to apply the ISAs' structure to the Code then, referring to question 1, we emphasize that the word "shall" should not be used in the context of the application guidance but in the context of the requirements only.

If on the other hand IESBA chooses to maintain the existing structure, we request that IESBA considers highlighting the “shall” sections in black letter to clearly identify the requirements..

Question 3

NIVRA is in favour of a provision that permits an exception to compliance with a requirement set out in the Code in exceptional and unforeseen circumstances and therefore welcomes the addition. However, we are of the opinion that the Explanatory Memorandum sets out the exceptional and unforeseen circumstances that IESBA has in mind clearer than the current article 100.11 text, Also the scope of 100.11 seems to be wider than is both meant and desirable. Therefore we suggest to add the following conditions and guidance to 100.11:

- such a departure would be acceptable only if a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at that time, would be likely to propose a temporary departure to those charged with governance;
- such a departure would be acceptable only if every other professional accountant in the same circumstances would not be able to comply with that specific requirement either;
- the example of exceptional and unforeseen circumstances given in the Explanatory Memorandum;
- the sentence “A departure cannot occur if compliance is possible but would be inconvenient to the professional accountant, firm, employing organization or client.” (Explanatory Memorandum, page vii).

We cannot think of any other circumstances where we are of the opinion that a departure from a requirement in the Code would be acceptable. We are of the view that an event that is within the control of one of the relevant parties should not qualify for an exception.

Question 4

NIVRA agrees with the IESBA that the proposed modification to focus the application of the conceptual framework throughout the Code, and the related documentation requirements in Sections 290 and 291, on threats that are not at an acceptable level will result in a more efficient and effective application of the framework approach. We also believe the proposed definition of “acceptable level” is clear.

Question 5

NIVRA agrees with the IESBA that a period of approximately 18 months between the planned issuance of the revised Code and the effective date gives member bodies and firms sufficient time to implement the new standards. However, we would suggest to relate the effective date to the period regarding the engagement and to the beginning of a new engagement also. Thus only one regime of provisions will be applicable on the same engagement instead of two regimes, which might be the case under the IESBA’s proposal. We believe in this way implementation for professional accountants and firms, especially in respect of the revised, in several ways tightened up, independence provisions on audit and review engagements, is easier. Since fiscal years often start on January 1st, we would also suggest to make a connection with that date rather than December 15th. Therefore we propose that the revised Code becomes effective on January 1st, 2011, and shall be applied to engagements for periods beginning on or after January 1, 2011, and to engagements beginning on or after January 1st, 2011.

We disagree with the transitional provision with respect to Partner Rotation. Since it will take approximately 18 months before the Code becomes effective, there is sufficient time for all individuals concerned to anticipate the partner rotation requirements. We believe it is not in the public interest to permit the “additional individuals” an additional year before the partner rotation requirements are effective for them.

We do not give our views on the transitional provision regarding Entities of Public Interest, since we are unlikely to implement it in view of existing national regulation.

We agree with the transitional provision of Non-Assurance Services. If the IESBA follows our suggestion with respect to the effective date, then a firm shall not contract for any such services after January 1, 2011 and any ongoing services that were contracted before January 1, 2011 shall be completed by July 1, 2011.

Comments on "threats"

NIVRA welcomes the proposals with respect to "threats" as presented in the Explanatory Memorandum.

The Introduction of Section 200 gives several examples of the five different categories of threats. Although we realize these are just examples, we would like to address that some of these examples (see for instance the last bullet of 200.8) are not always a threat per se. In our opinion it depends on the circumstances and the culture too. We therefore suggest that IESBA includes a paragraph explaining how we should read these examples.

Comments on "consider", "evaluate" and "determine"

NIVRA agrees with the proposal to change "consider" in several paragraphs into either "evaluate" or "determine", to make the Code more robust..

In the majority of the paragraphs considering is an obligation, because of the use of the modal verb "shall" with respect to "consider". However, such is not the case in paragraphs 100.22 and 320.6 (second time "consider" is used), because of the use of the modal verb "may". We doubt if this is right. We believe that if a significant conflict cannot be resolved (which is the basic assumption of paragraph 100.22), a professional accountant may not but really should (and therefore, because of the Drafting Conventions, shall) consider obtaining professional advice from the relevant professional body or from legal advisors (100.22, first sentence), since it is important significant conflicts are solved in a due process. We are also of the opinion that a professional accountant in business may not but really should (and, because of the Drafting Conventions, therefore shall) consider whether to resign, in a situation in which it is not possible to reduce a threat to an acceptable level and significant or persistent misleading information is issued (320.6, last sentence). This makes sense anyway, since the same paragraph requires the professional accountant not to be or remain associated with misleading information. Resigning might be the only safeguard to accomplish that requirement. In addition, we doubt if it is possible to "consider" whether to resign. If the professional accountant is required to think about whether to resign, he is supposed to make a decision. The word "determine" might therefore more appropriate than "consider".

Another argument to use the word "shall" instead of "may" in both paragraphs is that it would be consistent with the Code.

Definitions

We are aware that all ISAs are subject to the IAASB's Clarity Project at the moment, and that some definitions used in the ISAs might change. NIVRA is of the opinion that it is logical and desirable that the Code and ISAs use the same definitions (see our comments on question 2). Therefore we suggest to use one list of definitions for both the Code and the ISAs, an in addition to clearly reflect in the Code and ISAs those key terms which are used in respectively the Code and ISAs only.

Professional accountant in public practice and Part C of the Code

Article 100.13 (Part A) mentions that professional accountants in public practice may also find Part C relevant to their particular circumstances. We wonder why Part B has not been qualified as also potentially being relevant to professional accountants in business.

As a matter of principle, we have objections to this specific clause, since it is not clear whether a professional accountant in public practice might be held responsible for not complying with the requirements in Part C and whether he risks disciplinary sanctions in such situation. We therefore propose to drop the reference to Part C in 100.13. However, if IESBA chooses to maintain this clause we request:

- to clarify what exactly is meant by this clause. Please clarify in particular whether a professional accountant is required to apply the additional requirements and/or guidance and what the consequences are if he does not apply the additional requirements and/or guidance in Part C;
- to introduce a similar clause in respect of accountants in business.

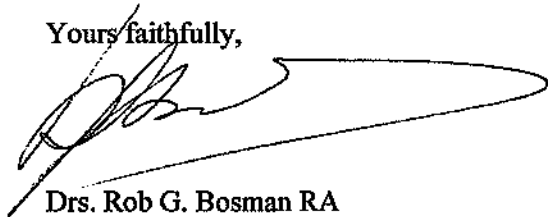
Comments on details

The following comments on the mark-up versions are of minor importance. The numbers refer to the paragraphs in the Code:

- 100.14: categories should be (a) and (b);
- 110.2, proposed text at the bottom, 120.2, 300.4: it would be consistent with the Code to use the designation "professional accountant" instead of just "accountant", in a sentence in which the word "professional accountant" has already been used (compare with, for example, the first sentence of the same paragraph, 110.3 or 320.6);
- 140.7, (b): categories should be (i) and (ii);
- 140.7, (c): categories should be (i) to (iv);
- 291.120: the word "threat" is missing after the word "any" in the following sentence: "The significance of any shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.";
- 330.1: undertakes instead of undertake;
- 330.5: paragraph should be 330.4;
- definition of "assurance team" and the Code as a whole: please, be consistent in the use of capital letters after a colon and when categorizing;
- definition of "audit client": to non-native speakers it is not clear why both the future tense and the present simple is used in the same definition. We understand that listed audit clients always include its related entities and that non-listed audit clients always include those related entities over which the client has direct or indirect control, so why not use the same tense twice;
- 300.17: paragraph should be 300.16.

I would be pleased to discuss this letter at your request.

Yours faithfully,



Drs. Rob G. Bosman RA
Technical Director