

Meeting: IESBA CAG

Meeting Location: New York, USA

Meeting Date: September 13-14, 2016

Agenda Item

B

Structure of the Code Phases 1 and 2 – Cover Including Report Back

Objectives of Agenda Item

1. To discuss significant project matters, in particular those arising from the feedback on the December 2015 [Exposure Draft: Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1 \(Structure ED-1\)](#).
2. To obtain Representatives' views about the Task Force's proposed responses.
3. To provide an update on the project, including Phase 2.

Project Status and Timeline

4. Appendix 1 to this paper provides a history of previous discussions with the CAG on this topic, including links to relevant CAG documentation.
5. The Structure of the Code project has established a new structure and format for the Code. The IESBA views this project as strategically important, and therefore a high priority. The Structure TF has overall responsibility for the project, including oversight of restructuring being performed by other Task Forces. All IESBA staff and several Task Forces have been working on a coordinated basis to progress the various work streams on schedule.
6. Structure ED-1 was approved and released in December 2015. Structure ED-1 sets out the first concrete application of the proposed new Structure format, which the IESBA hopes will lead to greater usability and understandability of the Code, and hence more consistent application and improved enforcement. The Phase 2 exposure draft (Structure ED-2), targeted for approval at the December 2016 IESBA meeting, will include restructured provisions pertaining to:
 - Section 290.500 – 290.514, *Reports that Include a Restriction on Use and Distribution*;
 - Section 291, *Independence – Other Assurance Engagements* of the extant Code;
 - The Part C Phase 1 close-off document;
 - Recently released Sections 225 and 360, both titled *Responding to Non-Compliance with Laws and Regulations* (NOCLAR); and
 - The revised Long Association (LA) provisions.

Revised provisions relating to Phase 2 of the Safeguards project will be released separately as part of Safeguards ED-2.

7. The IESBA is mindful of the need for appropriate alignment of the timing of the work on the Structure of the Code project with the timing of other projects currently in progress. In conjunction with the release of Structure ED-1, the IESBA released [IESBA Update: Restructuring the Code of Ethics for Professional Accountants](#) to explain how it plans to coordinate the restructuring work with the various other work streams. A similar document will be published with Structure ED-2 to provide stakeholders updated information about the future timeline of the Structure of the Code project (see paragraph 12 below).
8. The deadline for comments on Structure ED-1 was April 18, 2016. Comment letters have been received from 50 respondents and are available for review on the Board's [website](#). The IESBA considered a summary of the some of the issues raised by respondents to Structure ED-1 and the Structure Task Force preliminary proposals at its June 2016 meeting. The relevant agenda materials from the June 2016 IESBA meeting are provided as part of the CAG reference material below.
9. The last substantive CAG discussion relating to the Structure of the Code project in September 2015. A report back on the September 2015 CAG meeting, including how the Task Force/ IESBA responded to CAG Representatives' comments was presented at the March 2016 CAG meeting.

March 2016 CAG Discussion

10. Below are extracts from the draft minutes of the March 2016 CAG meeting,¹ and an indication of how the Task Force or IESBA has responded to CAG Representatives' comments.

Matters Raised	Task Force/IESBA Response
Mr. Dalkin expressed support for the new structure that positioned requirements followed immediately by supporting application material, which he found helpful. He noted that INTOSAI was revising its own code of ethics and had considered the IESBA's work.	Support noted.
Mr. Ahmed agreed with Mr. Dalkin. In his view, having explicit requirements that clarify how to apply the five fundamental principles, and the actions that PAs should take when they face threats to compliance with the fundamental principles, will enhance the usability of the Code. He was of the view that the use of examples in the proposed restructured Code reduces ambiguity and is an overall improvement.	Support noted.
Mr. Nicholson informed that the IIA would be submitting a written response to Structure ED-1. He shared the IIA's views about how it believes	The Task Force has developed revisions to Structure ED-1 and Safeguards ED-1 that clarify how the requirements and application material in the conceptual framework set out in Section 120

¹ The draft March 2016 CAG minutes will be approved at the September 2016 IESBA CAG meeting.

Matters Raised	Task Force/IESBA Response
the Code should describe the interaction between independence and objectivity.	should apply in the context of audits, reviews and other assurance engagements to which independence provisions apply (see also the March 2016 report back to the Safeguards project in Agenda Item C).

Matters for Consideration

11. Representatives are asked to:
- (a) To note the report back in paragraph 10.
 - (b) Provide their views about the issues identified and the Task Force's planned approach for revising the draft restructured Code as set out in **Agenda Item B-1**.

Future Timeline

12. The anticipated future timeline of the Structure project is as follows:

Timeline	Structure of the Code Phase 2
December 2016	Board approval of Structure ED-2
May 2017	Comments on Structure ED-2 due
June 2017	High level update of Structure ED-2 responses
September 2017	Consideration of significant comments on Structure ED-2
December 2017	Approval of finalized draft restructured Code

Material Presented

- Agenda Item B-1 Structure Phase 1 – Further Analysis of Respondents' Comments on ED-1, Issues and Task Force Proposals
- Agenda Item B-2 Proposed Revisions to Structure ED-1 (Clean Version)

Material Presented –FOR IESBA CAG REFERENCE PURPOSES ONLY

- Structure ED-1 <http://www.ifac.org/publications-resources/exposure-draft-improving-structure-code-ethics-professional-accountants-phase>
- IESBA June 2016 Meeting Materials <http://www.ethicsboard.org/meetings/june-27-29-2016-new-york-usa>
- Structure Phase 1*
- Agenda Item 2-A, Summary of Comments on Structure ED-1, Issues and Task Force Proposals

Structure Phase 2

- Agenda Item 2-B, Structure ED-2, Issues Paper and Task Force Proposals

IESBA September 2016 Meeting Materials

<http://www.ethicsboard.org/meetings/september-26-30-2016-new-york-usa>

Phase 1

- Agenda Item 3-B, Proposed Revisions to Structure ED-1 (Marked From ED)

Phase 2

- Agenda Item 3-D, Structure of the Code: Phase 2 – Issues and TF Proposals
- Agenda Item 3-E, Proposed Structure ED-2, Including Section 800² and Section 900, and related conforming amendments³ arising from the Safeguards project
- Agenda Item 3-F, Mapping Table for Proposed Structure ED-2
- Agenda Item 3-G, Forward Timelines – Structure Related Work Streams

² Section 800, *Reports that Include a Report on Restriction on Use and Distribution* (paragraphs 290.500 to 290.514 of the extant Code)

³ Section 950, *Provision of Non-assurance Services to Assurance Clients* (paragraphs 291.138 – 291.148 of the extant Code)

Appendix

Project History

Project: Structure of the Code

Summary

	CAG Meeting	IESBA Meeting
Project commencement	March 2014 September 2014	March 2014 June 2014 September 2014 December 2014
Development of proposed international pronouncement for Phase I (up to exposure)	March 2015 September 2015	April 2015 June/July 2015 September 2015 November/December 2015
Phase I Exposure Draft	December 2015 – April 18, 2016	
Report Back on CAG September 2015 Meeting	March 2016	
Consideration of a summary of comments, issues and preliminary Task Force proposals Phase 1 and Phase 2 Issues and Task Force Proposals.		June 2016

CAG Discussions: Detailed References

Project Commencement	<u>March 2014</u> See IESBA CAG meeting material here (see Agenda Items F and F-1, F-2, F-3, F-4 and F-5) and final CAG meeting minutes (see section F). <u>September 2014</u> See IESBA CAG meeting material here (see Agenda Items F and F-1) and final CAG meeting minutes (see section F).
Development of proposed international pronouncement (up to exposure)	<u>March 2015</u> See IESBA CAG meeting material here (see Agenda Items C and C-1) and final CAG meeting minutes (see C section). <u>September 2015</u> See IESBA CAG meeting material here (see Agenda Items D and D-1) and final CAG meeting minutes (see Section D).

Structure of the Code Phases 1 and 2 – Cover, Including Report Back
IESBA CAG Meeting (September 2016)

	<p><u>March 2016</u></p> <p>See IESBA CAG meeting material here (see Agenda Items D-1 and D-1.1) and draft CAG meeting minutes at Agenda Item A-1 (see Section D).</p>
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