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Our ref Improving the Structure of the
Code of Ethics for Professional
Accountants—Phase 2 with
Certain Proposed Conforming
Amendments Arising from the
Safeguards Project.docx

26 April 2017

Dear Sir

Improving the Structure of the Code of Ethics for Professional Accountants—Phase 2 with Certain Proposed Conforming Amendments Arising from the Safeguards Project

KPMG welcomes the opportunity to provide comments on the consultation paper issued in January. We have reviewed that paper, and our comments are set out below.

- 1) Do you believe that the proposals in this ED have resulted in any unintended changes in meaning of:**
- (a) The provisions for Part C of the Extant Code, as revised in the close-off document for Part C Phase 1 (see Sections 200-270 in Chapter 1)?**
 - (b) The NOCLAR provisions (see Sections 260 and 360 in Chapter 2)?**
 - (c) The revised provisions regarding long association (see Sections 540 and 940 in Chapter 3)?**
 - (d) The provisions addressing restricted use reports in the extant Code (see Section 800 in Chapter 4)?**
 - (e) The provisions relating to independence for other assurance engagements (Part 4B in Chapter 5)?**

If so, please explain why and suggest alternative wording.

We believe proposal (c) **The revised provisions regarding long association** will result in significant challenges for the NZ market. With a smaller number of licensed audit partners and qualified auditors – facilitating the 5 year stand down period may require less qualified auditors and/or those with less industry experience to be involved in certain audits. In addition, with the NZX listing rules requiring a 5 year duration, the stand-down period becomes equal to the time-on period. The long association provisions only consider partner rotation. There are a number of other factors which should be taken into consideration when assessing possible familiarity threats, such as change in client personnel. We remain un-convinced that the additional 3 years is fundamental to cooling off (beyond which the 2 years currently provides).

2) Do you believe that the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum?

We agree the approach and proposals made are consistent with the key elements of the restructuring as described in Section III. However, as mentioned in our other submissions on this project we do believe additional application guidance is needed in certain areas.

Conforming Amendments Arising from the Safeguards Project

3) Respondents are asked for any comments on the conforming amendments arising from the Safeguards project. Comments on those conforming amendments are requested by April 25, 2017 as part of a response to Safeguards ED-2.

We have commented on these confirming amendments in our previous submissions on the project.

Effective Date

4) Do you agree with the proposed effective dates for the restructured Code? If not, please explain why not.

We agree the proposed effective date appears reasonable.

Yours faithfully



Darby A Healey
Partner