

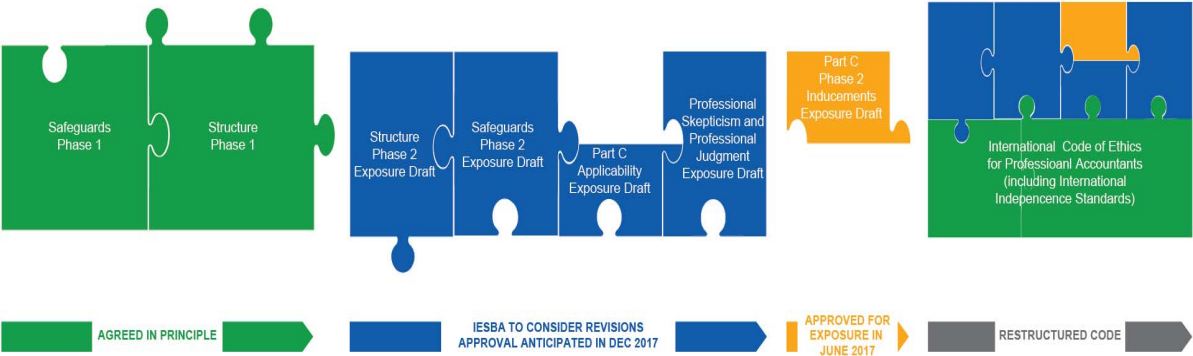


Structure of the Code

Don Thomson, Task Force Chair

IESBA CAG Meeting
Madrid, Spain
September 13, 2017

Towards a Restructured IESBA Code



Background

Key Features of the Restructuring

- Enhanced understandability, improved usability
 - Facilitating compliance, enforcement, adoption and implementation
- Serving the public interest, responsive to stakeholders
 - Requirements distinguished from guidance
 - Increased prominence of principles and the conceptual framework
 - Increased clarity of responsibility
 - IAASB ISQC 1 Task Force considering further clarification
 - Increased clarity of language, improving readability



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Background

Other Features of Restructuring

- New title to emphasize key features
- Guide to the Code
- More self-contained sections
- Careful to avoid inadvertent changes in meaning
- Careful to avoid any weakening of the Code
- Various matters outside scope noted for Board attention



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Background

Project Timeline

- January 2013 – Working Group began research
- April 2014 – Project approved
- November 2014 – Consultation Paper issued
- December 2015 – Exposure Draft (Phase 1) issued
- April 2016 – Comment period ended
- January 2017 – Exposure Draft (Phase 2) issued
- May 2017 – Comment period ended

Session Objectives

- Discuss significant project matters arising from feedback on Structure ED-2 impacting
 - The text
 - The Basis for Conclusions
- Obtain the CAG's view about proposed responses
- Provide an update on the project and obtain CAG views about any outstanding matters

Feedback on Structure ED-2

Overview of Respondents

Category	Number
Regulators and Oversight Authorities	3
National Standards Setters	2
Firms	9
IFAC Member Bodies	23
Other Professional Organizations	3
Total	40

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Feedback on Structure ED-2

Highlights of Comments

- Widespread support for the Phase 2 proposals
- Some comments that could or should further improve the Code
- Many helpful wording suggestions to increase consistency and avoid possible inadvertent changes in meaning
- Some comments related to Phase 1 decisions
- Some comments related to matters outside scope of the project
 - Referred to another task force or the Board, as appropriate
- Effective date – some accepted; others prefer all at one date

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Feedback on Structure ED-2

Highlights of Comments

- Some noted drafting differences between the Parts
- NOCLAR and S.540 – some question clarity if FAQs
- S.540 – some propose it be effective with rest of the Code
- S.600 – subsection introductions repetitive, lengthen Code
- S.600 – “firm” not always accompanied by “network firm”
- S.600 – question “may” and “might” re likelihood of threats
- Wording suggestions will be addressed in September

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Feedback on Structure ED-2

Overarching Requirements

- Some concern that the Code appears more rules-based
- Suggested creating a more explicit link to clear ethical outcomes
- Need to emphasize that compliance with specific requirements is not necessarily compliance with the overarching requirements
 - Restructuring distinguishes, doesn’t add requirements
 - Proposing to add text in the guide to emphasize the principles establishing ethical behavior and the Code’s ethical foundation

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Feedback on Structure ED-2

Clarity of Responsibility

- Some consider further work needed to clarify responsibility
 - IAASB considering further clarifying responsibility
- Add in S.120 explanation of approach to responsibility
 - Explained in 400.4; required to know and understand S.400 for independence; S120 not intended to replace S.400
- No Snr. management duties re ethical mind-set in Code
 - Snr. Management of firm providing assurance services subject to ISQC1; Leadership is an element of ISQC 1

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Feedback on Structure ED-2

Introductory Paragraphs

- Introductions are repetitive, lengthen the Code and are not requirements
- Wording should be clearer and more consistent
 - Introduction reminds users of Part 1 requirements
 - Introductions being streamlined making consistent references to fundamental principles and threats

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Feedback on Structure ED-2

Other Drafting Matters

- “May” vs “might”
 - Specific description adjusted making probability of terms clearer
 - Usage reviewed and slight adjustments made
- Use of “firm” and “network firm” – possible omissions
 - Refined by adding “or network firm” in some places
- Headings, sub-headings and numbering issues
 - Various refinements including sequential numbering for general AM

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Feedback on Structure ED-2

Matters Outside Project Scope

- Previously reported to Board
 - Public interest; documentation; aligning SSB definitions; and update S.900 for consistency with ISAE 3000
- New
 - Revise R400.31 and the definition of engagement period
 - Consider same standards for close and immediate family
 - Sections without specific “R”s; do exceptions weaken “R”s?
 - PIEs – same independence standards for other assurance and audit

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Next Steps

- September – wording, including changes in meaning
- December – approve restructured Code and its effective date for entire Code
- Electronic enhancements and tools – once Code is final
- Early consideration of implementation issues encouraged
- Matters outside scope to be considered

Matters for CAG Consideration

1. Representatives are asked to provide input on the Task Force's proposals in response to the feedback received on Structure ED-2
2. Representatives are asked to share any other views that might be relevant to the IESBA's finalization of the restructured Code



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