

Supplement A to Agenda Item 2

Structure of the Code— Compilation of General Comments in Responses to Consultation Paper

Note: This supplement has been prepared for information only. A comprehensive summary of the significant comments received on the November 2014 Consultation Paper (CP), [Improving the Structure of the Code of Ethics for Professional Accountants](#), and the Task Force's related analysis of significant issues was [presented](#) at the April 2015 IESBA meeting. All comment letters on the ED can be accessed [here](#).

Please consider the environment before printing this supplement.

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| 1. | AAA, SCAS of ¹ | The Committee commends the IESBA (“the Board”) for considering an update to the structure of the Code of Ethics. The following presents a number of specific comments or suggestions, organized by the questions posed by the Board in the Consultation Paper ‘Improving the Structure of the Code of Ethics for Professional Accountants’ (the Consultation Paper). We are only responding to Questions 2, 3, 6, 7, 8 and 9. |
| 2. | ACCA | <p>We strongly support the objectives of this project, and agree that it is in the public interest to make the Code more understandable and, in some respects, more easily enforceable. These desired outcomes, themselves, further the ends of higher standards of ethical behaviour among professional accountants. However, the task is a complicated one, as some of the sections of the consultation paper are interrelated and some proposed outcomes may be considered to conflict to some extent.</p> <p>We are concerned that the length of the Code has not been highlighted as a barrier to its navigation and its ability to be understood. Care should be taken to avoid unnecessary repetition, which both lengthens the Code and discourages the user from reading and understanding the Code's fundamental requirements.</p> <p>ACCA has developed this response following an internal due process involving preparers and users, those in developing nations, and those who will use the Code in translation. This input, such as from our Global Forum for Ethics, has informed the whole of this response. However, we would make the following further observations.</p> <p>SMPs / SMEs</p> |

¹ For a list of abbreviations, see Appendix 1 to the April 2015 Structure of the Code [Issues Paper](#)

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| | | <p>This consultation is of particular importance to small and medium practices (SMPs) and small and medium enterprises (SMEs). Therefore, we are pleased to see the acknowledgement in the consultation paper (paragraph 4) that lack of resources is perhaps the biggest obstacle for SMPs to understanding the Code and using it effectively. The same may be true in respect of a professional accountant employed by an SME.</p> <p>Translations</p> <p>Ease of translation is a desired outcome of this project, referred to only briefly in the background to the consultation (section II) and in section VIII, which states that ease of translation will be considered at the drafting stage. Although one might assume that section V of the consultation paper (on the use of language throughout) would have some focus on ease of translation, this is not clearly stated. We suggest that such considerations should be seen to have greater importance to a global standard-setter.</p> |
| 3. | AIC | <p>Decisively support the initiative of IESBA on this issue, as continuing professional development is very important for professional competence that professional accountants are required to demonstrate when performing the role of Public accountant responsible for elaborate of financial statements and do the audits.</p> |
| 4. | AICPA | <p>We support the IESBA's objective of setting high-quality ethics standards for professional accountants around the world and facilitating the convergence of international and national ethics standards. However, we have significant concerns regarding the restructuring of the IESBA Code for reasons that are presented below in the "Responses to Request for Specific Comments" and as a result do not lend overall support for this project.</p> <p>Many member bodies, such as the AICPA, have been working towards convergence with the extant IESBA Code. In fact, as discussed below, the AICPA recently completed a significant project to restructure and codify the AICPA Code of Professional Conduct (AICPA Code) that brought it into closer alignment with the extant IESBA Code. Significant restructuring or drafting changes to the IESBA Code resulting from the Structure of the Code project will place a significant burden on member bodies and may hinder efforts to effectively converge with the IESBA Code.</p> <p>We believe we are in a unique position to comment on this Consultation Paper and share our own experiences with the Board since the PEEC recently completed a similar restructuring project with regard to the AICPA Code. Specifically, in November 2008, the PEEC commenced a project to restructure and codify the AICPA Code so that members and other users of the AICPA Code could apply the guidance and reach correct conclusions more easily and intuitively. Unlike the extant IESBA Code, the AICPA Code was not structured by topic, did not incorporate a conceptual framework approach, and did not have separate parts applicable to professional accountants in public practice and those in business. In June 2014, a final revised AICPA Code was approved and became effective December 15, 2014. The revised AICPA Code is topically organized and restructured similar to that of the IESBA Code with the inclusion of two new conceptual frameworks,</p> |

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| | | <p>one applicable to members in public practice and the other applicable to members in business. This initiative took an enormous amount of committee and staff time and resources to complete and resulted in other projects being deferred until the project was completed.</p> <p>In addition, while it was our intent to maintain the substance of the existing AICPA ethics standards, it became apparent that even minor drafting and editorial changes resulted in potential substantive changes to the guidance which took PEEC members and staff considerable time to evaluate and address. We also engaged various stakeholders and users of the AICPA Code to pilot test the document which resulted in over 300 comments submitted that needed to be addressed prior to exposing the document to membership. The overall project took close to six years to complete, a full-time dedicated staff person and a task force that generally met on a bi-weekly basis. Based on our experience with the AICPA codification project, we believe that any restructuring of the IESBA Code into sections such as “Purpose”, Requirements and “Application and Other Explanatory Material” will likely be a colossal undertaking, especially if the Board intends to maintain the integrity and substance of the extant guidance. We are also sympathetic to the significant number of existing projects on the Board’s current Strategy and Work Plan over the next few years and therefore ask that the Board carefully consider whether the benefits achieved by this project will outweigh the costs of the significant resources that will be needed to complete this project and the potential deferment of other important projects and issues that the Board could be addressing.</p> |
| 5. | APESB | <p>APESB’s key recommendations for IESBA’s consideration are:</p> <ul style="list-style-type: none"> • to use the terms, for example “professional accountant”, in a consistent manner in all sections and to not deem the same term in different ways (refer page 3); • to be clear on the applicability of a defined term when it is used for the first time in a paragraph (i.e. audit engagement or review engagement) and subsequently, to use an abbreviated term to represent any recurring instances in the same paragraph (refer page 6); • to state <i>Requirements</i> in bold-type (black lettering) and <i>Application and Other Explanatory Material</i> in normal type (grey lettering) in order to enhance the prominence of mandatory requirements (refer page 3); • to avoid restating sections (i.e. section 100) as there are linkages to where the provisions are initially stated in the Code (refer page 3); • to increase the indicative timeframe for IESBA to complete the restructure and reorganisation of the Code (refer page 5); and • to allow a time frame of two years for global stakeholders to adopt the new Code (refer page 5). |

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| 6. | ASSIREVI | <p>We thank you for the opportunity to contribute to this project through Consultation Paper. Assirevi agrees with the objective of facilitating the adoption of the Code internationally and making it more widely known worldwide also through the “outreach efforts” outlined in the IESBA Strategy and Work Plan. A globally accepted Code would reduce the cost of compliance and enhance certainty regarding the applicable rules, since the Code would become the only reference framework for independent auditors internationally.</p> <p>In this regard, we believe the objective stated within the IESBA Strategy and Work Plan “to better understand the impediments to greater global convergence and to avoid a proliferation of national differences (especially with respect to independence requirements) that would not be in the public interest” to be a priority.</p> <p>Accordingly, Assirevi wishes to draw the attention of the IESBA to two critical elements connected with this project. Firstly, it should be considered that even minor changes in terminology and wording might result in significant changes in the requirements of the Code. In our opinion, this aspect should be taken into account by the Board in planning this project and we believe that any new provision or requirement that may arise from these structural changes envisaged in the Consultation should be subject to “due process” required for new provisions.</p> <p>In view of the above, the suggested <i>timeline</i> within the <i>Consultation Paper</i> appears quite tight. Accordingly, it is hoped that the proposed timeline is reconsidered in order to ensure that, in the face of significant changes to the Code, <i>stakeholders</i> have adequate opportunity to assess the contents and impact.</p> |
| 7. | Auditor-General, NZ | <p>The primary purpose of our submission is to reiterate our concern that the standard of independence over the provision of assurance engagements in the <i>Code of Ethics for Professional Accountants</i> (the Code) is too low. Furthermore we are concerned that the examples in the Code that illustrate the application of the fundamental principle of objectivity, as it applies to independence, are inconsistent with the fundamental principle itself.</p> <p>We note that the purpose of the Consultation Paper is to seek comments on the proposal to review the presentation of the Code, rather than to address the content (and hence the meaning) of the Code.</p> <p>Rather than repeat our concerns in full in this letter, we have attached a copy of an earlier submission (dated 3 May 2007) that sets out a number of fundamental issues we have with the Code.</p> |
| 8. | BDO | <p>We recognise the arguments detailed in the Consultation Paper regarding the drivers for this project and understand views of some stakeholders that changes are needed to increase confidence in the Code, particularly in the eyes of regulators. However, from the point of view of our own network, we have spent considerable time and effort incorporating the code’s principles into our methodology, training and control environment in a robust and straightforward manner and do not feel as strongly that a complete overhaul is required.</p> |

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| | | <p>Having said that, the Consultation Paper is a well thought out plan, which has the potential to achieve its objectives. We do strongly note, however, the enormity of the task at hand, particularly as there is no intent to change the underlying substance and principles. We recognise that many regulators and standard setters have done similar codifications and have found the process to be difficult and time consuming. It should also be noted that it might have consequential effects on other codes and standards. To this point, extreme diligence is required, as simple changes to the language and structure of the Code could cause unintended changes. Therefore, we urge you not to underestimate the work involved, the importance of wide-consultation and the eventual timetable that firms will need to rewrite methodologies, tools and training to be consistent with the revised Code. With this in mind, our view is that the anticipated timescale is ambitious.</p> |
| 9. | CIMA | <p>The CIMA Code of Ethics is based primarily upon the IFAC Code comprising fundamental principles and conceptual framework. We recognise that other IFAC member bodies have adopted rules based codes and that any new structure would have to be sensitive to these two approaches. Likewise, although the Board is focusing on restructuring the Code, there is a risk that there may be unforeseen consequences of doing so which potentially could impact upon content as well. The application of the Code to firms may be an issue (section 24, 26 and 28). CIMA would only discipline individuals – that may include a failure to prevent their firm acting in a certain way, contrary to the principles of the Code but it is always the individual professional accountant that CIMA applies its disciplinary processes to.</p> |
| 10. | CNCC | <p>As an introductory remark, we would like to point out that we have serious doubts that the proposed modifications will permit the recognition by the regulators. In addition, we believe that the timing is not appropriate for the member bodies in Europe, in a context¹ which has not yet been stabilized with the recently approved Audit reform. The EU has not decided to implement the Code and did not even refer to the Code in the discussions that have taken place during the preparation of the audit reform, although the 2006 version of the directive included a reference to the IFAC Code of Ethics (recital 9).</p> <p>Besides, we would like to be sure that the modification of the structure of the Code will create real benefits because even a small modification in appearance may lead to a significant amount of extra work which creates a burden for the firms or the jurisdictions which use it, without even considering the translation cost. We are not sure that the benefits of these modifications of structure outweigh the cost of implementation as we do not have sufficient information concerning the problems of application of the 2009 Code, since no post-implementation review has been conducted by IESBA.</p> <p>In addition, we understand that this modification should be only restructuring without any change in substance. It seems a good objective but difficult to achieve. In fact, we believe that the proposed modifications lead to reorient the Code toward a rule based approach (with, for example, the addition of definitions or the addition of sections called "purpose" and "requirements" in a part A which is mainly devoted to defining the conceptual framework and the principles). Moreover, it would be necessary for the modification of Part VI to clarify the consequences when the network is involved because this</p> |

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| | | <p>is a point of particular attention for the regulators. Since this is also a sensitive issue for the profession, we believe that it cannot be done without an exposure draft. Hence, if the modification of the structure leads to some modifications of the substance of the Code, the deadline fixed for 2017 cannot be achieved.</p> <p>If the objective is convergence, it would be better to take proper time and wait for the implementation of the EU reform in order to assure that the proposed modifications correspond to the needs. Unfortunately, we believe that this project as proposed will not be sufficient to create the momentum for EU to consider adoption or at a minimum official recognition of the Code. Furthermore, we are of the opinion that the application of the Code could be better improved by writing FAQs and guidance.</p> <p>In the light of the limited resources of the Board, we encourage the IESBA to focus their efforts on the section related to independence, which is the one that can raise questions and is the main concern to regulators (section 290).</p> <p>Finally, we would like to inform you that responding to the questions raised by this consultation paper does not mean for us an agreement to the proposals. Thus, we believe that all these questions will have to be reexamined later on and October 2015 is much too soon to launch a related ED.</p> |
| 11. | CPA Au | <p>CPA Australia supports improvements in the Code of Ethics for Professional Accountants (Code) that are evidence based and aligned with the objectives of IESBA and the accounting profession. You would be well aware of the many implications of a fundamental restructure of the Code and we urge thorough consideration of the appropriateness of any change before proceeding. We appreciate that this is a great challenge since the consequences of any change may be difficult to identify and assess.</p> <p>CPA Australia supports IESBA's commitment to the approach of the Code that is primarily principles and professional judgement based. We are of the opinion that a code of ethics and the exercise of professional judgement are key characteristics of a profession. We support changes that are necessary, based on evidence that they address identified issues and offer appropriate and effective global solutions.</p> |
| 12. | CPA Canada | <p>Generally, we support the proposed approach described in the Consultation Paper. In particular, we believe that separating requirements from application and explanatory material is very useful.</p> |
| 13. | Crowe Horwath | <p>We welcome the Consultation Paper presented by IESBA and the efforts that IESBA is making to improve the usability of the Code. The suggestions made in the paper represent a "step in the right direction" and if developed further should help to achieve IESBA's stated aims regarding adoption, effective implementation and consistent application. We do observe below that IESBA has to continue to support the written word of the Code through other means of communication and engagement in order to achieve the desired level of adoption, effective implementation and consistent application.</p> |

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| 14. | DTTL | <p>We are supportive of efforts that will improve the readability, clarity and adoption of the Code. However, we are concerned about the potential unintended consequences arising from IESBA's attempt to entirely rewrite the Code in what seems a very short period of time. While the Consultation Paper mentions it is not the purpose of this project to change the meaning of the Code, what may seem to be a slight change in wording may entirely change the intended meaning of a provision. We note the Consultation Paper states "if any new requirements were proposed, for example to address the issue of responsibility as set out in section VI of this Paper, these would be subject to IESBA's normal due process." We are concerned that the restructure and rewriting process may inadvertently create new requirements that will not be readily identified as changes that should be subject to due process. To avoid this, any changes to the Code, no matter how minor, should be subject to the normal due process. This would amount to a large scale overhaul of the Code and would be a significant undertaking not only for the Board, but for all stakeholders. Stakeholders will be required to commit substantial resources to this project which will be comparable to the last time the Code underwent such a significant change in 2009.</p> <p>While we do have concerns about the scale of what is being considered, given IESBA's plan to issue an exposure draft of the rewritten Code by the end of 2015, we agree with a particular change to enhance the readability and clarity of the Code. Namely, we are supportive of aligning terminology used in the independence Sections 290 and 291 with that used by the International Auditing and Assurance Standards Board (IAASB). For consistency and transparency, it is advisable to use terminology in the Code that links to the assurance standards where appropriate. There also has to be recognition of the reasons why some of the terminology differs slightly, for example, the Code uses the term "professional accountant in public practice" and the IAASB uses the term "practitioner."</p> |
| 15. | EAIG | <p>As audit regulators, our mandate encompasses the oversight of the independence of statutory auditors, based on the requirements applicable in our respective jurisdictions.</p> <p>The IESBA Code of Ethics is used in several jurisdictions, but not in all of them. Even for those that do not use it, we clearly see an interest in enhancing its content, as it is used as a basis for some benchmarks at international level. Moreover, a number of audit firms and networks have voluntarily committed to complying with the IESBA Code.</p> <p>We believe that the acceptance of the Code, internationally, should primarily be driven by the quality of its content and its ability to contribute to the public interest.</p> <p>The European Union audit regulators furthermore encourage the Board to continue to dedicate the time and resources necessary to those projects that define the level of requirements of the Code, in parallel to considering restructuring the Code. In particular, the European Union audit regulators invite the Board to ensure that any restructured text meets, at a minimum, the same requirements as those existing at European level.</p> |

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| 16. | EYG | <p>We fully support changes to the Code that will make it more understandable and enforceable, and generally we agree with the stated objectives of raising the visibility of the Code's requirements, clarifying who is responsible for compliance and clarifying the language in the Code. Further, we understand that, as stated in the Exposure Draft, "it is not the purpose of the project to change the meaning of the Code." However, the Exposure Draft also states that the Board intends to write "simpler and shorter sentences" and to avoid where possible the use of "legalistic and archaic terms, nuances, and superfluous adjectives."</p> <p>We are concerned that the process of restructuring and redrafting the Code using new words, and omitting existing words, may well result in substantive changes being made, notwithstanding the Board's intentions to the contrary. For instance, some words that may seem to be "legalistic" and certain "nuances" may actually be important for the appropriate understanding and application of the Code's provisions. It is for this reason that we urge the Board to approach this project cautiously. We are concerned that, given the due process that the Board must follow and the limited resources that are available to support the Board, the proposed timeline for this project may be overly aggressive and could contribute to increasing the potential for substantive changes being inadvertently made. The project timeline should allow sufficient time not only for careful drafting but also for careful review by stakeholders. In this connection, we also believe a phased or rolling approach for exposing re-structured content would likely be preferable to exposing the Code in its entirety at one time. This approach will help ensure that the stated objectives of this project are being met by allowing key stakeholder feedback to be incorporated as the Code is being re-structured and would contribute to the ultimate success of this initiative.</p> <p>We also ask the Board to ensure that appropriate due process be provided in connection with the promulgation of any new requirements that might emerge as a result of this project. The consultation paper does state that any new substantive changes to the Code will be subject to the Board's normal due process, but it is unclear whether this will occur as part of this current project or will be the subject of a separate project. The discussion on responsibility contained in the consultation suggests that the intention of the Board is to address proposed new requirements within this current project. If that approach is taken, the new requirements may not be subject to adequate discussion and analysis. Accordingly, we recommend that new requirements in the Code be considered as part of a separate and distinct project or projects to ensure a very clear delineation of structural changes versus new requirements and to ensure that the appropriate level of attention by the Board and by stakeholders is placed on such changes.</p> |
| 17. | FEE | <p>Our general comments are as follows:</p> <ul style="list-style-type: none"> We welcome the fact that the Paper emphasises the importance of the principles-based conceptual framework and how it serves to protect fundamental ethical principles. |

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| | | <ul style="list-style-type: none"> • The primary objective of this restructuring exercise should be to make the Code clearer and more understandable. • It would be advantageous to distinguish between the fundamental principles and other concepts derived from those principles – or, in other words, to differentiate between provisions that deal with ethical requirements and provisions that require formal compliance and enforceability (such as the independence provisions currently included in section 290 and 291 of the Code). • The existing link between the Code, ISQC 1 and ISAs should be maintained. • It should be taken into account that EU countries are currently in the process of implementing major audit reforms and may therefore need more time to implement any changes to the structure of the Code. It should also be noted that, as yet, little feedback has been received from countries that implemented the Code in 2009. • For non-English speaking countries and countries that have only recently translated the Code, the benefits of any proposed changes to the structure of the Code must outweigh the likely costs of adapting their current provisions to the new structure of the Code. |
| 18. | FRC (UK) | <p>We support IESBA's separate proposal for a project to review the clarity, appropriateness and effectiveness of the safeguards identified in sections of the Code. We believe that project should be undertaken at the same time as the project to improve the structure of the Code. Both projects are key to ensuring an appropriate focus on the ethical principles and improving the clarity of the Code to facilitate its effective implementation and consistent application. If these two projects are not run concurrently, there is a significant risk of a need for a further major revision of the Code within a relatively short period of time.</p> <p>While we appreciate that the Code is designed to apply globally, we strongly recommend that IESBA takes into consideration the ethical provisions in the EU Audit Directive and Regulation and ensures that the Code is compatible with them.</p> <p>We are aware that at least one other jurisdiction (the Netherlands) has recently clarified and improved its Ethical Code. We are also in the process of reviewing our own ethical standards for auditors with a view to considering how they may be clarified and improved. Our review will address the issues we have identified above where applicable (in particular to improve emphasis on the principles) as well as implementing the ethical provisions in the EU Audit Directive and Regulation. We intend to issue exposure drafts of revised standards later this year and will keep IESBA informed of our developments. We are supportive of IESBA's aspiration for international harmonisation of ethical standards for accountants, and we aim to ensure that compliance with our standards results in compliance with the corresponding</p> |

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| | | sections of the IESBA Code. We encourage IESBA to continue to seek to develop the Code in a way that increases its adoption globally. |
| 19. | FSR | <p>In general, we have three major concerns:</p> <ul style="list-style-type: none"> • There is a risk that the Code would grow out of proportion by implementing the drafted structure. • A “re-branding” of the Code with the objective of enforceability is not always the right approach, and especially in respect of the ethical requirements addressed in the fundamental principles. Such requirements are primarily addressing the professional’s behaviour and not mere “legalistic” compliance. For instance, one of the fundamental principles is “objectivity”, which is primarily a state of mind and thus not enforceable: it should therefore be left in a Code. • On the other hand, the concept of independence, and in particular the one of “independence in appearance” - set out in the current Code as a proxy for objectivity – could be enforceable to a certain extent, but does not guarantee objectivity as such. Having this in mind, it would be possible and perhaps advisable to have independence Standards; but a standard approach will never work for the fundamental principles. • It would be advisable to make separate sections for such independence standards for audits of non-PIES and audits of PIES, using a building block approach. The section on audits of non-PIES could be short as the first layer in the section on audits of PIES. |
| 20. | GAO | <p>We support IESBA’s efforts to improve the usability of the Code. IESBA is seeking responses to the following questions. Our selected responses and additional comments on changes made by IESBA in restructuring the Code follow. We are also recommending that the Code include clarifications of responsibility for the government sector and that IESBA consider the impact of the Code on government entities.</p> |
| 21. | HKICPA | <p>We have concerns on the example in paragraph 33 of the Consultation Paper on who may be the “responsible individual within a firm responsible for taking appropriate action in accordance with the requirements of the Code”. We consider every member of the firms has specific contributions to the firm’s compliance to the Code. The existing drafting may create an impression that the personnel quoted in the example are required to bear the responsibility for breaches of the Code that may be committed by some other members of the firm, which we consider to be inappropriate. We are not sure whether the current drafting is consistent with what is intended to achieve. We recommend the IESBA to reconsider the proposal with caution to ensure fair and equitable results are achieved.</p> <p>In relation to the timeline of the project we noted that there have been strong demands from practitioners as well as regulators for prompt completion of this project. The existing proposed timeline (i.e. having the restructured Code become</p> |

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| | | effective by early 2018 at the earliest) is not helpful for practitioners and may undermine the perceived effectiveness in standard setting by IESBA. We urge the IESBA to expedite the completion of this project, even needing to delay the completion of certain other projects. |
| 22. | ICAEW | <p>We are supportive of the project and the general thrust of the approach proposed in the consultation paper. We do have some concerns about some of the rationale and detail. These are summarised in the responses to the relevant questions but the key issues are:</p> <ul style="list-style-type: none"> • The enforceability of the code, and the ease by which it can be translated into law and regulation should not be a primary measure of success. The expectation is of a higher standard of behaviour and a different approach to decision making. • We should not allow the lines between compliant behaviour and ethical behaviour to become blurred. This may also be an unfortunate by product of rebranding the code as a standard. • In determining responsibility for ethics it is important that we do not create a backdrop that allows for 'gaps' in ethical responsibility such as abdication of collective responsibility and scapegoating. • IESBA should avoid the temptation to commit to an overly ambitious timetable. |
| 23. | ICAS | <p>We are supportive of IESBA's objective to improve the clarity of the Code of Ethics for Professional Accountants. We welcome the approach which emphasises the importance of the principles-based conceptual framework. We agree that it would be beneficial for the Code to distinguish more clearly "requirements" from "guidance", and support the restructuring of the Code into the three separate components of purpose, requirements and application and other explanatory material. We believe this restructuring would aid users' understanding of the obligations imposed by the Code; however, we believe that the suggested approach may only be advantageous if an authoritative version of the Code is presented in an electronic format. We caution that the proposed restructuring may lead to a considerably longer Code, which, in PDF or similar format, has the potential to be less user-friendly than the current version. However, we do accept that certain jurisdictions may still require too have access to an authoritative non-electronic version of the Code, and therefore, this should also be made available.</p> <p>We are supportive of IESBA's introduction in December 2014 of an electronic version of the Code. This web based version is noticeably more user-friendly than the PDF version. We believe that the proposed restructuring would further enhance the usability of the electronic code.</p> <p>Whilst we are supportive of placing the independence material in separate sections of the Code, we reiterate our preference for removing this material from the Code and inserting it into separate ethical standards for auditors/assurers. We also</p> |

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| | | believe that such an approach may make it easier for sections of the Code to be incorporated into law, or referenced from the law, in some jurisdictions. |
| 24. | ICPAK | <p>ICPAK support the Board's overall objective of improving the clarity of the Handbook of the Code of Ethics for Professional Accountants (Handbook). We concur that the Handbook would be improved by separating requirements from guidance, and by structuring standards into three components and the proposal to improve the readability of the Code by using simpler and shorter sentences; to simplify complex grammatical structures; and to increase the use of the active voice, thus improve the enforceability of the code.</p> <p>We are however concerned that the projects main focus on clarifying the Code appears to be modelled to that adopted by the IAASB when it clarified the ISAs, and believe the approach may not be fit for purpose in the case of ethics. 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, on the contrary, 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. We believe that restructuring the Code using an ISA model, which emphasises hard requirements, may further encourage a rules based mind-set with an undue focus on the requirements rather than on the fundamental principles.</p> <p>ICPAK support the Board's overall objective of improving the clarity of the Handbook of the Code of Ethics for Professional Accountants (Handbook). We concur that the Handbook would be improved by separating requirements from guidance, and by structuring standards into three components and the proposal to improve the readability of the Code by using simpler and shorter sentences; to simplify complex grammatical structures; and to increase the use of the active voice, thus improve the enforceability of the code.</p> <p>We are however concerned that the projects main focus on clarifying the Code appears to be modelled to that adopted by the IAASB when it clarified the ISAs, and believe the approach may not be fit for purpose in the case of ethics. 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, on the contrary, 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. We believe that restructuring the Code using an ISA model, which emphasises hard requirements, may further encourage a rules based mind-set with an undue focus on the requirements rather than on the fundamental principles.</p> |

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| 25. | IDW | <p>The IDW would like to reaffirm its support for the IESBA project to improve the structure of the Code; support which we had also expressed in our letter to the Board dated February 21, 2014 regarding the IESBA Proposed Strategy and Work Plan, 2014-2018. We are pleased to see that the Board has now prioritized this project.</p> <p>The Consultation suggests an approach to restructuring the current content of the Code with illustrative examples, but also refers to the possibility of creating Standards on Ethics. In our view, to the extent that an individual's mind set – as opposed to adherence to specific actions – drives behaviour compliant with the fundamental ethical principles identified in the Code, it will not be feasible to devise a determinate list of requirements within a standard.</p> <p>However, we do anticipate that it may be possible to devise a set of principles based requirements to safeguard auditor independence as we discuss in more detail in our responses to IESBA's specific questions for respondents. Whilst we believe a restructured Code supplemented by one or possibly a few particular standards e.g., aimed at safeguarding auditor independence may be an appropriate solution, we do not believe the entire Code could be replaced with a set of Standards on Ethics. However, before the IESBA can make a final decision as to the most appropriate manner in which to restructure the Code, IESBA also needs to be clear as to whether it intends a restructured Code to go further than the extant Code, and if so for which topics. In particular, does the Board generally expect the Code to stipulate in more detail the required actions and procedures necessary to achieve compliance (the discussion on responsibilities in para 26 et seq. indicates further specification may be added), or would this issue only be addressed on case by case basis as topics are revisited or new topics emerge? Creating a more comprehensive set of separate standards covering a number of ethical topics would likely be a much more onerous task than a relatively simple restructuring along the lines foreseen in the illustrative examples. In addition, care would need to be taken that the development of standards does not mean a move away from a principles-based to a more rules-based Code. The IDW continues to believe that for the Code of Ethics to be suitable for application worldwide, it needs to remain principles-based.</p> <p>As stated in our aforementioned letter of February 21, 2014, the IDW supports restructuring of the Code – which should also be used as an opportunity to clarify application issues. We had also suggested it would be appropriate for the IESBA to promulgate separate standards on practitioner independence setting forth requirements and guidance on independence. Such standards might either form an integral part of the Code, or part of a suite of ethical standards supplementing the five fundamental principles covered by the Code.</p> |
| 26. | IFIAR | <p>The IESBA Code of Ethics is used by some IFIAR members, but not by all of them. Moreover, a number of audit firms and networks have voluntarily committed to complying with the Code. As a result, IFIAR sees a clear interest in enhancing the quality, clarity and enforceability of the Code.</p> |

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| | | <p>As audit regulators, we believe that the Code should be sufficiently clear and enforceable. From that perspective, we observe that the project "Improving the Structure of the Code" could be a step in the right direction towards improving the usability and understandability of the Code.</p> <p>This being said, we believe that changing the structure of the Code alone will not lead to sufficient improvements in as far as our expectations are concerned with regard to quality and enforceability.</p> <p>Accordingly, we encourage the Board to identify and deal further with matters identified while restructuring the Code that could further enhance the clarity of the provisions and, as a result, their consistency in application and enforceability.</p> <p>In particular, we strongly encourage the IESBA to pursue improving the Code through this project and in combination with other projects, such as a review of the safeguards currently provided for in the Code.</p> |
| 27. | IOSCO | <p>We support the Board's project as we believe the IESBA should pursue an approach to clearly differentiate between requirements and guidance within the Code and identify with greater specificity the individuals within the firm who have responsibility for compliance with the Code. We believe addressing these matters could be a positive, initial step in improving the enforceability of the Code. This said, we would like to be clear that changes to the structure alone are not sufficient to improve the effectiveness of the Code in addressing its enforceability or improving the auditor's professional conduct, including with respect to independence, in the execution of their work.</p> <p>We believe that the Board's project to undertake a review of the threats and safeguards in the Code if performed in tandem with the structure of the Code project would be more effective in improving the substance and enforceability of the Code and enhancing the auditor's professional conduct. As such, we believe the Board should establish a process whereby issues relevant to both projects could be effectively shared and addressed.</p> <p>We have included in our letter below some additional observations that we believe will assist the Board in making the structure of the Code project effective.</p> <p>Standards versus Code</p> <p>We believe the notion of 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. We believe issuing the provisions of the Code as separate standards together with rebranding along the lines of "International Standards on Independence and Ethics" could contribute to changing the mindset with which auditors approach the provisions of the Code. We believe "standards" more appropriately conveys the notion of principles that need to be adhered to as opposed to a "Code" which is more synonymous with the communication of aspirational goals.</p> |

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| 28. | IRBA | <p>The IRBA supports the initiatives of the IESBA to improve the clarity and usability of the Code, thereby facilitating its adoption, effective implementation and consistent application.</p> <p>As a regulator of registered auditors we are concerned about enforceability as well as awareness raising initiatives to create an enabling environment for the registered auditors. We believe that the Code is imperative in protecting the public interest, thus support the initiatives that consider the ease of understanding of the Code.</p> <p>While the consultation paper on the IESBA Code of Ethics for Professional Accountants has been drafted in the context of professional accountants, our responses are provided in the context of registered auditors who perform audits, reviews and provide other assurance services.</p> |
| 29. | ISCA | <p>In preparation of this comment letter, the Institute of Singapore Chartered Accountants (ISCA) has sought views from its members through a one-month public consultation and discussed the CP with members of the ISCA Ethics Committee.</p> <p>Generally, we agree with all the suggestions in the CP and do not have significant comments or additional insights, except for the following specific questions:</p> |
| 30. | JICPA | <p>We support the proposed improvements to the structure and expect that they would facilitate both the usability and understandability of the IESBA <i>Code of Ethics for Professional Accountants</i> (the Code).</p> |
| 31. | KICPA | <p>We agree, in general, with IESBA's approach outlined in this CP in that the project is designed to improve the understandability, clarity and usability of the IESBA Code of Ethics for Professional Accountants without changes to the meaning of the Code, thereby resulting in facilitating its adoption and implementation in the respective jurisdiction.</p> <p>One of the major changes of this project is believed to distinguish requirements from guidance. We agree that distinguishing requirements and prohibition more clearly from explanation and guidance would increase the understandability of the Code.</p> <p>As previously discussed in IESBA, distinguishing requirements from guidance without due consideration could result in professional accountants focusing only on requirements and prohibition without sufficient effort to fully understand the principles of the Code. Accordingly, we would like to suggest that IESBA put a priority on increasing the understandability of the Code over the revision processes as well as distinguishing requirements from guidance in a more effective manner.</p> |
| 32. | KPMG | <p>We are supportive of the considerations set out in the Consultation Paper, including restructuring and reorganising the content and layout of the Code as well as the clarification and simplification of the language. We believe this approach is likely to achieve the IESBA's aims of improving the usability and enforceability of the Code. We consider this to be particularly important in jurisdictions in which the wording of the Code is imported directly into laws and regulations.</p> |

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| | | <p>In view of the IESBA's stated objectives, we recognise the benefits of issuing the provisions of the Code as International Standard(s) on Ethics. We believe that such a rebranding approach would not preclude the continuing consideration and reference to these standards in totality as the Code of Ethics for Professional Accountants. We consider it helpful to retain reference to a "code", which clearly establishes fundamental principles related to the overarching responsibility of acting in the public interest and which underpins the activities of the accountancy profession as a whole.</p> <p>In particular, we believe that in the form of a code, the content achieves a cohesive and meaningful approach to addressing professional ethics, supported by the Conceptual Framework, to guide all accounting professionals in discharging their various duties.</p> <p>We do not consider it necessary to identify specific individuals responsible for compliance with the provisions of the Code in particular circumstances. Instead we recommend an approach similar to that taken by International Standard on Quality Control (ISQC) 1, <i>Quality Control For Firms That Perform Audits And Reviews Of Financial Statements And Other Assurance And Related Services Engagements</i>, i.e. to require firms to establish ultimate responsibility at the CEO or Board of Directors level (or equivalent) and to require their delegates to have sufficient and appropriate experience and ability, and the necessary authority, but not to go as far as to attempt to specify responsible individuals.</p> |
| 33. | MIA | <p>In addition to the proposed structure of the Code for professional accountants, we suggest that the IESBA also considers the following recommendations:</p> <ul style="list-style-type: none"> • All amendments should be accompanied by the basis of conclusion to explain the decisions taken by the IESBA and to add understanding of the Code; and • A formal channel should be created for member bodies to seek clarification with regard to any ambiguity of the Code. |
| 34. | NASBA | <p>We support the overall objective of improving the clarity of the Handbook of the Code of Ethics for Professional Accountants (Handbook). We concur that the Handbook would be improved by separating requirements from guidance, and by structuring standards into three components: (1) the purpose of the requirement, (2) the requirements, and (3) application and other explanatory material. We also support the use of the word "shall" to denote requirements and clarifying the persons to whom the requirements relate. Finally, we support efforts to; where possible, improve the readability of the Code by using simpler and shorter sentences; to simplify complex grammatical structures; and to increase the use of the active voice.</p> |
| 35. | NBA | <p>As of 1 January 2014, we have new and, as before, separate ethical standards and separate independence standards. An important part of the revision was to clarify and to simplify both regulations which, although taking into account national and European requirements, are closely based on the IESBA Code of Ethics ('the Code'). It resulted in understandable, to</p> |

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| | | <p>the point and enforceable principles based regulation that was well accepted and is supported by both the accountancy profession and the various stake-holders (including the legislator and regulator) outside the profession. One year later we have not heard of any serious difficulties working with these new standards.</p> <p>Please allow us to seize this Consultation Paper, and in particularly questions 1, 2, 4, 6 and 7, to inform you what we did and to provide you with some recommendations. The recommendations are based on the experiences we have as to date with our revised regulations and the changes we introduced compared to the Code, while at the same time maintaining a close relationship to the Code.</p> <p>As a member of the Federation of European Accountants (FEE), we refer to the comment letter FEE sent you in respect of the other questions.</p> |
| 36. | NYSSCPA | <p>The NYSSCPA generally concurs with the IESBA's consultation paper and commends it on its efforts to improve the structure of the Code. Below please find our response to some specific respondent questions along with additional commentary we request that the IESBA consider.</p> |
| 37. | NZAuASB | <p>Overall, the NZAuASB is very supportive of the IESBA project to improve the structure of the Code. Improving the accessibility and usability of the Code will facilitate adoption and effective implementation of a global Code.</p> <p>The NZAuASB has the following specific comments with regard to the Consultation paper:</p> <p>The NZAuASB considers that it is important to be clear about the objective of improving the structure of the Code and who the Code is written for. The primary purpose of the Code is an important consideration when deciding on the most appropriate structure. The NZAuASB considers that the global Code's primary audience should be for professional accountants, as a reference guide to assist professional accountants to work through ethical conflicts as they emerge. The NZAuASB is strongly in favour of creating a robust framework, built on the fundamental principles already established in the existing Code. The NZAuASB does not consider that the Code's primary purpose should be to establish a rule book for regulators' use to enforce or test compliance against. This should be avoided either as a deliberate outcome or an accidental one (as a by-product). The NZAuASB acknowledges that the IESBA is mindful of the importance of the conceptual framework approach and strongly encourages the IESBA to retain this approach.</p> <p>The NZAuASB considers that the length of the existing Code is a barrier to accessing the relevant information that a professional accountant may be looking for. The NZAuASB is of the view that the longer the Code, the less accessible it becomes, which has a negative impact on audit quality. The longer the Code the more likely a point of detail could be hidden in the detail and inadvertently missed. The NZAuASB encourages the IESBA to explore options to shorten the</p> |

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| | | <p>Code by simplifying the drafting conventions used in the Code, and removing unnecessary repetition (an electronic Code may assist with this).</p> <p>The NZAuASB's strong preference is for a shorter Code that is structured around the fundamental principles. As outlined in the response to the specific questions in the attachment, the NZAuASB recommends that the IESBA:</p> <ul style="list-style-type: none"> • explores options to shorten the Code; • structures the Code more clearly around the fundamental principles, and to follow the fundamental principles with more detailed requirements and application material that expand on specific examples that are commonly encountered in practice; • separates more clearly the requirements from the guidance to assist both professional accountants to apply the Code and other stakeholders to assess performance against the rules and guidance; • strives to use plain English to improve the readability of the document; and • continues to pursue the development of an electronic Code as part of the restructuring exercise. <p>In formulating this response, the NZAuASB sought input from New Zealand constituents by way of an invitation to comment placed on the NZAuASB website with an accompanying notification sent to subscribers. The NZAuASB has also drawn from previous research conducted in New Zealand when previously developing a standalone New Zealand Code of Ethics (which has now been withdrawn in favour of the IESBA Code).</p> |
| 38. | PwC | <p>We appreciate the Board's desire to address certain concerns raised by stakeholders, in particular those of regulators, and believe that the broad principles expressed by the Board are sound.</p> <p>This will be a significant task for the Board and will likely involve considerable time and effort for member bodies (and firms) who will be requested to comment on the detailed exposure draft, to pursue local consultations and amend their local Codes (and perhaps policies). Unless the scope and parameters of such a major redrafting exercise are clearly defined, there is also a significant risk that the project becomes more than a restructuring exercise and opens the door to debates on substantive matters of principle. From our own perspective, we have some doubt about whether such a restructuring will have a significant benefit to our network, and perhaps other large networks. We have already analysed and documented the Code in terms of requirements and supporting guidance. For these reasons, we believe it is important that the Board is comfortable with its cost/benefit analysis of this project, that the scope and parameters of the project are articulated clearly and that the Board obtains the buy-in up front from key regulators that the result will address their concerns.</p> |

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| | | <p>You will recall that we made some comments in our response to the Board's Strategy and Work Plan regarding the "big picture" issues that the Board should consider. We believe these remain valid. We recommend that the decision to proceed with this project and the basis on which it does so be taken in the light of these broader themes.</p> <p>While we are broadly supportive of the outline proposals we recognise that implementation will be key to success and we see some challenges. We have some detailed concerns about the proposed structure, given the illustrations, and we provide detailed comments in the Appendices.</p> |
| 39. | RSM | <p>We believe that implementation of the International Standards on Auditing has benefited considerably from the ISA Clarity Project. Therefore, we believe this project, which can be viewed similarly to the ISA Clarity Project, will ultimately be beneficial in terms of the readability, clarity and enforceability of the Code. We commend the IESBA for embarking on this important project.</p> |
| 40. | SAIPA | <p>We appreciate the opportunity to comment on the structure and layout of the revised IESBA consultation guide. We are currently looking at revising our own Code of Conduct and through research have found that it may be necessary to do a Code of Conduct and a separate Code of Ethics. IFAC's decision to have a code of Ethics must have been an informed one and we in no way want to diminish the essence of the code. We do however suggest that one must consider the fact that a Code of Ethics is an aspirational document that focuses on values as a basis for behaviour. Its application does not have punitive intent and may not be used in a disciplinary hearing as opposed to a Code of Conduct which instils behavioural guidelines, dictates compliance and is directional in nature.</p> <p>In South Africa, our statutory laws are defined in Acts and often there are Regulations that more clearly define the parameters of the Act. We believe that the separation of subheadings as discussed on page 5 (number 8) will make the code easier to read. However, we propose that the "Purpose" and "Requirements" be set out in the Code and a separate handbook be provided with the "Application and other explanatory material". The Code should be rarely amended and the "Application and other explanatory material" can be changed as frequently as required. This allows the practical adaptation of the code to remain relevant at all times.</p> <p>If SAIPA's proposed structure is considered, a re-branding would add value as per page 7 (number 22). We recommend that the document be called the "International Standards on Ethical Conduct" as it speaks to both aspirational (Ethics) and directional (Conduct) elements.</p> <p>In respect of page 3 (number 23, bullet point 3), by removing the definitions from the actual document, will make the Code impractical. There are ways of using hyperlink effectively to confirm a definition within the same document.</p> |

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| 41. | SCM | <p>The Audit Oversight Board, Malaysia (AOB) supports the efforts of the International Ethics Standards Board for Accountants (IESBA) to improve the clarity and usability of the <i>Code of Ethics for Professional Accountants</i> (the Code) in order to facilitate its adoption, effective implementation and consistent application globally in the public interest.</p> <p>In this regard, the AOB has no objection to the proposed changes outlined in the consultation paper on improving the structure of the Code. In particular, the AOB is in support of the proposed amendments to clarify responsibility within firms for compliance with the Code, whereby the firm shall be required to establish relevant policies and procedures to assign responsibility to a specific individual rather than relying on a cross reference to 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.</p> <p>However, it is essential to be mindful that care is needed to ensure that the enhanced wording and structure does not inadvertently result in a significant shift in the intention and weight of the existing requirements of the Code.</p> <p>The AOB also welcomes the enhanced accessibility and increased ease of navigation anticipated with the development of a HTML version of the Code. Nonetheless, the AOB is of the view that in order to facilitate application of the Code at any material point in time, prior official versions of the Code should be retained in a form available for download from the website, similar to the website maintained by the International Accounting Standards Board (IASB). This is in consideration of the dynamic nature of the Code which is regularly reviewed to ensure continuous relevance while keeping pace with rapid global developments.</p> <p>The AOB further recommends the issuance of a Basis for Conclusion document to accompany the final versions of any future amendments to the Code. In this respect, the AOB envisages that sharing the rationale behind the final version of the Code would be instrumental in promoting consistent understanding and application of the Code as it evolves.</p> |
| 42. | SMPC IFAC | <p>The SMP Committee has been grateful for the opportunity to provide previous comments on the Structure of the Code project in advance of the IESBA Board's meetings. In our response to the IESBA Consultation Paper: Proposed Strategy and Work Plan, 2014-2018 we expressed our agreement for a project to improve the usability of the structure of the Code of Ethics for Professional Accountants (the Code).</p> <p>We continue to support the approach taken by the IESBA and the general direction of the project. We agree with the proposal to clearly separate the requirements from guidance, as it will enhance the users understanding of the specific prohibitions. The CP asks for views on the possibility of creating separate standards on specific topics and rebranding the Code as the International Standards on Ethics. In our opinion, this would be a completely separate way to restructure the Code, a more onerous undertaking and a move away from a principles-based to a more rules based version of the Code.</p> |

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| | | <p>We recognize that there could be some merit in exploring the option for specific areas of the Code to be separate standards, for example auditor independence, but we do not believe it should be applied to the entire code.</p> <p>We welcome the reference in the CP to the results from the SMP Quick Poll which found that the biggest barrier faced by SMPs in fully adhering to the Code was due to understanding its requirements. As highlighted in our comment letters in both July and October 2014, we strongly encourage the IESBA to consider how it can best elicit feedback and comments on its proposals from a large number of SMPs. Due to their often limited resources, these stakeholders are often not able to easily respond and engage with the standard setting consultation process. Despite this, these SMPs are some of the main users of the Code and therefore it is important their opinions are canvassed and their input considered by the Board. We look forward to seeing how successful the IESBA is in this wider engagement and would be willing to work closer with the respective Task Force on this matter as the project develops.</p> <p>In our view, the IESBA should adopt the “think small first” principle in its approach to standard setting. This is important at the early stages of a project to ensure the end product is useable by the full range of firms – from sole practitioners to practices with many partners. For example, we agree that it may be appropriate to assign the responsibility to the firm in certain instances, but we highlight the fact that for many small practitioners a firm represents just one individual.</p> <p>We also believe that the Board should give further consideration to the cost of implementation of the restructuring on individual jurisdictions and how it will impact codes which are based on the Code, but slightly modified.</p> |
| 43. | WPK | <p>We welcome IESBA’s intention to revise the structure of the IESBA Code of Ethics for Professional Accountants (the Code) in order to improve its clarity and therefore its usability. As mentioned in the Consultation Paper, the revision of the structure of the Code can only be part of a wider project to improve the usability. Besides revising the structure, we think a contextual re-working of the Code by eliminating redundancies and repetitions will further help to improve the clarity of the Code (please also see our answer to question 9 below).</p> <p>We basically support the proposed separation of requirements from guidance in the Consultation Paper. However, we see the risk of an inflation of the CoE if the separation is implemented as provided in the illustrative examples (please see our answer to question 1 below).</p> <p>Although in principle the structure of “purpose-requirements-guidance” is a desirable one, it appears that the language used in the Illustrative Examples of the Discussion Paper together with the thoughts on re-branding lead in the wrong direction. In particular, we are concerned with the language in par 7 where it says that “[a] number of stakeholders ... are concerned that the current structure ... may impede compliance and enforcement” and with the idea in par. 22 “to re-brand it [the Code], for example as International Standards on Ethics; issuing some or all of the provisions of the Code as separate standards”.</p> |

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| | | <p>We believe that this would not be the right approach to deal with the ethical requirements as particularly addressed by the fundamental principles, because such requirements are primarily addressing the professional's behaviour instead of its mere "legalistic" compliance with certain standards. Compliance with the fundamental principles of integrity and objectivity for example is impossible to measure or to enforce.</p> <p>One of the fundamental principles is "objectivity". This is primarily a state of mind and thus not enforceable. Therefore it needs to be left in the Code as part of an Ethics Code. The concept of auditor independence, on the other hand, and here in particular that of independence in appearance as it is set out in the current Code is to be seen as a proxy for objectivity. This means it is designed to allow measurement of compliance and thus enforceability (at least to a certain extent), whilst it does not guarantee (behavioural) objectivity as such. Having said this, we would welcome Independence Standards, but these need to be separated from the Code with its fundamental principles and requirements to behaviour as such.</p> |
| 44. | ZICA | <p>The Institute supports the mandate of the IESBA, "to serve the public interest by setting high-quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development of a robust, internationally appropriate code of ethics".</p> <p>We particularly support the IESBA's efforts to seek stakeholders' input on:</p> <p>(a) Approaches that could be taken to improve the clarity of the IESBA Code of Ethics for Professional Accountants (the Code) by revising its structure.</p> <p>(b) How to improve the usability of the Code, thereby facilitating its adoption, effective implementation and consistent application.</p> <p>Our comments on the proposals in the CP are included in detail in the Appendix to this letter, where we have answered the specific questions asked.</p> |