

**Meeting:** IESBA CAG

**Meeting Location:** New York

**Meeting Date:** September 10, 2018

## Agenda Item

# G2

### Revised and Restructured Code Rollout

#### Objective of Agenda Item

1. To provide an update on the “rollout” initiatives aimed at promoting awareness, adoption and implementation of the recently released [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (“the revised and restructured Code” or “the Code”).

#### Initiative Status and Timeline

2. In response to calls for support in promoting the changes to the Code and facilitating its adoption and effective implementation, the IESBA established a Rollout Working Group (the WG) immediately after approving the revised and restructured Code in December 2017.

#### The Revised and Restructured Code

3. The IESBA released the [final pronouncement](#) relating to the revised and restructure Code on April 9, 2018. This Code is completely re-written and includes:
  - A revised conceptual framework with more explicit and robust requirements to assist professional accountants deal with ethics and independence issues. For example, the revisions:
    - Clarify that professional accountants and firms are to apply the conceptual framework to comply with threats to the fundamental principles and, where applicable, to independence.
    - Clarify that professional accountants are required to identify, evaluate and address threats and emphasize the need to: (i) exercise professional judgment; (ii) use the reasonable and informed third party test; and (iii) remain alert for new information and to change in facts and circumstances in doing so.
    - Establish a description of the reasonable and informed third party test.
    - Include a revised description of “safeguards” and “acceptable level”. Also, the examples of actions that might be safeguards that are included throughout the various sections of the Code are better aligned to specific threats and the situations that create them.
    - Remind professional accountants to consider qualitative as well as quantitative factors in evaluating threats, as well as the combined effect of multiple threats, if applicable.
    - Include a new requirement to “step back” and think about whether the actions they have taken are effective to reduce the specific threats to an acceptable level.
  - A new section dedicated to professional accountants in business (PAIBs) addressing situations relating to pressure.

- Strengthened provisions for PAIBs relating to preparing and presenting information.
  - Clearer guidance that explain how provisions in the Code applicable to PAIBs apply to professional accountants in public practice (PAPPs).
  - Stronger independence provisions covering long association with audit clients.
  - New application material to emphasize the importance of understanding facts and circumstances when exercising professional judgment; and
  - New application material that explains how compliance with the fundamental principles of the Code supports the exercise of professional skepticism in an audit or other assurance engagement.
4. The revised and restructured Code will come into effect in June 2019.<sup>1</sup>

### **Revised Inducement Provisions**

5. The [revised inducement provisions](#) were finalized in April 2018 and introduce into the Code a more robust and comprehensive framework which clearly delineates the boundaries of acceptable inducements and guides the behaviors of PAIBs and PAPPs in all situations involving inducements. The revised provisions (i.e., Sections 250,<sup>2</sup> 340,<sup>3</sup> 420,<sup>4</sup> and 906<sup>5</sup>) were released in July 2018, and represent the last, but no less important piece of the revised and restructured Code.
6. The revised inducement provisions will have the same effective date as the revised and restructured Code.

### **IESBA Handbook**

7. The 2018 edition of the IESBA Handbook contains the full text of the revised and restructured Code which includes the revised inducement provisions. The new Handbook will be available for purchase in September 2018.

### **Overview of Rollout Activities**

8. The objective of the WG is to promote awareness, adoption and effective implementation of revised and restructured Code. Recognizing that effective communication and global stakeholder engagement are critical to the achievement of its objective, the WG has partnered with the IFAC Communications team to develop a year-long Global Communication Strategy and Action Plan aimed at global stakeholder engagement.

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<sup>1</sup> The effective date for the Code does not override the effective dates of the July 2016 provisions relating [Non-Compliance with Laws and Regulations](#) (NOCLAR), and the January 2017 [Long Association](#) close-off document which are drafted under the previous structure and drafting conventions. NOCLAR came into effect in July 2017 and the revised Long Association provisions come into effect in December 2018.

<sup>2</sup> Part 2 – Professional Accountants in Business, Section 250, *Inducements, Including Gifts and Hospitality*

<sup>3</sup> Part 3 – Professional Accountants in Public Practice, Section 340, *Inducements, Including Gifts and Hospitality*

<sup>4</sup> International Independence Standards, Part 4A – Independence – Audit and Review Engagements, Section 420, *Gifts and Hospitality*

<sup>5</sup> International Independence Standards, Part 4B – Independence – Other Assurance Engagements, Section 906, *Gifts and Hospitality*

9. The WG's rollout activities involve the use of all mediums of communication and targets all categories of stakeholders including investors, those charged with governance (TCWG), audit committees, regulators, firms, preparers, national standard setters, professional accountancy organizations, academia and others. The WG believes that there is merit to using IESBA's and the IFAC's existing infrastructure and professional networks to reach target audiences. This will include the use of digital and print publications, as well as social media (e.g., LinkedIn and Twitter).
10. Since the release of the Code, the following has occurred:
  - The IESBA website is updated to include a dedicated [webpage](#) that serves as a visually appealing "one-stop-shop" with:
    - The final pronouncements relating to the revised and restructured Code and inducements.
    - A one-pager about the revised and restructured Code.
    - A PowerPoint slide deck to assist stakeholders promote the key provisions in the Code.
    - Five separate Bases for Conclusions relating to the Structure of the Code, Safeguards, Applicability, Professional Skepticism and Professional Judgment, and Inducements.
    - Table of concordance comparing the paragraph numbers in [2016 IESBA Handbook](#) to those in the Code.
    - Videos, webinars, news articles about the Code.
    - Previously released tools and resources relating to NOCLAR and Long Association.
    - Social media and news coverage about the Code.
  - The IESBA has participated and is committed to participating in outreach activities in many jurisdictions including Hong Kong, Indonesia, Japan, Malaysia, Singapore, South Africa, Thailand, UK, US and Vietnam.
  - The IESBA is actively using social media (e.g. Twitter and LinkedIn) to draw attention to its outreach activities and to promote the various resources and tools that are currently available on its website.

## **Upcoming IESBA Meeting**

11. At its September 2018 meeting, the IESBA will receive an update on the WG's activities for the quarter. In particular, the IESBA will be asked to provide input about future rollout activities, including possible topics that might be addressed in a non-authoritative Staff Publication (e.g., FAQs or Q&A).

## **Matters for CAG Consideration**

12. Continual engagement with stakeholders up until the effective date of the Code (June 2019) is critical. The CAG is asked to join the IESBA, its Technical Advisors and Staff to promote the changes in the Code, for example, by:
  - Authoring general and audience-specific articles and publications highlighting key aspects of the Code.
  - Sharing topics and questions for consideration in the development of future Staff FAQs and

Q&As publications.

- Hosting or participating in webinars, webcasts and other multi-media online videos or events focused on explaining key aspects of the Code.
- Hosting, identifying, or participating in national, regional and international conferences or similar events within their jurisdictions.

13. Representatives are asked to note the matters in this paper and share views about:

- (a) Ongoing efforts within their jurisdictions aimed at promoting awareness of the Code and how the IESBA might best support such efforts.
- (b) Whether there are specific messages, resources and tools that might be needed to support the adoption and implementation of the Code.
- (c) How best to engage with stakeholders who are not professional accountants (e.g., preparers who are not members of an IFAC Member Body, TCWG, including audit committees and others).

## **Material Presented – FOR IESBA CAG REFERENCE PURPOSES ONLY**

Agenda Item G2.1 One-pager about the Revised and Restructured IESBA Code

Agenda Item G2.2 PowerPoint Slide Deck, Overview of Revised and Restructured IESBA Code

[Final Pronouncement](#), Revised and Restructured Code, *International Code of Ethics for Professional Accountants (including International Independence Standards)*

[Final Pronouncement](#), *Revisions to the Code Pertaining to the Offering and Accepting of Inducements*