PROJECT PROPOSAL—STRUCTURE OF THE CODE

I. Subject

1. The Structure of the IESBA Code.

II. Background and Relevant Developments

2. The IESBA has in the past received feedback on the clarity and usability of the Code. For example, regulators have provided comments regarding the enforceability of the Code, and feedback from an IFAC Small and Medium Practices (SMP) Committee survey indicated that the biggest barrier faced by SMPs in fully adhering to the Code is understanding the requirements of the Code. The Board has also received comments on difficulties in translating some parts of the Code, and in understanding complex and long sentences in the Code. Some of these issues may be impacting adoption and implementation.

3. The IESBA Structure of the Code Working Group developed and validated findings and recommendations based on research and communication with stakeholders. The research addressed whether there is a case for change and, if so, the nature of any changes that may be necessary.

4. The findings indicate a broad-based appetite for change. There is widespread support for increasing the visibility of requirements and clarifying the language in the Code on a timely basis. There is also support for, but less urgency associated with, developing a repackaged and electronic Code, and for complementary materials to help users better understand the Code.

5. The Working Group will present its final report and recommendations to the IESBA in April 2014 together with this project proposal.

III. Project Objective and Scope, and How They Serve the Public Interest

Project Objective

6. The objective of the project is to improve the clarity and usability of the Code by restructuring it without changing the meaning of the Code, except where determined necessary by the Board.

Project Scope

7. The project scope will encompass the entire Code.

How the Project Serves the Public Interest

8. Through the development of a restructured Code, the project will serve the public interest in terms of:

- Enhancing understandability of the Code by professional accountants and facilitating its enforcement by regulators; and

- Improving the usability of the Code, thereby facilitating its adoption or convergence with it, and its effective implementation and consistent application.

IV. Outline of the Project

Issues that Will Be Addressed

9. The project will address the following key matters:

- Separating requirements clearly from guidance while retaining adherence to the conceptual framework as an overarching requirement;

- More clearly enabling identification of a firm's responsibilities and, together with firms' policies and procedures, the responsibilities of particular professional accountants;

- Increasing the clarity of language, taking advantage of drafting conventions and editorial review, and considering consistency of approach;

- Identifying and advising on electronic features to be incorporated in the Code in the near term and more extensive electronic features to be coordinated with the restructuring; and

- Repackaging the Code as appropriate to enhance clarity and usability, taking advantage of the electronic features.

Impact Analysis Considerations

10. A clearer and more usable Code may increase usage and compliance, and may reduce barriers to adoption.

11. Separating requirements from the guidance may have the benefit of facilitating enforcement of the Code. Doing so may also enable legislators to more readily adopt the Code, or key elements of it, into legislation.

12. However, while a restructured Code may facilitate translation through greater clarity of language and less complex articulation of the provisions, adopting it will likely entail implementation costs for IFAC Member Bodies and national standard setters (NSS) in terms of the need for new translations, and potentially training and awareness raising. Firms that have integrated the code into their own policies and methodologies may also face implementation costs, such as in terms of remapping references to sections of the Code to the corresponding restructured sections.

V. Implications for any Specific Persons or Groups

13. The project has particular implications for:

- NSS and IFAC member bodies that have adopted the Code, or used it as a basis or a benchmark for their own ethical standards;

- Members of the Forum of Firms;

- Other firms that are subject to the requirements of the Code;

- National regulators that use the Code's provisions as a benchmark or as a basis for the development of their independence rules; and

- Professional accountants who, as a group, are obliged to comply with the Code.

VI. Development Process, Project Timetable and Project Output

Development Process

14. It is anticipated that the project will follow the normal due process of the IESBA for changes to the Code. In addition, because the restructuring will likely be extensive and have a significant impact on users, the research performed to date will be supplemented with further consultation before proposals are finalized.

15. It is expected that a consultation paper outlining the proposed approach to the restructuring and containing illustrative redrafted sections of the Code will be issued for comment prior to exposure and finalization of a restructured Code.

Project Timetable

16. Subject to the IESBA's approval of the project proposal, this project will commence immediately. The specific project milestones and outputs, and their relative priorities, will be dependent on the matters that the project Task Force ultimately determines are appropriate to address as part of the project.

17. The table below provides indicative timing for the project, assuming the necessary resources are available:

Indicative Timing	Milestone
April 2014	Approval of project proposal
July 2014	Approval of consultation paper
April 2015	Approval of exposure draft

Project Output

18. The output of the project would be a restructured Code.

VII. Resources Required

19. A project Task Force, consisting of five individuals, including an IESBA member as Chair. Other task forces may be involved with the restructuring of particular segments of the Code at the same time as they are reconsidering those segments in the context of other standard-setting projects on the Board's agenda.

20. IESBA Staff will provide support to the project Task Force.

VIII. Relevant Sources of Information that Address the Matter Being Proposed

21. Report and Recommendation received by the IESBA in April 2014 supported by research conducted by the Working Group.