



ICAS responds to IESBA post implementation review survey on the Structure of the Code of Ethics

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The following is a copy of the article published on [icas.com](https://www.icas.com) in relation to the ICAS response to the IESBA post implementation review survey on the Structure of the Code of Ethics - [ICAS responds to IESBA post-implementation review survey on the Structure of the Code of Ethics - ICAS](#)

We recently responded to a survey from the International Ethics Standards Board for Accountants (IESBA) in relation to its post implementation review of the Structure of the Code of Ethics ('the Code').

Structure of the Code

The ICAS Code of Ethics is substantively based on the IESBA Code of Ethics.

In 2020, we adopted a [revised and restructured Code of Ethics](#) after IESBA redesigned its own Code. The aim wasn't to change the main principles but to make the Code clearer and easier to use.

IESBA's [post-implementation reviews](#) (PIRs) aim to assess whether an IESBA standard is achieving its intended objectives by identifying benefits achieved and implementation challenges, and to inform any actions the IESBA may need to take in response.

In our response to the IESBA's 'Structure of the Code' PIR survey, we noted that we aren't aware of having received any specific queries about the structure and drafting of the current version of the Code. However, recently, we did contact IESBA on a matter relating to the 'Using the work of an external expert' provisions.

Usability of the Code

In general, we believe that the messaging in the Code is simple and clear. Each section makes it clear that a professional accountant, (or firm as appropriate), must follow the fundamental principles and apply the conceptual framework.

We were supportive of IESBA moving the Professional Accountants in Business (PAIBs) provisions forward to Part 2 of the Code (previously Part C of the Code) as part of the 'Restructuring the Code' project to better highlight that the Code applies to all professional accountants, and not just those in public practice.

We also believe Part 4 of the Code, the International Independence Standards, clearly explains the independence responsibilities of Professional Accountants in Public Practice (PAPPs), firms and network firms. However, in the UK, auditors must comply with the Financial Reporting Council's (FRC) [Ethical Standard](#). This applies to audit and certain other assurance engagements.

However, worryingly, we continue to receive feedback from both PAPPs and PAIBs that the increasing length of the Code is inadvertently sending the message that it's now becoming more rules-based rather than principles-based.

The fundamental ethics principles send out a strong message; but the more content that's added to the Code runs the risk of diluting that message. "Less can be more" is something which IESBA needs to consider.

Guide to the IESBA Code

IESBA introduced a guide at the start of the Code as part of the restructuring.

This isn't authoritative however provides a very helpful introduction to the Code and how to use it. We believe the introduction of the "Guide to the IESBA Code" was one of the main benefits of the 'Restructuring the Code' project.

Distinction between requirements and application material

The Code is broken down into sections that address specific topics.

As part of the restructuring, each section was reorganised into a more logical format with requirements being more clearly distinguished from guidance within the section:

- Requirements - highlighted in bold and designated by the letter "R" - establish general and specific obligations which professional accountants must adhere to. In most cases, the word "shall" is used when there is a requirement of the Code.
- Application material – designated by the letter "A" - provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance to assist in complying with the requirements.

In terms of the IESBA's approach to delineating requirements ("R" paragraphs) from application material ("A" paragraphs), we believe that there are still differing interpretations of the status of application material and how this is to be considered in relation to the requirements. Whether this is a fault of the Code, or of users, or both, is not immediately clear.

Clarity of Language and Readability

IESBA redrafted the Code to make it clearer and easier to understand. This included using shorter sentences, simpler grammar, and less legalistic language. To reduce confusion, it also clarified how certain words should be used, and agreed that:

- When the word "may" is used in the Code, it denotes permission to take a particular action in certain circumstances, including as an exception to a requirement. It isn't used to denote possibility.
- When the word "might" is used in the Code, it denotes the possibility of a matter arising, an event occurring or a course of action being taken.

However, we aren't convinced that the difference between "may" and "might" is immediately clear to users. In some cases, it can also be difficult to decide which word should be used.