

Drafting Guidelines¹

The following are general guidelines regarding restructuring the extant Code. They have been prepared by IESBA Staff. This document is 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 Structure of the Code project.
3. The disposition of the material of the extant 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 mapping table of comparison (mapping table) should be used. When presenting restructured text, comment tags may be attached to paragraphs within that text to indicate the origin of the paragraphs from the extant Code. (See Appendix 1 for illustrations of such documents.)

II. General Drafting Conventions**Recurring Language**

4. Parts 2, 3, 4A and 4B include recurring language to relate back to the underpinning material in Part 1, as described below:
 - For overall introductory sections (200, 300, 400 and 900), include:
 - A requirement to comply with the fundamental principles and apply the conceptual framework; and
 - In the overall introductory independence sections (400 and 900), a requirement to be independent
 - For specific sections addressing a particular topic, and subtopic, (for example 210, 310, 410, 510, and 910) include:
 - A reference to the requirement to comply with the fundamental principles and apply the conceptual framework, and, in the specific independence sections (for example 410, 510 and 910), to be independent. The specific independence sections also include a reference to "threats to independence" as part of the recurring introductory language that includes the reminder to apply the conceptual framework;
 - A brief overview description of the type(s) of threat(s) that might be created; and
 - A statement that the section sets out specific requirements and application material relevant to the topic being addressed by the section.
 - For Section 600 (which addresses in overall introductory terms, non-assurance services provided to an audit client), include:
 - A requirement to comply with the fundamental principles, be independent and apply the conceptual framework to threats to independence:

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

- A brief overview description of the type(s) of threat(s) that might be created; and
- A statement that the section supports specific requirements and application material relevant to topics being addressed by subsections.
- For Subsections 601 to 699, include:
 - A reference to the Section 600 requirement to comply with the fundamental principles, be independent and apply the conceptual framework;
 - A brief overview description of the type(s) of threat(s) that might be created; and
 - A statement that the material in Section 600 applies to the subsection and that the subsection sets out specific requirements and application material relevant to the topic being addressed by the subsection.

Describing “Threat(s)”

5. Sections 200 and 300 describe how those Parts use the term “threats” to refer to threats to compliance with the fundamental principles. Sections 400 and 900 describe how, for those Parts, firms are required to apply the conceptual framework to threats to independence and to threats to compliance with the fundamental principles that are linked to independence.
6. In many cases, for simplicity and where the context does not require further detail, the Code refers to threats with no descriptive or other qualifying language. However, the term “threats” is also used with descriptive or qualifying language as described below:
 - The recurring introductory language and application material paragraphs in Sections 200 to 999 that describe how threats might arise normally include a description of the category of threat (for example, a “self-interest” or “familiarity” threat).
 - The recurring introductory language in Sections 400 to 999 and the requirements in Section 400 refer to “threats to independence”.

Ordering of Requirements and Application Material

7. The order of the requirements and application material reflect the principles basis of the Code, as described below:
 - Application material related to applying the conceptual framework is set out first, followed by specific requirements.
 - Where a section includes requirements that pertain to public interest entities, these requirements should be placed after any specific requirements that pertain to non-public interest entities.
 - Application material that is specific to a particular requirement should follow the related requirement as closely as possible.
 - If a section addresses several subtopics (for example, Section 410 – Fees), the material is grouped by subtopic first and the above order is then followed within each subtopic.

For illustrations of recurring language and describing “threats” see Appendix 2.

Introductory Section

8. Include in the introductory section only material which is necessary to clarify the context/scope of the section.

9. Avoid unnecessary exposition of the topic in the introductory section to minimize the potential for confusion over the status of such material. Consider whether any material in the introductory paragraphs is better placed in application material relating to a requirement.

Requirements (including Prohibitions)

10. Care is needed not to weaken the extant Code by deleting existing requirements, except where the Board has determined on a change of substance. 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 application material to spell out the relation between the two.
 - If it makes an exception to another requirement, it is a requirement. Consider adding application material 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 application material.
 - If it repeats the substance of another requirement, perhaps using different wording, it is redundant and potentially confusing to the reader.
11. Avoid using qualifiers in application material relating to the activities of the professional accountant such as “ordinarily,” “generally,” “normally” and “usually” where these might create ambiguity as to whether these activities are requirements. If such qualifiers are used, they should be limited to statements of fact (not actions), for example, “Usually, such a position is seen to imply a close association with the entity.”
12. Use “if” to state a condition that may not be met. Keep “where”/“when” for situations that routinely arise.
13. Use “shall” for requirements and “shall not” to prohibit something. (“May not” might suggest to some users that they could choose whether or not to do it.) Both “shall” and “shall not” statements, if the context requires, can be conditional in nature. Limit inclusion of ‘essential’ explanatory material in the requirements section to those instances where it is necessary to clarify the scope of a requirement. Explanatory material that uses the phrase “for example” creates confusion when included as part of a requirement. Examples are normally reserved for application material.
14. In a Part, abbreviate “professional accountant in business” or “professional accountant in public practice” to “professional accountant” once it is established which type of professional accountant the Part relates to.
15. Consider whether each requirement is correctly addressed to:
 - The professional accountant – which is defined to include a firm of professional accountants in public practice, where appropriate.
 - The firm (which is defined in some sections to include the professional accountant).

As a general guideline, sections related to independence refer to the firm or, in the case of audits and reviews, the firm or a network firm, unless otherwise explained in the Section. (See paragraphs 30 to 37.)

16. When the application of a requirement depends on whether something is “material” (or “significant”), make it clear to whom the materiality or significance assessment applies.

Exceptions to Requirements

17. If there is an exception to a specific requirement:
- It is designated “as an exception to RXXX.X, ”,
 - It follows as closely as possible the related requirement; and
 - The related requirement includes language to signal that an exception exists (for example, “Subject to ...”).
18. When conveying permission in an exception it is appropriate to use “may.”

Drafting Points for Application Material

19. The main consideration related to application material in the redrafted Code is whether any sentences or paragraphs should be shortened or separated into bullet points or further streamlined to improve readability.
20. The present tense should not be used in application material for actions that the professional accountant or firm should take unless those actions have been mandated by requirements. For example, it would be acceptable to use the present tense to say “Applying the conceptual framework requires ...”
21. Be careful not to extend or contradict a requirement within the application material. For example, if a requirement states: “The professional accountant shall (do something)”, and the application material states: “(Doing something) includes doing X, Y and Z.”, or the application material states “If (doing something) cannot be done, then (something else) might be done”. If it is important to the clarity of the requirement, then include it as part of the requirement. If it is strictly application material, then use appropriate qualifiers (e.g., (Doing something) might include consideration of such matters as, for example...).
22. In order to avoid using the present tense, consider the following:
- If it simply paraphrases a requirement in the Code, is it needed at all, or can a cross-reference suffice?
 - Can “might” 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 might consider it appropriate to seek legal advice when deciding whether to withdraw from an engagement...,” or “Examples of matters that the professional accountant might consider include [X, Y, Z].”
23. Not all requirements need application material. However, in some cases, development of application material (even if only a few sentences) may be appropriate, provided that doing so does not represent a substantive change to the Code. Such application material will normally relate to applying the conceptual framework to the general topic covered by a section, while more specific application material will follow a specific requirement within the section.
24. Use the word “may” for when a matter is permitted and use the word “might” with reference to a matter where there is a possibility that something will or will not occur.

Cross-References

- 25. 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 application material related to that component, the cross-reference should be made at that point). The format for cross-references is (Ref: Para. XXX.XX AX, YYY.YY AY).
- 26. Avoid repetition of numeric references if such references affect the readability of the text. This might be achieved by using a short narrative description instead of numbers.

Definitions

- 27. Consider whether a term should 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.
- 28. 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].
- 29. Repeating terms that are already included in a definition should be avoided. For example, “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.”

Use of the Terms Professional Accountant, Firm and Network Firm

- 30. “Professional accountant” is used in Part 1 - *Complying with the Code, Fundamental Principles and Conceptual Framework* where it is relevant to a professional accountant’s compliance with a fundamental principle or application of the conceptual framework because it relates to the behavior of an individual accountant.
- 31. “Firm” is used where the context requires the use of the word firm, for example: “higher levels of management within the firm;” or in the guidance on conflicts of interest where the situations or actions to be taken presume the involvement of more than one professional accountant; and in the discussion of network firms. The following table is provided by way of illustration.

	Addressed to “Professional Accountant”	Addressed to “Firm”	Addressed to “Firm or Network Firm”
Part 1	✓		
Part 2	✓		
Part 3	✓		(2)
Part 4A		✓ ⁽¹⁾	✓
Part 4B		✓ ⁽¹⁾	

(1) Some paragraphs also apply to specified individuals.

(2) Some paragraphs of “310 - Conflicts of Interest” refer to “network firms”.

Professional Accountants in Public Practice

- 32. “Professional accountant” is used in the introduction to Part 3 – *Professional Accountants in Public Practice*, and is used in the requirement arising from Part 1 to apply the conceptual

framework. Firm is used when necessary in context, for example in references to “firm” and “network firm.”

33. “Firm” on its own is generally used in Part 3, Part 4A - *Independence for Audits and Reviews* and Part 4B - *Independence for Other Assurance Engagements* where the context of a requirement applies to a firm, for example, “a firm shall not hold a financial interest ...” In Parts 4A and 4B, “firm” is also used for ease of reference to refer to those in a firm who have responsibility for compliance with independence requirements.
34. The term “firm” is not used to include network firm.
35. The term “network firm” is used only when relevant to considering relationships or circumstances which may create a threat in the specific circumstances referred to (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 network firm is used almost exclusively in Part 4A.
36. As a general rule, if the word “firm” is used other than in the context of “the financial statements on which the firm will express an opinion,” a reference is made to a network firm. In certain circumstances however, it is clear from the context that reference to a network is not necessary. An example of such a circumstance is a requirement that relates only to members of the audit team such as:

R510.10 In the following circumstances related to financial interests, the firm shall apply the conceptual framework set out in Section 120:

(a) If an audit team member knows that a close family member has a direct or material indirect financial interest in the audit client. (Ref: Para. 510.10 A1, 510.10 A2).
37. Acceptable combinations of references to individuals, firms and network firms in Parts 4A and 4B are specifically identified individuals in the firm or their family members, and a firm or a network firm (or some combination of references as appropriate to the circumstances that a particular provision addresses).

Clarity and Ease of Reading

Keep it Short

38. Aspire to short sentences so there are never more than two 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.
39. Whenever possible, use the active voice instead of the passive voice.² This shortens text as well as clarifying who is to do what.
40. Remove duplication. Remove words that add no new meaning. Consider replacing text with a cross-reference.
41. Where the term “professional accountant” has been used once in a paragraph, then any following reference to that same professional accountant is normally to an “accountant.”
42. Try not to use “in relation to,” “with regard to,” (in most cases can use “to” on its own), unless context requires.

Prefer Short, Familiar Words to Complex or Unusual Ones

² No more than 20% passive verbs

43. 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.
44. Use “evaluate” when the professional accountant has to assess and weigh the significance of a matter.
45. Use “determine” when the professional accountant has to conclude and make a decision.
46. Apply the preferences in this Table.

Try to edit out of extant Code	Prefer
Discontinue	End
Impose an obligation on	Require ³
Provide	Give
Purchaser	Buyer
Contains	Sets out
Staff	Personnel
Terminate	End

Make it Easy to Translate

47. Consider whether a word is known to be difficult to translate and consider alternative wording or define.
48. Unless it is clear in context, avoid references to “it” or “this” – repeat the noun so the translator will not have to work out meaning from context.
49. Where the meaning is clear prefer the use of possessive nouns, i.e., “or that individual’s immediate (close) family member” instead of “an immediate (close) family member of that individual.”
50. Aspire to a reading grade for each section of the Code equivalent to not more than a university graduate level.⁴
51. 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 application material to the requirements. Use sub-lettering/bullet points wherever possible. (See also paragraph 63 below.)
52. When enumerating a list, make sure that the definite or indefinite article is included in the list rather than before the colon immediately preceding the list. For example, use:

“The following condition shall be met:

³ If “require” is used in the context of requirements use “impose an obligation on” as it is more elegant than “requirements require.”

⁴ Staff will use available electronic analysis tools in conjunction with a plain English editor.

- The services are provided for only a short period of time.
- The situation is discussed with those charged with governance.”

rather than:

“The following condition shall be met, namely the:

- Services are provided for only a short period of time.
- Situation is discussed with those charged with governance.”

53. Avoid using:

- The word “deem.”
- Superfluous adjectives and adverbs.
- Archaic terms, e.g., herein, heretofore, thereon, and notwithstanding.

Use of Headings and Subheadings

54. Keep headings as short as possible. To be useful each heading should aim to indicate as closely as possible the nature of the text that follows and all relevant text must appear under its heading. Conventionally headings are used when there is a change of subject matter

Other Matters

55. Use “professional body” instead of “member body” or “regulatory body” unless context requires otherwise. Where “regulatory body” is used, consider whether also to refer to “oversight authority”.
56. Try to use “circumstances” not “situations”, although in some circumstances “cases” is more succinct.
57. Refer to “the Code” not “this Code”.
58. Audit means “audit or review” in Part 4A, but where necessary reference is occasionally made to “audit, review and other assurance engagements/services” or a reference to an “audit” is used in an example.
59. Avoid using split infinitives of verbs.
60. Avoid using footnotes.

Formatting

61. 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

Numbering

62. The numbering system clearly distinguishes requirements and application material as follows:

R700.1	Requirement
700.1 A1	Application material
700.1 A2	Application material
R700.2	Requirement
700.2 A1	Application material
R700.3	Requirement
700.3 A1	Application material

In some cases, application material may not relate directly to a specific requirement; such application material uses a different sequential number from a paragraph immediately before or after it.

Introductory material is numbered sequentially and is not designated by an “R” or an “A”.

Bulleted Lists

63. The following examples illustrate paragraph 51 above:

Requirements using a list and lists using “and”/“or”

- R111.2** A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:
- (a) Contains a materially false or misleading statement;
 - (b) Contains statements or information provided recklessly; or
 - (c) Omits or obscures required information where such omission or obscurity would be misleading.

Incomplete Lists

- 400.6 *International Independence Standards* (Parts 4A and 4B) set out requirements and application material that reflect the extent of public interest in certain entities which are defined to be public interest entities. Firms and member bodies are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:
- Nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples might include financial institutions, such as banks and insurance companies, and pension funds.
 - Size.
 - Number of employees.

Appendix 1

1. Extract from Mapping Table for Draft Restructured Code⁵ ([Exposure Draft 1](#))

SECTION 210 Professional Appointment			
210.1	Before accepting a new client relationship, a professional accountant in public practice shall determine whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behavior may be created from, for example, questionable issues associated with the client (its owners, management or activities).	R320.3	A professional accountant shall apply the conceptual framework set out in Section 120 to a professional appointment.
		320.2	Accepting a new client or a new engagement might create threats to compliance with the fundamental principles.
210.2	Client issues that, if known, could threaten compliance with the fundamental principles include, for example, client involvement in illegal activities (such as money laundering), dishonesty or questionable financial reporting practices.	320.3 A1	In some circumstances, acceptance of a new client relationship might create threats to integrity or professional behavior. This might arise, for example, where the client, its owners or management are involved in illegal activities, dishonesty or questionable financial reporting practices.

2. Extract from Text of the Code to Accompany a Mapping Table of Comparison

320.2 Accepting a new client or a new or recurring engagement might create threats to compliance with the fundamental principles.

Commented [IESBA1]: 210.1, 210.2

Requirements and Application Material

R320.3 A professional accountant shall apply the conceptual framework set out in Section 120 to a professional appointment.

Commented [IESBA2]: 210.1

⁵ See paragraph 3.

Client Acceptance and Continuance

320.3 A1 In some circumstances, acceptance of a new client relationship might create threats to integrity or professional behavior. This might arise, for example, where the client, its owners or management are involved in illegal activities, dishonesty or questionable financial reporting practices.

Commented [IESBA3]: 210.1, 210.2

Examples of Recurring Language and Describing Threats

An illustration from Section 300

PART 3 – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

Section 300

Applying the Conceptual Framework – Professional Accountants in Public Practice

Introduction

300.1 This Part of the Code describes requirements and application material for professional accountants in public practice when applying the conceptual framework set out in Section 120. It does not describe all of the facts and circumstances, including professional services, interests and relationships, that could be encountered by professional accountants which create or might create threats to compliance with the fundamental principles. Therefore, professional accountants in public practice are required to be alert for such facts and circumstances.

300.2 The term “professional accountant” refers to professional accountants in public practice and their firms wherever it occurs in the remainder of *Professional Accountants for Public Accountants*.

An Illustration from Section 320

Section 320

Professional Appointments

Introduction

320.1 The acceptance of a new client or engagement or changes in circumstances in an existing engagement might create self-interest threats.

320.2 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats. Section 320 sets out specific requirements and application material relevant to applying the conceptual framework to changes in professional appointments.

Requirements and Application Material

Client Acceptance and Continuance

320.3 A1 In some circumstances, acceptance of a new client relationship might create threats to compliance with the fundamental principles of integrity or professional behavior. This might arise, for example, from questionable issues associated with the client (its owners, management or activities). Issues that, if known, might create such threats include client involvement in illegal activities, dishonesty or questionable financial reporting practices.