

September 15, 2014

Professional Ethics Executive Committee
Attention: Lisa A. Snyder, Director
Professional Ethics Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via e-mail: lsnyder@aicpa.org

Re: Proposed Revised ET Section 91 *Applicability* and new Interpretation No. 101-20, *Breach of an Independence Interpretation* under Rule 101, *Independence* (AICPA Professional Standards, ET Section 101 Paragraph .22)

Dear Ms. Snyder:

We appreciate the opportunity to provide comments on the Professional Ethics Executive Committee's ("PEEC") proposed revised ET Section 91, *Applicability* and new Interpretation No. 101-20, *Breach of an Independence Interpretation* under Rule 101, *Independence* (AICPA Professional Standards, ET Section 101 Paragraph .22), as described in the Exposure Draft ("ED") issued on June 16, 2014.

We are supportive of the proposed revisions to ET Section 91 and new Interpretation No. 101-20 and believe that these requirements will provide the necessary transparency into independence related matters that audit committees and those charged with governance require in order to fulfill their responsibilities and further serve to strengthen the public confidence in the auditing profession.

The proposed revisions and new Interpretation will further facilitate convergence of the AICPA Code of Professional Conduct with the Code of Ethics for Professional Accountants ("IFAC Code") issued by the International Ethics Standard Board for Accountants ("IESBA"). We understand, based on the Explanation of Proposals for revisions to ET Section 91, *Applicability* and proposed Interpretation 101-20, included within the ED, that the PEEC believes the proposed Interpretation is substantially consistent with the IESBA Code and any differences are necessary to enhance the clarity of the proposed Interpretation and make it relevant to AICPA members practicing in the United States.

Although we are generally supportive of the proposals, we have included comments and recommendations below for the consideration of the PEEC.

Specific Feedback Request

The Exposure Draft specifically requested feedback on whether a delayed effective date is necessary. In considering this request we recognize that while most firms will already have established policies and procedures in place to provide reasonable assurance that the firm, its personnel, and others that may be subject to independence requirements, maintain independence where required, some firms and practitioners may not currently have documented policies and procedures to provide reasonable assurance of notification of breaches of independence requirements. Accordingly, we believe it would be appropriate to allow additional time for Firms and practitioners to define and implement policies and procedures regarding the reporting and communication of breaches to the appropriate individual(s) within the firm as required under Interpretation 101-20. We believe an additional 90 days would be sufficient for all firms and practitioners to implement these policies and procedures.

Additional Comments and Feedback

Comment on "Breaches Resulting in Significant Threats"

The paragraph in proposed Interpretation 101-20 on *Breaches Resulting in Significant Threats*, provides in part, that where a breach is known to a partner or partner equivalent who fails to ensure that the breach is promptly reported to an appropriate individual within the firm (i.e., the responsible individual), that condition, in-and-of-itself, will create a rebuttable presumption that the threats to the attest engagement team's integrity, objectivity and professional skepticism would be so significant that no actions could be taken to satisfactorily address the consequences of the breach. In our view, the failure to promptly communicate or report a breach should not be a sole determining factor in creating a presumption that threats to an attest engagement team's integrity, objectivity and professional skepticism are so significant, that no actions could be taken to satisfactorily address the consequences of the breach. Rather, we believe the paragraphs in the proposed Interpretation on *Identifying and Communicating a Breach* and *Evaluating the Significance of a Breach* appropriately and adequately addresses the requirements for reporting or communicating the details of identified breaches. Accordingly, we believe that item (b) should be omitted from the paragraph on *Breaches Resulting in Significant Threats*.

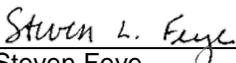
Comments on "Communicating with Those Charged With Governance"

- a) The section of proposed Interpretation 101-20 on *Communicating with Those Charged with Governance* includes a specific written communication requirement when it is determined that actions can be taken to satisfactorily address the consequences of a breach of an independence interpretation. In that case, the proposed interpretation requires the responsible individual at the firm to discuss the breach and the actions to be taken to address the consequences of the breach with those charged with governance and communicate the points described in the proposed interpretation **in writing** to those charged with governance. These requirements do not appear to be consistent with those that apply when the responsible individual determines that no action can be taken to satisfactorily address the consequences of a breach. In that situation, the proposed interpretation requires that the responsible individual inform those charged with governance (as soon as practicable), and take the steps necessary to terminate the attest engagement in compliance with any relevant applicable legal or regulatory requirements. There is no stated requirement in this situation that the responsible individual prepare any written communication to those charges with governance discussing the breach and the facts surrounding the determination that the attest engagement is being terminated. It is our recommendation that the PEEC considers applying a consistent written communication requirement to both situations.
- b) Additionally, in evaluating the requirements of the proposed Interpretation and the IESBA standard (specifically paragraph 290.46 of the IFAC Code), we do not believe that the requirements of the proposed Interpretation related to the timing of the discussion of the breach and the actions to be taken to address the consequences of the breach with those charged with governance are substantially consistent with paragraph 290.46 of the IFAC Code. While both the proposed Interpretation 101-20 and paragraph 290.46 of the IFAC Code require the firm to discuss the breach and actions taken to address the consequences of the breach as soon as practicable or possible, paragraph 290.46 of the IFAC Code provides additional flexibility with respect to communicating the details of less significant breaches to those charged with governance when the client has "specified an alternative timing for reporting less significant breaches." It is our recommendation that the PEEC consider including a similar reference to client specified alternative timing for less significant breaches.

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We would be pleased to discuss our comments and recommendations with members of the PEEC. If you wish to do so, please feel free to contact Steven Feye at (203) 563-2660 or sfeye@deloitte.com; or Vincent A. DiBlanda at (203) 761-3215 or vdiblanda@deloitte.com.

Sincerely,



Steven Feye

Deloitte LLP Managing Partner National Office Independence Consultation and National Director of Independence Consultation