



441 G St. N.W.  
Washington, DC 20548

April 18, 2016

Mr. Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017

**GAO's Response to the International Ethics Standards Board for Accountants' December 2015 Exposure Draft, *Improving the Structure of the Code of Ethics for Professional Accountants—Phase 1***

Dear Mr. Siong:

This letter provides GAO's response to the exposure draft *Improving the Structure of the Code of Ethics for Professional Accountants—Phase 1*. GAO promulgates generally accepted government auditing standards (GAGAS) in the United States. GAGAS provides a framework for conducting high-quality audits of government awards with competence, integrity, objectivity, and independence. GAGAS use is required of auditors of both domestic and international U.S. government awards. Therefore, we anticipate that professional accountants who comply with international auditing standards will, under some circumstances, be required to simultaneously practice in accordance with GAGAS and the revised International Ethics Standards Board for Accountants' (IESBA) *Code of Ethics for Professional Accountants* (the Code).

**Specific Comments**

Refinements to the Code

**1. Do you agree with the proposals or do you have any suggestions for further improvement to the material in the exposure draft?**

We agree with the proposals in the restructured Code and believe that they would enhance the understandability and usability of the Code. Because of the volume of material in the exposure draft, we suggest that the IESBA also label each page in the restructured Code with its respective part number or title and section number or title. In the extant Code, each page is labeled with the part number or title (e.g., Part A, C1, Glossary) on its margin and the section number or title (e.g., Section 290) on the bottom of the page. Labeling the restructured Code in such a manner would further assist professional accountants who are researching or referencing particular requirements and application material.

**2. Do you believe the restructuring will enhance the adoption of the Code?**

We believe the restructuring of the Code will enhance its adoption. We expect that the clear links between requirements and application guidance that are provided in the restructured Code will be especially valuable to professional accountants adopting the Code.

**3. Do you believe that the restructuring has changed the meaning of the Code with respect to any particular provisions? If so, please explain why and suggest alternative wording.**

The restructuring does not appear to have changed the meaning of the Code with respect to any particular provisions.

Other Matters

**4. Do you have any comments on the clarity and appropriateness of the term “audit” continuing to include “review” for the purposes of the independence standards?**

In our view, the section on independence standards’ continuing to address both “audit” and “review” engagements is clear and appropriate in the restructured Code. We believe that the following addition to paragraph 400.1 would further clarify this information in the Code:

In this section, “audit”, “audit team”, “audit engagement”, “audit client”, and “audit report” include review, review team, review engagement, review client, and review report.

Such a sentence was included in paragraph 290.3 in the extant Code’s “Independence for Audit and Review Engagements section.” However, in the restructured Code it was moved to the Glossary. Also including it in the introductory paragraph for the “Independence for Audit and Review Engagements” section would emphasize the description in the conceptual framework.

**5. Do you have any comments on the clarity and appropriateness of the restructured material in the way that it distinguishes firms and network firms?**

We believe the proposed restructured Code clearly and appropriately distinguishes between firms and network firms.

Title

**6. Is the proposed title for the restructured Code appropriate?**

We believe the proposed title for the restructured Code, *International Code of Ethics Standards for Professional Accountants*, is appropriate.

If you have questions about this letter or would like to discuss any of the matters it addresses, please contact me at (202) 512-3133 or [dalkinj@gao.gov](mailto:dalkinj@gao.gov) or Eric Holbrook at (202) 512-5232 or [holbrooke@gao.gov](mailto:holbrooke@gao.gov).

Sincerely yours,

A handwritten signature in black ink, appearing to read "James R. Dalkin". The signature is fluid and cursive, with a prominent initial "J" and a long horizontal stroke at the end.

James R. Dalkin  
Director  
Financial Management and Assurance