



IFAC
International Ethics Standards Board for
Accountants (IESBA)

Submitted via the IESBA website

Stockholm 1 June 2017

Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2

FAR, the Institute for the Accountancy Profession in Sweden, has been invited to comment on the IESBA's exposure draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2*. FAR welcomes this opportunity to comment on the exposure draft.

Before responding to the IESBA's request for specific comments, FAR would like to refer to the comments made a year ago on Phase 1 of the project. FAR is satisfied that some of the suggestions have been accommodated. However, FAR would like to underline that it is still difficult to determine whether IESBA's overall goal of increasing the Code's usability and understandability is achieved. This is, in FAR's opinion, mostly due to the excessive length of the Code that remains problematic in the context of accessibility for the individual professional accountant.

FAR's response to the IESBA's request for specific comments

Question 1 Unintended changes

FAR regrets not having analysed the material in enough depth to answer IESBA's first question under the request for specific comments adequately. Since extensive changes have been made, there is a risk that a change of interpretation will follow, although this has not been the intent.

Question 2. Do you believe that the proposals are consistent with the key elements of the restructuring described in Section III of this Explanatory Memorandum?

- *Increased prominence of the requirement to comply with the fundamental principles and apply the conceptual framework.*

The increased prominence is notably the repeated references made to part 120 in each introduction of a Section. In FAR's opinion this does not heighten the reader's awareness of the fundamental principles and the conceptual framework, but serves only as text that is not read, having no real content.

FAR does appreciate that more explicit references are made to specific fundamental principles and threats to these throughout the Code. This gives an increased prominence to comply with the

fundamental principles and apply the conceptual framework. However, FAR would like to join other respondents, in expressing the fear that the restructuring overall appears to be a shift towards a more rules-based Code and a move away from the principle-based approach. The strength and utility of the Code derives from a principle-based approach that establishes a mind-set of adhering to the fundamental principles and using the conceptual framework to address threats.

- *Requirements in paragraphs identified with an “R”, distinguished from other material and application material generally positioned next to the relevant requirements in paragraphs marked with “A”*

Contrary to the intent expressed by the IESBA, the impression on reading through the compilation of proposed restructured Code, is that it has become more complex and it takes more of an effort to understand the contents than before. This might partly be because each section starts with an introduction that does not seem to have any concrete meaning except adding text to the Code. Further, the division into paragraphs marked “A” and “R” does not serve to make the Code more accessible. This might be because some parts lack an introductory requirement. As a reader, one expects to find one or more requirements at the beginning of a Section (or subsection) followed by application material that deals with how to apply the requirement. This is often, but not always, the case. FAR would suggest (contrary to the key elements of the restructuring described in the Explanatory Memorandum) that where there is no requirement (see for example, Section 320, 320.4 A1-2 and 320.5A1-3), the paragraphs should not be marked with an “A”. FAR’s suggestion is to keep the “Rs”, marking the requirements, but remove the “As” – as anything that is not marked “R”, should be application material.

- *Increased clarity of responsibility*

In the proposal, phrases such as “members of audit teams, firms and network firms” have been replaced by “firms”. As the Code is applied by individual professional accountants, placing the responsibility in the Independence sections with the firms, seems inappropriate. In FAR’s opinion, this serves to lessen the clarity of responsibility rather than increasing it.

- *Increased clarity in drafting*

FAR finds that much improvements have been made on increasing the clarity by shortening sentences and replacing the passive form with the active form. FAR hopes that even further efforts will be made to increase the clarity in drafting, in particular with the aim of making the text as a whole more consistent.

Question 3. Respondents are asked for any comments on the conforming amendments arising from the Safeguards project.

FAR has no further comments than those offered in the response to that ED.



Question 4. Do you agree with the proposed effective dates for the restructured Code? If not, please explain why not.

The IESBA's ambition to complete the restructuring project by December 2017 seems ambitious. The suggested effective date of December 2018 and June 2019 even more so. FAR would like to point out that the restructuring of the Code will entail a great amount of work for the firms who need to adapt their systems to entirely new references to the Code. There are also some, intended or unintended, changes to the content of the Code, especially with the parallel ongoing projects of IESBA, that will need to be considered by the users in the implementation of the "new" Code. In addition, there will be a major work of translation from English for a great number of the IESBA-members.

In FAR's opinion, allowance must be made for a much longer period of implementation, with an effective date for the entire Code in June 2020, and in June 2021 for those who need to translate the Code.

FAR's response to IESBA's Request for General Comments

(a) Small and Medium Practices (SMPs) and PAIBs –The IESBA invites comments regarding any aspect of the proposals from SMPs and PAIBs.

In FAR's opinion, the changes probably do not make a big difference in making the Code more accessible to the SMPs and PAIBs, but it will add to their workload as they will be obliged to become familiar with the "new" Code.

(b) Regulators and Audit Oversight Bodies

Not applicable.

(c) Developing Nations

Not applicable.

(d) Translations – Recognizing that many respondents may intend to translate the final pronouncements for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed changes.

FAR foresees that a new translation of the entire Code will have to be made, but has no particular issues at this point.

FAR

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