

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Dr. Thomadakis welcomed all participants and public observers to the meeting. He welcomed, in particular, Ms. Diplock, observing on behalf of the PIOB. He also welcomed Mr. Koktvedgaard, Chair of the IESBA CAG, and Mr. Honma, the Japanese FSA observer. Apologies were received for Ms. Soulier and Drs. Arteagoitia and Tsahuridu.

JUNE 2016 IFAC BOARD MEETING

Dr Thomadakis gave an update on his participation in a joint standard-setting board (SSB) Chairs' session at the June 2016 IFAC Board meeting. The session included participation from the Chairs of the International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB) and International Public Sector Accounting Standards Board (IPSASB). Among other matters, he had the opportunity to outline to the IFAC Board the IESBA's key areas of strategic focus, including engagement with the regulatory community and the profession, important topics being addressed on the IESBA's current work program, the IESBA's thinking and actions on the issue of evidence-based standard setting, and the IESBA's efforts to support and strengthen global use of the Code. There was a lively Q&A session afterwards, and the presentations were overall well received.

JUNE 2016 IESBA-NATIONAL STANDARD SETTERS (NSS) MEETING

Dr Thomadakis briefed the Board on the IESBA-NSS meeting in mid-June 2016. Among other matters, participants discussed the current projects on the Board's agenda. There was also a presentation on the implementation of the EU audit reforms in France.

JUNE 2016 IAASB MEETING

Dr. Thomadakis informed the Board that he had attended the June 2016 IAASB meeting to observe the session on Professional Skepticism and the IAASB's discussion of its project on non-compliance with laws and regulations (NOCLAR). He reported that the IAASB had approved the NOCLAR-related changes to its standards. He welcomed this positive development, noting that the timing of finalization of the IAASB's project reflected the close coordination on NOCLAR between the IESBA and IAASB. He indicated that the IAASB pronouncement would be submitted for due process approval at the September 2016 PIOB meeting.

PLANNING COMMITTEE UPDATE

Dr. Thomadakis briefed the Board on the June 2016 Planning Committee (PC) teleconference. Among other matters, the PC received updates on the current projects, was briefed on recent outreach activities and considered roll-out and implementation support initiatives for NOCLAR.

RECENT OUTREACH ACTIVITIES

Dr. Thomadakis provided an update on outreach activities since the March 2016 IESBA meeting. He thanked Ms. Soulier for representing the Board at the IAASB's Audit Quality Roundtable in Kuala Lumpur, Malaysia and Mr. Mihular for attending the Bizmeet conference in Sri Lanka.

Dr. Thomadakis also reported that Messrs. Fleck, Gunn and Siong had attended the International Organization of Securities Commissions (IOSCO) Committee 1 meeting in May 2016. At the meeting, Mr. Fleck spoke about the vision for the IESBA's future work.

He thanked all IESBA representatives who had participated or will participate in outreach, and encouraged Board participants to conduct outreach and become ambassadors for the Code within their own jurisdictions.

REVISED INTOSAI CODE OF ETHICS

Dr. Thomadakis reported that the revised INTOSAI Code of Ethics, ISSAI 30, has now been approved by INTOSAI's Professional Standards Committee. He noted that the fundamental principles in the revised ISSAI 30 had been closely aligned to the IESBA Code and that the revised ISSAI 30 would be submitted to the INTOSAI Congress at the end of 2016 for endorsement.

ANNUAL REPORT AND HANDBOOK

Dr. Thomadakis informed the Board that the 2015 IESBA Annual Report had been released in May 2016. He noted that the 2016 IESBA Handbook was expected to be issued in August 2016 and would include the new NOCLAR pronouncement once it is issued, pending PIOB approval of due process.

OTHER MATTERS

Dr. Thomadakis welcomed the recent publication of the Spanish translation of the January 2016 IESBA Staff Publication, *Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure*. He also indicated that the latest information from the IFAC Translations & Permissions Department indicates that the Code has now been translated in 45 different languages.

STAFF MATTERS

Dr. Thomadakis noted that efforts are continuing in relation to recruitment of a Principal to join the staff team.

MINUTES OF THE PREVIOUS MEETING

The minutes of the March 14 – 16, 2016 Board meeting were approved as presented.

2. **Structure of the Code**

Dr. Thomadakis introduced the topic, noting that the Structure of the Code project is a high priority and strategic project, with the Structure Task Force having overall responsibility for the Code's restructuring.

Mr. Thomson summarized the project's background and gave a general overview of the 50 comment letters received on [Structure of the Code Phase 1 Exposure Draft](#) (ED-1). He noted that there was widespread support for ED-1. He explained that this meeting would focus on the Task Force's proposals on structural matters and that respondents' specific drafting suggestions would be considered at the September 2016 meeting.

OVERVIEW OF RESPONSES

Mr. Thomson outlined a number of significant comments from respondents, including a concern that the restructured Code should focus not only on compliance with the processes of the conceptual framework (CF) but also on giving more prominence to the fundamental principles (FPs); a suggestion for greater emphasis in the independence sections on the requirement for professional accountants (PAs) to be independent in addition to the need for them to apply the CF; a concern about describing independence as

a “measure of objectivity;” a lack of clarity in the description of the CF regarding its applicability to independence; some confusion about the interaction between the CF and specific requirements; and a caution not to paraphrase the definition of independence. To address these concerns, he explained that the Task Force was proposing to raise the profile of the FPs and the requirement to be independent in the relevant introductory material by reminding users of the overall objectives of compliance with the FPs and independence as appropriate. He noted that the linkage between objectivity and independence would be highlighted in Sections 120¹ and 400,² and that the reference to independence being a measure of objectivity would be removed. The applicability of the CF to independence would also be highlighted.

The following matters were raised:

- Whether the proposed deletion of the first requirement in each section (to comply with the CF) was to avoid repetition. Mr. Thomson explained that the deletion avoided overemphasis on the CF as against the FPs.
- Focusing on the requirement to be independent is important and PAs should be reminded that an overriding objective is to comply with the FPs.
- Whether the CF and independence linkage could be based on the Code’s threats.
- The clear linkage back from the International Independence Standards³ (IIS) to Section 120 is helpful.

Mr. Koktvedgaard emphasized the need for a clear explanation of the linkage between independence and the FPs, and in particular the relationship of independence to the FPs and with the CF.

EXCEPTIONS TO REQUIREMENTS

Mr. Thomson recapped the Board’s March 2016 discussion, noting, among other things, that the Board had agreed to exceptions to requirements being treated as requirements and located as close as possible to the relevant requirement, with a cross reference between a requirement and its exception.

A few IESBA members commented that separation of requirements from exceptions should be avoided and that an exception to a requirement should indicate to which requirement it was attached. Similarly, it was suggested that if a requirement is qualified by an exception, that exception should be flagged by adding the words “subject to paragraph x” to the requirement.

DISPROPORTIONATE OUTCOMES AND ETHICAL CONFLICT RESOLUTION

Mr. Thomson explained that the Guide to the Code included in ED-1 (the Guide) contained two matters previously addressed in the Code, namely “disproportionate outcomes” and “ethical conflict resolution.” Various respondents were of the view that these paragraphs belonged in the Code rather than in the Guide. Regarding disproportionate outcomes, a respondent commented that the text implied that a PA could decide not to apply specific provisions. Mr. Thomson noted that the text was an invitation for the PA to discuss the matter with a regulator. Regarding ethical conflict resolution, some respondents indicated that

¹ Section 120 *The Conceptual Framework* (extant Code paragraphs 100.6 to 100.11)

² Section 400 *Applying the Conceptual Framework to Independence for Audits and Reviews* (extant Code paragraphs 290.1 to 290.101)

³ C1 and C2 (extant Code Section 290, *Independence – Audit and Review Engagements* and Section 291, *Independence – Other Assurance Engagements*)

the material had been unduly abbreviated. The Task Force therefore proposed returning both matters to the Code and reviewing the abbreviated text.

IESBA Members commented as follows:

- It would be appropriate to address both disproportionate outcomes and ethical conflict resolution in the Code itself.
- If the Code does not allow for exceptions, it should expressly state that consultation does not allow an exception. Consultation could be expressed as being “in order to ensure compliance with the Code,” or “so that the public interest is served,” which would assist those who give advice.
- There might be extremely rare circumstances when compliance with the Code causes a disproportionate outcome and there could be an override. The consultation provision could reflect that whatever action is taken should be consistent with the FPs.

Mr. Gunn suggested that the Board satisfy itself that the provision is not intended to override requirements.

PIOB Observer’s Remarks

Ms. Diplock commented that the Code should require a PA to comply with the Code without exception. In extremely rare circumstances where an action required by the Code is not in the public interest, she suggested that the Code could indicate that consultation might assist the PA to resolve the issue.

RESPONSIBILITY FOR COMPLIANCE WITH SPECIFIC REQUIREMENTS OF THE CODE

Mr. Thomson explained that the a substantial body of respondents supported, for ease of reference, the use of “firm” as the entity with responsibility for compliance with independence requirements in the IIS.

IESBA members commented as follows:

- Using the term “firm” as being the entity responsible for ensuring compliance by individual PAs is preferable. It is too prescriptive to say that a particular PA is responsible for a particular action.
- Referring to “firm” in the IIS was confusing compared to the use of “professional accountant” in Part A.⁴ The term “professional accountant” was preferable to “firm” as it reflected that individuals in fact apply the Code. However, using the term “professional accountant” in the IIS did not work well when it came to addressing the responsibility of a network firm.
- Consideration should be given to expressing the different expectations on firms and individuals, making it clear what is required from each party.
- A PA with responsibility for an action is not necessarily absolved of the obligation to comply with the Code because he or she has complied with a firm’s policies and procedures if those policies and procedures do not comply with the Code.

Mr. Thomson explained that in ED-1, the term “firm” was used for ease of reference. It created an understanding that when the term “firm” is used, there are individuals within the firm who are responsible.

⁴ Part A, *Introduction to the Code and Fundamental Principles* (extant Part A, *General Application of the Code*)

He noted that it is implicit in ISQC 1⁵ that when a firm has responsibility, it should have policies and procedures assigning responsibility to individuals, even if those individuals are not identified in the Code.

USE OF TERMS “FIRM,” “NETWORK FIRM,” “AUDIT” AND REVIEW

Mr. Thomson explained that respondents had suggested that there might be some inadvertent changes in meaning based on how the terms “firm” and “network firm” had been used. He indicated that the Task Force would propose changes where necessary. Mr. Thomson also indicated that most respondents preferred the term “audit” to include “review,” although the issue should be explained in the body of the Code rather than in a footnote. A respondent had suggested using the phrase “this standard applies equally to review.” IESBA members agreed with these approaches.

TITLE OF THE CODE

Mr. Thomson explained that some respondents preferred using the word “Code,” while others preferred “standards.” Some indicated that using both terms in the title was confusing. In response to the comments received, the Task Force had made slight adjustments to the title and was proposing the following:

*International Code of Ethics for Professional Accountants
including International Independence Standards*

An IESBA member commented that the proposed title was cumbersome because it used the word “international” which is also included in the Board’s name. Mr. Siong suggested that the words “including International Independence Standards” could be included in parentheses to shorten the title. A few IESBA members agreed. Mr. Siong also suggested that referring to the independence standards by their IIS number (e.g., IIS 620, IIS 630) would raise the profile and visibility of the standards.

GUIDE TO THE CODE

Mr. Thomson explained that respondents supported the Guide, although some commented that it should not include a reference to “non-authoritative guidance” to avoid giving that guidance undue weight. Some respondents suggested that the Guide should not form part of the Code as the Guide itself is non-authoritative.

An IESBA member inquired about the criteria for what is included in the Code and in the Guide. Mr. Gunn asked how the Task Force would address the use of the word “shall” in the Code and the differentiation between requirements and application material if the Guide were separate from the Code. Mr. Thomson explained that the criterion for inclusion of material in the Guide is whether it would assist the reader to understand the Code and that “shall” is a term that is generally understood.

NAVIGABILITY

Mr. Thomson explained that respondents had suggested changes to the titles of the Code’s Parts to raise the profile of the FPs and the IIS, which would lead to discontinuing the current alphabetical labelling of “Parts.” Some respondents had also suggested that requirements be in bold type.

⁵ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

IESBA Members made the following comments:

- Deleting the word “introduction” in Part A’s title gave greater focus to its content. Removing the alphabetical labelling and renaming C1 and C2 created an opportunity for titles to accurately describe each Part’s content. Retitling should not remove the notion of Part A applying to all PAs.
- Paragraphs 100.1 to 100.4 were introductory material and could be retitled “introduction.” The FPs should be numbered to stand alone for emphasis.
- With the reversal of the order of extant Part B⁶ and Part C⁷ it would be less confusing if the Parts were no longer labelled alphabetically. However, a few IESBA Members advocated the retention of the alphabetical labelling because it emphasized the differences in the Parts.
- Retention of “R” for requirement and “A” for application material would facilitate electronic search.

Some IESBA members preferred the use of bold font. However, a few IESBA members preferred not to adopt bold font if doing so would be inconsistent with the approach taken by other standard-setting boards (SSBs). It was suggested that it should be left to national standard setters and IFAC member bodies adopting the Code to decide on the style of emphasis to place on requirements.

Mr. Siong noted that the SSBs supported by IFAC generally use regular font. He noted that use of bold font could increase the likelihood that the application material would be overlooked. Mr. Gunn noted a previous observation from the International Organization of Securities Commissions (IOSCO), in commenting on the International Auditing and Assurance Standards Board’s (IAASB’s) Clarity project, that if the text of a standard is in the same font, this would eliminate debate about the relative importance of text in bold font and text in regular font.

PIOB Observer’s Remarks

Ms. Diplock observed that it was in the public interest for requirements and application material to be clearly identified. She added that the Code’s audience included regulators, shareholders and company directors who need to understand the conduct expected of PAs.

GLOSSARY, CHANGES IN MEANING AND OTHER WORDING

Mr. Thomson indicated that respondents had commented, among other things, on moving the Glossary to the front of the Code and possible changes in meaning.

IESBA members were in favor of the Glossary being at the end of the Code. It was noted that it would be better if the first thing the reader sees at the beginning of the Code is the FPs as this would direct attention to essential matters.

⁶ Part B *Professional Accountants in Business* (Extant Code Part C – *Professional Accountants in Business*)

⁷ Part C *Professional Accountants in Public Practice* (extant Code Part B *Professional Accountants in Public Practice*)

STRUCTURE OF THE CODE PHASE 2 – EXPOSURE DRAFT 2 (ED-2)

Mr. Thomson explained that ED-2 would contain restructured Section 800,⁸ and C2.⁹ In addition, it would contain restructured Section 200,¹⁰ and the Long Association¹¹ and NOCLAR¹² provisions, all of which sections would be subject to Safeguards conforming amendments. Mr. Thomson noted that for consistency, the Structure Task Force was providing direction to the other task forces.¹³

SECTION 800

Mr. Thomson recapped the March 2016 Board discussion and explained how the issues raised were addressed. This included, among other things, substituting the term “eligible restricted use report” for “qualified audit report,” and the revision of two introductory sentences to become a requirement.

The following matters were raised, among others, for the Task Force’s further consideration:

- Revision of the ordering of the conditions in paragraph R800.3 to improve its flow by placing the firm’s obligation to communicate before the user’s obligations.
- Inclusion of the condition in paragraph R800.3 (c) as application material.
- Addressing whether the firm has an obligation to ensure that its engagement letter was made available to lenders in accordance with the permission in paragraph 800.3 A2.

C2 – SECTIONS 900 TO 999

Mr. Thomson explained that the Task Force had presented selected extracts of C2. The excluded portions of text contained material that would be subject to conforming changes following the Board’s consideration of C1. He commented that the Task Force had conferred with the Planning Committee concerning revisions to align extant Section 291 with ISAE 3000 (Revised).¹⁴ On the basis that such revisions would be more substantive than just conforming amendments, the Planning Committee had concluded that developing any necessary amendments to align with ISAE 3000 (Revised) was outside the remit of the Task Force.

A few IESBA members inquired when the text of extant Section 291 would be aligned with ISAE 3000 (Revised) as it might be confusing to issue a section of the restructured Code which was not consistent with the IAASB’s standards. Mr. Siong indicated that the prioritization of any necessarily alignment work would be a matter for consideration as part of the development of the Board’s next Strategy and Work Plan.

An IESBA member commented that in the mapping table for extant paragraph 291.118, the phrase “and the assurance client or its management” was not included in paragraph 920.1 of the restructured Code.

⁸ Section 800 *Reports that Include a Restriction on Use and Distribution* (Extant Code paragraphs 290.500-290.514 *Reports that Include a Restriction on Use and Distribution*)

⁹ Extant Section 291, *Independence – Other Assurance Engagements*

¹⁰ Extant *Part C – Professional Accountants in Business*

¹¹ Section 940 - *Long Association of Personnel with an Assurance Client* (Extant Code paragraph 290.137)

¹² Sections 260 and 315 *Non-compliance with Laws and Regulations*

¹³ Part C, Long Association, NOCLAR and Safeguards

¹⁴ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

TIMING OF THE ISSUANCE OF ED-2

Mr. Thomson indicated that respondents had asked that the complete text of the proposed restructured Code be made available with ED-2 to provide context for respondents. He noted that the Staff would endeavor to make this material available to stakeholders in conjunction with the issuance of ED-2.

An IESBA Member inquired if there was an expectation that ED-1 would remain open for additional comments from respondents after December 2016. Mr. Thomson explained that at its December 2016 meeting, the Board would consider a revised draft of ED-1 with a view to agreement in principle. Dr. Thomadakis remarked that the ED-2 Explanatory Memorandum would signal that Phase 1 text agreed in principle would not be open for further public comment. However, if matters of consistency between Phases 1 and 2 were to arise, the Board would of course need to consider them.

TIMING OF THE RESTRUCTURING OF NOCLAR

Mr. Siong advised that at the June 2016 National Standard Setters meeting, a participant had expressed concern about restructuring the NOCLAR pronouncement so soon after its issuance, given the potential for confusion in issuing an exposure draft of the restructured pronouncement while adoption and implementation activities regarding the extant pronouncement were occurring at the same time. The participant had therefore inquired as to whether the Board would contemplate postponing this particular restructuring exercise.

IESBA members commented that jurisdictions may not implement standards at the same time and, if necessary, they could delay exposing the restructured NOCLAR text to mitigate the issue. Mr. Thomson observed that the Board had already agreed to issue a fully restructured Code, including the restructured NOCLAR sections. The Board resolved that the NOCLAR restructuring work stream should proceed as planned.

WAY FORWARD

Mr. Thomson thanked IESBA members for their input and indicated that the Task Force would present revised texts for ED-1 and ED-2 for the Board's consideration at its September 2016 meeting.

3. Safeguards

PHASE 1 – REVISIONS TO SAFEGUARDS ED-1

Mr. Hannaford introduced the topic, highlighting the key aspects of the IESBA's proposals in the December 2015 Exposure Draft, [*Proposed Revisions Pertaining to Safeguards in the Code – Phase 1*](#) (Safeguards ED-1).¹⁵ He briefly reported on activities leading up to the IESBA meeting and briefed the Board on the

¹⁵ The Safeguards ED-1 included:

- Enhancements aimed at clarifying the conceptual framework (CF) by shifting the PA's focus to identifying, evaluating and addressing threats to compliance with the fundamental principles rather just seeking to apply safeguards.
- New requirements in proposed Section 120, *The Conceptual Framework*, that more explicitly direct PAs to identify, evaluate and address threats to compliance with the fundamental principles.
- A requirement for PAs to re-evaluate those threats if new information becomes available, or if facts and circumstances change.
- Improved descriptions of the following terms and concepts:

feedback received from the June 2016 IESBA CAG teleconference, and the IESBA-NSS meeting. He also commented on the Task Force's continued liaison with the Structure Task Force in relation to aligning the Safeguards proposals to the proposed restructured Code. Mr. Hannaford then summarized the general comments received on Safeguards ED-1 and the specific comments raised by respondents. He then explained the revisions to Safeguards ED-1 and the rationale for the Task Force's proposals.

IESBA members broadly supported the direction of the Task Force's proposed revisions to Safeguards ED-1. IESBA members made various editorial suggestions in addition to the matters raised below for the Task Force's further consideration.

Description of the Conceptual Framework

Mr. Hannaford explained the revisions made to clarify the number of stages involved in the CF and the timing for performing those stages. He explained that:

- The revised requirement to consider new information or changes in facts and circumstances (now positioned under the heading *Evaluating Threats*) was intended to clarify that the requirement to re-evaluate threats forms part of a PA's responsibility to properly evaluate threats.
- The revised requirement to consider significant judgments made and overall conclusions reached (now positioned under the heading *Addressing Threats*) was intended to clarify that the requirement to perform an overall assessment forms part of a PA's responsibility to properly address threats.

While some IESBA members questioned whether the requirement to perform an overall assessment should be included as a separate step in the CF, on balance IESBA members generally supported the proposed revisions described above. Many IESBA members supported keeping the description of the CF simple and agreed that the introductory text in paragraph 120.2 should reflect this.

Other matters raised about the CF included the following:

- There were questions about whether the Task Force had considered the appropriateness of the categories of threats listed in paragraph 120.5 A3. Some IESBA members suggested the need to include "management participation threat" or "management threat" in that list. Mr. Hannaford explained that, in developing Safeguards ED-1, the Task Force had considered the categories of threats in other codes to determine the appropriateness and completeness of the categories of threats in the Code. He added that at that time, the Task Force had concluded that the examples of "management threats" and "management participation threat" were dealt with in the description of familiarity threats.
- IESBA members expressed support for having a statement in the Code to indicate that threats should be evaluated at the individual level and in the aggregate. They suggested that the Task Force consider whether that statement should also refer to the overall environment in which the professional activity is being performed.

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- Reasonable and informed third party;
 - Acceptable level; and
 - Safeguards.
 - A new requirement for the PA to perform an overall assessment (i.e., "step back") by reviewing judgments made and overall conclusions reached to determine that threats to compliance with the fundamental principles are eliminated or reduced to an acceptable level and that no further action is needed.

Description of Reasonable and Informed Third Party (RITP)

The Board generally supported the Task Force's approach to simplify the description of a RITP, including its proposal to delete the word "hypothetical" which was used in Safeguards ED-1. It was suggested that a description is needed in the Code to clarify that the RITP is a consideration by the PA about whether an objective person who is informed (i.e., possessing sufficient knowledge and experience to evaluate the appropriateness of the PA's judgments and conclusions) would likely reach the same conclusions as the PA. This is on the basis that that person would weigh all the relevant facts and circumstances that the PA knows, or could reasonably be expected to know, at the time that the PA's judgments and conclusions were made.

The following matters were raised:

- Some IESBA members cautioned against establishing a description of "RITP" that is already described in local law. Mr. Hannaford explained that many stakeholders, including the CAG, have indicated the importance of having a description of RITP in the Code, and that the Task Force had considered how other codes and legal frameworks describe the concept.
- Some IESBA members suggested that the RITP description further indicate the personal traits of the RITP, including its culture. Other IESBA members noted that while the concept of RITP may change over time, it is important that any description in the Code is simple.
- Some IESBA members agreed with respondents who were of the view that the Code should indicate that the RITP does not have to be a PA. Ms. Diplock agreed that it is important and in the public interest that the Code include a description of the RITP test, and that it be simple. She suggested that the Task Force focus on describing the characteristics of the RITP. She explained that in her view, the Code should clarify that the person performing the test does not need to be a PA. In this regard, IESBA members agreed to delete the word "skills" from the proposed description and add the word "sufficient" in paragraph 120.4 A1.

Description of Acceptable Level

Mr. Hannaford explained that some respondents as well as participants at the IESBA-NSS meeting were of the view that the affirmative description of acceptable level is more prescriptive. The Board affirmed its view that the term "acceptable level" should be described in an affirmative manner. Some IESBA members noted that there is a stronger correlation between how the term "acceptable level" and the concept of RITP are described.

Matters Relevant to Section 300

The Board generally supported the Task Force's revisions to Section 300, but asked that the Task Force consider refinements to:

- Include examples of types of threats to compliance with the fundamental principles in addition to threats to independence (paragraph 300.4 A1).
- Clarify the statement in paragraph 300.5 A2 that reads: "...providing a service to an audit client might be perceived to result in a higher level of threat to the fundamental principle of objectivity. Such a threat might be further increased when the audit client is a public interest entity."
- Delete as an example of a safeguard: "...consulting or seeking approval from those charged with governance or an independent third party, including a committee of independent directors, a

professional regulatory body or another PA might address advocacy or intimidation threats” (paragraph 300.6 A1).

- Delete the application material for performing the overall assessment in Section 300 because it duplicates the requirement in Section 120 (paragraph 300.6 A2).

Other Matters, Including Substantive Drafting Suggestions

IESBA members generally agreed with the other proposed revisions in Safeguards ED-1. The Board noted and did not raise exceptions to the Task Force’s recommendation to retain the proposal to withdraw certain activities (e.g., firm-specific safeguards) which are characterized as safeguards in the extant Code.

Among other matters:

- Some IESBA members questioned whether it is possible for the application of safeguards to eliminate threats and they suggested that safeguards can only reduce threats to an acceptable level.
- Various drafting suggestions were made, including:
 - Considering replacing the words, “...take into account the RITP...” with “...apply the RITP...” in paragraph R120.4.
 - Rephrasing paragraph 120.5 A4 to explain in a positive manner the impact that certain conditions, policies and procedures established by the profession, legislation, regulation, the firm or the employing organization might have on a PA’s ethical behavior.
 - Liaising with the Structure Task Force to agree on the consistent use of the following:
 - “May” versus “might” throughout Sections 120 and 300.
 - “When” versus “where” (see paragraphs 120.7 A1 versus R120.7 (b)).
 - “PA” versus “firm” in Section 300.
 - “Professional service” versus “professional activity” (Sections 120 and 300).

PHASE 2 – PROPOSED SECTION 600

Mr. Hannaford led the Board through a first-read of the Task Force’s proposed revisions to the non-assurance services (NAS) section of the extant Code, proposed Section 600.¹⁶ He outlined the positioning of prohibitions regarding the provision of certain types of NAS to an audit client; new general provisions for evaluating and addressing threats created from providing a NAS to an audit client; new application material to explain the concept of materiality in relation to an audit client’s financial statements; and the examples of safeguards relating to the provision of NAS. He then walked through the remaining text in Section 600.

Mr. Hannaford explained that in developing Section 600, the Task Force was mindful of the recent related changes to the Code, [Changes to the Code Addressing Certain Non-Assurance Services Provisions for Audit and Assurance Clients](#).¹⁷ He explained that the Task Force’s proposals take into account conclusions

¹⁶ Proposed Section 600, *Provisions of Non-assurance Services to an Audit Client*

¹⁷ In April 2015, IESBA approved NAS changes that became effective in April 15, 2016. Those changes:

- Prohibit auditors from assuming management responsibility when providing NAS to audit clients;
- Remove provisions that permitted an audit firm to provide certain bookkeeping and taxation services to PIE audit clients in

about Safeguards ED-1 and Structure ED-1. He explained that the Task Force believes that Section 600 emphasizes that providing NAS to audit clients might create threats to compliance with both the fundamental principles and independence.

General Provisions that Apply When Providing NAS to Audit Clients

The Board generally agreed with the Task Force's proposal to expand on the general provisions to identify, evaluate and address threats created by providing NAS to audit clients, in particular, when a NAS is not explicitly dealt with in the Code.

Significance, Materiality and Level of Threats

The Board affirmed its view that the words "significance" and "significant" should be used in a manner that is consistent with the concept of "materiality" in ISA 320.¹⁸ IESBA members generally expressed support for the Task Force's proposed new application material to explain how firms should consider materiality in relation to an audit client's financial statements. They also generally supported the Task Force's approach to draw on relevant information that was included in the 2012 [IESBA Staff Q&A, Implementing the Code of Ethics—Part II](#), and that refer to material in ISA 320. Some IESBA members challenged the usefulness of a simple reference to ISA 320, believing that the reference to ISA 320 overemphasizes the quantitative aspects of materiality. It was suggested that the new application material should instead address qualitative aspects of materiality, and that this might be achieved if the Task Force also explained the term "significance". Mr. Hannaford noted that the CF already includes application material to indicate that the existence of qualitative factors is relevant to evaluating threats.

IESBA members generally agreed with the Task Force's proposal to replace the words "...significance of the threat..." with the words "...level of the threat..." throughout the Code. Some IESBA members questioned whether the Code should provide more guidance to explain how to evaluate threats. They noted that it is difficult to determine whether a threat is at a high, medium or low level." Mr. Hannaford explained that the CF set out in Section 120 underpins the Task Force's proposals. He explained that firms are required to evaluate whether a threat is at an acceptable level and in this regard, the Code defines "acceptable level". He noted that the Code does not describe "high, medium, or low" levels of threats.

Some IESBA members suggested that the Task Force work with the Structure Task Force to explore how best to emphasize threats to independence versus threats to compliance with the fundamental principles in Section 600. Those members were of the view that the focus within Section 600 should be on threats to independence. Mr. Koktvedgaard agreed and was of the view that Section 600 should explicitly refer to threats to independence.

Positioning of Requirements that Prohibit Certain NAS

The IESBA generally agreed with Task Force's view that the requirements that prohibit the provision of certain NAS to audit clients in Section 600 should be more prominent. However, IESBA members had varied views about how that might be achieved. The subsections in the June 2016 draft of Section 600 (the

emergency situations;

- Introduce new and clarified application material regarding what constitutes management responsibility; and
- Clarify guidance regarding the concept of "routine or mechanical" services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs.

¹⁸ International Standard on Auditing (ISA) 320, *Materiality in Planning and Performing an Audit*

June 2016 draft) included prohibitions for audits of entities that are public interest entities (PIEs) first, followed by prohibitions for audits of entities that are not PIEs, and then general provisions that support the application of the CF. Mr. Hannaford explained that the Task Force believed that its proposed ordering is aligned to the Structure drafting guidelines, and is responsive to suggestions made by regulators.

The following matters were raised:

- Some IESBA members were supportive of the Task Force's proposals, and encouraged the Task Force to explore how to state in a more explicit manner that there are some threats that cannot be addressed by safeguards and that the Code prohibits the provision of those NAS to audit clients.
- Some IESBA members disagreed with the Task Force's proposed approach and noted that the readability of the subsections in the June 2016 draft (in terms of flow), should be improved. It was suggested that the general provisions that support the overarching requirement to apply the CF be positioned first, followed by requirements that prohibit certain NAS for audits of PIEs, and then prohibitions for non-PIEs. Those IESBA members were of the view that setting out provisions that explain how to apply the CF in the context of the specific NAS first, improved the readability of the Code. It was also suggested that the demarcation of requirements with an "R" already makes them more prominent. Mr. Thomson observed that the placement of the prohibitions first in Section 600 would have implications for the rest of the Code. He emphasized that there is a need for the Code to be structured in a consistent manner. He explained that the Structure Task Force had learned from some stakeholders that having the requirements that prohibit certain NAS first seemed to make the Code more prescriptive.
- It was suggested that the Board should consider the needs of the end user (i.e., the firms and network firms that will be using the Code), and that consideration be given to how the information in the Code might be accessed by users (i.e., in print or electronically).
- Mr. Koktvedgaard suggested that the Task Force consistently indicate upfront, in each subsection, the type of threat that is created when a firm or network provides the specific type of NAS to an audit client.

Prof. Thomadakis was of the view that it is important for the Code to be clear about the NAS that firms and network firms can provide to their audit clients.

Examples of Safeguards

Mr. Hannaford explained that the Task Force had reviewed the examples of safeguards in the NAS section of the Code and sought to describe them in a consistent manner. He noted that in general the examples of safeguards are either: "having a professional who is not a member of the audit team perform the NAS;" or "having a professional who is not involved in providing the NAS review the NAS work." He explained that the Task Force is still exploring whether Section 600 should include, as an example of a safeguard, the option for a firm or network firm to "hire a professional external to the firm to review the NAS."

Mr. Hannaford noted that the questions raised about the appropriateness of safeguards by a late respondent, IOSCO, would have implications for Section 600. He noted that IOSCO had questioned whether using other PAs in the same firm (who were not part of the engagement team providing the services) to review the work performed by the engagement team is an appropriate safeguard given the self-interest and self-review threat that also exists on a firm-wide basis.

IESBA members shared reactions to the Task Force's proposals and IOSCO's comment as follows:

- Some IESBA members observed that IOSCO's perspective seemed to suggest that it is the firm, rather than the individual PA, who is responsible for identifying, evaluating and addressing threats to independence.
- Some IESBA members observed that for some SMPs, hiring a professional external to the firm to review the NAS is sometimes the only available safeguard. It was also suggested that retaining the example of "hiring a professional external to the firm to review the NAS" might be responsive to IOSCO's comment.
- Some IESBA members questioned whether certain examples of safeguards are always appropriate to address the specific type of threats (e.g., advocacy threats) created by the specific NAS. It was also suggested that the Task Force's proposals clarify that the effectiveness of a safeguard depends on the type of threats that the PA is trying to address, and that safeguards will not always address threats in all circumstances.

Ms. Diplock noted that the question of what constitutes a safeguard is a public interest matter. She noted that in her view there needs to be two elements – a practical consideration about what safeguards is available and capable of being applied; and what the public (e.g., users of financial statements) believes are appropriate safeguards to address threats. Reacting to this comment, some IESBA members questioned whether there should be more transparency about the safeguards that firms apply to address threats (e.g., in communications to those charged with governance (TCWG) and others). Ms. Diplock added that, in her view, the reputation of the profession and the confidence that market participants have in the PA's work are enhanced when users perceive that appropriate safeguards have been applied to address threats.

Other Specific Comments

- It was suggested that the Task Force give consideration to the impact that the fees paid for NAS has on threats to independence. Mr. Hannaford acknowledged the point, but noted that this falls outside the project scope and might be dealt with by the Fees Working Group.
- Some IESBA members questioned the use of "...accepting or providing non-assurance services..." versus "... providing non-assurance services..." Mr. Hannaford explained that the Task Force was of the view that there are important and different considerations at the time that the NAS is accepted, and when it is being provided. However, he acknowledged the concerns raised and noted that the Task Force would revisit its position.
- Related to the recruiting services subsection, IESBA members generally agreed to extend the requirement for audits of PIEs in the extant Code to all entities. Accordingly, Section 600 prohibits firms and network firms from providing recruiting services with respect to a director, or officer of the entity, or senior management in a position to exert significant influence over the preparation of the client's accounting records, or the financial statements on which the firm will express an opinion. Some IESBA members noted that this change might have significant implications for SMPs. As a result, they suggested that the Task Force first seek to consider whether there are safeguards that might address the threat versus establishing a prohibition for providing the NAS. Messrs. Hannaford and Poll explained that the Task Force had concluded that no safeguards are available or capable of addressing the level of familiarity threats that might be created by providing that specific type of

recruiting service. Dr. Thomadakis supported the Task Force's view, noting that it is helpful for the Code to be clear about whether a firm or a network firm can provide a NAS to an audit client.

- The Board noted and agreed that the following matters identified by the Task Force are outside the scope of the project:
 - Consideration of how to enhance PAs' communications with TCWG;
 - Assessing whether the Code should continue to have differential requirements for audits of PIEs vs non PIEs;
 - Consideration of how to address evolving trends in taxation that might affect threats and safeguards; and
 - Consideration of any new documentation requirements in light of the Safeguards project.

The Board exchanged views about the relative importance of the matters in the list above, and agreed to combine them with the list of matters that the Structure Task Force is maintaining for future Board consideration. It was suggested that prioritization be given to assessing whether the Code should continue to have differential requirements.

WAY FORWARD

The Board asked that at the September 2016 meeting, the Task Force present a revised draft of Safeguards ED-1 with a view to closing off significant deliberations on key issues; a revised draft of proposed changes to the Code pertaining to NAS; and any safeguards-related conforming amendments to other areas of the Code, including Part C, Long Association, and NOCLAR.

4. Presentation Regarding the International Forum of Independent Regulators (IFIAR)

Dr. Thomadakis welcomed Mr. Brian Hunt, IFIAR Vice Chair, to speak on IFIAR, its recent activities and its areas of strategic focus.

Mr. Hunt thanked Dr. Thomadakis for the opportunity to come and address the Board. During his presentation, he covered various matters, including: IFIAR's governance structure; the nature of its Working Groups; its key 2016 work streams; and its 2015 global inspection findings survey. Among other matters, he highlighted the following:

- A new governance model with a new board in 2017.
- The establishment of a permanent IFIAR secretariat in Tokyo.
- The revision of IFIAR's funding model.
- The development of IFIAR's strategic plan as one of the key tasks of the IFIAR Board.
- Concerns within IFIAR regarding the timeliness of international standard setting, for example, in the areas of data analytics and "big data."
- IFIAR's efforts to work with the firms to assist them in addressing the issues on an individual basis, as no one approach would work for all.

He also highlighted two key challenges that IFIAR had identified, namely understanding the reasons for the continuing high level of audit deficiencies despite the fact that firms are performing good quality audits; and

whether the traditional audit of financial statements remained relevant in a 24/7 world where financial markets are influenced more by forward-looking information.

IESBA members raised the following matters, among others:

- Whether IFIAR had information concerning the root causes of audit deficiencies. Mr. Hunt responded that he did not have such information but he could arrange to connect IESBA representatives with the relevant individual at IFIAR who is involved in the inspections findings survey. He added that in North America, many findings are simply the result of non-compliance with professional standards.
- What the nature of the independence findings was. Mr. Hunt responded that it was unclear whether these findings were about the professional behavior of auditors. However, he commented that independence breaches were generally occurring because firms were not keeping up with changes to the standards.
- Whether IFIAR members know if some of their inspection findings relate to business, financial or personal relationships, and, if so, whether IFIAR would be able to provide relevant information, suitably anonymized, to inform the Board's standard-setting work. Mr. Hunt responded that IFIAR had no data yet on this question but that he would feed the question into the development of the next IFIAR inspection findings survey.
- In setting violation-reduction targets, whether IFIAR had taken into account recent changes in auditing standards that may not be clear to auditors during the implementation period and accordingly result in an initial increased level of violation, and whether IFIAR reviewed trends in deficiencies country by country and globally within networks. Mr. Hunt confirmed that the matters mentioned could be assessed both on a country basis and on a global network basis.
- Whether there were mechanisms to ensure a consistent approach to audit inspections across IFIAR members and whether IFIAR had a process to screen new applications for membership. Mr. Hunt responded that before admission to membership, a potential member has to establish its independence from the profession. He confirmed that IFIAR does go through a process of evaluation for new applications for membership.
- What the nature of IFIAR's relationship with IOSCO was. Mr. Hunt indicated that IFIAR's intent was to work more closely with IOSCO but not at this stage.

Dr. Thomadakis thanked Mr. Hunt for his informative presentation. He indicated that the IESBA's standard-setting work needs to be based on evidence, and IFIAR members' inspection findings represent one source of information which the Board cannot access. He also indicated that there would be benefit in the Board engaging further with IFIAR as the Board prepares to develop its next strategy and work plan.

5. Professional Skepticism

Dr. Thomadakis introduced the topic, noting that this was the IESBA's first substantive discussion on the topic of professional skepticism (PS). He explained that the IESBA is part of the tripartite Professional Skepticism Working Group (PSWG), in addition to the IAASB and the IAESB. He then welcomed IAASB Member, Prof. Annette Köhler, Chair of the PSWG.

Dr. Thomadakis noted that this was a path-breaking initiative among the three independent SSBs and that they all had a vested interest in its success. He added that in progressing a way forward, it would be important for the three SSBs to cooperate and coordinate their efforts. However, he emphasized that cooperation and coordination do not mean that the SSBs need to compromise their independence.

Mr. Fleck, as the IESBA member on the PSWG, welcomed PSWG members observing the session via teleconference: IAASB Technical Advisor Susan Jones; and IAESB members Bernard Agulhas and David Simko (with IAESB staff David Mc Peak also joining via teleconference). Mr. Fleck then:

- Drew attention to the reference paper included in the agenda material that explained how the concept of PS is currently addressed in the extant Code as well as in the standards promulgated by the IAASB and IAESB;
- Highlighted the feedback from the March 2016 joint session of the IESBA CAG and IAASB CAG; and
- Provided an update on the activities of the PSWG, including a summary of the feedback on the topic from outreach on the IAASB's December 2015 [Invitation to Comment, *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*](#) (ITC).

Mr. Fleck explained that as part of the session he would seek to obtain IESBA members' preliminary views in advance of the July 2016 PSWG meeting about:

- The approach to be taken with respect to the description of PS in the Code and its applicability to PAs; and
- Whether the restructured Code should clarify the relationship between the concept of PS and the fundamental principles of ethics (particularly integrity, objectivity, professional competence and due care, and professional behavior), as well as independence.

Prof. Köhler noted that she was participating in the session in her capacity as Chair of the PSWG. She highlighted that standard-setting alone cannot address the issues pertaining to PS but that there is a role also for others to play, including TCWG and regulators. She emphasized the importance of the joint effort achieving an outcome that would be in the public interest. She also felt that a trustful exchange of views among the three SSBs would be essential.

UPDATE ON PSWG ACTIVITIES AND HIGHLIGHTS OF THE FEEDBACK ON THE IAASB'S ITC

Mr. Fleck outlined the rationale for the joint initiative, including the specific calls for coordination among the three SSBs from various stakeholders, including the CAGs. He then provided an update on the activities of the IAASB and the IESBA with respect to PS. He noted that since its March 2016 meeting, the IAASB had formed a PSWG subgroup to address on a priority basis certain specific issues relating to the application of PS (for example, matters relevant to the work of the ISA 540¹⁹ Task Force). He also noted that at its April 2016 meeting, the IAESB had considered respondents' feedback about the actions that can be undertaken by the IAESB to improve engagement partners' and PAs' professional competencies related to the application of PS, as set out in its December 2015 [Consultation Paper, *Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities*](#) (CP). In this regard, he explained that the IAESB had established a Task Force, chaired by PSWG member David Simko, to develop IAESB-specific responses to the PS issues raised in the responses to the CP and the ITC. He noted that the IAESB planned to consider the Task Force's recommendations at its November 2016 meeting.

Mr. Fleck summarized the feedback from the ITC, noting the strong support for coordination among the SSBs and the view of some respondents that there would be benefit in developing a common description of PS across the SSBs' individual suites of standards. Prof. Köhler provided a few additional highlights from

¹⁹ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

the ITC responses, including: clarification of the concept of sufficient appropriate audit evidence relative to the application of PS; the need to further understand the drivers of, and impediments to, the proper application of PS (root causes); and the need to clarify the role of competencies, both in the Code (professional competence and due care) and in the IAESB's standards (competence and skills).

PS AND ITS APPLICABILITY

Mr. Fleck explained that the concept of PS is described in the ISAs and referred to, but not explained, in the extant Code as part of the description of independence. He explained that historically PS has been an assurance concept, but that since April 2015 the IAESB had extended the concept so that it now applies to all PAs. He then asked IESBA members for preliminary views about whether the concept of PS should remain an assurance-only concept or whether the concept should be extended to apply to all PAs, including PAs in business (PAIBs).

Dr. Thomadakis shared his initial reaction that it would appear sensible for a joint working group of the three SSBs to work from a common understanding of the concept of PS. The question to be addressed would then be one of architecture, i.e., how to filter down that common understanding to each SSB for consideration regarding application within that particular SSB's remit. Mr. Fleck concurred, noting that the establishment of a description of PS expressed in a generic manner might help establish common ground across the three SSBs, while allowing flexibility for further tailoring to achieve the individual SSBs' objectives. He then outlined two possible approaches:

- Option 1 – Maintain the status quo and use a specific definition of PS that is prescribed for audit and assurance engagements only; or
- Option 2 – Work jointly to develop a new generic description that can be tailored by each SSB to meet their related, but different remits.

Prof. Köhler noted that the IAASB representatives on the PSWG had not been involved in the design of the two options. She indicated that the IAASB had not yet had the opportunity to discuss the definition of PS as it had so far only focused on the responses to the ITC. She expressed support for the use of the term "professional skepticism" in the same way across the three SSBs to aid understanding, enhance consistency and avoid confusion, noting that these would be useful criteria to assist the PSWG's further deliberations. However, she felt that having a definition with certain aspects that can be tailored would not be a common definition and would not meet these criteria.

Many IESBA members expressed support for Option 2. Among other matters, they noted the following:

- The concept of PS should apply to all PAs. It should include an assessment of the sufficiency of information to make a judgment. PAs can accept too easily information presented to them as opposed to having an open mind.
- Complying with the fundamental principle of integrity, which requires PAs not to be knowingly associated with false or misleading information, necessitates the application of PS. The concept of PS is also needed to comply with the fundamental principle of professional behavior.
- Extending the concept of PS to apply to all PAs would "raise the bar" for the rest of the profession outside of auditors and assurance practitioners.
- Some PAIBs view applying PS as an essential part of effectively executing their everyday roles. In this regard, at a recent PIOB Public Interest Workshop, it was noted that "PS, as a state of the mind and attitude, should govern the performance of auditors, and inspire the attitude of other accountants,

e.g., accountants in business. When accountants (practitioners, non-practitioners, accountants in business) do not display proper PS it is recognized as a barrier to effective performance.”²⁰

- Commenting in his capacity as an audit committee Chair, an IESBA member expressed his belief that he is professionally skeptical. He was of the view that it should not be difficult to develop a common description of the concept that would work across the three SSBs.
- PS is a state of mind, not accepting everything at face value. However, some cultures tend to be more skeptical whereas other cultures tend to be more trusting. So, there might be merit in the PSWG exploring the personal attributes and environmental factors that drive a mindset of PS in PAs.
- It would be useful to send a signal to stakeholders with respect to having a common understanding of PS across the three SSBs. A generic description would therefore seem to be necessary. This, however, does not mean that such a description should lack rigor.

A few IESBA members expressed support for Option 1. Among other matters, they noted the following:

- The concept of PS has historically been limited to assurance engagements only and is a well-established concept in auditing. For purposes of the Code, the use of the concept of PS should be limited to explaining independence with respect to assurance engagements. It should be distinguished from the concept of objectivity, which applies to all PAs.
- It is not that PAs who are not auditors should not apply PS but more that they owe a duty of care to others. It would be a concern if these other PAs were assigned a watchdog role like auditors.
- The current references to PS in the extant Code are sufficient and appropriate. The role and importance of PS should not be further elaborated on, emphasized or clarified in the Code as there is a risk that such an effort would duplicate efforts underway by the IAASB. Even if PS were an ethics issue, it would be necessary to establish a clear linkage with the fundamental principles (in particular, professional competence and due care), and then explore whether the CF could be applied to PS. For example, consideration would need to be given to whether threats to the ethical component of PS could be identified (e.g., self-review and familiarity) and whether appropriate safeguards could then be identified.

An IESBA member noted that PS has so far been an assurance concept but that he would be willing to go with Option 2.

Another IESBA member noted that he was not persuaded that Option 2 would be the way forward but indicated that he would be willing to embark on the journey exploring the application of PS to the broader universe of PAs. In this regard, the IESBA member commented that International Standards on Auditing (ISAs) contain useful guidance for PAs generally on topics such as analytical procedures, assessment of the risks of material misstatement, etc. The IESBA member suggested that consideration could be given to ways of incorporating not only a description of PS in the Code, but also more guidance to assist PAs in developing a broader perspective to achieve similar objectives as when auditors apply PS (i.e., a “PS plus” approach). For example, consideration could be given to introducing a concept such as “analytical rigor” that might be applicable to all PAs. Mr. Fleck observed that these other aspects of the ISAs are focused more on the information subject to audit as opposed to the behavioral aspect of PS and its intersection with the fundamental principles.

²⁰ September 2014 [Conclusions from the PIOB Public Interest Workshop](#)

The IESBA noted that it would be desirable for all three SSBs to seek agreement on a common description of PS as a platform for advancing joint work on the topic, to see how that might develop and to obtain the views of others.

RELATIONSHIP BETWEEN PS AND THE FUNDAMENTAL PRINCIPLES, INDEPENDENCE AND THE CONCEPTUAL FRAMEWORK

Mr. Fleck summarized the March 2016 IESBA discussion regarding whether there should be an effort to seek to clarify in the Code the relationship between PS and the fundamental principles, independence and the application of the CF. He then asked for views about whether such a clarification should form part of the exposure draft of Phase 2 of the restructured Code scheduled for approval at the December 2016 IESBA meeting.

IESBA members generally agreed to explore on a priority basis wording to clarify the relationship between PS, the fundamental principles, independence and the application of the CF, and how such proposed new wording might be included in the exposure draft of Phase 2 of the restructured Code. The IESBA noted that that this clarification would be developed using the description of PS and related concepts that exist in the extant standards of the IESBA, IAASB, and IAESB.

Some IESBA members cautioned that the remit of the Structure of the Code project is limited to restructuring and redrafting the extant Code without changing its meaning. Mr. Fleck explained that the proposed wording would be developed in close coordination with Chairs of the Structure of the Code and Safeguards Task Forces as well as the IESBA Technical Director to ensure that this initiative would fit within the context of the IESBA's current work plan.

RECAP AND WAY FORWARD

Mr. Fleck thanked IESBA members for their input and outlined the next steps from the perspective of the Code, including presentation at the September 2016 IESBA meeting of a straw man of possible wording clarifying the relationship between PS, the fundamental principles, independence and the application of the CF. He also outlined possible longer term steps for the IESBA, including exploring:

- How PAs can better demonstrate the application of PS;
- The drivers of PS and the impediments to its effective application; and
- Whether the Code should explicitly address the above matters.

Prof. Köhler joined Mr. Fleck in thanking IESBA members for their preliminary views on the topic of PS. With respect to the meaning and applicability of PS, she explained that the actions of the PSWG will be informed by the deliberations on the topic at the September 2016 IAASB meeting and the November 2016 IAESB meeting. She noted that a challenge for the PSWG is the fact that there are separate, but related work streams being progressed at each SSB at different times. She noted her view that the matter of developing a common description of PS is an activity that would need to be progressed jointly by the three SSBs, through the activities of the PSWG. Accordingly, the PSWG's recommendations to the SSBs about a possible common description of PS would need to await the IAASB's and IAESB's deliberations on the matter, and the PSWG analysis of the responses to the ITC.

Dr. Thomadakis thanked Prof. Köhler for her input. He closed the session by highlighting the main take-aways from the discussion, including the following:

- IESBA members have given a sense of the Board to seek an understanding of professional

skepticism as it applies to the broader profession.

- Each SSB has short-term opportunities to enhance the application of PS in its standards, but with the proviso that such efforts do not undermine the progress of the PSWG's work.
- Including some explanation in the restructured Code as to the relationship between PS and the fundamental principles, independence and the application of the CF could facilitate the PSWG's work.

6. **NOCLAR**

Mr. Siong introduced the topic, noting that the PIOB would be meeting later in the week to consider due process for the final NOCLAR pronouncement. Subject to PIOB approval of due process, the pronouncement was expected to be issued by mid-July 2016. He also noted that the Board had committed in its current strategy and work plan to commission staff publications, where necessary and appropriate, to facilitate adoption and effective implementation of the Code internationally.

Given that context, Mr. Siong indicated that the PC had met in early June 2016 to consider possible initiatives to raise awareness and to facilitate implementation of the NOCLAR provisions. He outlined the PC's recommendations in this regard as set out in the agenda material, including that the Board commission its staff to develop fact sheets, video and slide presentations, Q&A publications, and articles, among other possible roll-out and implementation support materials. He added that Dr. Thomadakis and Messrs. Fleck, Caswell and Koktvedgaard had already participated in the filming of short video presentations about NOCLAR from their different perspectives during the weekend immediately preceding the Board meeting, and additional videos were planned.

Mr. Siong encouraged all Board participants to raise awareness of and promote the pronouncement once it is issued. In this regard, he thanked Mr. Mihular for having agreed to speak about the pronouncement in an outreach event organized by the South Asian Federation of Accountants in Nepal in August 2016. He also thanked Mr. Evans for publishing a recent blog about the NOCLAR project on the AICPA's website as a way to raise awareness of the upcoming release of the pronouncement. Mr. Siong added that at the IESBA-National Standard Setters (NSS) meeting earlier in the month, some participants had expressed interest in leveraging any implementation support materials developed by IESBA staff for purposes of raising awareness and facilitating implementation of the pronouncement in their jurisdictions.

Dr. Thomadakis indicated that to assist staff in the development of the various implementation support materials, he had invited Mr. Kato, Ms. Canavan and Dr. Tsahuridu to join an Implementation Working Group (IWG) chaired by Mr. Fleck, and that they had all accepted. Mr. Siong noted that the IWG had already held a first meeting the previous evening to consider an initial list of questions for a planned IESBA Staff Q&A publication.

The Board broadly supported the PC's recommendation to commission staff to undertake the various initiatives set out in the agenda material to roll out the NOCLAR pronouncement once the PIOB has approved due process, and to provide related implementation support. Mr. Siong indicated that work to develop the materials would take place over the next 6-12 months, resources permitting.

WAY FORWARD

The Board asked staff to present a first draft of IESBA Staff Q&As for its consideration and input at the September 2016 IESBA meeting.

7. Long Association

Mr. Fleck introduced the topic, reminding participants that the February 2016 Long Association [re-Exposure Draft](#) (re-ED) focused on three remaining issues in the project, namely:

- The approach to the cooling-off period for an engagement quality control reviewer (EQCR) on the audit of a PIE;
- Whether to allow a reduction of the five-year cooling-off period for engagement partners (EPs) (PIE audits) and EQCRs (listed PIE audits) to three years where alternative jurisdictional safeguards exist (“jurisdictional provision”); and
- How long an individual should cool off if the individual has served in a combination of EP, EQCR and other key audit partner (KAP) roles.

He summarized recent activities on the project, including discussion with the NSS liaison group earlier in June 2016. He then provided an overview of the responses received on the re-ED.

EQCR COOLING-OFF PERIOD

Mr. Fleck recapped the proposal in the re-ED and then briefed the Board on the significant comments received from respondents on the proposal. Among other matters, many respondents had expressed significant concerns regarding the proposal to distinguish between listed and non-listed PIEs in setting the EQCR cooling-off period. In particular, some cited potential unintended consequences while others noted that it would be unreasonable and illogical to suggest that there is more public interest in a very small listed company than in a large non-listed financial institution. Many respondents also had challenged the proposal on various other grounds, including undue complexity, the potential impact on SMPs and market competition, and lack of proportionality.

Mr. Fleck then proceeded to outline a revised proposal from the Task Force, namely a three-year cooling-off period for EQCRs on all PIE audits. He explained the rationale for the proposal to eliminate the distinction between listed and non-listed PIEs, i.e., that the distinction is unnecessary given that EQCRs are only appointed where required by ISQC 1, where the firm has decided that an EQCR needs to be appointed for a given engagement based on the firm’s criteria pursuant to ISQC 1, or where required by law or regulation. He also explained the Task Force’s rationale for proposing that the cooling-off period be three years as opposed to five years, including the fact that even within the G20 jurisdictions there is no consensus approach to the duration of the cooling-off period, and the fact that the public interest lies in facilitating the development of the EQCR approach more widely. Finally, he explained the Task Force’s rationale for proposing that the cooling-off period be three years as opposed to two years, including better recognition of the special importance of the EQCR role vs KAPs other than the EP; and the fact that three years would better ensure a full two years away from the audit engagement.

Mr. Fleck indicated that the provision could be kept under future review. He also indicated that participants at the June 2016 IESBA-NSS meeting were broadly supportive of the revised TF proposal, although a few others did not share concerns about the effect of a stricter cooling-off period on firm resources.

IESBA members broadly supported the revised proposal. There was recognition that complexity can undermine the operability of the provision. There was also support for monitoring the implementation of the provision once it is finalized and becomes effective.

Dr. Thomadakis commented that the revised proposal was a balanced and simpler solution to the issue, and that it also took into account the concerns from the SMP community. At the same time, it would be a

positive step in strengthening the long association provisions as there would be an increase in the cooling-off period for EQCRs from the current two years to three years. Accordingly, he supported the revised proposal.

JURISDICTIONAL PROVISION

Mr. Fleck recapped the proposal in the re-ED and then briefed the Board on the significant comments received from respondents on the proposal. He indicated that there was overwhelming support for the proposal across all stakeholder groups. Nevertheless, some concerns were raised, including a perception that the provision was linked too closely to the EU legislation governing statutory audits of PIEs, and a lack of recognition of joint audits as a valid approach to addressing threats created by long association at the jurisdictional level. He also outlined the perspective of one respondent who did not agree with the proposal on the grounds that mandatory firm rotation does not address threats at level of individual, that mandatory retendering without mandatory rotation might provide no additional safeguard; and that a regulatory inspection regime cannot help mitigate threats created by long association.

Mr. Fleck then outlined the Task Force's refinements to the proposal, including allowing recognition of mandatory firm rotation or mandatory retendering after a predefined period determined by the particular jurisdiction, and recognizing joint audits for a predefined period. He explained the Task Force's rationale that it would not be appropriate for the Code to disregard "jurisdictional safeguards" completely, and that it would be inappropriate to exclude joint audits given that this concept has legislative backing in some jurisdictions such as the EU. He added that legislators and regulators are legitimate bodies to determine the formulation of provisions addressing mandatory firm rotation, mandatory retendering and joint audits. He also observed that with the revised provision now being applicable to EPs only (given that the cooling-off period for EQCRs would now be three years under the revised proposal), a further layer of complexity had been removed.

Mr. Fleck indicated that views on the revised proposal at the June 2016 IESBA-NSS meeting has been somewhat mixed. A few had pointed out that it would be inappropriate to apply "jurisdictional safeguards" to address familiarity threats at level of the individual. Others, however, were strongly of the view that it would not be for the IESBA to question a jurisdiction's approach to address the familiarity issue, and that it would be important for the Code to work with national regulation.

IESBA members broadly supported the revised proposal. With respect to the joint audit condition, it was suggested that the Task Force consider whether it would be unnecessarily limiting to tie the condition to a predefined period. It was also suggested that the term "safeguards" used in the provision be reconsidered as it would not conform to the new description of a safeguard being developed under the Safeguards project.

SERVICE IN A COMBINATION OF ROLES

Mr. Fleck recapped the proposal in the re-ED and then briefed the Board on the significant comments received from respondents on the proposal. He indicated that there was broad support for the direction of proposal. However, there were concerns about undue complexity in the proposal, and a perception that it was overly prescriptive.

Mr. Fleck then outlined the Task Force's simplifications to the proposal, including removal of the "two out of last three years" criterion, and explained the rationale for those changes. In particular, he noted that it would be important to recognize that EP, EQCR and other KAP roles vary in importance, and therefore some degree of complexity was inevitable to address the different possible combinations of roles. He added

that the revised proposal gave appropriately weight to the length of service in EP and EQCR roles. He then drew attention to the table included in the agenda material that sets out the different possible combination of roles, noting that this table would be made available in implementation support material to facilitate understanding and application of the provision. Finally, he indicated that participants at the June 2016 IESBA-NSS meeting were largely supportive of the simplified proposal, although there were some perceptions of remaining complexity.

IESBA members broadly supported the revised proposal.

OTHER MATTERS

In addition to editorial suggestions, IESBA members raised the following matters for the Task Force's further consideration:

- Whether it was potentially confusing to refer to the appointment of EQCRs pursuant to ISQC 1 in the subsection that deals with audits of PIEs, given that some EQCRs may be appointed for non-PIE audits under ISQC 1.
- Whether additional subheadings would help better distinguish the purposes of the different provisions in that section of the Code.

Mr. Fleck added that the Task Force would also consider two further matters raised by NSS, namely whether it was sufficiently clear how the revised partner rotation provisions address breaks in service; and whether, with respect to the jurisdictional provision, the Code intended the independent body responsible for audit oversight to be the same body that also establishes regulation concerning partner rotation, mandatory firm rotation, mandatory retendering and joint audits.

WAY FORWARD

Mr. Fleck outlined the way forward on the project, noting the Task Force's recommendation for the Board to monitor (a) the IAASB's current initiative to review ISQC 1; (b) the implementation of the revised proposals in practice; and (c) the experiences and effects regarding the implementation of mandatory firm rotation in the EU and other jurisdictions.

The Board asked the Task Force to present a revised draft of the long association provisions at the September 2016 IESBA meeting with a view to closing them off under the extant structure and drafting conventions.

8. Review of Part C of the Code

Dr. Thomadakis introduced the topic, welcoming Ms. Ighodaro, attending by teleconference for this session. He then passed the floor to Ms. Agélii.

APPLICABILITY OF PART C TO PAPPs

Ms. Agélii summarized the previous Board and Task Force considerations regarding how to clarify that circumstances can exist where Part C is applicable to professional accountants in public practice (PAPPs). She noted that the Board had agreed at its March 2016 meeting with the Task Force's recommendation that an "explanatory paragraph" be added to the Code to clarify that there are circumstances in which the provisions in Part C might be applicable to PAPPs. Since then, the Task Force had considered editorial suggestions from the Board and made refinements to the explanatory paragraph.

Incorporation of Part C into National Codes of Ethics

Ms. Snyder summarized key feedback received from the June 2016 IESBA-NSS meeting, noting that an NSS participant had indicated that professional accountants in business (PAIBs) are not members of the national professional accountancy organization (PAO). Accordingly, the local code only includes provisions within Parts A and B of the Code. The participant noted that the addition of the “explanatory paragraph” would require members of the PAO to consider additional provisions to which they had not previously given any attention.

A few IESBA members indicated that their local PAOs also did not include PAIBs within their remit. However, these PAOs were in the process of converging their ethical codes with the IESBA Code, a process which would require Part C to be incorporated into the local codes. They did not consider the inclusion of the additional Part C material in their local codes to be an issue.

Revised Explanatory Paragraph

In addition to editorial suggestions, IESBA members raised the following matters for the Task Force’s further consideration:

- Clarifying within the explanatory paragraph that the term “employment” encapsulates all legal relationships that a PAPP could have with the PAPP’s firm. This is because when translated, the term “employment” could be interpreted to mean:
 - (a) How an entity is utilizing the services of a PA; or
 - (b) The legal nature of the PA’s employment contract.
- Providing a summary of circumstances, beyond client relationships, in which a PAPP might consider referring to directions in Part C.

Location of Explanatory Paragraph

Ms. Agélii summarized the possible options regarding where to place the explanatory paragraph within the restructured Code.

IESBA members generally agreed with the Task Force’s proposals that the explanatory paragraph be included within restructured Parts 1 and 3, but not in restructured Part 2 as this part is due to have additional guidance (as part of the restructuring process) that will clarify that provisions in Part C might be applicable to PAPPs. Hence, including the explanatory paragraph within the restructured Part 2 would essentially be repeating guidance.

IESBA members also supported the Task Force’s proposals regarding where to place the explanatory paragraph within restructured Parts 1 and 3.

RESTRUCTURING OF PART C PHASE 1

Ms. Agélii recapped that initial restructuring changes to the Phase 1 close-off document had been presented at the March 2016 Board meeting. She then summarized additional changes that the Task Force was proposing, based on the Board input at the March 2016 IESBA meeting.

IESBA members provided various editorial suggestions for the Task Force’s further consideration. In relation to the footnote clarifying what the terms “professional accountant” and “accountant” refer to in the

guidance, an IESBA member reiterated that the wording should focus on the functional relationship between the PAPP and work being performed and not the legal nature of the employment contract.

SECTION 350, INDUCEMENTS

Ms. Agélii summarized the key issues to consider within Part C Phase 2 addressing inducements and the Task Force's work to date. She then outlined the Task Force's initial thinking on how extant Section 350 could be enhanced.

Scope and Structure of Section 350

Ms. Agélii explained that the Task Force was of the view that the IESBA's remit is to provide ethical guidance to PAs on how to address the offering and receiving of inducements. As such, Section 350 should address ethical behavior and not illegal acts, such as bribery, corruption and even facilitation payments (if they are deemed illegal in the PA's jurisdiction). Guidance on how a PA should respond to illegal acts is in Section 360 addressing NOCLAR. She added that if the inducement is not deemed illegal, principles-based provisions in Section 350 should cover the ethical angle by making appropriate linkage to the fundamental principles.

Ms. Snyder briefed the Board on input received at the June 2016 IESBA-NSS meeting, noting in particular a view that Section 350 should address bribery and corruption.

IESBA participants raised the following matters for the Task Force's consideration :

Bribery and Corruption

- Mr. Siong suggested that the Task Force review the OECD's Anti-Bribery and Corruption Convention,²¹ noting that many jurisdictions have not signed up to the Convention and have little or no legislation addressing bribery and corruption. In those circumstances, simply directing a PA to comply with laws and regulations within Section 350 may not adequately address issues of bribery and corruption.
- Ms. Diplock noted that bribery and corruption issues had received high profile media coverage recently. Accordingly, she was of the view that there is a significant public interest expectation that a revised Section 350 would address bribery and corruption. She felt that simply directing PAs to legislation on bribery and corruption would not be sufficient from a public interest standpoint.
- An IESBA member commented that reference to bribery and corruption within a revised Section 350 is needed to make clear that the issue has been considered by the IESBA.

Fundamental Principles

- A few IESBA members agreed that there is a need to link provisions within Section 350 to the fundamental principles. An IESBA member was of the view that the fundamental principles of integrity and objectivity would need to be specifically considered within the revised section.
- An IESBA member expressed a view that guidance linked to the offering and receiving of inducements could be included where the fundamental principles are summarized within the Code.

²¹ http://www.oecd.org/daf/anti-bribery/ConvCombatBribery_ENG.pdf

Structure

- A few IESBA members suggested that the revised section could best be structured to address:
 - (a) Illegal inducements, such as bribery and corruption;
 - (b) Inducements that are not illegal, but could result in a breach of the fundamental principles, such as unethical gifts and hospitality; and
 - (c) Inducements where there is ambiguity as to whether they are unethical, and hence merit the provision of ethical guidance to the PA.

Scope

- An IESBA member indicated that political lobbying should be included within the guidance, noting that while lobbying is legal in some jurisdictions, in practice it is not markedly different from bribery and corruption and essentially unethical.

Cultural Differences

Ms. Agélii explained the Task Force's view that principles-based guidance is needed to address cultural differences as what is an acceptable inducement can vary markedly among cultures.

In response to the Task Force's preliminary thinking on this topic, IESBA members provided the following views:

- Cultures could interpret bribery, corruption and different types of inducements in a variety of ways. This should be considered when drafting revisions to Section 350, notably by considering how in practice cultures address different types of inducements.
- In some cultures, declining an inducement could cause offense. Guidance to assist the PA in such a situation should be considered. Such guidance could include referring the PA to local standards or suggesting that the PA liaise with local regulators and professional bodies for direction on what is an acceptable inducement.
- Assessing the intent behind the inducement could assist in accounting for cultural differences, with the focus on considering whether there is an intention to obtain an advantage in return for making the inducement. Related, consideration should be given to whether the advantage being sought affects the PA's independence.

Conforming Changes to Section 260²²

Ms. Agélii explained the Task Force's view that enhancements to Section 350 should be developed first before conforming changes to Section 260 are considered. IESBA members generally agreed with the Task Force.

Revised Title of Section 350

Ms. Agélii recapped the previous concerns raised by IESBA members over the current title of Section 350 (notably that the word "inducements" has a negative connotation) along with the alternatives previously considered by the Board and the Task Force. She then summarized the Task Force's deliberation over the proposed revised title of "Gifts and Hospitality," explaining the pros and cons of this option over the other

²² Extant Section 260, *Gifts and Hospitality*

options, notably that it is consistent with Section 260 and relates to more common and frequently occurring situations.

IESBA members offered the following views:

- The proposal would appear to narrow the scope of the Section.
- The negative connotation around the term “Inducement” appears appropriate, given that provisions in Section 350 are intended to address inducements made to gain an undue advantage.
- The term “inducement” does not translate well. An alternative could be to use a description for the title.
- The term “inducement” is not the most obvious search term, especially when utilizing an electronic Code. Thus, there is a risk that PAs might inadvertently overlook Section 350 when seeking guidance on inducements.
- It may be better to focus first on establishing the appropriate scope for the section, as this would then facilitate the development of an appropriate title.

PROPOSED STRAWMAN

Ms. Agélii outlined the structure and content of the proposed Strawman the Task Force had developed for discussion purposes. She explained that the revised section would begin with an introductory paragraph linked to the fundamental principles. This would establish the context by referring to the CF and by stating the objective of the section. The introductory paragraph would lead in to requirements and application material that would be drafted in a manner that it is applicable to both the offering and receiving of inducements. Application material would include examples of different types of inducements and different types of threats to compliance with the fundamental principles. Guidance on how to evaluate the level of any threat would include factors for the PA to consider when offering or being offered the inducement. This would be followed by safeguards that could be applied to address the identified threats. The revised section would end with requirements for the PA to (a) decline an inducement if the threat cannot be eliminated or reduced to an acceptable level, and (b) not offer an inducement with the intention of improperly influencing another individual.

Types of Inducement

The Strawman provided examples of various types of inducements to indicate that inducements can take various forms including cash, tangible items, and intangibles such as corporate hospitality.

IESBA members raised the following matters:

- In certain cultures, many of the examples in the Strawman would not be classified as inducements. Hence, consideration should be given to limiting the number and range of examples.
- In addition to the monetary value that might accompany an unethical inducement, non-monetary enticements to accept the inducement, such as “kudos value,” should be considered in the revised section.

Evaluating Threats

Ms. Agélii explained that once the type of threat to the fundamental principles has been established, the revised section would provide factors for the PA to consider to allow an assessment of the significance of

the threat to be made. These factors include the intent or perceived intent behind the inducement, and its value, frequency or nature.

In addition to editorial comments, an IESBA member expressed a view that if an inducement is being offered or received with the intention of gaining an advantage that would not have otherwise been gained, the inducement essentially is a bribe, regardless of legislation. Accordingly, it should be prohibited. The IESBA member argued that such a prohibition should appear near the start of a revised Section 350. Some IESBA members agreed that the motivation, or perceived motivation, is a key element on which additional guidance was needed.

Addressing Threats

The Strawman proposed enhancements to extant Section 350 regarding how to address a threat to compliance with the fundamental principles, including numerous additional examples of actions that could be taken to mitigate the threat.

In addition to editorial suggestions and suggestions on how to elaborate on the proposed examples, IESBA members raised the following matters:

- Consideration should be given to possible safeguards to neutralize the adverse consequences of declining an inducement.
- Consideration should be given to introducing the reasonable and informed third party test to evaluate the adequacy of the safeguards.

Requirements

The Strawman contained suggested requirements for the PA to decline an inducement if the threat cannot be eliminated or reduced to an acceptable level, and for the PA not to offer an inducement with the intention of improperly influencing another individual.

An IESBA member suggested that a PA should also be required to decline an inducement if it is clear that there is an adverse motivation behind the inducement, regardless of any safeguards that are available. The IESBA member also agreed that with the suggested requirements in the Strawman, and added that they should appear early within a revised Section 350, not towards the end of the section as indicated within the Strawman.

Other IESBA members suggested the following requirements:

- Prohibition from paying or receiving illegal bribery and corruption.
- Prohibition from encouraging others to offer or receive an inappropriate inducement.
- Compliance with the fundamental principles when offering or receiving inducements.

WAY FORWARD

The Board asked that the Task Force present a revised Strawman for its consideration at the September 2016 IESBA meeting.

9. PIOB Observer's Remarks

Ms. Diplock indicated that the meeting had been stimulating and interesting. On behalf of the PIOB, she indicated that the IESBA is a vital player in the global standard-setting arena. She emphasized how much

the profession and the capital markets depend on the IESBA's work, as the ethical practice of the profession underpins economic growth and the profession's reputation. She added that the Code is important for stability and, in the context of the market failures she has experienced, it is part of rebuilding confidence in the profession. She encouraged the Board to continue its work in the public interest.

She noted that she was impressed with the quality, richness and energy of the discussions. She also noted that under Dr. Thomadakis's leadership, every IESBA member had contributed to the deliberations and that more broadly, the views of the stakeholder community are vital for the public interest.

Ms. Diplock then shared the following personal observations on the topics discussed:

- She remarked that the Structure project is vitally important and that it is in the public interest that the Code is usable, understandable and accessible not only to PAs, but also to other stakeholders who use it. She commented that all stakeholders are interested in the Code being acceptable and approachable, hence the importance of outreach in this regard.
- She noted the importance of the Safeguards project and the need to get the balance right regarding what is in the public interest and the business implications for PAs. She expressed the view that it is the public interest that must come first. She indicated that she was reassured that references to the public interest came up in the Board's discussions.
- Regarding the IFIAR presentation, she acknowledged the challenge of obtaining relevant data from IFIAR from a standard-setting perspective but recognized that this would be a journey.
- She expressed the view that professional skepticism is an area where there are high public expectations. She noted that the project's challenge was combining the work of the three SSBs in a coordinated way while retaining each board's autonomy. She expressed her confidence that this outcome could be achieved because of the talents of those involved.
- Regarding Long Association, she remarked that simplicity and operability are in the public interest. She was therefore pleased with the outcome.
- She indicated that she was impressed with the thoughtful input on NOCLAR pending the PIOB's discussion on the final standard.
- She noted that Part C Phase 2's subject matter is a difficult area in which there are high expectations. She expressed confidence in the Board's detailed consideration of the issues which would lead to ethical provisions that would be an important element in increasing public confidence in the profession and in the capital markets. She added that the Code could be a model for other professions to follow.

Dr. Thomadakis thanked Ms. Diplock for her valuable and encouraging comments which would influence the board's future discussions.

10. **Next Meeting**

The next Board meeting is scheduled for September 26-30, 2016 in New York, USA.

11. **Closing Remarks**

Dr. Thomadakis thanked IESBA participants for their contributions to the meeting. He also thanked IFAC for hosting the meeting and for its administrative support. He then closed the meeting.