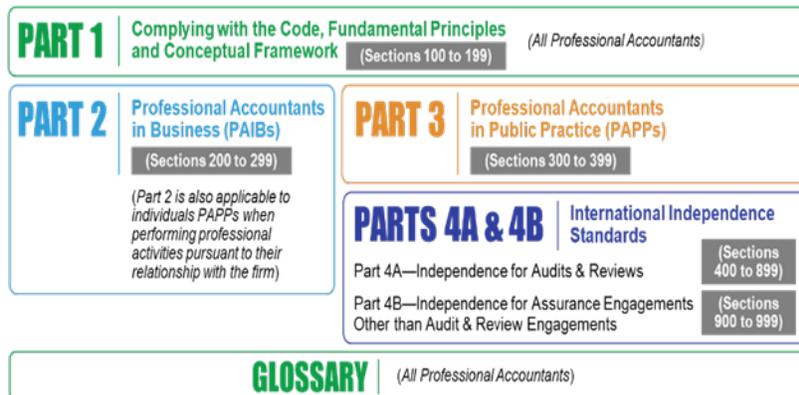# A NEW INNOVATIVE APPROACH TO ENGAGING WITH ETHICS

In June 2019, the International Ethics Standards Board for Accountants® (the IESBA®) will launch its eCode – a bold innovation that offers professional accountants a new way to engage with its *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code).

This document is intended to provide a refresher about the Code's architecture and explain the objective of, and the rationale for the eCode. The document also highlights the key features of the eCode and provides information about the timing for its launch.

About the Code

The Code sets out the fundamental principles of ethics for professional accountants (PAs). It also sets out the International Independence Standards for audits, reviews and other assurance engagements.

The Code comes into effect in June 2019 and is substantively revised and restructured. It is incorporated in the 2018 edition of the IESBA Handbook. The provisions in the Code are organized in Parts and Sections, with each section dealing with a particular topic.

PART 1 — Complying with the Code, Fundamental Principles and Conceptual Framework (Sections 100 to 199) *(All Professional Accountants)*

PART 2 — Professional Accountants in Business (PAIBs) (Sections 200 to 299) *(Part 2 is also applicable to individuals PAPPs when performing professional activities pursuant to their relationship with the firm)*

PART 3 — Professional Accountants in Public Practice (PAPPs) (Sections 300 to 399)

PARTS 4A & 4B — International Independence Standards
Part 4A—Independence for Audits & Reviews (Sections 400 to 899)
Part 4B—Independence for Assurance Engagements Other than Audit & Review Engagements (Sections 900 to 999)

GLOSSARY *(All Professional Accountants)*

The Code is interconnected by design using a "building blocks approach."

Part 1 of the Code describes the conceptual framework and includes overarching principles-based requirements that apply to all PAs. Material in Parts 2, 3, and 4A and 4B of the Code is premised on the user's proper understanding of Part 1.

All PAs are required to:

- Comply with the fundamental principles of ethics and, when applicable, be independent.

- Apply the **conceptual framework** – a three-step approach which involves identifying, evaluating and addressing threats to compliance with the fundamental principles of ethics and meeting their responsibility to act in the public interest.

PAs are also required to understand the general sections in other parts of the Code as they are relevant to their role and circumstances. These general sections also include additional overarching requirements.

> The conceptual framework is set out in Section 120 of the Code. It is not new, but is substantively revised. It accommodates the wide range of facts and circumstances, including the various professional activities, interests and relationships, that affect the work of PAs. It also includes descriptions of key terms that are crucial to the proper application of the Code, such as *reasonable and informed third party*, *acceptable level* and *safeguards.*

What is the eCode?

The eCode is a web-based tool that is designed to deliver the revised and restructured Code in a digital format. It contains the official text of the Code together with links to resources and tools that are prepared by the IESBA Staff (i.e., non-authoritative) to enhance the user experience. With its visually appealing accordion design, the eCode includes features that emphasize the "building blocks" approach of the Code and its scalability.

The eCode will be accessible to everyone, not just PAs. The eCode will assist in studying and understanding the Code, thereby making it easier to adopt, implement and enforce. It is designed for all users, including those who are new and infrequent, as well as the more experienced ones.

Key features of the eCode

The digital features and functionalities include:

- An interactive table of contents.

- Ease of bookmarking, sharing, copying and printing material in the Code.

- Pop-ups with definitions and descriptions of terms used in the Code.

- Use of color to distinguish between Parts of the Code.

- Foundational material, linked at the Part level, giving prominence to the "building blocks" structure and the overarching requirements that are relevant to understanding and applying the Code.

- Hyperlinks to existing cross-references within the Code to aid with navigation and application of the "building block" structure.

- An advanced search function that will be informed and enhanced over time by the users' searches, and which:

  o Performs searches using either keyword search or Boolean search techniques (i.e., allow users to combine keywords with operators such as "and", "not" and "or" to produce more specific results).

  o Provides suggestions for alternative search terms that better or more comprehensively align with the Code's terminology.

- Non-authoritative material that is linked to the Code at a section or paragraph level. Such material include resources and tools that is produced by the IESBA Staff (e.g. extracts from relevant Bases for Conclusions, Questions and Answers, and explanatory videos).

> **Looking Ahead**
>
> The IESBA welcomes feedback about the eCode from all stakeholders. In particular, views are sought from *firms, national standard setters and professional accountancy organizations* about whether and how the eCode might be tailored at a national level to include jurisdictional provisions, and whether the eCode can be translated.
> *Please email suggestions to IESBAeCode@ethicsboard.org.*

Use of the eCode, the linked non-authoritative material and the results of searches will not be a substitute for the proper application of the provisions in the Code. For example, use of the eCode will not substitute the need for exercising professional judgment to determine the PA's actions and decisions.

Why an eCode?

The role of ethics in the work of PAs cannot be overemphasized. The need to emphasize the importance of the accountancy profession to the global economy is even more apparent in an environment of declining public trust. With the increase in regulatory divergence, there is a need for a robust, globally operable code of ethics that is high quality and fit for purpose. The eCode is designed to make the Code accessible to everyone, anywhere with internet access. It is tailored to suit the needs and work-style of today's professional. It is versatile and can be used on both desktops and mobile devices. The eCode will be an impactful resource to help individual PAs, firms, regulators, national standard setters, professional accountancy organizations, academics, educators, and others better understand, apply and, as appropriate, enforce the provisions in the Code.

The IESBA anticipates that the eCode will help stimulate and inform global discussions about ethics and independence matters and will better demonstate how the IESBA Code deals with key topics. The eCode will increase awareness of the IESBA Code and help support the Code's adoption and effective implementation.

When will the eCode be Available?

Arrangements have been made for a diverse group of stakeholders to beta-test the eCode. The IESBA will also seek feedback at the IESBA-National Standard Setters meeting in May. The eCode will be launched by the end of June 2019 and will be accessible via the IESBA website.

March-April 2019 Beta-testing	May 2019 Feedback from NSS	June 2019 Revised and Restructured Code effective eCode launched

Will Permission be required from IFAC to Access and Use the eCode?

The eCode is copyrighted by the International Federation of Accountants (IFAC). Access to the eCode, together with the ability to bookmark, share, copy and print extracts, is designed to minimize impediments while protecting copyright. Access to the eCode will not require a login and password but will require agreement to terms of use. When copying extracts from the eCode, a reminder of these conditions will appear.

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About the IESBA

The International Ethics Standards Board for Accountants (IESBA) is an independent global standard-setting board. The IESBA serves the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable *International Code of Ethics for Professional Accountants (Including International Independence Standards)*.

The IESBA believes a single set of high-quality ethics standards enhances the quality and consistency of services provided by professional accountants, thus contributing to public trust and confidence in the accountancy profession. The IESBA sets its standards in the public interest with advice from the IESBA Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board (PIOB).

The structures and processes that support IESBA operations are facilitated by IFAC. Please visit www.ethicsboard.org for more information, and follow us on Twitter *@Ethics_Board*.

Published by: **IFAC** International Federation of Accountants®