



Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: April 10, 2013

Agenda Item

D

Review of Part C of the Code

Objective of Agenda Item

1. To obtain the views of CAG representatives on a proposal to start a project to review Part C of the Code addressing professional accountants in business (PAIBs).

Working Group

2. Members:
 - Jim Gaa, Chair, IESBA Member
 - Larry Kean, Small- and Medium-Sized Entity (SME) Representative
 - Alice McCleary, IESBA Member
 - Ian Rushby, IFAC PAIB Committee Member
 - Lisa Snyder, IESBA Technical Advisor

Background

3. At its meeting in December 2012, the IESBA agreed to the recommendations of the Working Group regarding a review of Part C of the Code, including that priority attention be given to the following areas:
 - Pressure by superiors and others to engage in unethical or illegal acts;
 - The responsibility of professional accountants in business (PAIBs) to produce financial reports that are faithful representations of the economics of transactions, and associated matters; and
 - Facilitation payments and bribes.
4. The IESBA agreed that this work stream should proceed on an accelerated basis under the current strategy and work plan rather than be subject to further consideration of relative prioritization as part of the current consultation on the strategy and work plan for 2014-2016. Accordingly, the IESBA asked the Working Group to prepare a project proposal for the Board's consideration and approval at the March 2013 meeting.
5. At its March 2012 meeting the IESBA approved the project proposal, and provided additional advice to the Task Force on a number of matters including:

- The project proposal included a suggestion that the Task Force could examine the merits of merging Parts A (General Application of the Code) and C of the Code. This was on the grounds that the definition of a PAIB could be interpreted as including all professional accountants because accounting firms are commercial enterprises. IESBA members, however, were of the view that this suggestion would not be helpful because Part A includes broad principles, whereas Parts B and C are detailed. In addition, it was argued that the Code is likely to be more effective if PAIBs can identify a specific part of the Code that focuses on them. However, the definition of a PAIB may merit attention.
- Unlike accounting firms, which are likely to engage mostly professional accountants, a PAIB will usually be a minority in a business where the decision making process is collective and the influence of a PAIB may be limited. The Task Force could take this into consideration in regard to the responsibility of a PAIB.

Material Presented

Agenda Item D-1 Project Proposal – Review of Part C of the Code

Action Requested

6. The IESBA CAG is asked to consider and provide input to the project proposal.