

Structure of the Code—Drafting Guidelines¹**July 2015**

The following are general guidelines regarding redrafting of the Code. They have been prepared by IESBA Staff in connection with the project to improve the structure of the Code and are not intended to be comprehensive.

I. General Matters Pertaining to the Structure of the Code Project

1. Avoid changing meaning when redrafting unless approved by the Board.
2. Alert the Board to matters that the Task Force believes require Board decision, for example, whether a matter could potentially involve a substantive change that would go beyond the scope of the restructuring project.
3. The disposition of the material of the Code needs to be capable of being tracked. Generally, proposed changes should be shown by way of mark-up of the text. However, if the mark-up becomes incomprehensible, a table of concordance and or a mapping table should be used (see Appendix).

II. General Drafting Conventions**Introductory Section (Including Scope)**

4. Include in the introductory section only that material which is necessary to clarify the context/scope of the section.
5. Avoid lengthy exposition of the topic in the introductory section to minimize the potential for confusion over the status of such material. Consider the following:
 - Can any material beyond what is necessary in the introductory paragraphs be subsumed in guidance relating to a requirement?
 - Can it be included in guidance, referenced from the general scope paragraph?

Requirements (Including Prohibitions)

6. Care is needed not to weaken the code by deleting existing requirements. However, a requirement may be considered for deletion if it is clearly unnecessary to the substance or understandability of the Code (for example, if it is already covered by another requirement). It may also be considered for deletion if it can be covered through cross referencing to the overarching requirements of the conceptual framework, provided that there is no loss of substance and specificity. These tests may help:
 - If it adds to another requirement, it is a requirement. Consider adding guidance notes to spell out the relation between the two.
 - If it makes an exception to another requirement, it is a requirement. Consider adding guidance notes to spell out the relation between the two.
 - If it explains that, in a particular context, compliance with another requirement means doing x, it is guidance.

¹ This set of guidelines is a working reference document for staff drafting purposes.

- If it repeats the substance of another requirement, perhaps using different wording, it is redundant and potentially confusing to the reader.
- 7. Avoid using qualifiers in guidance relating to the activities of the professional accountant such as “ordinarily,” “generally,” “normally” and “usually” where these might create ambiguity as to whether they should form part of the requirements.
- 8. Use “if” to state a condition that may not be met. Keep “where”/ when for situations that are bound to arise.
- 9. Use “shall not” to prohibit something. (“May not” might suggest to some users that they could choose whether or not to do it.)
- 10. Limit inclusion of ‘essential’ explanatory material in the requirements section to those instances where it is necessary to clarify the scope of a requirement.
- 11. Address requirements only to a professional accountant or a firm of professional accountants,
- 12. Consider whether each requirement is correctly addressed to:
 - The professional accountant – this is defined to include a firm of professional accountants in public practice, throughout the Code.
 - The firm (which is defined in some sections to include the professional accountant).
- 13. When the application of a requirement depends on whether something is “material” (or “significant”), make it clear to whom that thing must be material (or significant).

Drafting Points Pertaining to Guidance

- 14. The main consideration related to guidance in the redrafted Code is whether any sentences or paragraphs need to be broken up or further streamlined (e.g., bullet points) to improve readability.
- 15. The present tense should not be used in guidance for actions that the professional accountant should take that are not otherwise mandated by pre-existing requirements.
- 16. Be careful not to extend a requirement within the guidance. E.g., if a requirement states: “The professional accountant shall (do something)”, and the guidance states: “(Doing something) includes doing X, Y and Z.” If it is important to the clarity of the requirement, then include it as part of the requirement. If it is strictly guidance, then use appropriate qualifiers (e.g., (Doing something) may include consideration of such matters as, for example...).
- 17. In order to avoid using the present tense, consider the following:
 - If it simply paraphrases a new or existing requirement in the Code, is it needed at all, or can a cross reference suffice?
 - Can ‘may’ or ‘for example’ be inserted to highlight the action as a suggested or possible procedure? For example, “Given the exceptional nature of the circumstances, the professional accountant may consider it appropriate to seek legal advice when deciding whether to withdraw from an engagement...,” or “Examples of matters that the professional accountant may consider include [X, Y, Z].”
- 18. Not all requirements need guidance. However, in some cases, the development of guidance (even if only a few sentences) may be appropriate (particularly when something has been elevated as a requirement), provided that doing so does not represent a substantive change to the Code.

Cross-References

19. Where necessary, place cross references at the end of a component of a requirement (that is, where a requirement has more than one component and there is guidance related to that component, the cross reference should be made at that point).

Definitions

20. Consider whether a term needs to be included in the definitions section based on whether it is essential to the understanding of the Code. If so, include it in the definitions section.
21. Consider whether a term might be included in the “terms used in this section” paragraph if the term is intended to have a meaning that is different from its normally understood meaning. For terms whose meaning is constant throughout the Code, use the definitions section.
22. Consider whether the wording is a definition or a description of what the term might include. A signal as to whether something is descriptive is when the section of the Code states that the [term] includes [this or that].
23. Repeating terms that are already included in a definition should be avoided. E.g., “those charged with governance” is sufficient and it is unnecessary to add “of the organization, such as a board of directors or the audit committee.”
24. The term “network firm” is used only when relevant to considering relationships or circumstances which may create a threat to independence (for example, a network firm holding of a financial interest in an audit client or providing non-assurance services to an audit client). The term firm is not used to include network firm.

Clarity and Ease of Reading

Keep it Short

25. Aspire to shorten sentences so there is never more than 2 lines to the next full stop or paragraph break. Split sentences, reduce wordiness, or introduce list format (bullets or numbers). Aim for a maximum average sentence length of 20 words.
26. Whenever possible, use the active voice instead of the passive voice.² This shortens text as well as clarifying who is to do what.
27. Remove duplication. Remove words that add no new meaning. Consider replacing text with a cross reference.

Prefer Short, Familiar Words to Complex or Unusual Ones.

28. Use “consider” when the professional accountant is required to think about several matters, or when it may be appropriate for the professional accountant to do so, but not necessarily to arrive at a particular determination.
29. Use “evaluate” when the professional accountant has to assess and weigh the significance of a matter.
30. Use “determine” when the professional accountant has to conclude and make a decision.
31. Apply the Preferences in this Table.

² No more than 20% passive verbs.

Try to edit out	Prefer
Discontinue	End
Impose an obligation on	Require
Provide	Give
Purchaser	Buyer
Terminate	End
Vendor	Seller

Make it Easy to Translate

32. Consider whether a word is known to be difficult to translate and consider alternative wording or define.
33. Unless it is clear in context, avoid references to “it” or “this” – repeat the noun so the translator will not have to work it out from context.
34. Avoid possessive noun forms – prefer “the role of the auditor” to “the auditor’s role”.
35. Aspire to a reading grade for each section of the Code equivalent to not more than a university graduate level.³
36. Use sub-lettering (e.g., (a), (b)) when expressing a complete list – this is usually the case when dealing with lists in the requirements section. Use bullet points when expressing a list that is not intended to be complete. This is usually the case when dealing with lists of examples in guidance to the requirements. Use sub-lettering/bullet points wherever possible.
37. Avoid using:
 - The word “deem.”
 - Superfluous adjectives and adverbs.
 - Archaic terms, e.g., herein, heretofore.

Formatting

38. Heading styles to be used, starting from a main section heading (e.g., requirements), are as follows:
 - 12 Point, Bold (e.g., Requirements)**
 - 10 Point, Bold**
 - 10 Point, Italicized*
 - 10 Point, Plain Text
 - 10 Point, plain text
 - 10 Point, indented plain text

³ Staff will use available electronic analysis tools in conjunction with a plain English editor.

APPENDIX

1. Table of Concordance

Restructured Code Illustrative Examples Compared to 2014 Handbook

Draft Restructured Code	Extant Code	Comment
100.1	100.1	
100.2		New introduction
100.3		New introduction
100.4		New "Terms Used" paragraph
R100.5	100.1	
100.5 G1	100.11	
R100.6	100.10	
R110.1	100.5	
110.1 G1		New link between objectivity and independence
R110.2	100.2	
R110.2	100.9	
R110.3(a)	100.8	
R110.3(b)	100.7	
R110.3(c)	100.9	
110.3 G1	100.6	

APPENDIX

2. Extract from Mapping Table for Draft Restructured Code

2014 Code of Ethics		Draft Restructured Code		Comments
SECTION 240 Fees and Other Types of Remuneration				
240.1	When entering into negotiations regarding professional services, a professional accountant in public practice may quote whatever fee is deemed appropriate. The fact that one professional accountant in public practice may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. For example, a self-interest threat to professional competence and due care is created if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price.	330.3 A1	When entering into negotiations regarding professional services, a professional accountant may quote whatever fee is considered appropriate. The fact that one professional accountant may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. Fee quotations may create a threat to professional competence and due care if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price.	
240.2	<ul style="list-style-type: none">The existence and significance of any threats created will depend on factors such as the level of fee quoted and the services to which it applies. The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.	R330.3	When a professional accountant is pressured to quote a level of fees that impacts the ability of the professional accountant to perform professional services in accordance with professional standards, the professional accountant shall evaluate the significance of any threat so created...	