



**INTERNATIONAL FEDERATION
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**Agenda Item
5**

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

Due Process

Objective of Agenda Item

- To review and approve Planning Committee terms of reference
- To discuss description of Ethics Committee due process
- To review Policy for Section 8 Queries

Background

The IFAC reforms, issued in November 2003, proposed certain enhancements to the due process followed by the Public Interest Activities Committees of IFAC. The reforms proposed some specific enhancements for the IAASB and stated that the due process of the Ethics Committee should be the same as for the IAASB.

Activities Since Last Ethics Meeting

The Planning Committee met by conference call to discuss its terms of reference for the Planning Committee and due process considerations for the Ethics Committee.

Planning Committee Terms of Reference

The Planning Committee considered the terms of reference of the Steering Committee of the IAASB and made changes that it felt was appropriate to reflect the differences between the IAASB and the Ethics Committee. The terms of reference are contained in Agenda Paper 5-A.

Operating Procedures

The IAASB has issued an exposure draft (ED) in July 2004. The ED proposes to expand the existing preface to the International Standards on Quality Control, Auditing, Assurance and Related Services. The Preface describes the objectives of the IAASB, the scope and authority or the pronouncements it issues, and the key features of its working procedures. The ED is contained in Agenda Paper 5-C.

The Planning Committee considered the need for the Ethics Committee to issue a similar ED. The Planning Committee concluded that while it was appropriate for the Ethics Committee to discuss and approve due process policies and working procedures it did not feel that it was necessary to develop an exposure draft. Accordingly, the Planning Committee asked staff to develop a short document outlining elements of due process and working procedures for discussion by the full Committee. The recommendation of the Planning Committee is that, once the document has been changed to reflect any comments from the full Committee, it would be posted on the IFAC web-site. The document is contained in Agenda Paper 5-B.

Policy for Section 8 Queries

Section 8 dealing with independence was issued in November 2001 with an effective date for assurance engagements where the report is dated on or after December 31, 2004. This long lead-time was established to provide member bodies and firms with sufficient time to implement the changes.

The Committee recognized that issues might arise on implementation. Accordingly, it established a policy for handling queries relating to or arising from implementation of Section 8. This policy is contained in Agenda Paper 5-D. When the Committee approved the policy it agreed that it should be revisited in two years to determine whether any change was needed.

In the two years since the policy has been in effect there have been some queries, two of which led to interpretations to the Code (IT 2003-01, relating to existing contracts for non-assurance services, and IT 2003-02, relating to implementation of the partner rotation requirements).

Material Presented

Agenda Paper 5-A	Draft Planning Committee Terms of Reference
Agenda Paper 5-B	Draft Proposed Ethics Committee Operating Procedures
Agenda Paper 5-C	IAASB ED – Due Process and Working Procedures
Agenda Paper 5-D	Policy for Section 8 Queries

Action requested

1. Committee members are asked to review and approve the Planning Committee terms of reference.
2. Committee members are asked to consider and approve the proposed elements of due process. Committee members are asked to consider and approve the recommendation that the document be placed on IFAC website.
3. Committee members are asked to consider the policy for Section 8 queries and determine whether it continues to be appropriate or whether any changes are needed.

Voting Rules

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