



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item

C

Committee Ethics Consultative Advisory Group

Meeting Location: Conference Call

Meeting Date: June 20, 2007

Independence Part II

Objectives of Agenda Item

To solicit the views of the CAG on the proposals of the IESBA regarding Independence Part II.

Project Status

When the Board approved the exposure draft at its December 2006 meeting it recognized that there were three specific areas, not addressed in the exposure draft, which should be considered subsequent to release of the exposure draft. These areas were:

- Whether it is appropriate to revise the existing guidance related to the provision of internal audit services to audit clients;
- Whether it is appropriate to include additional guidance related to economic dependence in the paragraph dealing with fees in Section 290 (and proposed Section 291); and
- Whether it is appropriate to revise the existing guidance relating to contingent fees.

At the March 2007 IESBA meeting, the Task Force presented recommendations on these three topics to the Board. The Board provided feedback to the Task Force. The Task Force has considered the feedback provided and has developed a proposed exposure draft. The input from the CAG will be included in the presentation to the Board at its June 25-27, 2007 meeting.

The Board plans to approve the exposure draft at its June 25-27, 2007.

Matters for the CAG

Agenda Paper C.1 contains considerations of the Task Force in developing the proposed changes to independence requirements for the three areas noted above. Agenda Paper C-1 contains the clean text of the proposed exposure draft which will be presented to the IESBA for approval at its June 25-27, 2007 meeting.

CAG members are asked to consider the proposals described in Agenda Paper C.1 and contained in Agenda Paper C.2. (Agenda Paper C.3 and C.4 are provided for references purposes) and provide input to the IESBA on the proposed positions.

Material Presented

Agenda Paper C.1	IESBA Agenda Paper 2 – Independence II Lead Agenda Paper
Agenda Paper C.2	IESBA Agenda Paper 2-A Draft Section 290 and Section 291 clean
Agenda Paper C.3	IESBA Agenda Paper 2-B Draft Section 290 and Section 291 mark-up
Agenda Paper C.4	IESBA Agenda Paper 2-C Draft Explanatory Memorandum