

Association of Accounting
Technicians response to IESBA
Exposure Draft:
Improving the structure of the code
of Ethics for professional
accountants –Phase 1

Association of Accounting Technicians response to IESBA Exposure draft: Improving the structure of the code for professional accountants: Phase 1

1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) welcomes the opportunity to respond to the consultation paper on improving the structure of the code, released in December 2015.
- 1.2. AAT has focussed on the restructure proposals and has provided an opinion on usefulness of the proposed changes

2. Executive summary

- 2.1. AAT concurs with the IESBA's view that there was a need to change the structure of the code to ensure that accountants can understand the code and ensure that the code itself is useful.
- 2.2. AAT is also aware of the challenges in changing the structure of the code of ethics for professional accountants and ensuring that the meaning of the code is the same. However the proposed restructure is a welcomed development as AAT had received feedback from its members where the general opinion was that it was hard to understand and read.

3. AAT response to the consultation paper on guidance on aspects of improving the Code of Ethics for professional accountants

- 3.1. The following paragraphs outline AAT's response to the proposals outlined in the consultation paper. AAT has only listed those questions where it has a comment to make.

Question 1: Do respondents agree with the proposal or do respondents have suggestions for further improvement to the material in the ED?

- 3.2. AAT has shared feedback on how understandable and useful members found the code of ethics and what some of the challenges were. On this basis, AAT considers the new revisions to be a positive step in the right direction to support the IESBA in achieving its objective of making the Code more understandable and ensuring that it is useful.
- 3.3. The term "application material" is an interesting one. AAT endorses any support given to make the guidance more practical for accountants. The intention of the application material is to help the accountant to understand the conceptual framework that being said the conceptual framework should be clear and concise enough to enable an accountant to know how to apply it to various circumstances. In addition it should be noted that the application material should not be used as a way that provides an exhaustive list of possibilities that may arise. AAT believes that the way the restructure distinguishes the requirements of the code and the application of the code is clear.
- 3.4. AAT supports the view that there was a need to address the importance of the conceptual framework. In doing this it has empowered accountants to address threats to

compliance irrespective of what type of circumstance arises instead of just complying with a specific requirement

- 3.5. AAT shares IESBA'S view that, an individual (or individuals) will have to be accountable for failings in compliance at a firm, so it is positive message that the code also focusses on an individual's ethical compliance. The code has got the right balance between a firm's accountability for their compliance and an individuals accountability to be compliant.
- 3.6. AAT has raised concerns about the language used prior to the restructuring. Mainly that the language could present a barrier an accountants understanding of the Code. The restructure adds more value and is readable. By using simpler and shorter sentences it doesn't deter the accountant from reading the code. The lack of legalistic terminology ensures that the conceptual framework model is facilitative and can be applied by the diverse range of members of the accountancy profession, from bookkeepers through to auditors, recognising that safeguards will exist at all levels.
- 3.7. The development of the guide on how to use this code is an excellent idea as this sign posts accountants to various sections.
 - (i) AAT agrees that the numbering convention used is sensible. It's a simple way to sign post the accountants to relevant sections and makes it easier to read and digest.
 - (ii) AAT welcomes the introduction of an electronic version of the Code. AAT sees no distinction between an online version, and a pdf version, both of which should contain exactly the same provisions. An electronic version of the Code would bring to life the proposed restructure as proposed, providing a platform for the guidance to interactively support the requirements. This would be welcomed by professional accountants and provide demarcation lines as to where requirements stop and guidance starts. This would also help reach another demographic as the use of technology has increased; therefore it is only right that the code of ethics keeps up with this demand.
 - (iii) AAT thinks the matrix tool is an innovative idea. AAT believes various tools and avenues should be used in making this more accessible, readable and digestible. One example could be diagnostic tests to help the accountant check their own understanding.
 - (iv) AAT would welcome the way the restructure has made it more easier to navigate through which improves both visibility and enforceability of the Code .It makes it easier to be relied on from other third parties such as other regulators.

Question 2: Do respondents believe the restructuring will enhance the adoption of the code?

- 3.8. AAT believes that the proposed restructuring will enhance the adoption of the code for further enhancements. It will enable IESBA to make changes quicker and make it more user friendly. This will be very useful for the electronic code.

Question 3: Do respondents believe restructuring the code has changed the meaning of the code with respect to any particular revisions?

- 3.9. AAT does not believe that the restructuring has changed the meaning of the code. The restructure demonstrates the move to understandability, readability and usefulness but has kept the fundamental principles, themes and objectives of the code.

Question 4: Do respondents have any comments on the clarity and appropriateness of the term audit continuing to include 'review' for the purposes of the independence standards?

- 3.10. AAT understands why IESBA has used the term audit to include review for the purposes of the independence standards. In the context that it has been used throughout the document its clear why the term audit has been used to include review. AAT does not envisage any issues with the use of this wording.

Question 5: Do respondents have any comments on the clarity and appropriateness of the restructured material in the way it distinguishes firms and network firms?

- 3.11. AAT agrees with the way that the code distinguishes between firms and network firms. The definitions are clear therefore does not leave any ambiguity as to what the requirements are.

Question 6: Is the proposed title for the restructured code appropriate?

- 3.12. AAT believes that the title of the code is appropriate and is self explanatory. It is in line with all the themes throughout the document and it makes it clear who the code is addresses.

4. Conclusion

- 4.1. AAT considers the changes to be positive and has implemented many of the suggestions that AAT has recommended in the past. IESBA has made it clear that the purpose of the restructure was for the code to be more understandable and useable. The proposed makes it more understandable than the previous structure.
- 4.2. AAT considers that this is the right approach to facilitate compliance with the fundamental principles. It is AAT's view that this will enhance clarity and ensure that high standards of professional behaviour are adhered to. The lay out is very digestible therefore ensuring that an accountant is actually taking in the information. However AAT believes that the code is still quite lengthy and IESBA should consider a practical guide which a shorter version of the code.

5. About AAT

- 5.1. AAT is a professional accountancy body with over 49,700 full and fellow members¹ and 85,500 student and affiliate members worldwide. Of the full and fellow members, there are over 4,200 members in practice who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.
- 5.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

6. Further information

¹ Figures correct as at 31 December 2015

If you have any questions or would like to discuss any of the points in more detail then please contact AAT at:

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