



IFAC
International Ethics Standards Board for
Accountants (IESBA)

Submitted via the IESBA website

Stockholm 18 April 2016

Improving the Structure of the Code of Ethics for Professional Accountants - Phase 1

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 1*. FAR welcomes this opportunity to comment on the exposure draft.

In FAR's opinion the project of improving the structure of the Code in order to increase its usability and understandability is laudable. However, it is still difficult to conclude whether the end result will make the content of the Code more accessible to the individual accountant or if it is just a matter of reorganizing the material. FAR would have expected the text to be even further edited and shortened. FAR does not really find the proposed structure to be more perspicuous and less complicated than the extant Code, but this might be due to the novelty with the new outline and familiarity with the extant Code.

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

Refinements to the Code

1. Do you agree with the proposals, or do you have any suggestions for further improvement of the material in the ED, particularly with regard to:

a) Understandability, including the usefulness of the Guide to the Code?

FAR finds the Guide to the Code useful and agrees with the adopted approach of separating it from the rest of the Code.

b) The clarity of the relationship between requirements and application material

FAR finds that the relationship between requirements and application material is sufficiently clear.

c) The clarity of the principles basis of the Code supported by specific requirements?

In FAR's opinion, the principles basis of the Code is as clear in the proposal as in the extant Code.

d) The clarity of the responsibility of individual accountants and firms for compliance with requirements of the Code in particular circumstances?

The avoidance of the passive form has made the issue of designating responsibility clearer than it was earlier. Together with the provisions in article 400.7 this should now be sufficiently clear regarding the responsibility of individual accountants and firms for compliance with the requirements in C1.

e) The clarity of language?

FAR finds that the clarity of language has improved, with above all shorter sentences. However, FAR is of the opinion that the Code would benefit from more efforts regarding all the measures listed in paragraph 20 of the Explanatory memorandum.

f) The navigability of the Code, including

(i) numbering and layout of the sections;

FAR finds the new numbering and layout of the sections adequate. However, FAR does not agree with the solution of having different positions for the Rs (for requirements) and the As (for application material) in the numbers of the respective paragraphs. In FAR's opinion, this adds to an overall impression of complexity that is not warranted. FAR finds that the As should be placed as the Rs: before the number of the paragraph, not in the middle.

FAR would like to take the opportunity to point out that amendments of the Code should not, as is the current practice, result in renumbering the consecutive paragraphs. This practice causes a lot of unnecessary confusion, since when reference is made to the number of a paragraph one cannot be sure that the content of the paragraph was the same in the past and will be the same in the future. When amendments are made this should not result in renumbering the paragraphs.

(ii) suggestions for future electronic enhancements; and

As far as FAR can tell, the proposed layout will work well for digital publication. Solutions for different adaptable searches would be helpful tools for electronic enhancement, for instance search for all guidance related to a particular threat, fundamental principle or situation, or searches that only include guidance that apply to PIEs/non-PIEs in a certain context.

(iii) suggestions for future tools?

FAR finds that case studies or examples would be useful tools to provide guidance on how to use the Code in practice.

g) The enforceability of the Code?

The efforts that have been made to distinguish between requirements and application material should serve to make the Code easier to enforce. However, the foremost aim of the Code should be that of providing guidance for public accountants, not making rules that are easily enforced.



2. Do you believe that the restructuring will enhance the adoption of the Code?

In FAR's opinion, the Code is still too long, complex and detailed. The difference between the proposed restructured Code and the current Code is not remarkable. Adoption of the Code would be promoted by shortening it and refraining from continuously introducing more detailed requirements (for instance by introducing more complex rules on rotation, as in the current Long Association-project). The Code should be kept on a principle based level that can serve as support and guidance for professional accountants worldwide.

3. Do you believe that the restructuring has changed the meaning of the Code with respect to any particular provisions? If so, please explain why and suggest alternative wording.

FAR has not analyzed the contents of the restructured Code in enough detail to answer this question.

Other matters

4. Do you have any comments on the clarity and appropriateness of the term "audit" continuing to include "review" for the purposes of the independence standards?

FAR has no problem with letting "audit" include "review" for the purposes of the independence standards.

5. Do you have any comments on the clarity and appropriateness of the restructured material in the way that it distinguishes firms and network firms?

FAR supports this change, as it adds to the clarity of the Code.

Title

6. Is the proposed title for the restructured Code appropriate?

FAR sees no need to change the title of the Code. The current title is well established and correct. It should not be changed to include "Standards" as well as "Code", since this would not increase clarity. As far as FAR has understood, the intention with restructuring the Code has not been to change its content, but to increase accessibility and utility. FAR strongly advises against changing the title.

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

(a) Small and Medium Practices (SMPs) –The IESBA invites comments regarding the impact of the proposed changes for SMPs.

The proposed changes should make the Code more accessible for everyone, including SMPs, which is good. However, in FAR's opinion, the changes probably do not make such a remarkable difference that the SMPs will find that they have a particularly positive impact on their efforts to apply the fundamental principles in their daily work.



(b) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposed changes, in particular, on any foreseeable difficulties in applying them in a developing nation environment.

Not applicable.

(c) 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.

For the moment, FAR has not noted any potential translation issues.

FAR

A handwritten signature in black ink, appearing to read "Sara Orback".

Sara Orback
Secretary, FAR Ethics Policy Group