



Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: April 10, 2013

Agenda Item

C

Structure of the Code

Objectives of Agenda Item

1. To obtain the views of CAG representatives on the draft Terms of Reference for the Working Group formed to advise the IESBA on improving the structure of the IESBA *Code of Ethics for Professional Accountants* (the Code).
2. To obtain CAG reactions to the Working Group's initial *status* report set out in Agenda Item C-1.

Working Group

3. Members:
 - Don Thomson, Chair, IESBA Member
 - Tony Bromell, IESBA Technical Advisor
 - Brian Caswell, IESBA Member
 - Stefano Marchese, IESBA Member
 - Alice McCleary, IESBA Member

Background

4. The IESBA discussed this topic at its June 2012 meeting. In September 2012, the IESBA CAG also discussed the topic (Reformat of the Code). There was general support at the CAG for moving ahead with the initiative, and the importance of broad consultation was flagged.
5. At its December 2012 meeting, the IESBA supported the establishment of a working group to obtain additional input from stakeholders and to develop recommendations on the way forward.
6. The Working Group was formed in January 2013 and held its initial meeting in February 2013. The Working Group Chair subsequently attended the February 2013 IFAC Small and Medium Practices (SMP) Committee meeting and reported on the initiative.
7. In March 2013, the IESBA received and discussed draft Terms of Reference for, and an initial status report from, the Working Group. The Working Group had identified short and longer term elements to the initiative, and the IESBA encouraged the Working Group to further reflect on the distinction between the short and longer term elements. The short term effort will seek ways to enhance the presentation and navigation of the Code. The Board recognized that at an appropriate time in the future a more fundamental review of the structure of the Code may be warranted, and this would

require research to demonstrate whether change is necessary and to explore the nature of any changes. Accordingly, the longer term effort will involve preliminary research to assist the IESBA in considering the need for, and nature of, such changes.

Way Forward

8. The Working Group is considering the following, subject to the views of CAG representatives and further input from the IESBA:
- Address a number of short term initiatives and present examples to the Board for its consideration. These initiatives will be designed to enhance the accessibility of the Code without changing the standards, for example, by using highlighting, summaries and hyper-linking. The mandate of the Working Group does not include changing the standards set out in the Code. Changes to the standards would require a formal project proposal.
 - Consider an initiative to increase the visibility of who is responsible for meeting the requirements and prohibitions in the Code. If this is best achieved through additional or revised standards, it will require a formal project proposal. Whether such a project would be approved in the short or longer term would depend on its importance and urgency.
 - Undertake preliminary research into:
 - Barriers to adoption faced by IFAC member bodies;
 - Problems faced by users because of the complexity of the Code, e.g., by standard setters who need to translate it;
 - The usability of the Code, e.g., by professional accountants in business and in small and medium practices (SMPs); and
 - The consistency of interpretation.
9. The research would address whether there is a case for change and, if so, explore the nature of any changes. If the IESBA concludes that change is warranted, it will assess the importance and urgency of matters to be addressed. Importance and urgency will be considered in the context of a desire that changes be limited given the need for many stakeholders to translate, adopt and implement the Code. Unless more immediate action is appropriate, the research may lead to a consultation paper, and potentially a revised Code that could be targeted for finalization in 2019 to be effective January 1, 2021, i.e., about 10 years after the last significant revision of the Code.

Material Presented

Agenda Item C-1 Structure of the Code – Initial Status Report presented to IESBA in March 2013.

Action Requested

Representatives are asked for views on the draft Working Group Terms of Reference set out Appendix I to Agenda Item C-1, the Working Group's initial status report, and the possible way forward outlined above.