



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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**Agenda Item
5**

Board International Ethics Standards Board for Accountants
Meeting Location: Sofitel (February 20) AICPA (February 21-22) New York, United States
Meeting Date: February 20-23, 2006

Operational Matters

Objectives of Agenda Item

1. To review Terms of Reference
2. To review Due Process
3. To discuss and approve Strategic Plan

Discussion

Terms of Reference

At its June 2005 meeting, the IESBA discussed draft Terms of Reference. The draft terms of reference were discussed at the December PIOB meeting, together with terms of reference for the other Public Interest Activity Committees (the IAASB and the International Accounting Education Standards Board). The three terms of reference have been reviewed for consistency and:

- Updated to reflect the preliminary views of the PIOB;
- Changed as necessary to conform with the agreed due process of the PIACs;
- Compared to the terms of reference of the IASB and major national standard setters.

The PIOB plans to review and approve all the revised terms of reference at its March 2006 meeting.

Action requested

The terms of reference are presented for information purposes – no action is requested.

Due Process

At its September 2005 meeting, the PIOB approved due process and working procedures for all of the IFAC Public Interest Activity Committees (PIAC's). The due process is consistent for all PIACs but working procedures may be modified to reflect the unique circumstances of the PIACs.

At its January 2006 meeting, the IESBA Planning Committee discussed the due process and working procedures. The Planning Committee was of the view that, to the extent possible, the working procedures should be consistent with the IAASB working procedures unless there was a reason which necessitated a difference. The due process and working procedures are presented in Agenda Paper 5-B. The Planning Committee wishes to bring the following matters to the attention of the IESBA:

- Several of the working procedures are “back-office” in nature and members might not be aware of their existence – for example final minutes are retained on the website indefinitely – staff has confirmed that all such procedures are in place.
- Broadcast/recording meetings – the IAASB records its meetings and posts the recording on the web. From a practical perspective, recording the meetings requires dedicated admin support on site to start and stop the tape, make the necessary bookmarks etc. Also, time is needed after the meetings to clean up the file etc. An IAASB admin staff person attends each meeting to provide this support. The Planning Committee determined that a trial run should be conducted. Accordingly, the first day of the February meeting will be recorded. Depending upon the degree of interest, a decision will then be taken regarding the cost effectiveness of recording future meetings recognizing that there are resource issues – human and equipment.
- Basis for conclusions – point 20 notes that for each final pronouncement the PIAC issues a separate document explaining its basis of conclusions. This matter was discussed at the October 2005 IESBA meeting, at which time it was agreed that such documents should be prepared. The network firm definition is likely the first change which will be approved in 2006; a Basis for Conclusions document will be prepared for this document. This will be the first Basis for Conclusions issued by the IESBA, accordingly a copy of the Basis will be presented as part of the agenda papers at the meeting when approval of the change to the Code is sought. IESBA members will be asked to provide any comments directly to staff but will be provide the opportunity to raise at the IESBA meeting matters of substance or form that would affect future Basis for Conclusions.
- Voting – the Planning Committee considered the additional detail which was provided in the IAASB operating procedures and concluded that it would be appropriate to incorporate such operating procedures into the IESBA's procedures. Accordingly it recommends that the operating procedures provide detail about:
 - Ballots; and
 - Dissenting votes

- Annual report – In the past, the Ethics Committee, as it was then, has not issued a separate annual report – rather it has included its annual reporting in the IFAC Annual Report. The Planning Committee discussed whether a separate annual report should be prepared. In light of the activities in 2005 which included releasing the revised Code and holding a Forum, the Planning Committee is of the view that an annual report should be prepared.

Action requested

Members are asked to review the due process and operating procedures and to approve the operating procedures.

Strategic Plan

At its June 2005 meeting, the IESBA discussed a draft Strategic Plan and provided direction to the Planning Committee. It was agreed that the Planning Committee would consider the comments received and that the final document would be reviewed at the next meeting. The forum was the focus of the Committee and staff between the June and October meetings and accordingly, the Planning Committee did not review the strategic plan until its January 2006 meeting.

The Planning Committee has reviewed the draft Strategic Plan. One of the messages at the Forum was that IESBA should do more to promote the Code and assist with the implementation of the Code. In addition participants emphasized the need to educate not only members of the profession but also regulators, management, boards and audit committee on the expectations of auditors with respect to independence. At the February 2005, meeting IESBA agreed that it would issue a user guide to independence standards at the same time that it issues revisions to Section 290.

Action requested

Members are asked to review and approve the strategic plan.

Material Presented

Agenda Paper 5	This Agenda Paper
Agenda Paper 5-A	IESBA Terms of Reference
Agenda Paper 5-B	IESBA Due Process and Operating Procedures
Agenda Paper 5-C	Draft Strategic Plan