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03 July 2026

Post-Implementation Review (PIR) Survey - Structure of the IESBA Code

Dear Gabriela,

We refer to our response – attached to this letter in the Word template provided – to the Post-Implementation Survey regarding the restructuring of the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code).

We would like to thank you for the opportunity to provide our comments. In this cover letter, we would like to offer some overarching observations, as we do not believe the format of the questionnaire allows us to do so as effectively.

The four-part “building-blocks” structure of the Code is, in principle, an easily understood and sensible approach. We therefore support retaining this overall structure, including the distinction between Parts 4A and 4B. However, in our view, the approach to the individual sections within each part is flawed and has not been consistently applied. This is particularly evident when compared with Part 5 and

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the IAASB's approach, as explained below. Additional issues are discussed in the accompanying response document.

In our view, the structure of the Code should now be considered in light of Part 5 of the Code. Although Part 5 is not formally within the scope of this PIR, it is highly relevant to any assessment of the structure and usability of the Code going forward. Part 5 has not followed the same overall “building-blocks” approach as the rest of the Code, which creates unnecessary complexity for practitioners who will need to apply Part 5 alongside other parts of the Code. While Part 5 was designed to be capable of use on a stand-alone basis, a large portion of the new sections is conceptually identical to corresponding ideas in the rest of the Code. In our view, this has resulted in avoidable duplication and unnecessary differences in wording, which make the Code more difficult to understand and apply consistently. Furthermore, the differentiation in applicability between part 4A and 4B is different to the applicability of independence provisions in part 5 compared to 4B for professional accountants and other sustainability assurance practitioners. This was recognized by IESBA in their project “Independence Standards for Sustainability Assurance Engagements Outside the Scope of IESSA” and is a consequence of the inconsistent structure. As noted in previous IDW comments on the subject, however, we believe reopening the Code because of this is not a public interest priority and, in particular, the differentiation between Parts 4A and 4B should certainly be retained.

The origins of the Code are rooted in a principles-based approach, and its core remains principles-based. However, the Code has continued to be expanded in length and granularity. The resulting document has become overly detailed and increasingly difficult for users to navigate and apply in practice. In our view, this is not helpful for a global Code that needs to be capable of adoption and application in a wide range of legal, regulatory and professional environments.

A related concern is that scalability and proportionality do not appear to be recognized sufficiently as underlying design principles of the Code. As a result, the Code does not always provide users with a clear basis for applying its provisions in a manner that is appropriately proportionate and scalable to the circumstances.

Furthermore, we consider that greater alignment with the conventions used by the IAASB would be highly beneficial. The structure of the individual sections of the Code differs significantly from that of the IAASB standards, which generally follow a more linear approach comprising an introduction, objective, definitions, requirements and application material. By contrast, the Code is structured through multiple subsections, each containing requirements and application material, while definitions are separated into a glossary. This lack of clear structural

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alignment makes it more difficult for practitioners to understand how ethical requirements interoperate with IAASB standards.

In our view, the IESBA should consider developing an overarching guidance document comparable in structure and scope to the IAASB's Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines. Such a document could provide drafting principles for the IESBA itself and support greater consistency in the development of future material. It could also assist users in understanding the structural and drafting conventions of the Code. The objective should be to facilitate greater consistency and comparability between ethical standards and assurance standards, not to create a separate and potentially divergent drafting framework. Where differences from the IAASB approach are considered necessary, these should be clearly explained.

For these reasons, we believe that the findings from this PIR should not lead to further additions to, or incremental amendments of, the Code. Rather, the PIR should be used as an opportunity to undertake a more fundamental review of the Code's structure, length and drafting approach. This should lead to a project to overhaul the Code towards a shorter, simpler, more principles-based Code and thereby achieve global adoptability. We would not support a project to address structural issues alone without a general overhaul of the Code.

We would be pleased to discuss any of these observations further and would welcome the opportunity to contribute to any future work on this topic.

Yours sincerely,

Torsten Moser
Executive Director

Neville Anderson
Senior Technical Manager

IESBA Post-Implementation Review (PIR) Survey

Structure of the IESBA Code

Introduction

This survey is only applicable to respondents that have adopted or use or benefit from the 2018 or later edition of the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code). Part 5 of the Code as contained in the [International Ethics Standards for Sustainability Assurance](#) (IESSA) is outside the scope of this survey and only becomes effective in December 2026.

1. The International Ethics Standards Board for Accountants (IESBA) is conducting a post-implementation review of the structure and drafting of the Code.
2. This survey seeks to obtain input from a broad range of stakeholders to enable the IESBA to determine:
 - (a) Whether the restructuring of the Code through revising its structure and redrafting its provisions¹ has achieved its intended purpose by identifying:
 - (i) Benefits from the restructuring of the Code; and
 - (ii) Any practical challenges or questions regarding the understandability and usability of the Code, including whether it is being consistently understood and applied; and
 - (b) What actions, if any, are needed by the IESBA to address identified matters.
3. The responses received will be analyzed for purposes of providing feedback to the IESBA and in developing recommendations for any actions.
4. The survey comment period starts on April 1 and ends on July 3.

Survey Responses to be Made Public

5. Unless confidentiality is specifically requested, respondents' submissions will be considered a matter of public record and will be posted to IESBA's website. Where confidentiality is requested, the IESBA Project Team will include such input in its analysis on an anonymized basis.

Survey Instructions

6. Respondents to the survey are asked to provide their responses only on the questions applicable to the stakeholder group to which they belong:
 - [Part A](#) — Demographic Information (All Respondents)
 - [Part B](#) — General Information (All Respondents)
 - [Part C](#) — Usability and Clarity of Language and Responsibility (All Respondents)

¹ The restructured Code was [issued](#) in April 2018.

- [Part D](#) — Clarity of Responsibility (Individual Professional Accountants in Public Practice, Accounting Firms, Regulators or Oversight Bodies, Professional Accountancy Organizations)
7. Respondents may respond to all questions or only selected questions or matters. All responses to this survey, whether complete or partial, will be accepted and considered as input for the IESBA Project Team’s analysis.
 8. Please read the overview of the structure and drafting enhancements which can be accessed [here](#). The drafting guidelines that were adhered to in restructuring the IESBA Code can be accessed [here](#).

Part A – Demographic Information (All Respondents)

9. Please indicate if you are responding as an individual or **on behalf of your organization?**
 - (a) If you are responding as an individual:
 - (i) Please indicate your jurisdiction
 - (ii) Approximate years of professional experience:
 - Less than 5 years
 - 5–10 years
 - 11–20 years
 - More than 20 years
 - (b) If you are responding on behalf of your organization, please indicate the geographical profile which best represents your situation, i.e., from which geographical perspective are you providing your responses?
 - Global
 - Regional (*Please specify*)
 - Multiple jurisdictions (*Please specify*)
 - **Single jurisdiction (*Please specify*)**
 - Germany
10. Please indicate the stakeholder group to which you belong, i.e., from which perspective are you providing your responses?
 - Jurisdictional standard setters (JSS) (*Please indicate the users of your standards as a JSS, e.g., individual Professional Accountants in Public Practice (PAPPs), professional accountants in business (PAIBs) and/or accounting firms*)
 - **Professional accountancy organizations (PAOs)** (*Please indicate whether your members are PAPPs and/or PAIBs*)
 - PAPPs only
 - Regulators or oversight bodies (*Please indicate which of the following you regulate or oversee (select all that apply): PAPPs (including auditors), PAIBs, accounting firms (including audit*

firms), none of the above)

- Individual professional accountants in public practice (PAPPs) and accounting firms
- Professional accountants in business (PAIBs)
- Other users or beneficiaries of the Code (Please specify) (e.g., investors or other users of financial statements, those charged with governance, academics)

11. Please provide the following information and other contact information:

- Your organization's name, if any (if you are responding on behalf of an organization²)
[Institut der Wirtschaftsprüfer in Deutschland e.V.](#)
- Your name and job title / role
 - [Torsten Moser, Executive Director](#)
 - [Wolf Böhm, Technical Director Assurance Standards, Director International Affairs](#)
 - [Sebastian Kuck, Director European Affairs](#)
 - [Neville Anderson, Senior Technical Manager](#)
 - [Dunja Khulusi, Technical Manager](#)
 - [Ellen Krekeler, Assistant Assurance](#)
- Your email address
 - Torsten.Moser@idw.de
 - Wolfgang.Boehm@idw.de
 - Sebastian.Kuck@idw.de
 - Neville.Anderson@idw.de
 - Dunja.Khulusi@idw.de
 - Ellen.Krekeler@idw.de
- Your jurisdiction
[Germany](#)

² If you respond on behalf of a global organization, the jurisdiction (or name of the country) in which you work. If you are responding on behalf of a global organization, please indicate "Global" as your jurisdiction.

Part B – General Information (All Respondents)

The revised structure and redrafted provisions of the IESBA Code from the Structure Project were integrated into the 2018 Revised and Restructured IESBA Code (Restructured Code).

Other revisions which were concurrently developed were integrated into the 2018 Restructured Code. Subsequent new or revised standards which were incorporated into later editions of the Code have all been structured and drafted consistently with the enhancements made in the Structure Project.

Accordingly, the following questions seek to understand the adoption status of the Restructured Code (2018 edition and onwards) in respondents’ jurisdictions, relevant educational materials and guidance that have been issued or used by respondents, and the inquiries or questions related to the structure and drafting of the Restructured Code that have been commonly received or experienced by respondents.

Note:

In this survey, adoption (full or with modifications) refers to the formal acceptance and incorporation of the IESBA standards into your jurisdiction’s national laws, regulations or professional requirements.

Convergence is where a jurisdiction aligns its national ethics (including independence) standards or provisions with the IESBA standards through a process that seeks to eliminate or minimize differences between the IESBA and national standards or provisions. This includes a process where an IESBA standard is used as a basis to develop the local standard or provisions.

Adoption status (Only for respondents that are JSS, PAOs, Regulators or Oversight Bodies, Individual PAPPs or Accounting Firms)

12. Has your jurisdiction adopted the Restructured Code (2018 edition and onwards)? *(Please choose the most representative answer)*
- (a) Yes, through full adoption with no modifications of the Code *(Please (i) specify the latest edition of the IESBA Code that has been adopted, e.g., 2018, 2024, etc., and (ii) provide the links to the local Code or the specific announcement of the adoption or issuance of the local Code)*
 - (b) Yes, through adoption with modifications *(Please (i) specify the latest edition of the IESBA Code that has been adopted, e.g., 2018, 2024, etc.; (ii) describe the nature and reasons for the modifications; and (iii) provide links to the local Code or the specific announcement of the adoption or issuance of the local Code)*
 - (c) No, the IESBA Code was used as a basis to develop the local Code (or equivalent provisions) which is converged with the IESBA Code *(Please (i) specify the latest edition of the IESBA Code that has been used to develop the local Code (or equivalent provisions), e.g., 2018, 2024, etc.; (ii) provide links to the local Code (or equivalent provisions) or the specific announcement of the converged version of the IESBA Code); and (iii) describe the significant differences related to structure and drafting between the local provisions and the Code’s provisions)*
 - (d) There are provisions in relevant law or regulation or a different ethical framework that are at least as stringent as the Code’s provisions *(Please (i) specify the edition of the IESBA Code against which the relevant law, regulation or local ethical framework is benchmarked, e.g., 2018, 2024, etc., and (ii) describe the significant differences related to structure and drafting between the local Code or provisions and the IESBA Code)*

- (e) Not adopted (*Please specify reasons. If there is a plan to adopt the IESBA Code, please provide details*)

If you have answered (a), (b) or (c), was the local Code translated? If yes, please indicate the language in which the local Code was translated.

No answer is given as the IDW is not responsible for adoption of the Code in our jurisdiction.

Guidance and Educational Materials

For JSS, PAOs, Regulators or Oversight Bodies, and Accounting Firms only

13. What guidance or educational materials has your organization issued, or what programs has your organization developed, to support understanding of how to use the local Code or provisions? (*Select all that apply and provide links*)

- Technical guidance (e.g., FAQs)
- Education/training programs (e.g., webinars, CPD programs)
- Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
- Other (*Please specify*)

In Germany, the IESBA provisions have not been directly adopted. For the purpose of this response, ethics-related requirements are therefore understood to be those as reflected in German professional law and regulation (in particular, the Berufssatzung WP/vBP). The IDW provides a broad range of general guidance and educational materials supporting compliance with professional obligations, which include professional obligations relating to ethics:

Technical guidance:

The IDW provides technical materials and practice aids addressing professional obligations, including areas related to ethics, supported by dedicated thematic sections in the members' area of the IDW website.

In addition, German-specific supplemental paragraphs to the ISAs as adopted in Germany other IDW auditing, assurance and quality management standards incorporate requirements and guidance on German professional obligations, including ethics.

Further detailed practical guidance is provided to members in the IDW's Quality Management Handbook, which provides a template audit methodology that is particularly aimed at SMPs. This provides practical templates and practice aids so help SMPs address compliance with professional obligations, including ethics.

Education/training programs

The IDW Akademie (Academy) offers comprehensive training programs for aspiring and qualified German Public Auditors, which integrate compliance with professional law and ethical requirements.

Articles, publications and newsletters

Topics related to professional obligations, including ethics, are addressed in publications such as professional journals and other IDW publications.

WPK materials

We also refer to extensive support and materials provided by the Wirtschaftsprüferkammer (WPK) (German Chamber of Public Accountants).

- None

For individual PAPPs and PAIBs only

14. What guidance or educational materials have you received or accessed with respect to how to use the local Code or provisions? (*Select all that apply*)

- Technical guidance (e.g., FAQs)
- Education/training programs (e.g., webinars, CPD programs)
- Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
- Other (*Please specify*)
- None

Other Support

For JSS, PAOs, Regulators or Oversight Bodies, and Accounting Firms only

15. Does your organization offer guidance to individual professional accountants, accounting firms, or other users on the application of the local Code or provisions if they seek such assistance? (*Select all that apply*)

- Ethics hotline or equivalent (e.g., for technical queries, application questions on how to use the local Code or provisions)
- Discussion forum (e.g., for sharing knowledge)
- Other (*Please specify*)

In addition to the guidance and educational materials mentioned in question 14 above, the IDW provides support to members and firms in the application of professional requirements, including ethics, as follows:

General hotline for all member enquiries

The IDW operates an enquiries service (“Anfragen-Service”), through which members can seek guidance on the application of professional requirements, including matters that may relate to ethics. These are either answered directly or in consultation with in-house legal specialists or the WPK.

Technical discussion forums

Informal and structured discussion platforms exist, such as the “Mittelstandsrunde” for SMPs, which facilitate exchange of experiences and questions among practitioners regarding technical matters. Although these are not specific to ethics, these subjects may be included from time to time.

WPK materials

We also refer to extensive support and materials provided by the WPK.

- None

For individual PAPPs and PAIBs

16. Do you have access to guidance on the application of the local Code or provisions in your jurisdiction if you seek such assistance? *(Select all that apply)*

- Ethics hotline or equivalent (e.g., for technical queries, application questions on how to use the local Code or provisions)
- Discussion forum (e.g., for sharing knowledge)
- Other *(Please specify)*
- None

Not applicable

Inquiries and Questions

For JSS, PAOs, Regulators or Oversight Bodies or Accounting Firms

17. Which inquiries or questions relating to the structure and drafting of the local Code or provisions has your organization commonly received? *(Please provide details, including from which stakeholder groups the inquiries or questions arose)*

No significant inquiries noted.

For individual PAPPs and PAIBs

18. Which specific structure or drafting matters pertaining to the local Code or provisions have you inquired or raised questions about? *(Please provide details)*

Part C – Usability and Clarity of Language and Responsibility (All Respondents)

The overview below provides brief background to the questions that follow regarding specific aspects of the restructuring or redrafting of the IESBA Code.

Building Blocks Approach

The Restructured Code has four Parts which are focused on all professional accountants (Part 1), professional accountants in business (Part 2), professional accountants in public practice (Part 3), independence for audit and review engagements (Part 4A), and independence for other assurance engagements (Part 4B).

A building blocks approach was applied whereby Part 1 applies to all professional accountants but is not repeated in subsequent Parts. Rather, the provisions in subsequent Parts are incremental in nature and

build off Part 1.

Each Part includes various Sections to address specific topics. Each Section of the Restructured Code is structured, where appropriate, as follows:

- Introduction – sets out the subject matter addressed within the section and introduces the requirements and application material in the context of the conceptual framework.
- Requirements – establish general and specific obligations with respect to the subject matter addressed.
- Application material – provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance to assist in complying with the requirements.

To guide users in navigating the provisions in the Code, a “Guide to the Code” was added.

19. Is the building-blocks approach of the IESBA Code simple and clear, and does it help in navigating the Code?

- Yes
- Somewhat (*Please explain your response*)

The building-blocks approach to the parts of the Code provides an easily understood overall structure, and we strongly support retaining the four-part structure, including the distinction between Parts 4A and 4B. However, we see issues within each part, in comparison with Part 5 of the Code, and with the IAASB approach.

Although Part 5 is not included in the scope of this PIR, it is important to note that the building-blocks approach has not been followed for that Part, which causes unnecessary complications for practitioners implementing Part 5 and other parts of the Code. Even though Part 5 was designed to be used on a stand-alone basis, a large portion of the new sections are conceptually identical to corresponding provisions in the rest of the Code, but often use different wording (we can provide examples upon request), leaving practitioners unclear as to whether requirements and application material are intended to be different or not. Furthermore, the differentiation in applicability between Part 4A and 4B is different to the applicability of independence provisions in Part 5 compared to 4B for professional accountants and other sustainability assurance practitioners. This has been recognized by IESBA in its project “Independence Standards for Sustainability Assurance Engagements Outside the Scope of IESSA” and is a consequence of the inconsistent structure. As noted in previous IDW comments on the subject, however, we believe reopening the Code because of this is not a public interest priority.

The structure of the individual sections of the Code differs significantly from that of the IAASB standards, which follow a more linear approach (introduction–objective–definitions–requirements–application material). This contrasts with multiple subsections, each with requirements and application material as well as definitions separated into a glossary in the Code. The lack of a clear structural alignment makes it more difficult for practitioners to understand how ethical requirements interoperate with IAASB standards. Greater alignment with the conventions used by the IAASB, whilst retaining the

four-part structure, including the distinction between parts 4A and 4B, would be very beneficial. An overall guidance document with a comparable structure and scope to that of the IAASB Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines document, with explanations of any differences in terms or approach to IAASB practice that cannot be eliminated, would serve as a guide for the IESBA to enable greater consistency when drafting an overhauled Code.

Beyond alignment with part 5 and the IAASB approach, additional issues remain within the Code on repetition of overarching requirements and heavy reliance on cross-referencing.

The same core obligation to comply with the fundamental principles and apply the conceptual framework is repeated across multiple Parts (e.g., R120.3, R200.5, R300.4, R400.19, R900.12). This results in repetition that adds to the length of the Code without significantly improving usability. Definitions from the glossary are also often repeated (and may not even be consistent). For example, the definition of “public interest entity” compared to R400.22, “engagement team” compared to 400.9, “Fundamental Principles” which just references section 110, and “inducement” compared to 250.4 A1 and 340.4 A1.

The building-blocks approach requires frequent navigation between Sections and Parts (e.g., Section 120 referring to Parts 2, 3 and the Independence Standards) and the glossary. Although conceptually coherent, this makes the Code less intuitive to follow in practice and can hinder efficient navigation, particularly for less experienced users. It is also unclear what authoritative status definitions in the glossary have in comparison to requirements or application material.

The concerns we have expressed should not be interpreted as implying that we would support a discrete project to seek to ameliorate the shortcomings, in the application of the building blocks approach, that we have addressed above. Rather, as noted in our responses to questions 20, 22, 23, 25 and 27, we believe that these issues ought to be addressed as part of a major overhaul of the Code to reduce its granularity and make the Code more principles based.

- No (*Please explain your response*)
20. Is the “Guide to the IESBA Code” helpful in explaining how the Code is structured and should be applied?
- Yes
 - Somewhat (*Please explain your response*)
 - No (*Please explain your response*)

After some reflection, we have concluded that the need for Guide within the Code to explain the Code is indicative that the Code has become too lengthy and too complex. The Guide adds even more reading material for practitioners and thus adds to the problem of information overload for practitioners using the Code. We have therefore become convinced that the Code needs a complete overhaul so that the Code is shortened and more principles based.

Furthermore, as noted in our answer to question 19, greater alignment with the conventions used by the IAASB, whilst retaining the four-part structure in the code, including the distinction between parts 4A and 4B, would be very beneficial. An overall guidance document with a comparable structure and scope to that of the IAASB Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines document, with explanations of any differences in terms or approach to IAASB practice that cannot be eliminated, would serve as a guide for the IESBA to enable greater consistency when drafting an overhauled Code and could replace part or all of the Guide to the IESBA code, which may also be helpful for users of the Code.

We also note that the Code does not take advantage of new AI-enabled technological possibilities to index and search information more effectively. This is something that should be explored, but should not be considered as a solution to the need for a better CUSP-style document and for a radical overhaul of the Code as we suggest in this response.

Emphasizing Compliance with the Fundamental Principles and Applying the Conceptual Framework

To emphasize a professional accountant’s responsibility to comply with the fundamental principles and apply conceptual framework:

- An overarching requirement was included in Sections 200, 300, 400 and 900; and
- Reference to the requirement to apply conceptual framework is included in the introductory sections of the remaining Sections within Parts 2, 3 and 4 of the Restructured Code.

21. Is it clear within each Section that a professional accountant (or firm as appropriate) has the responsibility to comply with the fundamental principles and apply the conceptual framework?

- Yes

We consider this responsibility to be sufficiently clear in sections 100 to 120. Repeating the same sentence in the first paragraph of the introduction in subsequent Sections lengthens the Code. The added value of acting as a reminder of the overall purpose of the Code and the overarching requirement does not justify the redundancy in our view.

- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

Distinction Between Requirements and Application Material

To give more prominence to obligations set out in the Code (including specific prohibitions) and separate them from guidance or explanatory material, requirements are clearly distinguished from application material:

Requirements are designated with the letter “R” and, in most cases, include the word “shall”. The word “shall” in the Code imposes an obligation on a professional accountant or firm to comply with the specific provision in which “shall” has been used. In some situations, the Code provides a specific exception to a requirement. In such situation, the provision is also designated with the letter “R” and is linked to the

requirement to which they pertain by using the phrase “as an exception to.”

Application material is designated with the letter “A.” Such provisions will follow the requirement that they are explaining.

Requirements will not reference application material to avoid blurring the distinction between requirements and application material.

Scalability

The Restructured Code was organized to illustrate the Code’s scalability by giving greater prominence to the overarching requirement to comply with the fundamental principles and apply the conceptual framework, followed by specific requirements.

Requirements that apply to firms when providing professional services to public interest entities (PIEs) are located after requirements that apply to other entities.

22. Does the IESBA Code’s approach to delineating requirements (“R” paragraphs) from application material (“A” paragraphs) make it clear what a professional accountant’s or firm’s obligations are?

- Yes
- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

We agree that, on the whole, there is delineation in the Code between actions that are both required and prohibited (requirements) from supporting text (application material). However, we consider delineation has not been consistently or unambiguously applied in terms of the wording used.

In particular, there are many instances where application material appears to actually contain a requirement. For example:

- The wording of 210.8 A1 and 310.9 A3 imply hidden requirements or are at least ambiguous because they use the phrase “It is generally necessary ...”. The level of authoritativeness should be clear to readers, but it is not (i.e., can a safeguard be deemed effective or ineffective if full disclosure is not made to, and consent obtained from, the relevant parties in one of the various ways outlined in 210.8 A2 or 310.9 A3).
- 220.7 A2 and 320.10 A2 start with “Factors to consider when a professional accountant intends to use the work of others include ...”, which implies the list of inclusions are themselves requirements and so not appropriately placed within application material. Other similar examples are in 220.8 A1, 260.16 A1, 310.7 A1, 310.9 A1, 320.11 A1, 360.11 A2, 360.19 A1, 360.18b A1, 360.30 A2, 360.34 A1 and 360.36 A3. There is also an instance where this wording is used in the introduction in 400.14.
- We note several instances where application material refers to “expectations” of professional accountants. Notwithstanding the placement of such text in application material, the use of such terminology does mean that the authority of this text may be less clear than is desirable in the restructured Code. For example, the second sentence of proposed 200.5 A3 implies that any

professional accountant in a suitably senior position in an organization ought to live up to the expectation and thus encourage and promote an ethics-based culture. The extent of such an implicit requirement remains unclear. As a minimum it could be a requirement applicable to all professional accountants not to discourage such a culture; as a maximum it could be a requirement – conditional on the professional accountant holding a suitably senior position – to actively encourage and promote this (this may be problematic to the extent that taking any necessary concrete measures may not be in the remit of the role assigned to that individual). Further examples of expectations include: 260.12 A1, 260.24 A1, 360.10 A2 and 360.29 A1. In 410.12 A2 and 905.8 A2 even further ambiguity is added with the phrase “It is generally expected that...”.

Furthermore, as noted in our answer to question 19, the structure of the individual sections of the Code differs significantly from that of the IAASB standards, which follow a more linear approach (introduction–objective–definitions–requirements–application material). This contrasts with multiple subsections each with requirements and application material as well as definitions separated into a glossary in the Code. The lack of a clear structural alignment makes it more difficult for practitioners to understand how ethical requirements interoperate with IAASB standards. Greater alignment with the conventions used by the IAASB, whilst retaining the four-part structure, including the distinction between parts 4A and 4B, would be very beneficial. An overall guidance document with a comparable structure and scope to that of the IAASB Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines document, with explanations of any differences in terms or approach to IAASB practice that cannot be eliminated, would serve as a guide for the IESBA to enable greater consistency when drafting an overhauled Code, and may also be helpful for users of the Code.. In particular, such a document could make it clear what wording should be used to differentiate between requirements and application material.

23. Is it sufficiently clear that the Code is scalable and proportionate?

- Yes
- Somewhat (*Please explain your response*)

The origins of the Code are rooted in a principles-based approach, and its core remains principles-based. However, the Code has continued to be expanded in length and granularity. The resulting document has become overly detailed and increasingly difficult for users to navigate and apply in practice.

Furthermore, the Code does not recognize scalability or proportionality as underlying design principles. In particular:

- There is no explicit reference to “scalability” or “proportionality” anywhere in the Code
- The Code does not adopt an explicit “think small first” or similar approach to guide application in less complex circumstances.

- The extent to which proportionality is achieved therefore depends largely on interpretation and the exercise of professional judgment, rather than on clearly signposted drafting features.
- Independence requirements for independence in appearance do not include reasonable de minimis exceptions that no reasonable third party would believe would cause a diminution of independence in appearance.

Furthermore, as noted in our answer to question 19, greater alignment with the conventions used by the IAASB, whilst retaining the four-part structure, including the distinction between parts 4A and 4B, would be very beneficial. An overall guidance document with a comparable structure and scope to that of the IAASB Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines document, with explanations of any differences in terms or approach to IAASB practice that cannot be eliminated, would serve as a guide for the IESBA to enable greater consistency when drafting an overhauled Code and would be particularly useful for achieving scalability and proportionality.

- No (*Please explain your response*)
24. If your organization has responsibility to enforce compliance with the provisions of the Restructured Code, has the delineation of requirements and application material helped with enforceability?
- Yes
 - Somewhat (*Please explain your response*)
 - No (*Please explain your response*)
 - N/A as do not enforce the provisions of the Restructured Code

Clarity of Language and Readability

The Restructured Code was redrafted to increase the clarity of language to improve its readability and understandability, including use of simpler and shorter sentences, simplifying complex grammatical structures, and avoiding legalistic and archaic terms.

Further, to minimize the risk of ambiguity and confusion through inconsistent use of terms, the IESBA 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 is not 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.

25. Is the language used in the Code clear, readable and understandable?
- Yes
 - Somewhat (*Please explain your response and provide examples with reference to specific provisions in the Code which you consider may not be clearly drafted*)
 - No (*Please explain your response, and provide examples with reference to specific provisions*)

in the Code which you consider are not clearly drafted)

Questions relating to the clarity, readability and understandability of the Code have been a recurring theme in this and our previous comment letters.

While we recognize the restructuring project has sought to address some of these aspects we raised, we continue to observe numerous areas in the current version of the Code where the wording may give rise to uncertainty in practice. However, as noted above, the Code has continued to be expanded in length and granularity. The resulting document has become overly detailed and increasingly difficult for users to navigate and apply in practice.

Please refer to our comments and the examples given in our answers to the other questions of this PIR, including illustrations of hidden requirements, ambiguous terminology, confusion over definitions and the status of the glossary, the lack of scalability and proportionality, redundancy of ideas and unnecessarily different wording for equivalent ideas.

A particular additional area for concern is “exceptional circumstances”. The text dealing with exceptional circumstances (100.6 A3) is extremely important, as circumstances may arise in practice that were not foreseen by the Board in devising the Code, and by its nature a Code cannot anticipate every possible circumstance in which it is intended to apply. A professional accountant may encounter circumstances where, for a variety of different reasons, following a specific requirement “to the letter” would be inappropriate, impracticable or ineffective. Not only does the Code need to deal with this issue clearly, it also needs to be sufficiently robust as to prevent unwarranted misuse. Thus, improving the clarity of the Code in this area is a key issue. We note that although the wording proposed has been changed slightly, the term “encouraged” does not equate to a clear statement of requirement for a professional accountant. The IAASB faced a similar challenge in its clarity project, and included the following specific requirement and application material to deal with this:

ISA 200.23: “In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA. In such circumstances, the auditor shall perform alternative audit procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective in achieving the aim of the requirement. (Ref: Para. A74)”

ISA 200.A74: “ISA 230 establishes documentation requirements in those exceptional circumstances where the auditor departs from a relevant requirement. The ISAs do not call for compliance with a requirement that is not relevant in the circumstances of the audit.”

We believe the IESBA should adopt a similar approach.

The need for a radical overhaul

Given the length of the code, producing a comprehensive list of all instances of the issues identified is a task that is unreasonable in answering a PIR. Nevertheless, in our view, the issues and examples identified demonstrate clearly the need to go through diligent exercise to first define a clear structure and conventions that should be used consistently (similar to the CUSP approach from the IAASB). In the short term, the inconsistencies with this approach should be systematically identified and corrected. In the long term, the Code should be radically overhauled and drastically shortened to make it fit for purpose and more principles-based.

26. Is the language used in the Code easy to translate?

- Yes
- Somewhat (*Please explain your response and provide examples with reference to specific provisions in the Code which you consider may not be easy to translate*)
- No (*Please explain your response, and provide examples with reference to specific provisions in the Code which you consider are not easy to translate*)

No answer is given as the IDW is not responsible for translation of the Code in our jurisdiction.

Other Comments

27. Are there any other comments relating to the structure and drafting of the IESBA Code that the IESBA should consider as part of this PIR?

We do not consider that the Code in its revised structure is fit for purpose. The Code has continued to be expand in length and granularity. The resulting document has become overly detailed and increasingly difficult for users to navigate and apply in practice. Consequently, the Code is seen as unadoptable in many jurisdictions. Whilst retaining the four-part structure, including the distinction between Parts 4A and 4B, we recommend a return to a genuinely principles-based approach, accompanied by a fundamental and radical simplification of the Code to make it truly globally adoptable.

The approach should include part 5 and should be underpinned by a document to guide staff and users in the same way as the CUSP document does for the IAASB. Differences to the IAASB approach should be eliminated where possible, or at least explained as to why a different approach is being taken.

Part D – Clarity of Responsibility (For individual PAPPs, Accounting Firms, Regulators or Oversight Bodies, or PAOs)

The independence sections in the Restructured Code are included in the *International Independence Standards (IIS)* to emphasize its international application and enforceability.

The IIS comprise Part 4A – *Independence for Audit and Review Engagements* (i.e., Sections 400 to 899) and Part 4B – *Independence for Assurance Engagements Other than Audit and Review Engagements* (i.e., Sections 900 to 999).

In the IIS in Parts 4A and 4B, specific provisions relating to audits of entities that are not public interest entities (PIEs) and those relating to audits of PIEs are presented under separate headings titled:

- “All Audit Clients” to introduce provisions that apply in all circumstances and for all audits;
- “Audit Clients that are not Public Interest Entities” to introduce provisions that apply to audits of clients that are not PIEs; and
- “Audit Clients that are Public Interest Entities” to introduce provisions that apply to audits of PIEs only.

28. Is an individual PAPP’s responsibility in relation to independence clear?

- Yes
- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

29. Is a firm’s responsibility in relation to independence clear?

- Yes
- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

30. Is a network firm’s responsibility in relation to independence clear, and is that responsibility clearly distinguished from a firm’s responsibility?

- Yes
- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

We would like to highlight the following two key aspects, which are equally relevant for questions 28, 29 and 30:

- (i) Inconsistent use of terminology leads to a lack of clarity over responsibilities
- (ii) The impact of unclear PIE definitions on the understanding of independence-related responsibilities.

(i) Inconsistent use of terminology leads to a lack of clarity over responsibilities

Consistent with our previous comments, we remain of the view that the Code is, and should be, designed primarily for individual professional accountants. In many cases, the actual act of compliance with a fundamental principle can only be achieved by individuals and thus the firm’s responsibilities extend to ensuring that the individual professional accountants who comprise the firm’s partners and staff do comply, e.g., exercise due care, etc. (that is, the firm’s responsibilities are

a quality management issue – not, not an ethical issue). Indeed, this is clearly articulated and is the evident intent laid down in IESBA's terms of reference.

However, the term “professional accountant” is used variously in the Code with substantially different meanings. These are enumerated in the glossary, as “explanations of described terms” which have a specific meaning in certain parts of the Code. The expectation that users of the Code are aware of this differentiation when reading the Code is unrealistic in our view and a clear potential source of misunderstanding. This is compounded by the fact that the term itself has a generally understood meaning in English (which better matches the IESBA “explanation of defined term” and the IFAC IES definition) and a reader can very easily make a false assumption about what is meant and to whom requirements actually apply.

Particular confusion arises in part 4A and part 4B because other terms are used in addition, which leads an unsuspecting reader to assume that the term “firm”, for example, will naturally be used when firms are meant and not otherwise. Other confusing terms in Part 4A and 4B that we have identified are:

- Professional accountant in public practice
- Individual professional accountants in public practice (note 400.3 differs from the description in the glossary here)
- A firm or a network
- An individual from the engagement team
- An individual from the audit team.

The inconsistent and incoherent terminology gives rise to confusion. The sense of requirements and application material often provides users with the context to be able to understand which set of individuals and organisations is meant, but this would be far easier if the Code were structured better and terminology used consistently.

(ii) Impact of unclear PIE definitions on the understanding of independence-related responsibilities

A further key factor that affects the clarity of independence-related responsibilities is the continued lack of clarity and consistency in the definition of public interest entities (PIEs) in the Code.

As we have emphasized in our previous comment letters, the issue is not limited to the technical definition as such, but rather to the broader question of whether the Code succeeds in establishing a globally consistent and understandable scope of entities subject to enhanced independence requirements. What matters in our view is that the Code actually represents a common standard across jurisdictions. Allowing local jurisdictions to ‘refine’ the definitions of the Code has the consequence that compliance with the Code does not signal to stakeholders that common independence requirements have been fulfilled for equivalent situations.

This concern remains unaddressed and indeed there is risk of contagion to IAASB standards undermining their global applicability as well. While the structure of the PIE definition has been revised, the Code still combines:

- a principles-based explanation for differentiated requirements and application material (400.13), and
- a list of categories of PIEs (R400.22),
- together with scope for local adaptation and interaction with law and regulation (see related application material).

This combination continues to create uncertainty as to which entities are within the scope of the stricter independence regime globally, and hence the clarity of responsibilities for those to whom the independence requirements and application material apply.

End of Survey

Thank you for your valuable input. Your input will inform the IESBA's Post-Implementation Review and help the IESBA develop global ethics and independence standards that are user-friendly, understandable, capable of consistent application, and readily enforceable.