

Meeting: IESBA CAG
Meeting Location: New York
Meeting Date: March 10, 2014

Agenda Item

G

Review of Part C of the Code— Presenting Information

Objective of Agenda Item

1. To obtain CAG Representatives' views on proposed changes to Section 320 of the *Code of Ethics for Professional Accountants* (the Code) to address the topic of presentation of information.

Project Status and Timeline

2. At its meeting in March 2013, the IESBA approved the project to review Part C of the Code, including that priority attention be given to the following topic areas:
 - Pressure by superiors and others to engage in unethical or illegal acts (Pressure);
 - The responsibility of professional accountants in business (PAIBs) to produce financial reports that are faithful representations of the economics of transactions, and associated matters (Faithful Representation); and
 - Facilitation payments and bribes (Inducements).
3. This project is divided into two phases:
 - Phase I will review Sections 300,¹ 320,² 330³ and 340⁴ of the Code and will, in particular, address the topics of Pressure and Faithful Representation.
 - Phase II will address Section 350,⁵ which is related to the topic of Inducements.
4. At their September 2013 meetings, the CAG and the IESBA considered issues related to pressure by superiors and others to engage in unethical or illegal acts (Pressure). The IESBA agreed that a new section should be drafted addressing pressure in addition to revising Section 340. This new section is provisionally numbered Section 370. The Task Force will present the proposed Section 370 addressing pressure at the September 2014 CAG meeting.

¹ Section 300, *Introduction*

² Section 320, *Preparation and Reporting of Information*

³ Section 330, *Acting with Sufficient Expertise*

⁴ Section 340, *Financial Interests*

⁵ Section 350, *Inducements*

5. At its December 2013 meeting, the IESBA considered issues related to Section 320 dealing with the preparation and presentation of information.

The Task Force is aiming to present a first read of an exposure draft on Section 320 at the October 2014 IESBA meeting.

Matters for CAG Consideration

A. Section 320

6. A preliminary revised Section 320 was considered by the Board at its meeting in December 2013. A number of IESBA members expressed various concerns about a proposal to include a requirement that the information be prepared or presented “without bias.” A few IESBA members also questioned the proposed addition of the word “completely” to this requirement, believing that it added little.
7. The Task Force also proposed to require a PAIB not to prepare, alter or present information in a manner that is intended to deceive or mislead; misrepresent the underlying economic performance of the employing organization; or inappropriately influence decisions, or contractual or regulatory outcomes that depend on the reported information. In addition, the Task Force proposed to require the PAIB not to prepare or report information that misrepresents what it purports to represent, notwithstanding that the information is in accordance with the applicable financial reporting framework. IESBA members expressed various concerns with these proposals.
8. The Task Force addressed these matters at its meetings in February and March 2014 and makes the following proposals.
9. Section 320 is re-titled “Presentation of Information” which encompasses preparation and reporting of information.
10. The Task Force had initially proposed to create separate requirements for internal and external information, but because a PAIB may not know whether their work would ultimately be used internally or externally, the TF proposes that Section 320 should establish the same requirements for all information, with an additional condition that external information be presented in accordance with an applicable reporting framework. This requirement is intentionally not limited to financial reporting frameworks to recognize the existence of sustainability and similar information that the PAIB may prepare.
11. The Task Force recognizes that there is no objective benchmark to which the PAIB should refer when preparing information that is not subject to a reporting framework, such as budgets or non-GAAP supplementary measures. It proposes a requirement for the PAIB to disclose such relevant information as is necessary to enable those who may rely on such information to form their own judgments.
12. The Task Force proposes to retain the requirement for information to be “complete” because this avoids the omission of relevant information. In addition, the Task Force proposes to include the caveat that the PAIB “have regard to the purpose for which the information is to be used, the context in which it is provided and the audience to whom it is addressed,” which would address the comments from the Board that internal information need not be complete.

13. The Task Force accepts that internal information, such as budgets, may intentionally be biased, for example the use of stretch targets. It therefore proposes to make clear that what the PAIB should not impose is *personal* bias beyond any bias that management may appropriately wish to apply. To make clear why there is no place ethically for personal bias, the Task Force proposes to link the prohibition of personal bias to the fundamental principle of objectivity, which imposes an obligation on all professional accountants not to compromise their professional or business judgment because of *bias*, conflict of interest or the undue influence of others.
14. The Task Force noted that the Structure of the Code Working Group is proposing Scope and Purpose paragraphs at the start of each Section. The Task Force proposals are drafted in the style of the extant Code. The Task Force believes that the purpose of the Section is to influence the behavior of the PAIB in presenting information. Section 320 sets the standard and Section 370 (Pressure) provides guidance to the PAIB as to how to respond to pressure to compromise the standards set in Section 320.

Matter for CAG Consideration

1. Do Representatives have any comments on the above proposals?

B. Paragraph 320.6

15. The Task Force paid close attention to the circumstances in which a PAIB may present misleading information in paragraph 320.6 and requests CAG input on this particular matter. This matter is addressed in Agenda Item G-1.

Material Presented – CAG Paper

Agenda Item G-1	Association of PAIBs with Misleading Information (Paragraph 320.6) – Issues paper
Agenda Item G-2	Proposed Changes to Section 320 – Presentation of Information (Clean)
Agenda Item G-3	Proposed Changes to Section 320 – Presentation of Information (Mark-Up)