

IAASB ISSUES PAPER—IESBA CODE CONFORMING AMENDMENTS**Objectives of Agenda Item**

- a) To approve the IAASB Project Proposal for limited amendments to the IAASB Handbook to address changes to the International Ethics Standards Board for Accountants' (IESBA's) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code); and
- b) To approve an Exposure Draft with proposed conforming amendments to the IAASB Handbook to address changes to the IESBA Code.

Background

1. The IAASB's International Standards (the International Standards) refer to the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants in various ways ranging from simple references to the title to detailed references to specific paragraphs in the Code as it existed before April 2018.
2. The revised IESBA Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) is effective from June 15, 2019. The IESBA's Basis for Conclusions, [Improving the Structure of the Code of Ethics for Professional Accountants](#), indicates that the IESBA was careful to not inadvertently change the meaning of the IESBA Code or weaken it.
3. As discussing the planned activity with the IAASB in March 2019, a project to update the IAASB Handbook (the Handbook) for the IESBA Code has been undertaken to address the inconsistencies between the International Standards in the IAASB Handbook and the revised IESBA Code. The purpose of making the revisions to the IAASB Handbook is solely to align the extant wording with the IESBA Code, thus ensuring that the International Standards can continue to be applied together with the IESBA Code. The project does not reevaluate or discuss the merits of each reference to the IESBA Code, or ethical matters more generally.
4. Further details on the background of the project can be found in the [Proposed Plan for Updating the IAASB Handbook for the Restructured IESBA Code](#) presented to the Board in March 2019.

Project Proposal

5. The IAASB Project Proposal for limited amendments to the IAASB Handbook to address changes to the IESBA Code discusses in further detail the project objectives, outline and timetable in **Agenda Item 2-A**.

Matter for IAASB Consideration

1. Does the IAASB agree with the Project Proposal in **Agenda Item 2-A** for limited amendments to the IAASB Handbook to address changes to the IESBA Code?

Exposure Draft

6. Staff prepared an Exposure Draft (see **Agenda Item 2-B**) which shows proposed conforming amendments to the IAASB Handbook to address changes to the IESBA Code by applying the principles outlined in the Project Proposal. **Agenda Item 2-B** has benefited from input from certain technical advisors and National Standard Setters (NSS) staff to provide an independent view of the proposals.
7. These amendments are limited, as developing them does not involve re-consideration of the objectives, requirements and application material of the International Standards, in their own right. The amendments generally involve little or no judgment in preparing them as there are no, or very limited, options for amending the wording. This project will not address other potential amendments to International Standards that may have been considered in a project to achieve improvements in those Standards in the immediate term.
8. As the types of changes contemplated are limited and involve little or no judgment, it is possible to categorize all changes into a small number of categories. The categories are:
 - a) Category 1: Proposed amendments to reflect structural changes to, and the applicability of, the Code. An example of these changes is replacing terms such as “Parts A and B of the [Code]” with “the provisions of the [Code].” This change is necessary as the IESBA Code is intended to be read holistically, rather than linking directly to only certain sections.
 - b) Category 2: Proposed amendments to the framework for addressing threats to compliance with the fundamental principles to the IESBA Code. An example of these changes is in the appendices to ISA 700 (Revised),¹ where it is proposed to replace the words “and, where applicable, related safeguards” with the phrase “and, where applicable, how threats that are not at an acceptable level have been addressed.” This change is necessary because, under the extant Code, safeguards includes actions or measures that eliminate or reduce the threats to an acceptable level whereas under the IESBA Code, safeguards are measures that are applied to reduce the threats, while measures to eliminate threats are separate from safeguards.
 - c) Category 3: Updates to the title of the IESBA Code. The full title of the IESBA Code is now “International Code of Ethics for Professional Accountants (including International Independence Standards).”
 - d) Category 4: Proposed amendments to align with terminology used in the IESBA Code. An example of these changes is the amendments to the definition of “independence,” which is needed to align with the revised definition in the IESBA Code.
9. A tabular presentation format has been used to show the extant IAASB Handbook text, relevant notes on the revisions to the IESBA Code, the proposed change to the IAASB Handbook text, and the

¹ International Standards on Auditing (ISA) 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

category of the change. It is proposed that this format be used for the exposure draft to facilitate stakeholder review.

Board's Offline Review

10. As the draft Exposure Draft contains many small conforming amendments, it was determined that an offline review by the Board would be effective in determining if there are concerns with the draft Exposure Draft. Staff shared a draft of the Exposure Draft with the Board in October 2019. Comments received on the Exposure Draft are shown in **Agenda Item 2-C**.
11. The changes to the draft Exposure Draft resulting from the Board's offline review are shown in **Agenda Item 2-B** using marked changes, and are highlighted in grey for easier identification.

Request for Written Comments

12. To facilitate an effective teleconference, it is requested that members provide any written comments on the draft Exposure Draft by November 5th.

Matter for IAASB Consideration

2. Does the IAASB approve the draft Exposure Draft in **Agenda Item 2-B** for issuance for public comment with proposed conforming amendments to the IAASB Handbook to address changes to the IESBA Code?

Other Matters

Effective Date

13. It is proposed that, given the limited nature of the amendments proposed, the effective date of the amendments to the IAASB's International Standards would be approximately 90 days after the approval of the final standard. This time, while short, is believed to be acceptable because the proposed conforming amendments:
 - (a) Are in the nature of minor wording alignments with the IESBA Code.
 - (b) Replicate requirements in either the existing ISAs or in the IESBA Code.

Exposure Period

14. At the March 2019 IAASB meeting, the topic of the likely exposure period was discussed. At the time, staff proposed an exposure period of 30 days, in view of the limited nature of the conforming amendments and the need to issue the IAASB Handbook on a timely basis. The Board asked for a longer period of 45 days in view of the need for translations for some jurisdictions.

Significant Matters

15. In the Staff's view, the significant matters identified as a result of the Board's discussions and Staff's deliberations since the beginning of this project, and the considerations thereof, have all been reflected in the issues papers presented to the IAASB at its meetings. There are no significant matters it has discussed in this project that have not been brought to the IAASB's attention.
16. Staff does not believe that a consultation paper, field testing, or a roundtable is warranted, as the proposed conforming amendments are only limited in nature.

Explanatory Memorandum

17. Staff have prepared a draft Explanatory Memorandum to accompany the Exposure Draft (see **Agenda Item 2-D**). The draft Explanatory Memorandum is brief, in keeping with the limited nature of the amendments. It is requested that any comments on the draft Explanatory Memorandum be provided in writing by November 8,2019.

Matters for IAASB Consideration

3. Does the IAASB agree that the Explanatory Memorandum should propose an effective date of approximately 90 days after the approval of the final standard?
4. Does the IAASB agree with the proposed exposure period of 45 days?