

Meeting: IESBA
Meeting Location: New York, USA
Meeting Date: December 12-15, 2016

Agenda Item

5

Review of Part C of the Code—Phases 1 and 2 Cover

Objectives of Agenda Item

1. To consider, with a view to approval for exposure as part of the proposed text for Phase 2 of the Structure project:
 - (a) A revised draft of the restructured text of the Phase 1 close-off document¹, *Changes to Part C of the Code Addressing Preparation and Presentation of Information and Pressure to Breach the Fundamental Principles*;² and
 - (b) Issues arising from refining the safeguards-specific conforming amendments to the Phase 1 close-off document.
2. To consider, with a view to approval for exposure, proposed text to clarify the applicability of the provisions in extant Part C³ to professional accountants in public practice (PAPPs).
3. To consider issues and Task Force proposals relating to enhancements of provisions in Section 250, *Inducements*⁴ and a first read of proposed revised provisions.

The Task Force welcomes comments on its proposals set out in **Agenda Items 5-B, 5C and 5-F** in advance of the IESBA meeting. Please email comments to kaushalgandhi@ethicsboard.org.

Comments on the proposed conforming amendments arising from the Safeguards project (i.e., the gray text in **Agenda Item 5-B**) should also be directed to dianejules@ethicsboard.org.

¹ <http://www.ethicsboard.org/system/files/meetings/files/Agenda-Item-D-3.1-Part-C-Phase-1-Close-Off-Document.pdf>

² The Phase 1 close-off document was approved at the November/December 2015 IESBA meeting based on the drafting conventions in the extant Code. It includes the following new or revised sections:

- Section 300, *Introduction*;
- Section 310, *Conflicts of Interest*;
- Section 320, *Preparation and Presentation of Information*;
- Section 330, *Acting with Sufficient Expertise*;
- Section 340, *Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making*; and
- Section 370, *Pressure to Breach the Fundamental Principles*.

If text within these Sections is not new or has not been revised, it is the extant text that has been restructured.

³ Restructured Part 2, *Professional Accountants in Business* (PAIBs)

⁴ Extant Section 350, *Inducements*

Task Force

4. Members:
- Helene Agéllii, 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

Activities since Last IESBA Discussion

5. The Task Force held a physical meeting and two teleconferences to consider the input received from the September 2016 Board meeting and to prepare the agenda materials for this meeting. In addition, the Part C Task Force Chair and Staff have regularly liaised with their counterparts on the Structure of the Code and Safeguards projects to consider restructuring issues applicable to all three Task Forces. In this regard, the Part C Task Force Chair and Staff participated a Safeguards Task Force teleconference to finalize the conforming amendments arising from the Safeguards project (see gray text in **Agenda Item 5-B**).

Material Presented

- Agenda Item 5-A Revision of Part C Phase 1 (Part 2)–Restructuring Issues and Task Force Proposals
- Agenda Item 5-B Revision of Part C Phase 1–Proposed Text for Restructured Part C Phase 1 With Safeguards Conforming Amendments (Mark-up from September 2016 IESBA Discussion)*
- Agenda Item 5-C Revision of Part C Phase 1–Issues and Proposed Text to Clarify the Applicability of Provisions for PAIBs to PAPPs
- Agenda Item 5-D Revision of Part C Phase 1–Draft Explanatory Memorandum for Exposure Draft: Proposals to Clarify the Applicability of Provisions for PAIBs to PAPPs
- Agenda Item 5-E Revision of Part C Phase 2–Issues and Proposals Relevant to Section 250
- Agenda Item 5-F Revision of Part C Phase 2–Proposed Revised Section 250

Action Requested

6. IESBA members are asked to consider and to provide feedback and direction to the Task Force on matters set out in **Agenda Items**:
- (a) **4-A** (for matters relating to conforming amendments arising from the safeguards project).

* Clean versions of Sections 120, 300, 600 are included in the Staff-prepared Compilation of the Restructured Code which form part of the Structure of the Code agenda materials. To accompany the Staff-prepared Compilation of the Restructured Code, Staff will also prepare mapping tables to compare the text of extant Code to the restructured text. For NOCLAR and LA, a mark-up showing restructuring changes will be made available to show the changes to the final pronouncements which were approved/released by IESBA in 2016.

- (b) **5-A** and **5-B** (for matters relating to restructuring).
- (c) **5-C** and **5-D** (for matters relating to the applicability of provisions for PAIBs to PAPPs)
- (d) **5-E** and **5-F** (for matters relating to Inducements).

Forward Timeline

7. For information, the tentative forward timeline for the project over the next 12 months is as follows:

| Indicative Timing | Milestone |
|-------------------|---|
| Phase 1 | |
| December 2016 | Approve ED Phase 1 restructured text |
| June 2017 | Update |
| Sept 2017 | Consideration of significant comments on exposure |
| Dec 2017 | Final approval of restructured Phase 1 |
| Phase 2 | |
| December 2016 | First read |
| March 2017 | Second read and approval of ED Phase 2 |
| Sept 2017 | Consideration of significant comments on exposure |
| Dec 2017 | Second consideration of significant comments on exposure and approval of final standard |