

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS DUE PROCESS AND WORKING PROCEDURES

The following identifies the due process and working procedures followed by the International Ethics Standards Board for Accountants (IESBA) in promulgating its international pronouncements.

Matters of due process are identified in each of the following paragraphs. Working procedures, shown in *italics*, are steps adopted by the IESBA to facilitate the operation of its due process but are not themselves part of the due process. Working procedures may be modified, as considered necessary, to respond to changes in circumstance.

General

1. IESBA meetings to discuss the development, and to approve the issue, of changes to the Code of Ethics for Professional Accountants and Code of Ethics Interpretations are open to the public. Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions.
 - *Where practicable, IESBA meetings are broadcasted over the Internet or recorded and archived on the IFAC website.*
2. Meeting agenda papers, including issues papers and draft international pronouncements prepared for the IESBA's review and debate, and minutes of the immediately preceding meeting of the IESBA, are published on the IFAC website in advance of each IESBA meeting.
 - *Meeting agenda papers are published on the IFAC website ordinarily no later than three weeks in advance of each IESBA meeting. Draft meeting minutes are published on the IFAC website ordinarily within six weeks after each IESBA meeting. Final minutes are retained on the website indefinitely.*
 - *Updated project summaries and meeting highlights are posted to the website after each meeting. Agenda papers are retained on the IFAC website for at least three years from the date of the meeting. Only the final changes to the Code of Ethics for Professional Accountants or Code of Ethics Interpretations issued by the IESBA are authoritative.*
3. Meetings and agenda papers are in English, which is the official working language of the IESBA.

Project Identification, Prioritization and Approval

4. The IESBA identifies new projects based on a review of national and international developments and on comments and suggestions from those who have an interest in the development of international ethical standards for professional accountants.

5. The Public Interest Oversight Board (PIOB)¹ is consulted to help establish the appropriateness of the IESBA's project priorities and any changes therein. The IESBA obtains the PIOB's opinion, as at the date of that opinion, on the appropriateness of the items on the work program and on whether or not it wishes, from a public interest perspective, to have any further items added. The IESBA adds to its work program those items that the PIOB resolves should, from a public interest perspective, form part of the IESBA's work program.
6. The IESBA Consultative Advisory Group (CAG) is consulted to help establish the appropriateness of the IESBA's project priorities and any changes therein. A proposal to start a new project is prepared based on research and on appropriate consultation within the IESBA and with the IESBA's CAG, with consideration given to the costs and benefits of the proposed project. It is also circulated to other IFAC committees and IFAC task forces to identify matters of possible relevance to the project. The IESBA considers and prioritizes the project proposal having regard to the public interest. As appropriate, the IESBA approves, amends or rejects the project proposals in a meeting open to the public.
 - *A proposal to start a new project is first considered by the IESBA Planning Committee². As appropriate, the Planning Committee recommends to the IESBA either that a project proposal be approved or that no new project be initiated at that time. A project proposal identifies, where applicable, who has recommended the project for consideration by the IESBA.*
7. Where the IESBA CAG has recommended a project for consideration by the IESBA, the Chair of the IESBA informs the PIOB and the IESBA's CAG of the decisions of the IESBA.

Development of Proposed International Pronouncements

8. The IESBA may assign responsibility for a project to a Project Task Force. The Project Task Force operates within the guidelines established by the IESBA.
 - *A project proposal includes any proposed assignment of responsibility for the project to a Project Task Force. It addresses, where appropriate, specific areas of expertise or geographical representation that may be needed on the Project Task Force. The identification of Project Task Force members focuses on finding the best person for the job.*
 - *A Project Task Force is chaired by a member of the IESBA and may contain participants, such as external experts, who are not members of the IESBA but have*

¹ The international Public Interest Oversight Board (PIOB), established in February 2005, oversees the IFAC Public Interest Activity Committees: the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants and the International Accounting Education Standards Board and the Compliance Advisory Panel

² The IESBA Planning Committee is a standing committee of the IESBA. Its purpose is to discuss matters of strategic and operational importance, and provide proposals on such matters to the IESBA for its consideration. In addition, the Planning Committee acts as counsel and advisor to the IESBA Chair and staff on matters and activities relating to achievement of the objectives of the IESBA.

experience relevant to the subject matter. Members of a Project Task Force are identified in the project summaries contained on the IESBA website.

- *Project Task Force meetings are not open to the public.*
 - *Draft changes to the Code of Ethics for Professional Accountants are developed based on research and consultation, which may include: conducting research; consulting with the IESBA or the IESBA CAG, practitioners, regulators, national standard setters and other interested parties; and reviewing professional pronouncements issued by IFAC member bodies and other parties.*
 - *The IESBA may carry out projects in cooperation, or conduct projects jointly, with a national standard setter(s) or other organizations with relevant expertise. In the case where a project is to be conducted jointly,³ a member of the IESBA chairs the joint Project Task Force. Where practicable, joint projects are conducted on a multi-national basis whereby two or more national standard setters or national organizations are involved in the joint project.*
9. The IESBA considers whether to hold a public forum or roundtable, or issue a consultation paper, in order to solicit views on a matter under consideration. The IESBA should also consider the appropriateness of conducting a field test of the application of its proposals for a new or revised standard. The decision to undertake any of these steps may be made at any stage before or after a draft change to the Code of Ethics for Professional Accountants is issued for public exposure. The rationale for the IESBA's decision in relation to these steps shall be discussed at a IESBA meeting and the decision minuted. Comments received through a public forum or roundtable, or the issue of a consultation paper, are considered in the same manner as comments received on an exposure draft.
- *In deciding upon the need to hold a public forum or roundtable or to issue a consultation paper, the IESBA considers whether the subject of the change to the Code of Ethics for Professional Accountants, the level of interest within and outside the profession, the likely or actual existence of a significant and controversial divergence of views, the need for additional information in order to further the IESBA's deliberative process, or some other reason indicates that wider or further consultation would be appropriate.*
 - *The outcome(s) of a public forum or roundtable, or the issue of a consultation paper, is summarized and reported to the IESBA, as part of the IESBA's public agenda papers, for purposes of the IESBA's deliberation on the subject under consideration.*

³ Joint projects are subject to the due process of the IESBA. If exposed separately both internationally and by the national standard setter(s) with whom the project is being jointly developed, and where applicable, the IESBA may additionally have regard to comments received by the national standard setter(s), where they may be relevant internationally, and to the extent the process does not result in unnecessary delay in the finalization of the pronouncement. The final pronouncement approved by IESBA becomes a final change to the Code of Ethics for Professional Accountants in the normal way. It may differ from the corresponding document(s), if any, approved by the collaborating national standard setter(s).

10. When the Project Task Force is satisfied that it has a proposed change to the Code of Ethics for Professional Accountants that is ready for exposure, it presents the draft to the IESBA for approval in accordance with the IESBA's voting procedures.

Public Exposure

11. Approved draft changes to the Code of Ethics for Professional Accountants are exposed for public comment. Exposure drafts are placed on the IFAC website where they can be accessed free of charge by the general public. Each exposure draft is accompanied by an explanatory memorandum that highlights the objective(s) of and the significant proposals contained in the draft international pronouncement, as well as the IESBA's view on the main issues addressed in the development thereof.
 - *Notice of the issuance of exposure drafts is widely distributed to: regulatory bodies; organizations that have an interest in the pronouncements issued by the IESBA; member bodies of IFAC; and the press.*
 - *An explanatory memorandum may also direct respondents, including those representing specific constituencies such as developing nations, small- and medium-sized practices or the public sector; to aspects of the draft change to the Code of Ethics for Professional Accountants on which specific comments are sought.*
12. The exposure period will ordinarily be no shorter than 90 days.
 - *A shorter or longer exposure period, however, may be set when considered appropriate. A longer exposure period may be set, for example, where complex or pervasive changes might affect translation or to make wider consultation possible. A shorter exposure period may be set, for example, where in the public interest there is a need to conclude on a matter more quickly, the exposure draft is relatively simple or short, or where the IESBA decides to re-expose all or only part of a draft change to the Code of Ethics for Professional Accountants.*
 - *Exposure drafts indicate that the IESBA cannot undertake to consider comments and suggestions received after the close of the comment period.*
13. Comments made by respondents to an exposure draft are a matter of public record and are posted on the IFAC website after the end of the exposure period.
 - *An acknowledgement of receipt is sent to every respondent to an exposure draft.*
 - *IESBA members, their technical advisers, and Project Task Force members who are not members of the IESBA are notified when comment letters have been made available on the IFAC website.*
 - *A number of printed copies of the exposure draft and comment letters are also made available for the reference purpose of IESBA members at the IESBA meeting in which the project is scheduled for discussion.*

Consideration of Respondents' Comments on an Exposure Draft

14. To facilitate the deliberative process, the Project Task Force provides the IESBA, as part of the IESBA's public agenda papers, with an analysis that summarizes the main issues raised by respondents, outlines the proposed disposition of the issues that have been raised and, as appropriate, explains the reason(s) significant changes recommended by a respondent(s) are, or are not, to be accepted.
 - *The comments and suggestions received within the exposure period are read and considered by the Project Task Force.*
 - *Project agenda papers contain a cumulative summary of the significant decisions made by the IESBA on matters relating to the project, including its position on the main points raised in comment letters.*
 - *When an exposure draft has been subject to many changes, a summary comparative analysis is presented to the IESBA. This analysis shows, to the extent practicable, the differences between the exposure draft and the proposed final change to the Code of Ethics for Professional Accountants.*
15. Members of the IESBA familiarize themselves with the issues raised in comment letters on exposure drafts such that they are able to make well informed decisions as they finalize an international pronouncement. The IESBA deliberates significant matters raised in the comment letters received, with significant decisions recorded in the minutes of the meeting of the IESBA.
 - *The IESBA does not enter into debate or discussion with respondents on individual comment letters.*
 - *The IESBA may decide, however, to discuss a letter of comment with the respondent to seek clarification on a matter. For comments received from members of the Monitoring Group and from the CAG, if and as requested, the IESBA will explain to them the reason(s) for not having accepted their proposals. The nature and outcome of such discussions are reported and recorded in the minutes of the IESBA meeting at which the related project is discussed.*

Re-Exposure

16. After approving the revised content of an exposed change to the Code of Ethics for Professional Accountants, the IESBA assesses whether there has been substantial change to the exposed document that may warrant re-exposure. If so, the IESBA votes on a resolution in favor of re-exposure that is subject to the same voting rules as a vote on the issue of an exposure draft or final change to the Code of Ethics for Professional Accountants.
 - *The senior technical manager of the IESBA, in consultation with the chair of the IESBA and chair of the Project Task Force, advises the IESBA on whether a draft change to the Code of Ethics, or part thereof, needs to be re-exposed.*

- *Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IESBA before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the IESBA; or substantial change to the substance of a proposed change to the Code of Ethics for Professional Accountants..*
17. When an exposure draft is re-exposed, the explanatory memorandum accompanying the re-exposure draft includes the reasoning for re-exposure and sufficient information to allow an understanding of the changes made as a result of the earlier exposure.

Approval of a Final International Pronouncement

18. The IESBA Senior Technical Manager is responsible for advising the IESBA and the PIOB on whether the established due process has been followed before a final international pronouncement is approved for issue.
19. When a revised draft is approved by the IESBA, it is issued as a definitive final change to the Code of Ethics for Professional Accountants. Where applicable, the IESBA sets an effective date for the application of the change to the Code of Ethics for Professional Accountants.
- *In setting such dates, the IESBA considers the reasonable expected minimum period for effective implementation, including the need for translation into national languages.*
20. For each final change to the Code of Ethics for Professional Accountants, the IESBA issues a separate document explaining its basis of conclusions with respect to comments received on an exposure draft.
- *The document explaining the IESBA's basis of conclusions with respect to comments received on an exposure draft is circulated to the IESBA for comment and is issued after clearance by the Chair and the IESBA Senior Technical Manager. The issue of the document is not subject to voting approval by the IESBA and therefore does not constitute part of the final change to the Code of Ethics for Professional Accountants and is non-authoritative. It is retained for an indefinite period on the IFAC website.*

Meeting Quorum and Voting

21. The IESBA votes on the approval of an exposure draft or on the approval of a change to the Code of Professional Accountants in accordance with the IESBA's terms of reference.

Meeting Quorum

Each IESB meeting requires the presence, in person or by simultaneous telecommunication link, of at least twelve appointed members

Voting

Voting rights

Each member of the IESBA has the right to one vote.

- *Where a member is unable to attend an IESBA meeting⁴, the member may appoint his or her technical advisor⁵, the IESBA Chair or another IESBA member as a proxy. When voting, the proxy takes account of the outcome of the IESBA's discussions and any guidance provided by the member in relation to voting, and, where practicable, consults with the member before voting. The appointment of a proxy is made in writing to the IESBA Chair and is disclosed at, and recorded in the minutes of, the IESBA meeting.*

Voting at IESBA meetings

The affirmative votes of at least two thirds of the members present at a meeting in person or by simultaneous telecommunications link or by proxy, but not less than twelve, is required to approve exposure drafts and re-exposure drafts, or to approve or withdraw International Standards and Practice Statements.

- *Dissenting votes, including the reason(s) therefor, will be included in the minutes of the meeting*
- *The IESBA may also use ballots where exposure drafts or final changes to the Code of Ethics for Professional Accountants are discussed at an IESBA meeting and a final draft is distributed and approved electronically subsequent to the meeting. Ballots may also be used where final discussion of the exposure draft or final changes to the Code of Ethics for Professional Accountants a significant number of changes and additional time for further consideration is considered necessary*
- *The affirmative ballot votes of at least two thirds of the members of the IESBA, but not less than twelve, is required to approve exposure drafts and re-exposure drafts, or to changes to the Code of Ethics for Professional Accountants by ballot. Dissenting ballot votes, including the reason(s) therefor, will be included in the minutes of the subsequent meeting.*

Matters of Due Process

22. If an issue over adherence to due process is raised with the IESBA (other than an issue that is clearly frivolous or vexatious), whether by a third party or otherwise, the IESBA assesses the matter and seeks an appropriate resolution. The IESBA's decision on the matter is communicated to the party raising the matter. Alleged breaches of due process and the resolution thereof are communicated by the IESBA to the PIOB.

- *When an issue over due process is raised, the IESBA Planning Committee assesses the matters and obtains relevant information from all parties involved. The IESBA*

⁴ IESBA members who absent themselves from two meetings in any twelve month period may be requested to resign from the IESBA.

⁵ Each IESBA member has the right to appoint one technical advisor who may participate in the discussions at IESBA meetings.

Planning brings the issue to the attention of the IESBA with a recommendation on whether the alleged breach has merit and if so, an appropriate resolution.

- *The IESBA reports annually on the manner in which it has complied with its due process during the period.*