



IFAC  
International Ethics Standards Board  
for Accountants (IESBA)

Submitted via the IESBA website

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## **Improving the Structure of the Code Ethics for Professional Accountants**

FAR, the Institute for the Accountancy Profession in Sweden has been invited to comment on the IESBA Consultation Paper *Improving the Structure of the Code of Ethics for Professional Accountants*.

FAR welcomes this opportunity to comment on the matters raised in the Consultation Paper. FAR has the following comments on the specific questions posed by the IESBA.

*1. Do you believe that the approach outlined in this Consultation Paper, as reflected in the illustrative Examples, would be likely to achieve IESBA's objective of making the Code more understandable?*

On the whole, FAR finds that the approach outlined in the Consultation Paper would make the Code more understandable. But there are some aspects of the approach that do not seem appropriate. As the Code would be more accessible if it were shorter, a main objective of a revision should be to avoid unnecessary repetition. Some of the suggestions presented in the Consultation Paper (e.g. adding components of “Terms Used” and “Purpose” as well as reminders of the conceptual framework approach in each section) serve more to lengthen the text than to clarify it.

Further, it is doubtful whether restructuring each section into three components of “Purpose”, “Requirements” and “Application and other explanatory material” would make the Code more understandable. Such a division would be clarifying if this method has been used originally when composing the text. As the Code is written today (and in the Illustrative Examples) the suggested divisions appear superficial – an add-on in hindsight. As each Section (at least in the 100-series) needs to be read as a whole, the separations and cross references risk misleading the reader to refer only to certain paragraphs of the Section and not seeing it as a whole. If the approach is maintained and the Sections are divided into different components, it should be made clear to the reader at all times if the paragraph is under “Requirement” or under “Application and other explanatory material” (cf. ISAs where the “Application and other explanatory material”-component is marked by an “A”), so that one does not have to search for a heading while consulting the text.

FAR agrees with the ideas presented in paragraphs 13 and 15 of the Consultation Paper, of consequently using the word “shall” only in paragraphs containing requirements and avoiding the word “should”.

*2. Do you believe that the approach outlined in this Consultation Paper, as reflected in the illustrative Examples, would be likely to make the Code more capable of being adopted into laws and regulations, effectively implemented and consistently applied? If not, why not and what other approaches might be taken?*

FAR is doubtful as to whether an objective should be that the Code be capable of being adopted into laws and regulations. Convergence between the Code and national laws and regulations can be achieved without the direct implementation of the Code. FAR finds that a Code has the advantage over laws and regulations that it can offer a more complete guidance on how to deal with different situations in an ethical manner, whereas laws and regulations normally must offer more general rules.

*3. Do you have any comments on the suggestions as to the numbering and ordering of the content of the Code (including reversing the order of extant Part B and Part C), as set out in paragraph 20 of the Consultation Paper?*

FAR agrees with the reorganization of the Code as far as concerns the numbering convention. However, FAR does not agree with the suggestion to reverse the order of the extant Part B and Part C. FAR has no members who are professional accountants in business and will not have any such members in a foreseeable future. Having a large section, in the beginning of the Code, that does not apply more than peripherally to our members, would be something of an educational problem. For us it would be a large advantage to keep the Part C (Section 200 of the Consultation Paper) at the end of the Code, thus keeping all that concerns the professional accountants in public practice together in one sequence, as it is now.

FAR does find the division of the extant Part B into three separate parts a good idea. FAR would think it even better if the extant Sections 290 and 291 could be worked into one part. Many of the corresponding paragraphs in Sections 290 and 291 contain the same text. Where independence for other assurance engagements differs from that concerning audit and review engagements this could be marked under each heading. FAR firmly believes that this would make the independence section of the Code more accessible.

*4. Do you believe that issuing the provisions in the Code as separate standards or rebranding the Code, for example as the International Standards on Ethics, would achieve benefits such as improving the visibility or enforceability of the Code?*

FAR is of the opinion that part of the strength of the Code is that it is a complete guide for FAR members. In FAR's opinion the independence parts could be separated into standards, but FAR finds that the reorganization proposed in the Consultation Paper (with the exception of reversing the order of extant Part B and Part C) serves the purpose of improving the visibility of the Code. As to the enforceability, FAR cannot see that either a separation into separate standards or the current proposal would make a difference.

*5. Do you believe that the suggestions as to use of language, as reflected in the Illustrative Examples, are helpful? If not, why not?*

FAR finds that the Illustrative Examples show a use of language that does indeed enhance the readability and clarity of the Code. FAR does not agree that a link between definitions is needed in a paper version of the Code, since this serves to highlight those terms in a way that is hardly intended, without adding to the understanding of the text. Professional Accountants are highly qualified and capable of looking up defined terms without such markings. In a digital version, on the other hand, such links are common and more useful as they provide immediate "on a click" feedback on the definition of the term, whether it is

defined in the definitions or clarified in another part of the Code. For the latter, to avoid repetition of such clarifications, some sort of marking would be useful also in a paper version, but hardly necessary. An extended list of terms used at the end of the Code would be preferable.

*6. Do you consider it is necessary to clarify responsibility in the Code? If so, do you consider that the illustrative approach is an appropriate means to enhance the usability and enforceability of the code? If not, what other approach would you recommend?*

No, FAR is against this approach. It might be helpful to non-members, but FAR and other members of IFAC have spent a great deal of resources implementing ISQC 1 and to us and our members a reference to ISQC 1 is sufficient as to placing the responsibility. Further (and other) references in the Code serve only to confuse and make it less clear where responsibility lies.

*7. Do you find the examples of responsible individuals illustrated in paragraph 33 useful?*

The examples seem to be interpretations of ISQC 1, which in FARs opinion is not within the scope of the Code.

*8. Do you have any comments on the suggestions for an electronic version of the Code, including which aspects might be particularly helpful in practice?*

An electronic version of the Code would be a major step forward and is an important way to make the Code more easily accessible to all Professional Accountants.

*9. Do you have any comments on the indicative timeline described in Section VIII of this Paper?*

The indicative timeline is reasonable.

*10. Do you have any other comments on the matters set out in the Consultation Paper?*

FAR applauds the efforts made by IESBA to make the Code clearer and more accessible. FAR finds particularly commendable, the work that has been done in the Illustrative Examples on making the language and lay-out of the Code more easily understandable and more readable. However, FAR is somewhat fearful of the tendency to introduce more repetitions into each Section of the Code, making the Code longer rather than shorter. FAR believes that Professional Accountants worldwide have the capability of looking up terms and definitions in table and of understanding that the conceptual framework approach described in the beginning of the Code applies to each section.

FAR



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