

RSM International

The Worldwide Audit, Tax & Consulting Network

RSM International

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8 October 2008

Dear Sirs,

Exposure Draft – Code of Ethics for Professional Accountants

On behalf of the RSM International global network of firms, we are pleased to have the opportunity to respond to your request for specific comments on the Exposure Draft issued in July 2008 in respect of the *Code of Ethics for Professional Accountants*.

Our responses to the specific matters on which the IESBA is seeking feedback are set out below.

1. The IESBA is of the view that identifying a requirement by the use of the word “shall” clarifies the Code and appropriately brings the language in line with that adopted by the IAASB.

We agree that the use of the word “shall” does clarify the requirements of the Code and, furthermore, is likely to more readily facilitate accurate translation of the requirements of the Code into other languages. We also welcome any steps to eliminate unnecessary inconsistencies in language, tone or approach between the various standard setters, which we feel can only be beneficial for the standing and reputation of the profession generally.

For these reasons, we believe that the proposed use of the word “shall” appropriately brings the language used in the Code in line with that adopted by the IAASB.

2. The IESBA is of the view 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 believe that the existing structure of the Code is clear, practical and appropriate for applying the principles based approach contained within it. Further, as a conceptual framework rather than a set of standards, it is inherently different from ISAs. Therefore, we agree with 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.

3. The IESBA is of the view that in exceptional and unforeseen circumstances that are outside the control of the professional accountant, the firm or employing organization, and the client, the application of a specific requirement in the Code may result in an outcome that a reasonable and informed third party would not regard as being in the interest of the users of the output of the accountant's professional services. Therefore, the Board is proposing that the Code include a provision that would permit a professional accountant, in such circumstances, to depart temporarily from that specific requirement.

We believe that the Board's proposal to permit a temporary departure from any given requirement in the Code, under certain circumstances and with certain conditions, is entirely consistent with a conceptual framework approach to maintaining the five fundamental principles.

Certainly, we recognise that there can be situations (such as the unexpected death of a successor partner in a rotation situation, as illustrated in the Explanatory Memorandum to the Exposure Draft) where the application of a specific requirement of the Code may not be in the interests of the users of the output of the accountant's professional services. However, we cannot envisage circumstances other than those that are exceptional, unforeseen and outside the control of the professional accountant, the firm or employing organization, where the public interest would continue to be best served by a departure from a specific requirement.

Under such circumstances, we believe there is a need for full transparency to all stakeholders surrounding any temporary departure from a specific requirement of the Code. We therefore broadly welcome the conditions proposed by the IESBA in paragraph 100.11 of the Exposure Draft. However, in order to best serve the interests of the users of the output of the accountant's professional services, we would suggest that the Board considers supplementing the third condition in paragraph 100.11 to read:

"The nature of the departure and the reason for the departure are appropriately disclosed to the users of the output of the professional services as soon as is practically possible."

4. The IESBA is of the view 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 believe that the existing use of the terms "clearly insignificant" and "acceptable level" within the Code has the potential to create unnecessary ambiguity for accountants when applying the conceptual framework, and thereby achieving an appropriate outcome, in situations where they are faced with threats to compliance with the fundamental principles. Accordingly, we agree with the proposed modification and believe it will result in a more efficient and effective application of the framework approach.

5. The IESBA is of the view that the selected point-in-time effective date with the proposed transitional provisions will provide the appropriate balance between firms and member bodies having sufficient time to implement the new standards and effecting change as soon as possible.

We agree that a point-in-time effective date, with transitional provisions, is preferable to implementation starting with fiscal years that begin after a specified date, for the reasons explained by IESBA in the Explanatory Memorandum to the Exposure Draft.

We have no reason to disagree with the assessment made by IESBA that the preferred effective date of the revised Code should be approximately eighteen months after issuance.

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We would be pleased to discuss our comments further with members of the IESBA or its staff. If you wish to do so, please contact Robert Dohrer (tel: +1 919 645 6819; email: robert.dohrer@rsmi.com).

Yours sincerely



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