

Meeting: IESBA
Meeting Location: New York
Meeting Date: September 26–30, 2016

Agenda Item

3

Structure of the Code Phases 1 and 2

Objectives of Agenda Item

1. To discuss remaining issues raised by respondents to the December 2015 Exposure Draft, [Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1](#) (Structure ED-1) that were not presented at the June 2016 IESBA meeting.
2. To consider a first-read draft of the Structure Task Force's (TF's) proposed revisions to Structure ED-1 in the light of respondents' feedback and the Board's input on the TF's June 2016 proposals, in preparation for agreement in principle on the Structure Phase 1 text at the December 2016 meeting.
3. To consider issues and TF proposals for the material to be included in Exposure Draft 2 (Structure ED-2). The material relating to the Part C Phase 1, Long Association and NOCLAR projects are considered under separate agenda items at this meeting.¹
4. To consider an initial staff-prepared compilation of the entire restructured Code.

A Structure TF meeting is planned for Sunday September 25, 2016. Accordingly, the TF requests any comments on the ED-1 and ED-2 material in advance of the meeting. Please email them to elizabethhiggs@ethicsboard.org.

TFs and Respective Responsibilities

5. The Structure of the Code project has established a new structure and format for the Code. The Structure TF has overall responsibility for the project, including oversight of restructuring being performed by other Task Forces. All staff and TFs listed at page 2 have been working on a coordinated basis to progress the various work streams on schedule.

¹ Structure ED-2, targeted for approval at the December 2016 IESBA meeting, will include restructured provisions pertaining to:

- Section 290.500 – 290.514, *Reports that Include a Restriction on Use and Distribution*;
- Section 291, *Independence – Other Assurance Engagements* of the extant Code;
- The Part C Phase 1 close-off document;
- Recently released Sections 225 and 360, both titled *Responding to Non-Compliance with Laws and Regulations* (NOCLAR); and
- The revised Long Association (LA) provisions.

Revised provisions relating to Phase 2 of the Safeguards project will be released separately as part of Safeguards ED-2.

Structure of the Code (Cover Note)
IESBA Meeting (September 2016)

Structure TF	Safeguards TF	Part C TF	NOCLAR TF	LA TF
<ul style="list-style-type: none"> • Don Thomson, Structure TF Chair, former IESBA Member • Tony Bromell, IESBA Technical Advisor • Brian Caswell, IESBA Member • Liesbet Haustermans, IESBA Member • Peter Hughes, former IESBA Member • Stefano Marchese, IESBA Member 	<ul style="list-style-type: none"> • Gary Hannaford, Safeguards TF Chair, IESBA Member • Kim Gibson, IESBA Member • Wui San Kwok, Former IESBA Deputy Chair • Ian McPhee, IESBA Member • Jens Poll, IESBA Technical Advisor • Sylvie Soulier, IESBA Member <p>Observer:</p> <ul style="list-style-type: none"> • Don Thomson 	<ul style="list-style-type: none"> • Helene Agélie, Part C TF Chair, IESBA Member • Joyce Evans, IFAC Professional Accountants in Business (PAIB) Committee Member • Claire Ighodaro, IESBA Member • Robert Juenemann, IESBA Member • Lisa Snyder, IESBA Member 	<ul style="list-style-type: none"> • Richard Fleck, NOCLAR TF Chair, IESBA Deputy Chair • Helene Agélie, IESBA Member • Atsushi Kato, IESBA Member 	<ul style="list-style-type: none"> • Richard Fleck, LA TF Chair, IESBA Deputy Chair • Brian Caswell, IESBA Member • Gary Hannaford, IESBA Member • Chishala Kateka, IESBA Member • Andrew Pinkney, IESBA Technical Advisor
Staff: Elizabeth Higgs and Shirley Sommer	Staff: Diane Jules	Staff: Kaushal Gandhi	Staff: Ken Siong	Staff: Ken Siong
<i>Responsible for restructuring the extant Code, including providing oversight to other TFs in this regard.</i>	<i>Responsible for developing revisions in the restructured format to enhance safeguards in the extant Code, including those pertaining to non-assurance services (NAS).</i>	<i>Responsible for restructuring the close-off document for Part C Phase 1.²</i>	<i>Responsible for restructuring the approved NOCLAR text.</i>	<i>Responsible for restructuring the revised LA provisions.</i>

Activities Since Last IESBA Discussion

6. The TF met in person in July and September 2016 to review the draft restructured Code and three times by teleconference to prepare the papers for this meeting.
7. At the September 2016 IESBA Consultative Advisory Group (CAG) meeting, the TF will:
 - Provide a summary of the key issues arising from the feedback from respondents on Structure ED-1, indicating the Board's response to those issues and the TF's related proposed revisions.

² Phase 2 of the Part C project is currently being developed. It will not form part of Structure ED-2.

- Seek the CAG's input on the TF's proposed revisions.

The TF Chair will brief the Board on the key outcomes of the CAG discussion at the meeting.

Format of the Board Discussion

8. Discussion of the Structure of the Code and Safeguards projects will take up a significant portion of the meeting. **Agenda Item 3-J** is a staff-prepared clean compilation of the full proposed restructured Code comprising the texts from Structure Phases 1 and 2, Safeguards Phases 1 and 2, Part C Phase 1, NOCLAR, and LA. While comments on this compilation are welcome, it will not be the primary document to be discussed during the meeting.
9. At the Board meeting, the Board will be asked to consider significant matters raised in the issues paper. This will be followed by consideration of any significant matters raised by Board members in advance of the meeting. Board members will then have an opportunity to raise any other significant matters. Other drafting suggestions are appreciated and can be provided to the Task Force Chair and Staff.
9. Reading time has been scheduled during the week of the meeting to allow Board participants time to consider revised texts in response to the CAG and Board discussions.

Material Presented

For IESBA Consideration

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| Agenda Item 3-A | Structure of the Code: Phase 1 – Issues and TF Proposals |
| Agenda Item 3-B | Proposed Revisions to Structure ED-1 (Marked From ED) |
| Agenda Item 3-C | Proposed Revisions to Structure ED-1 (Clean) |
| Agenda Item 3-D | Structure of the Code: Phase 2 – Issues and TF Proposals |
| Agenda Item 3-E | Proposed Structure ED-2, Including Section 800 ³ and Section 900, and related conforming amendments ⁴ arising from the Safeguards project |
| Agenda Item 3-F | Mapping Table for Proposed Structure ED-2 |
| Agenda Item 3-G | Forward Timelines – Structure Related Work Streams |
| Agenda Item 3-H | Staff-prepared Compilation of Proposed Restructured Code |

For Reference Only

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| Agenda Item 3-I | List of Matters for Future Board Attention |
| Agenda Item 3-J | Drafting Guidelines for Restructuring the Code |

³ Section 800, *Reports that Include a Report on Restriction on Use and Distribution* (paragraphs 290.500 to 290.514 of the extant Code)

⁴ Section 950, *Provision of Non-assurance Services to Assurance Clients* (paragraphs 291.138 – 291.148 of the extant Code)

Supplement 1	Structure ED-1 – Compilation of Respondents' Specific Drafting Suggestions
Supplement 2	Structure ED 1 – Compilation of Respondents' Suggested Changes of Meaning
Supplement 3	Compilation of Responses to General Questions on Structure ED-1
Supplement 4	Compilation of Responses to Specific Questions on Structure ED-1

Drafts to be Discussed at the Meeting

10. The TF proposes that for:

- Phase 1, **Agenda Item 3-B**, Proposed Revisions to Structure ED-1 (Marked From ED); and
- Phase 2, **Agenda Item 3-E**, Proposed Structure ED-2;

be discussed during the meeting.

Action Requested

11. IESBA members are asked:

- (a) For views on the matters raised in **Agenda Items 3-A and 3-D**, and the proposed text set out in **Agenda Items 3-B and 3-E**;
- (b) For comments on the staff-prepared compiled restructured Code (**Agenda Item 3-H**); and
- (c) To note the anticipated forward timelines for the restructuring work streams.