



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item
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Committee: Ethics
Meeting Location: Helsinki
Meeting Date: September 20-21, 2004

Code -Redraft

Objective of Agenda Item

- To review and approve the changes to the Code to address the comments received on exposure; and
- To approve the document for either release as final or re-exposure.

Activities Since Last Ethics Meeting

The Task Force held a task force meeting to discuss the proposed changes to Code.

Discussion

At the May meeting, the Committee discussed a draft of the Code revised to address comments received on exposure. The Task Force has considered the comments provided by the Committee and presents this draft for approval by the Committee.

The Task Force has addressed the comments as follows:

- The preface has been restructured to refer to the role of IFAC and member bodies;
- The introduction to Section A has been expanded to provide more explanation on the application of the conceptual framework;
- The Task Force considered the need to change the section dealing with integrity (Section 110). The Task Force concluded that the statement that a professional accountant should not be associated with false or misleading information was sufficiently clear. The Task Force concluded that it was not necessary to add the statement that a professional accountant should disassociate themselves from such information.
- The Task Force considered the need to change the section dealing with confidentiality (Section 140). After considerable discussion, the Task Force concluded that it would be inappropriate to make significant changes to this section because this could pre-empt the work that will undertaken in project to provide guidance to professional accountants when encountering fraud or error. (Project proposal to be presented for approval at Sept 2004 meeting).

- The Task Force carefully reviewed the section on independence (Section 290) to ensure that all of the paragraphs proposed for deletion are contained elsewhere in the Code.
- The Task Force considered the Committee's comment that while Section C of the Code applies to professional accountants in business it may also be applicable to professional accountants in public practice in their capacity as an employee of the firm. The Task Force has added some language in paragraph 100.3 to state that Part C might be relevant to professional accountants in public practice.

The Task Force has also renumbered the paragraphs, adopting a numbering system that provides for new sections to be added without necessitating renumbering existing section.

Need for re-exposure

In determining whether there is a need to re-expose, the Task Force considered whether, as a result of the comments received on exposure there has been substantial change to the document, and, if so, whether those changes warrant the need to re-expose. The Task Force also considered whether, in light of other documents that might be approved by the Committee at the September meeting, it would be appropriate to expose the Code in its entirety.

Substantial change to exposed document?

The following lists the more significant changes that have been made to the exposed document:

- Structure – the document has been re-ordered in places, the duplication between Part A and Parts B&C has been reduced and the paragraphs have been renumbered;
- Language added to indicate that professional accountants in public practice may find the guidance in Part C relevant to their particular circumstances;
- The guidance in part C related to disclosing confidential information has been deleted because it is addressed by the general guidance in Part A and there is a separate project to provide additional guidance for professional accountants when encountering fraud or error; and
- The guidance dealing with the professional accountant in business's responsibility to prepare financial statements in accordance with GAAP has been expanded.

The Task Force is of the view that while these changes represent important improvements to the document they are not so substantial to warrant re-exposure.

Other documents

The Task Force considered the other parts of the Code that have either been approved or are on the September agenda for approval:

Section	Description	Status
Network Firm	Revised definition and background material – applies to Section 8	Planned September ED
Section 8	Amendments to conform with new assurance framework	Planned September ED
Rotation of EQCR	Expanding rotation requirements to cover person responsible for the engagement quality control review	Approved – but not issued
Section 8	Changes to the Section to integrate it with the rest of the Code	Has not been exposed

While the Task Force recognizes that re-exposure would result in a delay in issuing the final Code. However, the Task Force is concerned that issuing the revised Code, and exposing Section 8 (now Section 290) at the same time will be too confusing. Consequently, the Task Force recommends the Code is re-exposed in its entirety. The Task Force further recommends that the explanatory memorandum accompanying the ED ask only for comments on the sections of the Code that are being exposed for the first time.

Material Presented

Agenda Paper 2-A Code redraft Clean Copy

Agenda Paper 2-B Code redraft – Mark-up showing changes from document presented at the May 2004 meeting

Please note the clean copy will be used at the September meeting

Action requested

1. Committee members are asked to review the changes made and approve the document.
2. Committee members are asked to consider whether the re-draft should be issued as final or re-exposed with the changes to independence.

Voting Rules

The affirmative vote of twelve members present at the meeting or represented by proxy is required for approval.