

Structure of the Code— Issues and Task Force Proposals

How the Project Serves the Public Interest

Through the development of a restructured Code, the project serves the public interest by:

- Enhancing understandability of the Code, facilitating compliance by professional accountants and enforcement by regulators; and
- Improving the usability of the Code, thereby facilitating adoption, effective implementation and consistent application.

How this Paper is Organized

This paper comprises the following four parts:

- I: Summary of respondents' significant comments on the consultation paper (CP)
- II: Other developments since the CP illustrative examples
- III: Post-CP draft restructured Code
- IV: March 2015 IESBA CAG Discussion

Part I: Summary of Respondents' Significant Comments on the Consultation Paper

A. Overview of Responses

1. The comment period for matters raised in the CP [Improving the Structure of the IESBA Code](#) closed on February 4, 2015. As at March 15, 2015, comment letters have been received from 56 respondents. A listing of those respondents is provided in Appendix 1. Comment letters are available for review on the Board's [website](#).
2. The table below presents an overview of the constituencies from which responses have been received. The remainder of the overview gives a general picture of the responses made to the specific questions in the CP.

Category	Number of responses received
Regulators and Public Authorities, including: <ul style="list-style-type: none"> • IOSCO (28 national securities regulators)¹ 	8

¹ IOSCO Committee 1 members include the securities regulators of Argentina, Australia, Belgium, Brazil, Canada (Ontario), Canada (Quebec), China, France, Germany, Hong Kong SAR, India, Ireland, Israel, Italy, Japan, Luxembourg, Mauritius, Mexico, the Netherlands, New Zealand, Poland, Spain, Switzerland, Taiwan, Thailand, Turkey, UK, USA and Uruguay.

Category	Number of responses received
<ul style="list-style-type: none"> Dual regulatory and national standard setting bodies (IRBA (South Africa), NASBA (USA), FRC(UK)) 20 independent European audit regulators and/or oversight bodies)² 	
National Standards Setters	2
IFAC Member Bodies ³	29
Firms	7
Other Professional Organizations	8
Individuals and Others	2
Total	56

- Respondents expressed widespread support for the project, subject to some cautions and comments, highlights of which are discussed below. These matters are considered in further detail later in this paper.
- Some respondents⁴ noted their support for the project but raised concerns that the project may become more than a restructuring exercise, which could inadvertently result in substantive changes creating new requirements that are not subject to due process.
- Some respondents⁵ who expressed support for the project noted that stakeholders in EU member states will also have to address major audit reform during the proposed timeframe and may need more time to implement any changes to the structure of the Code. A respondent⁶ suggested the Board should “take proper time and wait for the implementation of the EU reform in order to assure that the proposed modifications correspond to the needs of users.”
- Another respondent⁷ did not support the project due to the burden of changes and the risk of unintended consequences.

² The content of the response from the 20 EU independent EU Audit Regulators was discussed and agreed upon by the audit regulators of Austria, Bulgaria, Czech Republic, Denmark, Estonia, France, Germany, Hungary, Ireland, Lithuania, Luxembourg, The Netherlands, Norway, Portugal, Romania, Slovakia, Slovenia, Spain Sweden, and Switzerland

³ Certain IFAC Member Bodies also hold the dual role of ethics standard setter in their jurisdictions.

⁴ **Regulators and Public Authorities** IRBA SCM **National Standard Setter** APESB **Member Bodies** AICPA CNCC CPA Au **Firms** BDO DTT EY PwC **Other Professional Organization** FEE

⁵ **Member Bodies** CNCC ICAS **Firm** DTT **Other Professional Organization** FEE

⁶ **Member Body** CNCC

⁷ **Member Body** AICPA

7. SMPs⁸ have expressed support for the project and welcome efforts to improve the usability of the Code.
8. There was clear support for labelling and presenting the independence provisions of the Code as standards. Views on rebranding the Code in the entirety were mixed.
9. There was support from respondents for emphasizing the requirement to apply the fundamental principles and conceptual framework. Respondents noted repetition in the way this was achieved in the Illustrative Examples included in the CP. They expressed concerns that the suggested approach may unduly lengthen the Code. There was some opposition, as explained in Section C below, to following the approach used in the International Auditing and Assurance Standards Board's (IAASB's) International Standards on Auditing (ISAs).
10. Distinguishing requirements from guidance as suggested in the CP was supported by most respondents. However, many ⁹ respondents raised concerns regarding the separation of requirements from guidance but supported distinguishing requirements from guidance.
11. Respondents generally agreed it was necessary to clarify responsibility in the Code. They also generally supported the ways to achieve this as suggested in the CP. The importance of ensuring consistency with ISQC 1¹⁰ and the ISAs, however, was raised by respondents. Respondents also commented that it was important not to create an environment where responsible individuals can be treated as scapegoats.
12. Respondents generally supported the suggestion to reverse the order of extant Part B and Part C as set out in the CP.

B. Safeguards

13. Some regulatory respondents¹¹ commented on the importance of addressing safeguards in the Code. A project proposal¹² to address safeguards in the Code was approved by the Board in January 2015. Comments received from respondents to the CP which are relevant to the safeguards project have been provided to the Safeguards Task Force.
14. At its January 2015 meeting, the Board asked the Structure and Safeguards Task Forces (the Task Forces) to consider the approach to co-ordination between the projects.
15. At the IESBA meeting in December 2015, the Task Forces intend to seek approval for two concurrent exposure drafts (ED). The Task Forces believe it would be appropriate to allow a 120-day comment period for both EDs. The Safeguards Task Force intends to make proposed changes to the extant Code, in accordance with the project proposal, which will then be presented for exposure in the format and language of the draft restructured Code. The Task Forces intend to present the proposed safeguards revisions in the format and language of the draft restructured Code in both the Structure

⁸ **Other Professional Organization** SMPC (IFAC)

⁹ **Regulators and Public Authorities** 20 independent EU Audit Regulators FRC IRBA **Member Bodies** AICPA CNCC FAR ICAEW KICPA MIA WPK **Firms** DTT EY KPMG PwC **Other Professional Organizations** FEE GAO SMPC (IFAC)

¹⁰ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

¹¹ **Regulators and Public Authorities** 20 independent EU Audit Regulators FRC IFIAR IOSCO IRBA

¹² [Project Proposal—Safeguards and Their Applicability Pertaining to Non-Assurance Services](#)

and Safeguards EDs. The Structure Task Force intends to seek comments on the proposals to restructure the Code only. The Safeguards Task Force intends to request comments related to any substantive changes which may be proposed to the safeguards provisions.

16. The Task Force chairs will maintain active communication on this matter.

Matters for Consideration

1. Do IESBA members agree with the Task Forces' proposal to issue the proposed revised provisions for safeguards and the draft restructured Code in two separate but concurrent EDs?
2. Do IESBA members agree that the proposed 120-day comment period would be necessary to allow respondents sufficient time to consider the proposed revisions?

C. Key Matters Raised by Respondents

Requirement to Apply the Fundamental Principles and Conceptual Framework

17. Many respondents¹³ supported emphasizing the requirement to apply the fundamental principles and conceptual framework. However, many respondents¹⁴ noted repetition as a concern. Several respondents¹⁵ expressed caution that repetition may unduly lengthen the Code.
18. A respondent¹⁶ suggested distinguishing between the fundamental requirements in Part I and the specific requirements in the remainder of the Code. This respondent explained that requirements in Part I could be named "Fundamental or Core requirements" and, for the remainder of the Code, requirements could be named "Specific requirements."
19. The CP used a Purpose component to outline relevant/typical threats and remind users to apply the fundamental principles and conceptual framework. This general requirement to apply the fundamental principles and conceptual framework was presented as a requirement at the beginning of the independence part in Section 400.¹⁷
20. The Purpose component was described in the CP¹⁸ as follows:

The Purpose component includes introductory comments to broadly describe the context and then briefly describe what threats may exist, referring users to the fundamental principles and, where relevant, the independence provisions. It sets out the context in which the requirements are to be read, and is not to be read as creating any requirements in itself. The language is intentionally broad. More specific language is used in the Requirements component. The Purpose component includes a

¹³ **Regulators and Public Authorities** 20 independent EU Audit Regulators FRC IFIAR IOSCO IRBA **National Standard Setter** NZAuASB **Member Bodies** ACCA CAANZ CPA Au FSR HKICPA ICAEW ICAS **Firm** KPMG **Other Professional Organization** FEE

¹⁴ **National Standard Setters** APESB NZAuASB **Member Bodies** ACCA FAR FSR ICAEW IDW WPK **Firms** DTT EY PwC **Other Professional Organizations** FEE SMPC (IFAC)

¹⁵ **Regulator and Public Authority** IRBA **National Standard Setter** NZAuASB **Member Bodies** ACCA FSR ICAS WPK **Firms** DTT EY **Other Professional Organization** FEE

¹⁶ **Other Professional Organization** EFEI

¹⁷ CP Appendix 1 Illustrative Examples Part IV Section 400, Introduction

¹⁸ CP paragraph 11

reminder, at the start of each section, of the importance of the fundamental principles and the requirement to comply with the principles-based conceptual framework.

21. Some respondents,¹⁹ including a few regulatory respondents,²⁰ commented that the Purpose component as drafted in the Illustrative Examples did not have a clear role. A few respondents²¹ suggested the Purpose component should be replaced by an objectives component such as that in the ISAs. A regulatory respondent²² suggested an objectives component to:

“clearly and specifically identify the threat that could be reasonably possible with respect to the provision of the Code and the auditor’s overall goal in addressing the threat.

The objectives section should also emphasize that requirements may not be all encompassing so that having complied with the requirements the auditor should always step back to determine whether the objectives were met having considered the specific facts and circumstances of the issue at hand.”

22. Some respondents²³ commented that following the ISA approach may not be appropriate for the Code which, by its nature, is different from the ISAs as it addresses professional behavior rather than simply process. A respondent²⁴ commented that it understood why consideration was being given to clarifying the IESBA Code using an approach similar to the ISAs. However, it was of the view that time had moved on and it believed that current concerns about professional accountants’ ethics may not necessarily be best addressed by a move to an ISA type model (with a ‘purpose’ in place of the ISA objectives and then ‘requirements’ followed by ‘application and other explanatory material’ as illustrated in the consultation paper). It added that “ISAs establish standards that are focussed on ensuring auditors obtain sufficient appropriate audit evidence and exercise professional scepticism. Accordingly, many of the requirements are process based. Ethics, however, is not about process but rather about good behaviours, driven by high personal values/morals and a mind-set focussed on serving the public interest.”

23. The overarching objective of the professional accountant is to comply with the Code by applying the conceptual framework. This is set out in the draft restructured Code as a core requirement currently in paragraph R100.3 of the post-CP draft restructured Code. The paragraphs have been extracted below for reference.

R100.3 A professional accountant shall comply with this Code. There may be circumstances when a professional accountant is prohibited from complying with certain parts of this Code by law or regulation. In that event, the professional accountant shall comply with all other parts of this Code.”

24. In response to the comments received from respondents, the Task Force is considering including the following components, where appropriate, in each draft restructured section of the Code:

- “Scope” setting out the subject matter addressed within the section.

¹⁹ **Regulators and Public Authorities** FRC IOSCO **Member Body** WPK Firm PwC RSM

²⁰ **Regulators and Public Authorities** FRC IOSCO

²¹ **Regulator and Public Authority** IOSCO **Firm** RSM

²² **Regulator and Public Authority** IOSCO

²³ **Regulator and Public Authority** FRC **Member Bodies** ACCA CPA Au CNCC

²⁴ **Regulator and Public Authority** FRC

- “Core Requirement” which emphasizes the need for compliance with the fundamental principles through applying the conceptual framework. The “Core Requirement” should be accompanied by related guidance identifying the likely threats that could reasonably be expected to arise.
 - “Specific Requirements” which detail requirements related to the application of the conceptual framework to the specific subject matter addressed, including any specific prohibitions that may arise. “Specific Requirements” should be accompanied by relevant guidance.
25. The Task Force believes this approach gives appropriate prominence to the fundamental principles and allows users of the Code to recognize how to apply the conceptual framework in specific circumstances.
26. The Task Force has further considered the structure of the sections within the restructured Code. The proposed structure is set out in Appendix 2. The Task Force believes the proposed structure is simpler than the suggestion reflected in the CP whilst still allowing for future expansion of the Code.
27. The Task Force is of the view that a balance needs to be struck between reducing repetition and having relevant material in a single place within the Code. The Task Force expects to keep the structure of the sections within the restructured Code under review as the project develops.

Matters for Consideration

3. Do IESBA members agree that including “Scope”, “Core Requirement” and “Specific Requirements” components, where appropriate, in each section would be likely to be effective in emphasizing the requirement for professional accountants to apply the fundamental principles and conceptual framework?
4. Do IESBA members believe the titles of the components “Scope”, “Core Requirements” and “Specific Requirements” are appropriate?
5. IESBA members are asked to share their views on the proposed structure.
28. A regulatory respondent²⁵ commented on the importance of an auditor stepping-back to determine whether the fundamental principles have been complied with.
29. For audit and review engagements, the Code requires the firm to evaluate the significance of the threat in accordance with the conceptual framework approach whenever new information about a threat comes to the attention of the firm during the engagement. In addition, the Task Force is of the view that the principle of “stepping-back” is implicit in the requirement to exercise professional judgment in applying the conceptual framework.²⁶ The Task Force believes that the introduction of a “core requirement” in each section to emphasize the need to apply the conceptual framework to comply with the fundamental principles assists with this matter.
30. The Task Force notes that the Safeguards Task Force expects to consider guidance addressing the effectiveness of safeguards, which may result in further clarifying the conceptual framework.

²⁵ Regulator and Public Authority IOSCO

²⁶ Paragraph 100.2

Matters for Consideration

6. Do IESBA members believe the principle of “stepping-back” is sufficiently implicit in the Code that the Task Force could propose changes that would be seen as clarification?
7. If not, do IESBA members believe any proposed changes would be significant enough for the matter to be referred to the Safeguards Task Force?

Rebranding the Code as Standards

31. There was general agreement that the labelling and presentation of the section containing the fundamental principles and conceptual framework as a code or standards should reinforce and not detract from the principles-based approach. Many respondents²⁷ emphasized that the fundamental principles are dealing with good behavior and are not readily presented as measurable standards; in contrast, independence and various other parts of the Code may be presented as standards.
32. Views on the labelling and presentation of the Code were mixed. A regulatory respondent²⁸ commented that “rebranding the Code and issuing some or all of the provisions as separate standards should be viewed as more than simply improving the visibility of the Code.”
33. A few respondents,²⁹ including a regulatory respondent,³⁰ commented that labelling and presenting the Code as standards may reinforce the requirement to comply with the fundamental principles.
34. Some respondents³¹ expressed concern that labelling and presenting the Code as standards could detract from the principles-based nature of the Code and risk being perceived as a move towards a more rules-based approach.
35. Most respondents³² expressed support for labelling and presenting independence sections as standards.
36. A few alternative suggestions were made by respondents. These include:
 - Creating a “one-page” code with code and some standards to support;³³
 - Creating a “one-page” International Standard on Ethics supported by a code;³⁴

²⁷ **Regulators and Public Authorities** FRC IRBA **Member Bodies** ACCA CNCC CPA Au FSR ICAEW ICAS IDW JICPA WPK Firm KPMG **Other Professional Organizations** FEE SMPC (IFAC)

²⁸ **Regulator and Public Authority** IOSCO

²⁹ **Regulators and Public Authorities** IOSCO **Member Bodies** AAT HKICPA NBA

³⁰ **Regulator and Public Authority** IOSCO

³¹ **Regulator and Public Authorities** IRBA **National Standards Setter** NZAUASB **Member Bodies** CNCC FSR ICAEW IDW Firm DTT **Other Professional Organizations** FEE SMPC (IFAC)

³² **Regulators and Public Authorities** IOSCO AIC **National Standards Setters** APESB NZAUASB **Member Bodies** AAT ACCA FAR FSR HKICPA ICAB ICAEW ICAGH ICAP ICAS IDW IMCP ISCA JICPA MIA NBA SAIPA ZICA **Firms** BDO EY **Other Professional Organizations** EFEI FEE GAO **Individuals and Others** Jean Thomas Giraud Denise Juvenal

³³ **Member Bodies** ACCA IDW

³⁴ **Other Professional Organization** IMA

- Presenting a “one-page” code at the front and structuring the remaining code around the fundamental principles, not the users;³⁵ and
 - A code containing the fundamental principles, while provisions that are derived from the fundamental principles could be contained within standards³⁶. For example, objectivity is a fundamental principle and would therefore be included within the Code while independence, which is derived from the fundamental principle of objectivity, might form a supporting standard.
37. During its deliberations, the Task Force explored further the suggestion of having a shortened Code supported by standards. The Task Force considered a proposed analysis demonstrating the potential division of the extant Code into code and standards. Whilst the Task Force believes the independence provisions of the Code could be presented as standards, it is concerned that doing so could detract from their connection with the fundamental principles and conceptual framework.
38. To enhance the prominence of the independence provisions in the Code without detracting from their connection with the fundamental principles and conceptual framework, the Task Force proposes to include the independence provisions in their own sub-Part within the Part for Professional Accountants in Public Practice.
39. The Task Force believes maintaining a complete Code is a more streamlined approach, which maintains the connection with the fundamental principles and conceptual framework. The Task Force has proposed changes to the format and language of the restructured Code, such as: separating requirements and application material into separate, distinguished paragraphs; and separating material into relatively self-contained, distinct sections, which it believes may result in a Code which is more aligned with standards.
40. The Task Force proposes retaining the current approach of presenting the Code as “code” in the entirety. However, the Task Force is of the view that the Code would benefit from a new name to more clearly demonstrate that the Code includes material with the authority of standards.
41. Several respondents suggested possible names for the restructured Code as follows:
- International Standards on Independence and Ethics;³⁷
 - International Code of Ethics Standards;³⁸
 - International Standards on Ethics;³⁹
 - International Standards on Ethics for Professional Accountants;⁴⁰
 - International Standards on Ethical Conduct;⁴¹
 - Professional Accountants' International Standards on Ethics;⁴² and

³⁵ **National Standards Setter** NZAuASB

³⁶ **Other Professional Organization** FEE

³⁷ **Regulator and Public Authority** IOSCO

³⁸ **Member Body** CPA Canada

³⁹ **Member Body** HKICPA

⁴⁰ **Member Body** ISCA

⁴¹ **Member Body** SAIPA

⁴² **Other Professional Organization** EFEI

- Code of International Ethics Standards for Professional Accountants.
42. The Task Force considered the following when debating an appropriate title for the restructured Code:
- The Task Force believes it is important to give “ethics” prominence in the title.
 - To identify clearly who the Code applies to, the Task Force recommends including “professional accountants” in the new title.
 - The Task Force also considered the importance of giving “international” prominence in the title.
 - Further to receiving comments from many respondents on the importance of reinforcing the principles-based approach, the Task Force believes it is important to retain “code” in the new title.
 - The Task Force believes the provisions within the Code are broader than purely conduct.
43. The Task Force suggests the restructured Code should be titled as “International Code of Ethics Standards for Professional Accountants.”

Matters for Consideration

8. Do IESBA members agree with the Task Force’s proposals on the labelling and presentation of the restructured Code?
9. Do IESBA members agree with the proposed title of the Code?

Distinguishing Requirements and Guidance

44. Comments from most respondents support the separation of requirements from guidance. However, many⁴³ respondents noted the separation of requirements from guidance illustrated in the CP could create a risk that “Requirements” are read without reference to the “Application and Other Explanatory Material.” Some respondents⁴⁴ also commented that the separation of requirements from guidance could lead to the Code becoming disjointed and less understandable.
45. These respondents noted the importance of distinguishing, but not separating, requirements from guidance. Respondents suggested a few methods for making the distinction. These include: showing requirements in bold font; surrounding requirement paragraphs with a box; and distinguishing Application and Other Explanatory Material by including “A” within the paragraph numbering.
46. The Task Force considered how best to distinguish requirements from guidance while retaining due weight on each, appropriate linkage and readability. The use of the letter “A” in the paragraph references for “Application and Other Explanatory Material” is consistent with the ISAs and would achieve the aim of making the material clearly distinguishable from requirements in both an electronic and paper format.

⁴³ **Member Bodies** AICPA CNCC FAR ICAEW KICPA MIA WPK **Firms** KPMG PwC **Other Professional Organizations** FEE GAO SMPC (IFAC)

⁴⁴ **Member Body** AICPA **Firms** DTT EY PwC **Other Professional Organizations** FEE

47. A few respondents⁴⁵ did not support the headings used within sub-sections such as: “Business relationships specifically identified as threats” and “Specific threats related to professional appointments”. These respondents commented that the headings were:
- Not wholly appropriate to the material which followed; and
 - Leading to content becoming over structured.
48. The Task Force suggests that, if guidance can be adequately distinguished from requirements, separate sub-sections for “Requirements” and “Application and Other Explanatory Material” may not be necessary to improve the usability of the Code. The Task Force believes that removing the sub-sections for “Requirements” and “Application and Other Explanatory Material” may also limit the repetition referred to by respondents and address the concerns raised in relation to the headings used.
49. To improve the narrative flow and understandability of the Code, the Task Force proposes to include application material immediately following the requirement to which it relates. The Task Force believes this approach also reduces the risk that requirements are read without considering the relevant application material. The Task Force is of the view that requirements and application material should not be mixed within individual paragraphs.
50. The Task Force’s proposed numbering clearly distinguishes requirements and application material as follows:

R400.1	Requirement
400.1 A1	Guidance paragraph
400.1 A2	Guidance paragraph
R400.2	Requirement
400.2 A1	Guidance paragraph
R400.3	Requirement
400.3 A1	Guidance paragraph

51. The Task Force believes that by implementing the proposed approach, fewer but more appropriate headings will be used.
52. Some respondents⁴⁶ commented on the use of bold text to distinguish requirements from guidance. This approach was used previously in international standards and has been eliminated in recent years.
53. The Task Force believes it may be appropriate for the Board to re-consider the use of bold text to distinguish requirements within the Code. An example for Board consideration has been included as Appendix 3. The Task Force is of the view that the proposals to clarify language, to avoid the use of the present tense in application material and to ensure that requirements and application material

⁴⁵ **Firms DTT PwC**

⁴⁶ **National Standard Setter APESB Member Bodies KICPA Firms BDO DTT EY Other Professional Organizations ASSIREVI**

should not be mixed within individual paragraphs create a robust structure within which bold paragraphs could be used effectively.

Matters for Consideration

10. Do IESBA members agree with the proposals to include application material, appropriately distinguished from requirements, immediately following the related requirements?
11. Do IESBA members believe the proposed numbering appropriately distinguishes requirements and guidance while retaining due weight on each component, appropriate linkage and readability?
12. IESBA members are asked for their views on using bold text to further distinguish requirements and application material.

Identification of a Firm's or Individual Professional Accountant's Responsibility

54. In its preliminary recommendations presented to the Board in December 2013, the Structure Working Group noted that the clarity of responsibility varies in the Code. Extant Section 290⁴⁷ includes 154 "shall statements" or requirements as shown in Appendix 4. The Working Group recommended the following:
 - For "Passive Voice, where the responsibility is not defined and would require guidance from the IESBA," add a sentence to clarify paragraph 290.12. This sentence would clarify that a firm should have policies and procedures that enable identification of the individual responsible for maintaining independence in a particular circumstance.
 - For "Firm," add the sentence noted above to clarify paragraph 290.12.
 - For professional accountant, lists of person, "the individual" and miscellaneous, no change to the Code because the responsibility is clearly defined.
 - For "Passive Voice, where change to the active voice would not change the meaning," change the wording to the active voice.
55. The CP included an illustration of how the matter of responsibility could be clarified for purposes to the Code. It also included examples of who may be a responsible individual within a firm. Respondents were asked for their views on whether the illustrated approach was an appropriate means to enhance the usability and enforceability of the Code.
56. There was support from most respondents for reducing the use of the passive voice and developing the guidance currently in paragraph 290.12 to clarify responsibility in the Code. However, many respondents⁴⁸ were of the view that the existing cross reference to ISQC 1 was sufficient. Some respondents⁴⁹ suggested that changes to paragraph 290.12 to clarify responsibility in the Code should be dealt with as a separate project; a few of these respondents⁵⁰ commented that such clarification could be seen to be a substantive change to the Code.

⁴⁷ Section 290, *Independence – Audit and Review Engagements*

⁴⁸ **Member Bodies** AAT AICPA FAR FSR ICPAK NASBA NBA **Firm** Crowe Horwath DTT PwC KPMG **Other Professional Organization** ASSIREVI FEE

⁴⁹ **Member Bodies** CNCC ICAS **Firms** EY PwC **Other Professional Organization** FEE

⁵⁰ **Member Body** CNCC **Firms** EY PwC

57. The CP included examples of who may be a responsible individual within the firm. Various views were expressed by the respondents on the usefulness of these examples; however, there was no common theme. A few respondents noted the following:
- The engagement partner has primary responsibility.⁵¹
 - Guidance is needed to explain factors that may influence how different firms might apply the illustrated approach, for example, how a sole practitioner might comply with such a requirement.⁵²
58. A regulatory respondent,⁵³ however, expressed concern that the open-ended approach suggested by the Board “lacks specificity and does not address the fundamental threat we identified of potentially having an individual in the local office tasked with resolving a local engagement team’s breach of an independence requirement. Audit firms serving the capital markets should have sufficient resources and personnel to enable issues such as these breaches to be addressed by the appropriate members of senior management most qualified to objectively deal with the breach.”
59. Some respondents,⁵⁴ including a few regulatory respondents,⁵⁵ encouraged the Board to work with the IAASB to ensure that any requirements or guidance regarding responsibility included within the Code do not conflict with ISQC 1 or the ISAs.
60. In light of these comments and the overriding consideration flagged by some of the respondents regarding ensuring that Board action in addressing this matter is coordinated with IAASB, the Task Force has further reflected on what should be the appropriate way forward.
61. The Task Force is also mindful of the regulatory concern noted above that the approach of clarifying paragraph 290.12 as suggested in the CP would not be sufficiently specific to fundamentally address the issue of responsibility. The Task Force believes that this concern raises the question of whether this issue is ultimately an ethics matter that ought to be addressed by the Code or whether it is a question that relates to the internal organization of the firm with respect to the assignment of responsibility for quality control matters. Under ISQC 1, these matters include those that concern independence.
62. The Task Force notes in particular that ISQC 1 requires the firm to establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements, and to enable it to take appropriate actions to resolve such situations. ISQC 1 also requires those policies and procedures to include requirements for:
- a) Personnel to promptly notify the firm of independence breaches of which they become aware;
 - b) The firm to promptly communicate identified breaches of these policies and procedures to:
 - i. The engagement partner who, with the firm, needs to address the breach; and

⁵¹ **Regulator and Public Authority** IRBA **Member Bodies** ICAP SAIPA **Firm** RSM

⁵² **Regulator and Public Authority** IFIAR **Member Body** IDW **Other Professional Organization** SMPC (IFAC)

⁵³ **Regulator and Public Authority** IOSCO

⁵⁴ **Regulators and Public Authorities** 20 independent EU Audit Regulators IOSCO **Member Bodies** AAT NBA **Firm** Crowe Horwath

⁵⁵ **Regulators and Public Authorities** 20 independent EU Audit Regulators IOSCO

- ii. *Other relevant personnel in the firm and, where appropriate, the network, and those subject to the independence requirements who need to take appropriate action; and* [Emphasis added]
 - c) Prompt communication to the firm, if necessary, by the engagement partner and the other individuals referred to in subparagraph 23(b)(ii) of the actions taken to resolve the matter, so that the firm can determine whether it should take further action.
63. The Task Force also notes that ISQC 1 assigns specific responsibility in a number of areas. For example:
- With respect to leadership responsibilities for quality within the firm, it requires the firm's chief executive officer (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent) to assume ultimate responsibility for the firm's system of quality control.
 - With respect to monitoring the firm's quality control policies and procedures, it establishes a requirement that the monitoring process:
 - Require responsibility for the monitoring process to be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility.
 - Require that those performing the engagement or the engagement quality control review are not involved in inspecting the engagement.
64. Given these crossover considerations, the Task Force has had discussions with IAASB staff throughout the process. This matter was included on the agenda of the March 10, 2015 liaison meeting between the leaderships of the two boards where the leaderships recognized that the issue of responsibility ought to be considered in a comprehensive manner. It was also acknowledged that there would be benefit in dealing with the issue in one place rather than two separate sets of standards. IAASB leadership therefore agreed that this matter be further considered as part of the IAASB's new work stream to review ISQC 1, subject to an IESBA member being identified to act as liaison to the ISQC 1 Working Group to ensure the requirements of the Code are addressed in enough detail.
65. Pursuant to this discussion, the matter has been referred to the ISQC 1 Working Group for its consideration. The Task Force understands that the IAASB will be aiming to issue a discussion paper later this year for purposes of obtaining stakeholders' input on the issues to be addressed in a potential revision of ISQC 1. The Task Force proposes to defer making any further recommendations on this matter until it better understands the intentions of the ISQC 1 Working Group.

Matter for Consideration

13. Subject to an IESBA member being identified to act as liaison to IAASB in relation to this and other crossover matters, do IESBA members agree that the Board should coordinate with the IAASB in addressing the issue of responsibility as proposed above?

Responsibility of Individual Professional Accountants to Comply with the Code

66. Several respondents⁵⁶ noted the importance of individual professional accountants taking responsibility for complying with the Code. They requested that the IESBA exercise caution in not creating an environment where responsible individuals can be treated as scapegoats. A respondent⁵⁷ commented that “In determining responsibilities for various requirements, it is important that those responsible for doing so avoid an abdication of individual responsibility for ethical behavior. However it is not the role of the Code to create scapegoats should regulatory intervention be required. Collective responsibility at a senior level should be emphasized, as well as ensuring that there are no ‘gaps’ in responsibility.”
67. The Task Force believes that the responsibility of each professional accountant to comply with the code is appropriately addressed in paragraphs 100.1 and 100.5 of the extant Code.

Reordering Extant Parts B and C

68. There was widespread support for reversing the order of extant Parts B⁵⁸ and C⁵⁹ to allow all of the material related to professional accountants in public practice to be grouped together and independence to be presented at the end.⁶⁰ Several respondents⁶¹ did not favor reversing the order of the Parts. The Task Force notes that reversing the order of the Parts would not alter the categories of professional accountants to which the parts apply.
69. A few respondents⁶² who did not favor the suggested reordering noted that due to the importance of, and the regulatory interest in, the independence provisions, these sections should be positioned earlier in the restructured Code as close to the fundamental principles and conceptual framework as possible.
70. A few respondents⁶³ supported the reordering on the basis that they believe the provisions in extant Part C may apply to all professional accountants. A respondent⁶⁴ commented as follows:

“We agree with the Board’s proposal to reverse the order of extant Part B and Part C, since accountants in public practice are also accountants in business, i.e. these are not mutually exclusive subsets. In fact the extant Code acknowledges this as it states at paragraph 100.12 that “professional accountants in public practice may also find part C relevant to their particular circumstances”. We therefore believe the proposed re-ordering is more logical. For example, extant Part C addresses matters such as

⁵⁶ **National Standard Setter** NZAuASB **Member Bodies** AAT ACCA HKICPA ICAEW ICAGH NASBA **Firm** BDO

⁵⁷ **Member Body** ICAEW

⁵⁸ Part B, *Professional Accountants in Public Practice*

⁵⁹ Part C, *Professional Accountants in Business*

⁶⁰ **Regulator and Public Authority** IRBA **National Standard Setters** APESB NZAUASB **Member Bodies** ACCA CAANZ CPA Au CPA Canada HKICPA ICAEW ICAGH ICAS ICPAU **Firms** KPMG RSM **Other Professional Organizations** AAA FEE **Individual and Other** Denise Juvenal

⁶¹ **Member Bodies** CNCC FAR FSR ICAP JICPA NASBA **Firm** EY **Other Professional Organization** EFEI **Individual and Other** Jean Thiomas Giraud

⁶² **Member Bodies** JICPA NASBA **Other Professional Organization** EFEI

⁶³ **Member Body** CPA Canada **Firm** KPMG

⁶⁴ **Firm** KPMG

employee performance quality, disciplinary procedures, and the establishment of “whistle-blowing” channels, which apply also to professional accountants in public practice.”

71. A few respondents⁶⁵ suggested creating separate codes for Professional Accountants in Business and Professional Accountants in Public Practice. The respondents suggested that each code would stand alone and include the fundamental principles and conceptual framework content from extant Part A. This idea has been debated by the IESBA previously and concerns were raised that splitting the Code would create a risk that professional accountants and other users of the Code might overlook relevant material.
72. In the light of the comments received from respondents, the Task Force proposes to continue with the re-ordering of extant Parts B and C of the Code.

Matter for Consideration

14. Do IESBA members agree with the re-ordering of extant Parts B and C of the Code?

Unintended Changes in Meaning Due to Restructuring

73. Respondents had mixed views on the proposed timeframe for the project. Many respondents⁶⁶ believe the proposed timeframe is acceptable. However, there were many other respondents⁶⁷ who suggested it should be longer. Several respondents⁶⁸ noted the risk of inadvertent changes in meaning and unintended consequences arising from simplifying the language used in the Code. A few respondents⁶⁹ highlighted the importance of arriving at the right structure rather than being unduly constrained by the timeline.
74. As noted in the CP⁷⁰, the restructured Code will be subject to IESBA’s normal due process.
75. The Task Force intends to present a side by side mapping table comparing each paragraph of the extant Code to the relevant paragraph of the draft restructured Code with each portion of draft restructured Code presented to the Board. The Task Force believes the table will facilitate identification of any inadvertent changes and unintended consequences. The Task Force also proposes to include the mapping table with the exposure of the proposals for comment.
76. Changes in substance to the Code identified in the mapping table or through the ED process will be brought to the Board’s attention and will follow usual due process. An extract of the mapping table for the post-CP draft restructured Code is presented as Agenda Item 5-D for demonstration purposes only.

⁶⁵ **Member Bodies** AAT CNCC

⁶⁶ **Regulators and Public Authorities** AIC 20 independent EU Audit Regulators FRC IRBA **Member Bodies** ACCA CPA Canada FAR ICAB ICAGH ICPAK ICPAU IMCP KICPA SAICA ZICA **Firms** Crowe Horwath KPMG PwC **Other Professional Organizations** AAA NYSSCPA

⁶⁷ **National Standard Setter** APESB **Member Bodies** AICPA CNCC CPA Au FSR ICAEW ICAS IDW **Firms** BDO DTT EY **Other Professional Organizations** FEE SMPC (IFAC)

⁶⁸ **Regulators and Public Authorities** IRBA SCM **National Standard Setter** APESB **Member Bodies** AICPA CNCC CPA Au **Firms** BDO DTT PwC EY **Other Professional Organization** FEE

⁶⁹ **Member Bodies** ACCA CPA Au **Other Professional Organization** FEE

⁷⁰ CP paragraph 44

77. In addition, the Task Force is of the view that presenting application material closer to the requirements, as proposed above, may reduce the risk of inadvertent changes in meaning and unintended consequences arising,
78. A respondent⁷¹ noted it had recently been through a similar process and had made use of pilot testing to identify unintended consequences of the changes made.
79. The Task Force is supportive of informal, low-key, early engagement with stakeholders. The Task Force intends to encourage stakeholders to follow the project as materials are published on the IESBA website. The Task Force will welcome early input on the materials.

Matter for Consideration

15. IESBA members are asked to share their views on early engagement with stakeholders and other means of avoiding unintended changes in meaning.

D. Other Matters

80. Respondents also raised a number of other comments for the Board's attention.

Audit Includes Audit and Review

81. Many respondents⁷² were not in favor of creating a separate section for review engagements. Several of these respondents,⁷³ however, believed that the current approach of using the term "audit" to include "review" should be changed. Some respondents⁷⁴ were in favor of retaining the current approach. Alternative suggestions made by respondents included the following:
- Using "audit or review" as appropriate;
 - Establishing upfront that the material in the common section is relevant to both audit and review engagements unless stated otherwise and then just using the term "engagement" rather than "audit";⁷⁵
 - Using the term "audit and review engagement" for requirements that are applicable to those types of engagement;⁷⁶
 - Using the words "audit" and "review" only where necessary for reasons of accuracy. Instead of defining the terms "audit team", "audit engagement", "audit client" and "audit report", the defined terms would be "team", "engagement", "client" and "report";⁷⁷ and

⁷¹ **Member Body** AICPA

⁷² **Regulator and Public Authority** FRC **National Standard Setters** APESB NZAuASB **Member Bodies** ACCA AICPA CPA Canada HKICPA ICPAK JICPA NASBA SAICA **Firms** BDO Crowe Horwath EY

⁷³ **Regulator and Public Authority** FRC **National Standard Setters** APESB NZAuASB **Member Bodies** ACCA CPA Canada HKICPA ICPAK JICPA SAICA

⁷⁴ **Member Bodies** AICPA NASBA **Firms** BDO Crowe Horwath EY

⁷⁵ **Regulator and Public Authority** FRC **Member Body** ICPAK

⁷⁶ **National Standard Setter** NZAuASB **Member Body** HKICPA

⁷⁷ **Member Body** ACCA

- Being clear on the application of a term (such as audit or review engagement) when it is used for the first time in a paragraph and subsequently use an abbreviated term (such as engagement).⁷⁸
82. During its consideration of respondents' comments, the Task Force reviewed examples demonstrating the alternative suggestions made by respondents.
83. The Task Force explored the suggestion of being clear on the application of a term, e.g. audit engagement, when it is used for the first time in a paragraph and subsequently using an abbreviated term, such as engagement. The Task Force noted that the use of "engagement" might cause other issues, particularly the use of "engagement team" which is a defined term in the Code.
84. The Task Force felt the clearest option was to replace "audit" with "audit or review" throughout the independence sections of the Code. However, the Task Force believes this could lead to repetition that may be detrimental to the readability of the Code. The Task Force recognizes that reviews are more widespread in some jurisdictions than others. The Task Force is suggesting that "audit" continue to be used to include "review" but an option may be available to use "audit or review" in jurisdictions where reviews are widespread.
85. One respondent⁷⁹ identified the use of "audit client" as giving a misleading message about the relationship between the auditor and the entity being audited. There is a perception that using "audit client" suggests that management of the audited entity is the client rather than the shareholders. The ISAs refer predominantly to "entity" instead of "client" with the exception of ISQC 1 and ISA 220.⁸⁰ The Task Force proposes to replace "audit client" with "audited entity" in the independence provisions of the Code to align with the language used by IAASB.

Matters for Consideration

16. Do IESBA members believe the current approach of using the term "audit" to include "review" in the independence sections of the Code should be retained?
17. Do IESBA members believe offering an option to use "audit or review" in jurisdictions where review engagements are widespread is acceptable?
18. IESBA members are asked for their views on the proposal to replace "audit client" with "audited entity" in the independence provisions of the Code.

Requirements for Public Interest and Other Entities

86. Some respondents⁸¹ questioned why the IESBA had not proposed any delineation or separation of the requirements for public interest entities (PIEs). A regulatory respondent⁸² suggested provisions applicable to PIEs should be more visible and prominent within the Code.

⁷⁸ **National Standard Setter** APESB

⁷⁹ **Member Body** ICAEW

⁸⁰ ISA 220, *Quality Control for an Audit of Financial Statements*

⁸¹ **Member Bodies** FSR IDW **Firm** BDO **Other Professional Organization** SMPC (IFAC)

⁸² **Regulator and Public Authority** IFIAR

87. The Task Force believes there is appropriate delineation of requirements for PIEs and that no further action is required in this respect. The Task Force will be mindful of ensuring PIE requirements and guidance are appropriately positioned in the restructured Code. It also believes the enhanced features of an electronic Code may assist users in this regard. In addition, the Task Force notes guidance material [Independence Provisions for Public Interest Entities](#) is available on the IESBA website.

Matter for Consideration

19. Do IESBA members agree that no specific action is required to delineate or separate PIE requirements in the draft restructured Code?

Use of Language

88. There was widespread support for the proposed clarification of language designed to enhance the readability and clarity of the Code by various means, especially for those users whose first language is not English. Such clarification is intended to be achieved through means such as:
- Using simpler and shorter sentences.
 - Simplifying complex grammatical structures.
 - Adding a link from the definitions section to terms which, although defined, are described at greater length within the text of the Code, such as “network firm.”
 - Increased use of the active voice.
 - Avoiding repetition in the text of definitions which are included in the list of defined terms.
 - Avoiding legalistic and archaic terms, nuances, and superfluous adjectives.
 - Aligning terminology used in the independence sections with that used by the IAASB or requesting that IAASB align with IESBA, where applicable.

Highlighting Definitions and Terms Used

89. Several respondents⁸³ commented that the suggestion in the CP to use of blue, bold and underline to identify definitions and other terms was distracting for the reader.
90. The Task Force intends to remove all blue, bold and underline highlighting of definitions and terms used as proposed in the CP. The Task Force has considered a number of alternative options as shown in Appendix 5 for identifying definitions and other terms in the paper/PDF format of the draft restructured Code. The electronic code is expected to include the normal coloring of linked items to assist users in locating the meaning of defined or described terms.

Matter for Consideration

20. IESBA members are asked for their views on the options presented in Appendix 5 for identifying definitions and other terms in the paper/PDF format of the draft restructured Code.

⁸³ **Regulator and Public Authority** IRBA **Member Bodies** ACCA FSR ICAGH ISCA **Firms** DTT EY PwC RSM **Other Professional Organization** FEE

Definitions and Descriptions

91. Several respondents⁸⁴ commented on the repetition in the “Terms Used” sections and noted a preference for maintaining an enhanced glossary of definitions and descriptions in one location rather than throughout the Code.
92. The Task Force proposes to include a combined glossary including defined and described terms in one location in the draft restructured Code. An abbreviated example is presented at Appendix 6
93. The Task Force also explored relocating “Terms Used” within the proposed combined glossary. It believes that positioning the “Terms Used” separately from the part or section they relate to does not bring them clearly enough to the attention of users of the Code. Therefore, the Task Force proposes to retain the “Terms Used” sections within the related part or section.
94. Since the CP was issued, the Task Force has reduced the repetition of the “Terms Used” sections. The Task Force proposes to include “Terms Used” at the beginning of each part of the Code. The Task Force intends to include “Terms Used” for individual sections within the Code only where there are terms specific to that section.

Matters for Consideration

21. Do IESBA members agree that the restructured Code should include a combined glossary including defined and described terms in one location?
22. Do IESBA members agree “Terms Used” sections should be included at the beginning of each relevant part or section in the restructured Code?

Numbering Conventions

95. Most respondents were supportive of the proposed numbering conventions and recognized the importance of having a numbering system that allows for future expansion of the Code. Some respondents⁸⁵ commented that numbering should be kept simple and that starting at “.1” rather than “.001” would be preferable. The Task Force intends to adopt this approach, in combination with its approach to distinguishing requirements and guidance, in the draft restructured Code.

Matter for Consideration

23. Do IESBA members have further comments on the matters raised by respondents?

Part II: Other Developments since the CP Illustrative Examples

Firm Includes Network Firm

96. Section 290 of the Code notes that the use of “firm” in that section includes “network firm,” except where otherwise stated. In the restructured Code, the Task Force intends to remove the dual meaning of “firm” in the independence provisions. The Task Force proposes to use the term “network firm” only when relevant to considering relationships or circumstances which may create a threat to

⁸⁴ **National Standard Setter** APESB **Member Bodies** FAR FSR ISCA WPK **Firms** DTT EY RSM

⁸⁵ **Regulator and Public Authority** IRBA **Member Bodies** ACCA JICPA **Firm** PwC **Other Professional Organization** FEE

independence (for example, a network firm holding of a financial interest in an audit client or providing non-assurance services to an audit client).

Matter for Consideration

24. Do IESBA members agree with the proposals to remove the dual meaning of “firm”?

Part III: Post-CP Draft Restructured Code

97. The Task Force has presented post-CP draft restructured Code for a limited number of sections in Agenda Item 5-B. The post-CP draft restructured Code demonstrates the Task Force's preliminary actions in response to the respondents' comments on the CP, subject to receiving direction from the Board on how to proceed.
98. The post-CP draft restructured Code demonstrates changes to features since the CP as follows:
- “Purpose” replaced by “Scope” paragraph and the introduction of “Core requirements,” where appropriate, to emphasize the importance of applying the conceptual framework to comply with the fundamental principles;
 - “Application material” more closely located to “Requirements;”
 - Using “R” and “A” to distinguish “Requirements” and “Application material;”
 - Realigned the grouping of sections within the Code;
 - “Terms Used” paragraphs appear in fewer sections;
 - Simplified numbering starting at “.1;”
 - Removal of highlighting of defined terms, descriptions and terms used within the text; and
 - “Firm” no longer includes “network firm.”
99. The material is not yet final and is subject to review for readability by an editor.

Matter for Consideration

25. The Task Force welcomes input in advance from IESBA members on the post-CP draft restructured Code. IESBA members should be aware that the wording may be revised to reflect Board decisions on the structure and editorial review.

Part IV: March 2015 IESBA CAG Discussion

100. CAG representatives continued to express support for the Structure of the Code project and noted the positive responses from respondents to the CP. The following are the more significant matters that were raised along with related Task Force responses.

Matters Raised	Task Force Response
The Code contains principles that must be adhered to and accordingly should be rebranded as	Many respondents indicated that the independence sections of the Code were more suited to standards. There was also a clear message that the independence sections should

Matters Raised	Task Force Response
standards but rebranding the entire Code as standards might reduce the focus on principles.	remain integrated within the Code. In its restructuring, the Task Force is maintaining the Code's principles-based approach. The restructured Code will have a strong focus on the application of the fundamental principles and the conceptual framework. The Task Force is proposing "International Code of Ethics Standards for Professional Accountants" as the name for the restructured Code to reflect the nature of its requirements.
The Code should not be weakened during the process of breaking out requirements from guidance.	The Task Force is taking great care to ensure that there is no reduction in requirements. It is preparing a side by side mapping table for each restructured portion of the Code. This is a quality measure to check that requirements are not lost during the restructuring process.
Consideration should be given to replacing the purpose sections of the proposed restructured Code with overarching objectives.	The Task Force is considering replacing the purpose sections of the restructured code with core requirements. This is to focus a professional accountant on responsibilities with regard to the fundamental principles and the conceptual framework.
Consideration should be given to pilot-testing the Code with stakeholders to gain insight into the effectiveness of the application of the restructured Code and its usability.	The Task Force is supportive of pilot testing and will explore the proposed approach with the Board.
The clarity of the assignment of responsibility needs further consideration regarding responsibility for breaches and generally.	There is general agreement that the issue of responsibility should be aligned with ISQC 1. Aspects of responsibility that are considered to be outside of the scope of the project will be addressed in liaison with the IAASB. The Task Force response to the comments received will take into account IAASB plans for further work on ISQC 1.

APPENDIX 1

List of Respondents

ABBR.	ORG.
REGULATORS & PUBLIC AUTHORITIES	
AIC	Interamerican Accounting Association; Asociacion Interamericana de Contabilidad
Auditor-General, NZ	Office of the Auditor-General of New Zealand
20 independent EU Audit Regulators	20 European Audit Regulators
FRC	Financial Reporting Council (UK)
IFIAR	Independent Forum of Independent Audit Regulators
IOSCO	International Organization of Securities Commissions
IRBA	Independent Regulatory Board for Auditors (South Africa)
SCM	Securities Commission of Malaysia
NATIONAL STANDARD SETTERS	
APESB	Accounting Professional & Ethical Standards Board Limited-Australia
NZAuASB	New Zealand Auditing and Assurance Standards Board
IFAC MEMBER BODIES	
AAT	Association of Accounting Technicians
ACCA	The Association of Chartered Certified Accountants
AICPA	American Institute of CPA
CAANZ	Chartered Accountants Australia and New Zealand
CNCC	Compagnie Nationale des Commissaires aux Comptes
CPA Au	CPA Australia
CPA Canada	Chartered Professional Accountants of Canada

ABBR.	ORG.
FAR	FAR (Sweden)
FSR	Foreningen af Statsautoriserede Revisorer (Denmark)
HKICPA	Hong Kong Institute of Certified Public Accountants
ICAB	The Institute of Chartered Accountants of Bangladesh
ICAEW	The Institute of Chartered Accountants in England and Wales
ICAGH	The Institute of Chartered Accountants (Ghana)
ICAP	Institute of Chartered Accountants of Pakistan
ICAS	The Institute of Chartered Accountants of Scotland
ICPAK	Institute of Certified Public Accountants of Kenya
ICPAU	Institute of Certified Public Accountants of Uganda
IDW	Institut der Wirtschaftsprüfer
IMCP	Instituto Mexicano de Contadores Públicos
ISCA	Institute of Singapore Chartered Accountants
JICPA	The Japanese Institute of Certified Public Accountants
KICPA	Korean Institute of Certified Public Accountants
MIA	Malaysian Institute of Accountants
NASBA	National Association of State Boards of Accountancy
NBA	Nederlandse Beroepsorganisatie van Accountants
SAICA	The South African Institute of Chartered Accountants
SAIPA	The South African Institute of Professional Accountants
WPK	Wirtschaftsprüferkammer
ZICA	Zambia Institute of Chartered Accountants

ABBR.	ORG.
FIRMS	
BDO	BDO Global Coordination B.V.
Crowe Horwath	Crowe Horwath International
DTT	Deloitte Touche Tohmatsu Limited
EY	Ernst & Young Global
KPMG	KPMG
PwC	PricewaterhouseCoopers
RSM	RSM International
OTHER PROFESSIONAL ORGANIZATIONS	
AAA	American Accounting Association
ASSIREVI	ASSIREVI - Italy
EFEI	European Financial Executives Institutes
FEE	Fédération des Experts Comptables Européens
GAO	United States Government Accountability Office
IMA	Institute of Management Accountants
NYSSCPA	New York State Society of Certified Public Accountants
SMPC (IFAC)	IFAC Small and Medium Practices Committee
INDIVIDUALS AND OTHERS	
Jean Thiomas Giraud	Jean Thiomas Giraud
Denise Juvenal	Denise Silva Ferreira Juvenal

APPENDIX 2

Proposed Structure of the Sections within the Restructured Code

Preface			Authority statements How to Use this Code
Part A Fundamental Principles and Conceptual Framework		100	Compliance with the Code, Fundamental Principles and Conceptual Framework
		110	Fundamental Principles
		120	Conceptual Framework
		130 onwards	For future use
Part B Professional Accountants in Business		200	To be determined
Part C Professional Accountants in Public Practice	Part C1 Application of the Conceptual Framework for Professional Accountants in Public Practice	300	Application of the Conceptual Framework for Professional Accountants in Public Practice
		310	Conflicts of interest
		320	Professional appointment
		330	Fees and remuneration
		340	Gifts and hospitality
		350	Custody of client assets
		360 onwards	For future use
	Part C2 Independence for Audit and Review Engagements	400	Application of Conceptual Framework to Independence for Audits and Reviews
			401 Breach of an Independence Provision
		410	Fees and Compensation 411 Fees – Relative Size 412 Fees – Overdue 413 Contingent Fees 414 Compensation
		420	Gifts and Hospitality
		430	Actual or Threatened Litigation
		500	Independence: Relationships

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		510	Financial Relationships 511 Financial Interests 512 Loans and Guarantees
		520	Other Relationships 521 Business Relationships 522 Family and Personal Relationships 523 Employment with an Audit Client 524 Temporary Staff Assignments 525 Recent Service with an Audit Client 526 Serving as an Officer or Director of an Audit Client
		530	Long Association of Personnel with an Audit Client
		600	Independence: Non Assurance Services 601 Management Responsibility 602 Preparing Accounting Records and Financial Statements 603 Valuation Services 604 Taxation Services 605 Internal Audit Services 606 IT Systems Services 607 Litigation Support Services 608 Legal Services 609 Recruiting Services 610 Corporate Finance Services
	Part C3 Independence: Other Assurance Engagements	700	To be determined

APPENDIX 3

Using Bold Text to Distinguish Requirements and Guidance

- R350.3 A professional accountant shall not assume custody of client monies or other assets unless permitted to do so by law and, if so, in compliance with any additional legal duties imposed in relation to the holding of such assets.**
- 350.3 A1 The holding of client assets creates threats to compliance with the fundamental principles; for example, there is a self-interest threat to professional behavior and there may be a self-interest threat to objectivity arising from holding client assets. A professional accountant may be bound by law that establishes who may take custody of client monies or other assets and under what conditions such custody may be taken.
- R350.4 A professional accountant entrusted with money or other assets belonging to others shall:**
- (a) Make appropriate inquiries about the source of client assets and consider legal and regulatory obligations as part of client and engagement acceptance procedures in relation to such services.**
 - (b) Keep such assets separately from personal or firm assets;**
 - (c) Use such assets only for the purpose for which they are intended;**
 - (d) At all times be ready to account for those assets and any income, dividends, or gains generated, to any persons entitled to such accounting; and**
 - (e) Comply with all relevant laws and regulations relevant to the holding of and accounting for such assets**
- 350.4 A1 Inquiries about the source of client assets may reveal, for example, that the assets were derived from illegal activities, such as money laundering. In such situations, a threat to compliance with the fundamental principles would be created and the professional accountant may consider seeking legal advice.

APPENDIX 4

Summary of “Shall Statements” in December 2013 Extant Code

When the Structure Working Group performed analysis of the Code in December 2013, the extant Section 290 included 154 “shall statements” or requirements as follows:

Responsibility	# of “shall” statements?	Comment
Passive Voice, where the responsibility is not defined and would require guidance from the IESBA.	69	It is not possible to infer who is responsible for undertaking the “shall” statement. Most examples are: <ul style="list-style-type: none"> • “An evaluation shall be made of the significance of any threats”; or • “safeguards shall be applied to eliminate the threat”
Passive Voice, where change to the active voice would not change the meaning.	16	It is possible to infer who is responsible for undertaking the “shall” statement. The passive voice appears to be unnecessary.
Firm	42	Clearly states that the “Firm” is responsible. Ambiguity may arise as firm includes network firm (paragraph 290.3). It may be unclear which individual is responsible in a complex firm.
Professional Accountant	5	Although professional accountant includes a firm (Definitions), four instances relate to documenting and one is a principle. Appears to be clear.
Audit Team	5	The definition of “Audit Team” is sufficiently broad that it would be difficult to identify who within the team is responsible; although the paragraphs in 290 are clear in identifying it is the audit team that is responsible. “Team” implies a group who work together although the definition includes a chain of command up to Chief Executive.
Lists of persons	8	Responsibility is clear
The individual	4	Responsibility is clear
Miscellaneous	5	Responsibility is clear
TOTAL	154	

APPENDIX 5

Alternative Options for Highlighting of Definitions and Terms Used

A. Using * the first time a term appears

- R511.8** If a firm*, a network firm* or a partner or employee of the firm or a network firm, or a member of that individual's immediate family*, receives a direct financial interest* or a material* indirect financial interest* in an audit client* by way of an inheritance, gift, as a result of a merger or in similar circumstances and such interest would not otherwise be permitted to be held under this section then:
- (a) If the interest is received by the firm or a network firm, or a member of the audit team* or a member of the immediate family of that individual, the financial interest* shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; or
 - (b) (i) If the interest is received by an individual who is not a member of the audit team, or by an immediate family member of that individual, the financial interest shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material, and
 - (ii) Pending the disposal of the financial interest, the firm shall determine whether safeguards* are necessary.

B. Using * every time a term appears

- R511.8** If a firm*, a network firm* or a partner or employee of the firm* or a network firm*, or a member of that individual's immediate family*, receives a direct financial interest* or a material* indirect financial interest* in an audit client* by way of an inheritance, gift, as a result of a merger or in similar circumstances and such interest would not otherwise be permitted to be held under this section then:
- (a) If the interest is received by the firm* or a network firm*, or a member of the audit team* or a member of the immediate family* of that individual, the financial interest* shall be disposed of immediately, or a sufficient amount of an indirect financial interest* shall be disposed of so that the remaining interest is no longer material*; or
 - (b) (i) If the interest is received by an individual who is not a member of the audit team*, or by an immediate family* member of that individual, the financial interest* shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest* shall be disposed of so that the remaining interest is no longer material*, and
 - (iii) Pending the disposal of the financial interest*, the firm* shall determine whether safeguards* are necessary.

C. Using underline the first time a term appears

- R511.8** If a firm, a network firm or a partner or employee of the firm or a network firm, or a member of that individual's immediate family, receives a direct financial interest or a material indirect

financial interest in an audit client by way of an inheritance, gift, as a result of a merger or in similar circumstances and such interest would not otherwise be permitted to be held under this section then:

- (a) If the interest is received by the firm or a network firm, or a member of the audit team or a member of the immediate family of that individual, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; or
- (b)
 - (i) If the interest is received by an individual who is not a member of the audit team, or by an immediate family member of that individual, the financial interest shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material, and
 - (iv) Pending the disposal of the financial interest, the firm shall determine whether safeguards* are necessary.

D. Using underline every time a term appears

R511.8 If a firm, a network firm or a partner or employee of the firm or a network firm, or a member of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an audit client by way of an inheritance, gift, as a result of a merger or in similar circumstances and such interest would not otherwise be permitted to be held under this section then:

- (a) If the interest is received by the firm or a network firm, or a member of the audit team or a member of the immediate family of that individual, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; or
- (b)
 - (i) If the interest is received by an individual who is not a member of the audit team, or by an immediate family member of that individual, the financial interest shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material, and
 - (v) Pending the disposal of the financial interest, the firm shall determine whether safeguards are necessary.

APPENDIX 6

Example of Combined Glossary Including Defined and Described Terms

DEFINITIONS AND DESCRIPTIONS

In this *Code of Ethics for Professional Accountants*, the following terms have the following meanings assigned to them or are described in the Code as:

Acceptable level	A level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.
Advertising	The communication to the public of information as to the services or skills provided by professional accountants in public practice with a view to procuring professional business.
Assurance client	The responsible party that is the person (or persons) who: (a) In a direct reporting engagement, is responsible for the subject matter; or (b) In an assertion-based engagement, is responsible for the subject matter information and may be responsible for the subject matter.
Conceptual framework	The conceptual framework is described in section 120
Fundamental principle	Fundamental principles are described in paragraphs 100.X – 100.Y
Listed entity	An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.
Safeguard	A safeguard is described in paragraph 120.X
Threat	Threats are described in section 120.