

**Draft Minutes of the Meeting of the
International Ethics Standards Board for Accountants
April 27-28, 2009
New York, USA**

	Members	Technical Advisors
<i>Present:</i>	Richard George (Chair) Frank Attwood Nina Barakzai Ken Dakdduk David Devlin Robert Franchini Kariem Hoosain Lady Barbara Judge (Day 2 only) Alice McCleary Michael Niehues Carmen Rodriguez Jean Rothbarth Volker Röhricht Robert Rutherford Isabelle Sapet Aiko Sekine Sandrine Van Bellinghen David Winetroub	Tony Bromell Lisa Snyder Andrew Pinkney Sylvie Soulier Tiina-Liisa Sexton Petra Gunia Marisa Orbea Tim Volkmann Jean-Luc Doyle Roman Adler David Szafran Peter Hughes
<i>Regrets:</i>		Heather Briers Ines Bruggeman
	Non-Voting Observers	
<i>Present:</i>	Richard Fleck (Day 1 only) Shuhei Noro (Day 1 only) Bella Rivshin	
<i>Regrets:</i>	Juan Maria Arteagoitia	

PIOB

Present Susana Novoa

IFAC Technical Staff

Present: Jim Sylph
Jan Munro
Jessie Wong

1. Introduction and Administrative Matters

Mr. George opened the meeting and welcomed all those attending. Mr. George welcomed Ms. Novoa, observing the meeting on behalf of the PIOB. He also welcomed Mr. James, Administrative Assistant of the IESBA.

Mr. George noted that apologies had been received from Lady Barbara Judge for day 1 of the meeting and from Messrs. Fleck and Noro for day 2. Apologies had been received from technical advisors Ms. Briers and Ms. Bruggeman.

Mr. George noted that apologies had also been received from Mr. Stavros Thomadakis, Chair of the PIOB, who was unable to attend the meeting. Mr. George added that Mr. Thomadakis asked him to convey that the PIOB recognizes the importance of this meeting for the IESBA. Ms. Novoa, the senior PIOB oversight officer, would report the proceedings of the meeting to the PIOB at its meeting in June 2009. Mr. George asked Ms. Novoa to the IESBA's best wishes for a speedy recovery.

Minutes of the Previous Meeting

The minutes of the February 2009 IESBA meeting were presented for approval and were approved as presented, subject to a minor amendment.

Minutes of the IESBA Consultative Advisory Group (CAG) March Meeting

Mr. George indicated that the minutes of the March 2009 CAG meeting were presented for information purposes. It was suggested that minutes of the CAG meetings be distributed to the Board at the earliest opportunity. While the Board is always briefed on CAG members' comments as part of the presentation on a particular topic, it would be helpful to receive the minutes as well.

IESBA Consultative Advisory Group (CAG) March Meeting

Mr. George reported that the IESBA CAG met on March 11, 2009 in Dubai, United Arab Emirates. Members of the CAG provided input on the drafting conventions project and also provided some preliminary comments on the priority of future projects. He indicated

that the views of CAG members would be addressed during the IESBA's discussion of relevant agenda items.

On March 12, 2009, the IESBA, the IAASB, and the Dubai International Financial Centre held a seminar for approximately 100 participants. The topics addressed included activities of the IESBA and the IAASB, international convergence, and local issues of interest to participants. Guest speakers included the Chief Executive of the Dubai Financial Services Authority and the Chief Economist of the Dubai International Financial Centre.

Mr. George noted that the next CAG meeting would be held on September 9, 2009 in Washington D.C. He encouraged any IESBA members who would be in the vicinity to attend the meeting.

European Group of Auditors' Oversight Bodies

Mr. George reported that he made a presentation to the European Group of Auditors' Oversight Bodies on March 25, 2009 in Brussels, Belgium. The meeting was attended by 27 European nations. The topics addressed included the drafting conventions project and convergence.

IESBA-National Standard Setters (NSS) Meeting

Mr. George reported that the inaugural IESBA-National Standard Setters (NSS) meeting was held on April 22, 2009 in Vancouver, Canada. The objective of the meeting was to bring together a group of NSS, representing the larger jurisdictions that share the goal of promulgating high quality ethical standards. At the meeting, the NSS were presented with information on the IESBA's Terms of Reference, method of operations, and composition. The meeting's agenda focused on the IESBA's recent activities, including revisions to the independence provisions and drafting conventions of the Code. It also addressed implementation and convergence of national and international ethical standards. The NSS were surveyed in advance of the meeting to identify areas addressed by national standards that are not currently addressed by the Code. Mr. George indicated that this information will be useful in the development of the IESBA's next strategic plan.

Mr. George reported that the meeting was a success and well attended. He indicated that few of the jurisdictions represented at the NSS have implemented the Code verbatim and several have added Code-plus requirements. Mr. George noted that it was apparent from the discussions that differences in legislative and regulatory structures present one of the more significant challenges to convergence.

IESBA Planning Committee

Mr. George reported that the Planning Committee will meet directly after this meeting and again in May 2009. Assuming approval of the revised Code at the IESBA's April meeting, the Planning Committee intends to discuss the IESBA's *Strategic and Operational Plan* for 2010-2012 and the IESBA's Convergence Plan at these meetings. It

also intends to consider the proposals for a project on ethical guidance for accountants when encountering fraud and illegal acts and a project on conflicts of interest.

Mr. George noted that several members of the Planning Committee will rotate off the IESBA at the end of the year. Therefore, to ensure that turnover in the membership of the Planning Committee is sufficiently staggered, Mr. Dakdduk and Mr. Franchini have been invited to join the Planning Committee.

Future IESBA Meetings

Mr. George indicated that, subject to the approval of the revised Code at this meeting, the IESBA's June meeting would be cancelled. He reminded Board members to be proactive and promote the revised Code after the PIOB has approved due process at its meeting in June. He added that the tentative dates and locations of the IESBA's meeting in 2010 are as follows:

- February, 2010 – New York, US
- June, 2010 – Europe
- October, 2010 – To be advised

He indicated that exact dates and locations would be circulated to Board members after the meeting.

Board Membership

Mr. George stated that Mr. Hoosain would be joining Mazars and would, therefore, be resigning from the Board since he would no longer meet the criteria of a public member. To avoid any perceived conflict of interest, Mr. Hoosain would not participate in any voting that the IESBA may undertake during the course of the meeting. Mr. George thanked Mr. Hoosain for his contributions to the Board and his participation on the Drafting Conventions Task Force.

Mr. Hoosain thanked the IESBA and in particular Mr. George for the support given him during his term and wished the Board well for the future. He also thanked Mr. Dakdduk for his Chairmanship on the Drafting Conventions Task Force.

2. Drafting Conventions

Mr. Dakdduk, Drafting Conventions Task Force Chair, reported on the activities of the Task Force since the February meeting. The Task Force held two face-to-face meetings on February 26, 2009 and March 25, 2009, respectively, and had a conference call on April 20, 2009.

Mr. Dakdduk reported that the Task Force has considered all comments received from respondents on the exposure draft and has amended its proposals to the IESBA accordingly. The amended proposals were considered at the CAG meeting held on March 11, 2009. Mr. Dakdduk indicated that members of the CAG were generally supportive of the proposed provisions on mergers and acquisitions. In this regard, he indicated that he

will refer to specific comments made by members of the CAG during the Board's deliberation of the relevant matters.

Agenda Paper 2-A contains a complete mark-up of the changes to the exposure draft. The changes made after the February IESBA meeting, including changes made in response to comments received from CAG members at the March 2009 meeting, are presented in mark-up and shaded text.

IESBA members were invited to provide comments in advance of the meeting. The Task Force considered comments received and Mr. Dakdduk indicated that he would address these matters as the IESBA went through the document.

Mergers and Acquisitions Clause

At its February 2009 meeting, the IESBA agreed that the Code should address independence issues arising from client mergers and acquisitions and discussed a draft clause.

The IESBA agreed that the provisions should:

- Stress that it is important that the firm take the necessary actions to bring it into compliance with the Code by the effective date of the merger or acquisition.
- Recognize that in some cases it will not be reasonably possible to terminate certain prohibited interests and relationships with the related entity by the effective date. In such cases, the firm is required to:
 - Terminate the relevant interest or relationship as soon as reasonably possible and, in all cases, within six months of the merger or acquisition;
 - Conduct the engagement with a “clean team”, i.e., members of the engagement team, including the individual responsible for the engagement quality control review, are free of such interests or relationships and are not involved with a prohibited non-assurance service that will need to be terminated;
 - Apply transitional measures as necessary; and
 - Discuss the matter with those charged with governance and prepare documentation as prescribed in the provision.
- Acknowledge that those charged with governance might request the firm to continue with the interest or relationship that would otherwise be required to be terminated and continue as auditor for a short period of time and only until the next audit report is issued. In such circumstances, the firm is required to:
 - Conduct the engagement with a clean team, i.e., members of the engagement team, including the individual responsible for the engagement quality control review, are free of such interests or relationships and are not involved with a continuing prohibited non-assurance service; and
 - Apply transitional measures as necessary.
- Require the firm to consider whether, even if all the requirements set out in the clause could be met, the threats created by previous and current interests and relationships are so significant that the firm cannot remain as auditor.

Mr. Dakdduk reported that the proposed mergers and acquisition clause was discussed by members of the CAG at their March 2009 meeting. He indicated that the CAG members were generally supportive of including such a clause in the Code. CAG members made the following comments:

- The drafting should make it clearer that the firm shall take steps necessary to terminate, by the effective date of the merger or acquisition, any current interests that are not permitted under Section 290.
- Additional guidance on the meaning of “cannot reasonably be terminated” would be useful.
- The phrase “short period” (¶290.36) could be interpreted as any period that does not consist of one full year.

Mr. Dakdduk reported that the Task Force has considered the comments and proposes the following:

- Some editorial changes to paragraph 290.34 to make it clearer that the firm shall take steps necessary to terminate, by the effective date of the merger or acquisition, any current interests that are not permitted under Section 290.
- Including an example of what is meant by “cannot reasonably be terminated.” The example would be “because the related entity is unable by the effective date to effect an orderly transition to a qualified service provider of a non-assurance service provided by the firm.”
- Amending “short period” to “short period of time” to reduce the potential for “short period” to be interpreted as any period that is less than a full twelve months

Mr. Dakdduk reported that the Task Force also considered stipulating why certain matters are discussed with those charged with governance. The Task Force concluded that it was not necessary to repeat what was already addressed by ¶290.28 (“Such communication enables those charged with governance to (a) consider the firm’s judgments in identifying and evaluating threats to independence, (b) consider the appropriateness of safeguards applied to eliminate them or reduce them to an acceptable level, and (c) take appropriate action.”)

Mr. Dakdduk added that the Task Force concluded that the paragraphs addressing mergers and acquisitions were best placed immediately after the provisions dealing with engagement period. Both the mergers and acquisitions clause and the engagement period provisions deal with situations where a firm is required to be independent of a new client.

The IESBA discussed the proposals and the following points were noted:

- In the example stated in ¶290.34, reference to a *qualified* service provider could be interpreted as meaning the firm has to form a judgment about the adequacy of the service provider. The IESBA agreed this was not the intention and decided to replace the word “qualified” with “another”;
- ¶290.34 requires the firm to discuss with those charged with governance the reasons why any interests or relationships cannot be terminated by the effective

- date and the evaluation of the significance of the threat. ¶290.37 requires the firm to determine whether, despite being able to meet all the criteria specified, the threats would remain so significant that objectivity would be compromised. The IESBA considered whether the requirement in ¶290.37 should appear sooner. It was noted that a firm would not have the discussion with those charged with governance per ¶290.34 only to later determine that the threats were so significant that the firm could not continue as auditor. Further, the IESBA expects that firms will read the entire mergers and acquisitions clause and then proceed, and will not act based on reading each paragraph in isolation. Accordingly, the IESBA concluded that the sequence of the paragraphs was appropriate because ¶290.37 addresses the need for a “standback” consideration. The IESBA agreed, however, that beginning ¶290.35 with the word “then” might give the impression that the paragraphs were to be applied in sequence. The IESBA agreed to delete the word;
- Whether the provisions of ¶290.36 were appropriate. A view was expressed that this was not a common situation and the provisions were weak because the firm was not required to terminate those interests or relationships that could reasonably be terminated. The IESBA discussed the paragraph and concluded that it should remain. It was noted that the situation did occur and it would be useful to provide guidance for auditors in such situations. It was also noted that the provisions were robust, requiring a “clean” audit team, discussion with those charged with governance, and transitional measures to be applied as necessary. Further, the “standback” provisions in ¶290.37 would also apply; and
 - It was noted that ¶290.36 did not convey the thought contained in the lead agenda paper that there will be situations when an auditor has already begun working on the audit of the year in which the acquisition becomes effective and the client believes it makes sense for the auditor to finish the audit for the remainder of that year. The IESBA agreed that the paragraph should refer to the fact that the firm may have completed a significant amount of audit work prior to the effective date.

Consultation Clause

Mr. Dakdduk reported that at the February 2009 meeting, the IESBA agreed that the Code should contain a clause recommending consultation with a member body or relevant regulator in situations where application of a specific requirement would result in a disproportionate outcome or an outcome that may not be in the public interest.

Mr. Dakdduk indicated that the clause was discussed with the CAG. CAG members were supportive of the Code containing such a clause, though some CAG members questioned whether the meaning of a “disproportionate outcome” was clear and whether it would be clearer if the clause referred to, for example, “unintended consequences.” One CAG member questioned the need for the clause. Mr. Dakdduk reported that the Task Force considered CAG members' comments and is of the view that a professional accountant will be able to determine when an outcome is disproportionate. In addition, the importance of the clause is that it will enable a discussion between a firm and a member body or a relevant regulator. Consequently, the member body or regulator would be involved in the discussion as to whether the outcome was, or was not, disproportionate in

the circumstances. The Task Force also recognized that what is disproportionate may vary from jurisdiction to jurisdiction and it would not, therefore, be appropriate to try and define disproportionate. Also, the clause applies to the whole Code and, therefore, what might be disproportionate in the case of a professional accountant in business may differ from what might be disproportionate for a professional accountant in public practice.

Mr. Dakdduk further reported that some CAG members suggested that the ending of the clause (i.e., "the professional accountant is recommended to consult . . .") be reworded. He noted that the Task Force considered this comment and proposes that the clause state "it is recommended that the professional accountant consult with a member body or the relevant regulator."

Mr. Dakdduk added that the Task Force also gave consideration to the positioning of the consultation clause and concluded that it should be placed after the description of the conceptual framework approach and, therefore, proposes that it be placed after ¶100.11.

The IESBA considered and agreed with the Task Force's proposals.

Documentation

Mr. Dakdduk reported that at its February 2009 meeting, the IESBA discussed a requirement for auditors to document threats that are "at the margin." Mr. Dakdduk noted that some CAG members expressed concern that the proposed wording might result in threats below the margin being documented. On balance, however, it was felt that the proposed wording reflected the intentions of the Board. At its February meeting, the IESBA agreed that the firm should also be required to document the rationale for the conclusion that safeguards were not necessary because the threat was already at an acceptable level.

Mr. Dakdduk reported that the Task Force considered the Board's direction and CAG members' comments and proposed that threats that are at the margin be identified in the provision as threats for which the professional accountant "applied significant judgment in determining whether safeguards were necessary" and concluded that they were not.

The IESBA considered the Task Force's proposal. A concern was expressed that the wording could be interpreted to mean that matters that were not documented had not been carefully considered. The IESBA discussed this concern and the following points were noted:

- The objective of the requirement is to document threats that are at the margin. CAG members believed this to be an important objective;
- A possible solution might be to encourage, rather than require, the documentation or alternatively require the accountant to determine whether documentation was necessary;
- The use of the phrase "significant judgment" could be interpreted as meaning that some judgments are "insignificant"; and

- It might be clearer if the documentation requirement was linked to whether a reasonable and informed third party would consider the threat to be at an acceptable level.

After discussion, the IESBA agreed that the requirement should remain and that it was not appropriate to explicitly mention a reasonable and informed third party because this concept is included in the definition of “acceptable level,” which the professional accountant would need to be mindful of when analyzing threats and concluding on their significance. The IESBA agreed to revise the provision to clarify that point and that the absence of documentation is not a determinant of whether a firm considered a particular matter nor whether it is independent. The IESBA also agreed to clarify that a threat that is at the margin would typically be a threat that requires significant analysis to determine whether safeguards were necessary.

Effective Date

Mr. Dakdduk noted that at the February 2009 meeting, the IESBA discussed the effective date of the revised Code and agreed that the effective date and transitional provisions would be as follows:

- The revised Code shall be effective on January 1, 2011;
- Early adoption will be permitted and language stating that early adoption is encouraged will not be included;
- For entities that are now public interest entities under the revised Code (but not the old Code), the professional accountant will be subject to the more restrictive public interest entity independence requirements on January 1, 2012;
- Non-assurance services contracted for before January 1, 2011 that were permitted under the old Code but not under the revised Code shall be completed by July 1, 2011;
- Individuals who are newly subject to the rotation requirements because they meet the definition of the new term “key audit partner” shall be required to rotate for fiscal periods beginning after December 15, 2011 if they had served as a key audit partner for seven or more years. So, for example, a key audit partner who is not the engagement partner or the individual responsible for the engagement quality control review and for whom the calendar year-end 2011 audit is the seventh year on the audit would rotate off the engagement team after the 2011 audit is completed;
- The requirement for a pre- or post-issuance review when total fees from a public interest entity audit client exceed 15% of the total fees of the firm for more than two consecutive years shall be effective for audits and reviews of financial statements covering years beginning after December 15, 2010

The IESBA discussed the effective date and transitional provisions, including whether a transitional provision was necessary for the provisions relating to partner evaluation and compensation for success in selling non-assurance services to the partner's audit or review client. It was noted that the payment of compensation would often occur after the

end of the year in which the services were sold. If the new requirements were effective at January 1, 2011, a partner could not be compensated in 2011 or later for success in selling services in 2010. Therefore, firms with a calendar year-end would have until December 31, 2009 to make any necessary changes to their evaluation and compensation policies – such that there will be no payment after January 1, 2011. Given that the revised Code will likely be available in July, the IESBA concluded that six months is too short a period of time for firms to change their evaluation and compensation policies, and perhaps their partnership agreements. It was also noted that the actual payment of compensation is often delayed for tax planning or other purposes.

The IESBA agreed that a threat is created when a partner will be evaluated and compensated based on that partner's success in selling non-assurance services to the partner's audit or review client. A deferment of the payment of the compensation does not create a threat. The IESBA agreed, therefore, to provide firms with an additional year before these requirements become effective and to provide that a partner may receive compensation after January 1, 2012 for success in selling non-assurance services based on an evaluation made prior to January 1, 2012.

Other Comments

Mr. Dakdduk led the IESBA through a paragraph by paragraph review of the proposed revised Code, contained in Agenda Paper 2-A, and the following matters were discussed and agreed to:

- ¶100.10 (and ¶110.3, 290.39, 290.11, 290.112, 290.117, 290.133, 290.141, 290.159, 290.164, 290.202, 291.3, 291.112, 291.127 and 291.145) – these paragraphs describe situations where either a fundamental principle or independence is not compromised. It was noted that the paragraphs did not describe the situations in a consistent manner. It was agreed that the construction “be deemed not to” would be used;
- ¶100.11 – this paragraph could be interpreted as meaning that the conceptual framework is only applied in situations that are not explicitly addressed in the Code. The IESBA agreed to delete this paragraph and change ¶100.3 as follows “Parts B and C describe how the conceptual framework applies in ~~specific~~ certain situations.”
- ¶200.10 – the reference to “identified” would be deleted;
- ¶210.13 – referring to the professional accountant as “that professional accountant” would make it clear that the reference is to the existing accountant;
- ¶290.100 – deleting the words “in practice”;
- ¶290.116 – reinstating the words “as a result of a merger”;
- ¶290.205 – replacing the words “of” with “as to”; and
- ¶290.221 – Adding the words “or intimidation” to be consistent with change made to ¶290.220.

Ms. Munro confirmed that due process had been followed in the development of the proposed changes to the Code. 17 members voted to approve the document with one member abstaining (Mr. Hoosain).

Re-exposure

As required by due process, the IESBA considered the need to re-expose the approved changes. Mr. Dakdduk reported that at its February 2009 meeting, the IESBA had a preliminary discussion on whether the changes warranted re-exposure.

Mr. Dakdduk noted that:

- Respondents to the July 2008 exposure draft were generally supportive of the majority of proposals put forth by the IESBA;
- Subsequent changes proposed were mostly in response to comments provided by respondents;
- A substantial number of respondents to the exposure draft expressed the view that the Code should address mergers and acquisitions, and the Board has been responsive to that request;
- The mergers and acquisitions provisions provide pragmatic guidance for situations that are often faced by firms and in many cases codifies existing best practice. Thus, the extent to which the proposed guidance will change practice is expected to be limited; and
- The IESBA's understanding is that in most cases firms are able to terminate relevant interests and relationships by the effective date, and the proposed guidance will reinforce the requirement to do that; therefore, it is expected that in many mergers and acquisitions the clause will not be used.

Mr. Dakdduk added that the issue of re-exposure had been discussed at the CAG meeting. All members of the CAG were of the view that re-exposure is not necessary with the exception of the International Organization of Securities Commissions (IOSCO). IOSCO expressed the view that it would prefer an opportunity to comment on the proposed clause on mergers and acquisitions but indicated that this was the IESBA's decision to make. The Task Force has also considered this matter and recommended that re-exposure is not required.

The IESBA considered and agreed with the Task Force proposal.

Ms. Munro reported that a Basis for Conclusions will be prepared. She noted that the document will be sent to the Board members for review but the IESBA is not required to approve the document.

Mr. George thanked the Task Force for all their hard work and especially Mr. Dakdduk for his leadership in chairing the Task Force. Mr. Dakdduk thanked fellow members of the Task Force and other board members for all their contributions to the project.

3. Convergence

Mr. Devlin introduced the topic. He reported that at its June 2008, the IESBA discussed a draft Convergence Program prepared by the IESBA Planning Committee. With the

planned approval of the Code in April 2009 and anticipated release in mid-July 2009, Mr. Devlin indicated that it is now timely for the IESBA to approve the Convergence Program. The Planning Committee could then flesh out the detailed steps to be taken to further the IESBA's convergence objective.

Mr. Devlin outlined proposed steps to be taken by the IESBA in the short and longer-term noting that the IESBA is asked to provide direction to the Planning Committee, in particular on the steps to be taken in the short term. Mr. Devlin presented a list of possible action steps as follows:

- Preparation of a toolkit for convergence discussions with stakeholders. The toolkit will include the Basis for Conclusions for the revised Code, slide decks and explanatory documents outlining the importance and benefits of convergence and key changes made to the Code;
- Preparation of implementation support modules. The modules are intended to include short video presentations on the projects to be given by the respective Task Force Chairs and accompanying slide decks;
- Comparison of independence requirements in the revised Code with other jurisdictions;
- Liaison with the Compliance Advisory Panel to advance possible amendment of the IFAC's Statement of Membership Obligations 4 to incorporate a member body convergence objective
- Giving consideration to what "compliance" with the Code means and developing a statement of policy to serve as a reference for when a member body wishes to state that it complies with the revised Code; and
- Discussion of the topic of convergence with NSSs and relevant member bodies such as at the IESBA-NSSs meeting held on April 22, 2009.

The IESBA discussed the matter noting the following:

- Board members should start to actively promote the revised Code so as not to miss this window of opportunity. To assist Board members in this regard, it would be useful to have a short document outlining the changes to the Code and explaining the benefits of convergence;
- It would be useful for the Planning Committee to identify barriers to convergence with the Code and consider whether the present structure of the Code might be a barrier;
- Prior to the formation of the IESBA, the Ethics Committee, which was a sub-committee of the IFAC Board, had responsibility for the Code. This may have contributed to the Code being generally referred to as "the IFAC Code." Given that the responsibility for the Code now resides with the IESBA, it may be more appropriate to refer to it as "the IESBA Code." It was noted that this would be consistent with the International Standards on Auditing (ISAs), which are referred to as "the IAASB's ISAs" as opposed to "the IFAC ISAs."
- It would be useful to hold regional forums in key locations around the world to promote the revised Code.

The IESBA approved the Convergence Plan.

The IESBA agreed that it would be useful to develop some implementation support materials that would be available when the revised Code was issued. It was agreed that the Planning Committee would determine what types of material would be prepared.

4. IFAC Impact Assessments

Mr. George introduced Ms. Alta Prinsloo, IFAC's Director of Governance and Operations, and Ms. Linda Lach, Technical Manager of the IAASB, who are providing staff support to the IFAC's project on impact assessment. Ms. Prinsloo and Ms. Lach reported that in consultation with an IAASB Task Force and an IFAC staff group, a project to develop an impact assessment process for IFAC commenced in late 2008. Under that process, the development of a proposed new standard would be subject to a systematic and structured impact assessment, aimed at providing credible evidential bases for the proposals of a standard-setting board. Ms. Prinsloo and Ms. Lach indicated that in developing the proposed impact assessment process, the Task Force has been guided by the following criteria:

- Incorporating the impact assessment process into due process and documenting the impact assessment, including the cost-benefit analysis, in the explanatory memorandum that accompanies the exposure draft of a proposed new standard and in the Basis for Conclusions that accompanies the final standard.
- The need to make the impact assessment scalable. In other words, its scope and depth depend on the nature of the problem being addressed.
- The importance of developing an approach that is practical and can be applied by IFAC staff responsible for managing projects of their respective boards.

Ms. Prinsloo and Ms. Lach briefed the Board on the proposed steps for performing an impact assessment and explained the relationship of the impact assessment process to due process. They also made reference to a proposed template to be used for this purpose, indicating that it is based on IFAC staff's research on various forms of cost-benefit analysis, and also takes into account the *Effect Analysis* of the International Accounting Standards Board. Ms. Prinsloo and Ms. Lach further noted that after the proposed impact assessment process has been approved by the IAASB, the IAASB will be asked to pilot test it with a project to commence in the third quarter of 2009. It is proposed that this is followed by pilot tests on projects of the IESBA, the International Public Sector Accounting Standards Board, and the IAESB.

The IESBA considered the Task Force's proposals and indicated its agreement in principle with the concept of impact assessments. Acknowledging the difficulties in developing a process for such assessments, the IESBA noted the following:

- The driver for developing a proposed impact assessment process needs to be made clear, especially since the costs associated with a new standard may be significant.

Accordingly, consideration of tradeoffs is an important step. Mr. Sylph indicated that there is increasing external demand for such a process and the lack thereof may affect the adoption of the standards. It was also noted that the European Commission (EC) is conducting impact assessments, and consultation with the relevant EC staff members may provide useful information and insight. He noted that impact assessments would be important in the convergence initiative as jurisdictions would want to know the potential impact of a proposed new standard.

- The application of the proposed process in the context of ethics may be challenging. The proposed template in its present form may be too complex or cumbersome and the importance of keeping the process scalable and simple was emphasized. The importance of pilot testing the process and template on an IESBA project in due course was noted.
- The evidentiary aspects of the proposed process, including how information will be obtained, presented, and documented, are unclear. It is also unclear how the views of a broad range of stakeholders, including those at a regional or national level, would be obtained, and how the standard-setting board would respond should stakeholders indicate that the costs associated with the proposed new standard are indeed prohibitive. Mr. George noted the difficulties in developing an impact assessment at a global level; however, the assessment will be informed through consultation, particularly through the exposure process.

The IESBA agreed to monitor the progress of this project and to give further consideration to this matter at future meetings. Mr. George thanked Ms. Prinsloo and Ms. Lach for their presentation.

5. Strategic Planning

Mr. George introduced the topic. In March 2008, the IESBA issued a *Strategic and Operational Plan* for 2008-2009. During the period covered by the Plan, the IESBA's work effort has focused on the two independence projects that have since concluded, and the drafting conventions project, which is close to completion. The IESBA is, therefore, in the position to start new projects and in this regard, to commence strategic planning for the period 2010-2012. Mr. George reported that NSS were consulted on this matter at the IESBA-NSS meeting held on April 22, 2009. He noted that the NSS discussed projects identified in the 2008-2009 *IESBA Strategic and Operational Plan* and were also asked to identify significant issues and developments at the national level. Views of the NSS were also solicited on future project priorities for the IESBA.

Mr. George reported that the IESBA's terms of reference and due process require the strategic review to include a formal survey of key stakeholders to obtain views about issues that they believe should be addressed in the immediate future. He indicated that the previous survey was contained in Agenda Paper 5-B. The Planning Committee will develop a new survey based on the input received from the IESBA. The survey will be

sent out in Q2 2009. The input from the survey will be used by the Planning Committee to develop a draft Strategic Plan.

Mr. George added that at the March 2009 CAG meeting, members of the CAG discussed the 2008-2009 *IESBA Strategic and Operational Plan*. The Plan identifies three projects for which work was delayed, or deferred, due to the need for the IESBA to focus on completing the independence and drafting conventions projects:

- Accountants in Government
- Fraud and Illegal Acts
- Conflicts of Interest

Mr. George reported that CAG members were generally supportive that the proposed projects were the next ones that should be addressed by the IESBA. Mr. George indicated that in light of the time that has passed since the current Plan was developed, the IESBA is asked to confirm the priority of these projects.

The IESBA considered the comments and confirmed that these projects should still be given attention by the IESBA, noting the following:

Accountants in Government

- Changes made to the Code as a result of the Independence I and II projects may have addressed some of the issues to be considered by the project.
- Since many accountants in the public sector are not professional accountants as defined by the Code (i.e., they are not members of member bodies of IFAC), the project may be of a lower priority compared to other projects the IESBA is considering.
- Liaison with the International Organization of Supreme Audit Institutions is important in the context of this project.

Fraud and Illegal Acts

- In certain jurisdictions, legislation may prescribe what professional accountants are required to do and what actions are required to be taken when faced with situations involving fraud and illegal acts.
- Establishing the correct scope for this project will be very challenging.

Conflicts of Interest

- The scope of the project should also address professional accountants in business.

Mr. George thanked the IESBA for its comments and noted that the Planning Committee will develop detailed project proposals and a draft Strategic Plan, which will be presented for discussion at the IESBA October 2009 meeting.

6. IFAC PIAC Self-Assessment

Mr. Sylph briefed the IESBA on the Monitoring Group's review of IFAC's Public Interest Activity Committees (PIACs), noting that it forms part of the IFAC reforms of 2003. Mr. Sylph reported that the Monitoring Group has established a sub-group chaired by Mr. John Hegarty to review the implementation of the IFAC reforms.

He noted that a sub-committee of the IFAC Board, chaired by Mr. Göran Tidström, would prepare a joint response of self-assessment from all of the PIACs. He indicated that he did not yet know when a draft of the paper would be circulated to the IESBA for comment.

7. Comments from the PIOB

Ms. Novoa, representing the PIOB, addressed the IESBA. She re-iterated the message conveyed earlier by Mr. George on behalf of Mr. Thomadakis, that the PIOB recognizes of the importance of this meeting for the IESBA.

She indicated that to date, the PIOB has not identified any breaches of due process followed by the Drafting Conventions project but noted that this will be a matter for consideration at the PIOB June 2009 meeting.

Mr. George acknowledged and thanked Ms. Novoa for her comments.

8. Closing

Mr. George congratulated the Board for having achieved an important milestone with the approval of the revised Code. He thanked all board members and technical advisers for their participation and in particular, the chairs of the three Task Forces that had developed the changes to the revised Code: Ms. Rothbarth; Mr. Winetroub and Mr. Dakdduk. Mr. George confirmed that the June meeting was cancelled and closed the meeting.

9. Future Meeting Dates

October 19-21, 2009 (Tokyo, Japan)
February, 2010 (New York, US)
June, 2010 (Europe)
October, 2010 (*TBC*)