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OF ACCOUNTANTS**

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Agenda Item

2

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

Network Firm

Objectives of Agenda Item

1. To consider and provide feedback on the Task Force's proposed changes in response to comments received on exposure.

Background

In June 2005, the Ethics Committee, now the International Ethics Standards Board for Accountants (IESBA), approved an exposure draft to modify the definition of a network firm.

The comment period ended on September 30, 2005, 26 comments letters were received.

A PDF file containing all the comment letters can be downloaded from:

<http://www.ifac.org/Guidance/EXD-comments.php?EDID=0045&Group=All+Responses>

The Task Force¹ met in January 2006, and again by conference call, to discuss the responses and the proposed changes to address comments received.

Overview of Responses

Of the 26 comment letters received, all were supportive of a change to the existing definition. The vast majority were supportive of the direction taken by the IESBA (with many noting that the definition should be aligned with the EU 8th directive wording).

Two respondents disagreed with the approach taken. These respondents either felt that the definition should be more principles based or questioned whether, for example, a prohibited service provided by a network firm would automatically impair the independence of the firm providing the services.

¹ Frank Attwood (chair), Heather Briers, Ken Dakdduk, Jean Rothbarth and Lisa Snyder.

Discussion

Overall comment

Many of the points raised by respondents would be resolved if, as recommended by the Task Force, the IESBA proposed definition is aligned to the 8th directive wording. Therefore, the issue of whether the definition should be aligned is discussed first. However, in case IESBA members do not agree with the recommendation of the Task Force and are of the view that the definition should not be aligned, other issues with the definition and background material are discussed in this agenda paper. These issues are presented in shaded text.

Therefore, while there is overlap in some of the discussion below this is intentional. IESBA members are requested to consider all of the points below, even if their personal view is that the definitions should be aligned.

At the February meeting, if IESBA members agree with the Task Force recommendation to align the definition to the EU 8th directive the issues in shaded text will not be covered at the meeting because the Task Force is of the view that aligning to the 8th directive will address these issues.

Alignment to 8th directive

The exposure draft was approved before the European 8th directive language was finalized and approved. The IESBA (then the Ethics Committee) agreed that the final 8th directive wording would be considered during the exposure period.

The 8th directive wording is as follows:

Network means the larger structure:

- which is aimed at cooperation to which a statutory auditor or an audit firm belongs, and;
- which is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources;

The ED definition is as follows:

- (b) a firm that is part of a larger structure and that:
 - a. uses a name in its firm name that is common to the larger structure; or
 - b. shares significant professional resources with other firms in the larger structure; or
 - c. shares profits or costs with other firms within the larger structure; or
- (c) an entity that controls, is controlled by, or is under common control with the firm through ownership, management or other means.

Eight respondents to the ED (CGCI, Groupe Excel, ICAEW, Baker Tilly Barnes, CCAB, CNCC/OEC and ICAS) expressed the view that the IESBA definition of a network firm should be aligned with the EU 8th directive. It was noted, for example, that the two definitions are similar and it would be helpful to member bodies in Europe, and of no detriment to those elsewhere if the IESBA definition used the same words as the EU definition.

If the IESBA definition were to be aligned to the EU 8th directive wording some additional concepts would be included in the definition and some existing concepts would be expressed a little differently. The Task Force evaluated each of the elements of the 8th directive definition:

- The structure is aimed at co-operation – the Task Force is of the view that this is consistent with what IESBA was trying to capture within the definition of a network firm;
- It is *clearly* aimed at profit or cost sharing – the ISEBA proposed definition would include a firm within the network if it shares profits or costs with other firms within the network. The Task Force is of the view that the addition of whether a structure is “clearly aimed” at profit or cost sharing would be an improvement to the IESBA language because it addresses the question of whether an isolated incident of cost sharing this would automatically make a firm part of a network;
- Shares common ownership, control or management is similar to part (b) of the IESBA definition “an entity that controls, is controlled by, or is under common control with the firm through ownership, management or other means.” While it could be argued that the IESBA wording is a little more direct, the Task Force is of the view that the meaning of the two is similar;
- Shares common quality control policies and procedures – while this is not included in the IESBSA definition, it is given as an example of a professional resource that could be shared. In addition, paragraph 290.19 states that “where the shared resources are limited to common methods, with no exchange of personnel or client or market information, it is unlikely that the shared resources would be considered to be significant.” While it is not clear from 290.19 what was meant by “common methods” presumably this was intended to refer to audit methodology, audit manuals or working papers – which is also mentioned in 290.18 as an example of a possible shared professional resource.

Paragraph 290.14 provides a discussion on the range of associations and contrasts low association with high association. The high association end of the spectrum is where the firms operate under a common brand name and have common audit methodology and system of quality control both of which are mandatory.

When paragraph 290.18 was discussed at the Rome meeting, the bullets were put in descending order of perceived importance from the perspective of whether the shared professional resource would result in a network relationship. For example, it was felt that common systems that share information such as client data, billing and time recording would be more likely to create a network relationship than would a common audit methodology. Common quality control policies and procedures were third on the list.

ISQC1 requires a firm to “establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstances” (ISQC 1.3) The ISQC further states that “the firm’s system of quality control should include policies and procedures addressing each of the following elements: (a) leadership responsibilities for quality within the firm; (b) ethical requirements; (c) acceptance and continuance of client relationships and specific engagement; (d) human resources; (e) engagement performance and (f) monitoring.” The ISQC provides additional requirements for each of the elements of the firm’s system of quality control.

The Task Force is of the view that a common audit methodology would not in itself create a network relationship but if a firm were part of a larger structure that was clearly aimed at co-operation and the firms shared common quality control policies and procedures, in accordance with ISQC1, a network relationship would be established. The Task Force seeks the IESBA input on how this matter should be addressed – this is discussed in a separate point below.

- Common business strategy – this item is not mentioned in the IESBA proposed definition or background material. The Task Force is of the view that if a larger structure was aimed at co-operation and had a common business strategy, firms within the larger structure would be network firms.
- The use of a common brand name – this concept is in the IESBA proposed definition but worded slightly differently “uses a name in its firm name that is common to the larger structure.” The Task Force is of the view that the 8th directive wording is sufficiently similar.
- The use of a significant part of professional resources – again this concept is in the IESBA draft but worded slightly differently “shares significant professional resources with other firms in the larger structure.” The Task Force is of the view that the 8th directive wording is sufficiently similar.

In light of the above, the Task Force is of the view that the definition of a network should be aligned to the EU 8th directive wording. The Task Force recognizes that the wording of the definition in the IESBA ED does seem somewhat more direct and perhaps more readily understood. However, the Task Force is persuaded that it is preferable to align to the EU 8th directive language. The Task Force believes that the background material can provide some additional clarification on the application of the definition and the definition could be restructured to be more in keeping with the style of the Code.

Therefore, the Task Force recommends that the definition be aligned to the EU 8th directive and that the background material should then be re-ordered and aligned to the revised definition.

The EU 8th directive defines a network whereas the Code defines a network firm. This has consequences for the aligning the background material, which is discussed in more detail below.

Action requested

IESBA members are asked to consider whether they agree with the Task Force recommendation that the definition be aligned to the EU 8th Directive.

Issues to be discussed if IESBA members do not agree with Task Force recommendation to align to the 8th directive definition

Larger structure

Six respondents commented on the term “larger structure” (MIA, IOSCO, Basel, ACCA, CGCI and Groupe Excel). Some noted that this was a new undefined term, while others stated that it should be more closely linked to the remainder of the definition for example by either adding wording that indicates that larger structure arises from a business arrangement creating a commonality of firm business interests (IOSCO) – or alternatively “a firm that is part of a larger structure aimed at co-operation” (Basel).

Two respondents (CGCI and Groupe Excel) felt that a network should be restricted to those firms that have a common management system (which would include a single chain of command) or common name or have economic ties such that the firms are dependent on each other. These two respondents would not view firms that have common quality control policies and procedures, technical departments audit methodology, audit manuals or working papers, training courses and facilities as having a network relationship. These two respondents are expressing isolated views, especially in light of the number of respondents who favour alignment to the EU 8th Directive definition. Accordingly, these views have not been considered further.

Action requested

Members are asked to consider whether, if the definition is not to be aligned to the EU 8th directive, the words “aimed at co-operation” should be included.

Sharing of costs

Three respondents (ICAEW, IDW & FEE) note that the proposed definition contains no modifier with respect to sharing of costs or profits. These respondents note that as constructed, the sharing of immaterial costs would create a network relationship. Aligning to the 8th directive language may remove this concern because the construct is that the larger structure, which is aimed at co-operation, is clearly aimed for profit or cost. If members are of the view that the wording should not be aligned to the 8th directive language they are asked to consider whether the sharing of costs or profits should have a modifier such as “significant” in the same way as sharing of professional resources.

Action requested

Members are asked to consider whether, if the definition is not to be aligned to the EU 8th directive, the definition should be revised to refer to the sharing of “significant” profits or costs.

Ordering of sub clauses of the definition

Four respondents (FEE, IDW, CGCI and Groupe Excel) commented on the ordering of the sub clauses within the definition. The comments were as follows:

- Clause (b) which deals with control should precede clause (a) because the primary reason a firm would be considered to be part of a network is because of control; and
- Within clause (a) the preferred ordering would be 1, 3, 2 – again to reflect the relative importance – i.e. sharing of profits or costs is more important than the sharing of significant professional resources.

If members believe the definition should be aligned to the 8th directive, the concern about ordering is likely addressed. If members are of the view that the definition should not be aligned they are asked to consider whether the sub clauses should be re-ordered as suggested by the respondents noted above.

Action requested

Members are asked to consider whether, if the definition is not to be aligned to the EU 8th directive the sub clauses should be re-ordered.

Interaction of Network firm definition and firm definition

Two respondents (CCAB and ACCA) noted that there appears to be overlap between the definition of firm and the proposed definition of network firm.

Before considering this point further, it is useful to briefly review the independence implications of the distinction between “firm” and “network firm”. In a financial statement audit engagement any independence restrictions faced by a firm are also faced by any network firms of that firm. For example, under the existing requirements a firm cannot provide a valuation service to an audit client if the valuation is material and involves a significant degree of subjectivity. In addition a network firm cannot provide such a service to an audit client. With respect to other assurance clients consideration should be given to any threats the firm has reason to believe might be created by network firm interests and relationships.

The definition of firm is:

- (a) A sole practitioner, partnership or corporation of professional accountants;
- (b) An entity that controls such parties, and
- (c) An entity controlled by such parties.

The proposed definition of network firm includes:

- (b) An entity that controls, is controlled by, or is under common control with the firm through ownership, management or other means.

There is overlap between the definitions. There is no overlap in the existing definitions because the network firm definition refers only to common control. If members were of the view that the definition should be aligned to the EU definition the issue is resolved. If they are of the view that the definition should not be aligned the following change is proposed:

“An entity that ~~controls, is controlled by, or~~ is under common control with the firm through ownership, management or other means.”

This maintains the existing stance of the Code. The implication is that for a non-audit assurance engagement there is a requirement that controlled or controlling firms be independent of the client.

Action requested

Members are asked to consider whether, if the definition is not to be aligned to the EU 8th directive, the definition of network firm should be amended as proposed.

Use of common name

Two respondents (CCAB and ICAEW) noted that the definition seems to indicate that the use of a common name creates a network relationship irrespective of other facts. The definition does first require that the firms be part of a larger structure, therefore the exemption noted in 290.16 (if a firm sells a component of its practice) could be seen as being consistent with the definition because in such circumstances the sold component is no longer “part of a larger structure”. However, this has created confusion which could be clarified by the addition of the underlined words”

“a firm that is part of a larger structure aimed at co-operation and that...”

Action requested

Members are asked to consider whether, if the definition is not to be aligned to the EU 8th directive, the definition should state that the larger structure be aimed at co-operation.

Correspondent firm ¶290.14

Two respondents (IOSCO and ACCA) questioned the use of the term “correspondent firm” in 290.14 – both noted that the term is undefined. One respondent also questioned what was meant by “created only to facilitate the referral of work”.

The Task Force considered this issue. The Task Force was of the view that the term “correspondent firm” does not need to be defined – it is provided as an example and is commonly used in many jurisdictions. The Task Force is of the view the reference to the network being created only to refer work could be deleted without any loss of meaning.

Action requested

Members are asked to consider the proposed revised wording in 290.14

Entity vs Firm ¶290.14x

The Code defines a firm as a sole practitioner, partnership or corporation of professional accountants and entities which control or are controlled by such parties. There may, however, be other entities within the network – for example a consultancy practice or a law firm which uses a common brand name – such an entity would not meet the definition of firm because it is not a firm of accountants. Therefore, the guidance refers to firms or entities. The Task Force is of the view that it would be useful to explicitly state this in the Code. The Task Force therefore believes that the additional language in 290.14x is appropriate.

Action requested

Members are asked to consider the proposed wording in 290.14x

Determination of which entities are within the network ¶290.15

One respondent (APB) stated that the assessment of whether a firm is part of a network is a matter which should be made once at the global level and then results of the decision should be clearly communicated throughout the network. The Task Force agrees that it is important that the determination should be consistently applied throughout the network (for example if firm A considers firm B to be a network firm then firm B should also consider firm A to be a network firm). The Task Force, however, questioned whether it was necessary that the determination be always made at the global level – what is key is consistency rather than the level at which the determination is made. Therefore, the Task Force proposes that the Code state that the judgment should be consistently applied by the firms that are part of the larger structure. The Task Force is of the view that it is not necessary for the Code to state that the decision should be communicated throughout the network since this is addressed by ISQC 1 which requires the firm to establish policies and procedures designed to provide it with reasonable assurance that personnel comply with independence requirements.

Action requested

Members are asked to consider the proposed additional wording in 290.15.

Profit or cost sharing ¶290.15x

Three respondents (ICAEW, IDW & FEE) noted that the proposed definition contains no modifier with respect to sharing of costs or profits. These respondents noted that as constructed, the sharing of immaterial costs would create a network relationship. The Task Force agrees with this and, accordingly, proposes that the guidance explicitly state that the incidental sharing of immaterial costs would not create a network relationship.

The Task Force noted that a firm may form an association with an unrelated firm, for example a software firm, solely for the purpose providing a combined service such as a service that combines the firm's expertise in risk management and internal control with the IT entity's expertise with software development. The Task Force was of the view that such an association would not in itself create threats to independence that are so significant the IT entity would be a network firm and therefore be required to be independent from all audit clients of the firm.

Action requested

Members are asked to consider the proposed additional wording in 290.15x.

Sharing a common business strategy ¶290.15y

Where the firm shares a common business strategy with an entity or entities within the larger structure those entities would be considered to be network firms. The Task Force noted that a firm might form an association with another firm to respond to a specific proposal for the provision of services – such might be the case when a firm joins a consortium with another firm to propose of a particular piece of work. The Task Force was of the view that clearly both firms would need to be independent of the entity which they were auditing but this relationship would not automatically create a network relationship. While there might be a common business strategy with respect to the particular proposal the two firms do not share a broad common business strategy.

Action requested

Members are asked to consider the proposed additional wording in 290.15y.

Common quality control policies and procedures ¶290.16a

The EU 8th directive states that common quality control policies and procedures would create a network. In determining what would be included in such quality control policies and procedures the Task Force looked to ISQC1 issued by the IAASB. ISQC1 establishes standards and provides guidance regarding a firm's responsibilities for its system or quality control for audits and reviews of historical financial information, and for other assurance and related services engagements. Under ISQC 1 a firm is required to establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements and that reports issued by the firm or engagement partners are appropriate in the circumstances. It further states that the firm's system of quality control should include policies and procedures addressing each of the following elements:

- Leadership responsibilities for quality within the firm;

- Ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring.

The Task Force is of the view that if firms have common policies and procedures which address all of the above elements the firms should be considered to be network firms. The Task Force is, however, of the view that a network relationship could likely still exist even if all of the elements were not common. For example two firms could have common quality control policies and procedures in all areas except for human resources where, because of local hiring practices, each firm has designed its own policies and procedures. In such a situation, the Task Force is unconvinced that merely because of the lack of common human resources policies and procedures a network relationship would not exist. (ISQC 1 is presented in Agenda Paper 2-D for the reference of ISEBA members.) The Task Force welcomes the IESBA's views on what elements of the system of quality control would need to be common for a network firm relationship to be formed.

Action requested

Members are asked to consider the proposed wording in 290.16a. Members are also asked to consider which elements of the system of quality control would need to be common for a network relationship to be created.

Use of a common name ¶290.16

Eight respondents (ACCA, ICAS, CCAB, ICAEW, IOSCO, AG of Vic, Basel and Baker Tilly) commented on the use of a name. Several respondents pointed out the apparent inconsistency with the definition and paragraph 290.16. The definition states that a firm is a network firm if it is part of a larger structure and uses a name in its firm name that is common to the larger structure. 290.16 states that if a firm practices under the same firm name (or substantially the same firm name) as other firms in the larger structure to which it belongs (such as common initials or a common name) it would be considered to belong to a network unless the facts indicate otherwise.

One respondent (ACCA) stated that a “common” name is not the same as “substantially the same firm name”.

Another respondent (IOSCO) noted that it would be helpful to emphasize the significance of a firm using the larger network name as part of its own name in signing its audit opinions. The following revised language is proposed to address these points and to align the language to the proposed revised to larger structure:

The Task Force considered these issues and proposes some changes to the background material to ensure consistency with the 8th directive definition. The Task Force also recommends that reference be made to the name the firm uses to sign an assurance report.

Action requested

Members are asked to consider the proposed revised text in 290.16.

Sharing of significant professional resources ¶290.18 and 19

Two respondents (ACCA and Basel) commented on this paragraph. One respondent (ACCA) stated that the paragraph was unlikely to be used in practice if no other tests of significant were used elsewhere in the definition. The same respondent also questioned the term “factual circumstances” (which is consistent with the 8th directive). Finally the respondent disagreed with the reference to “association for promotional purposes” at the end of the paragraph. No changes are proposed to address these comments.

Another respondent (Basel) disagreed with the comment that there was little difference between a group of firms combining to develop methodology and a number of firms independently purchasing such a methodology from a developer and supplier. The respondent notes that in the latter case none of the firms had a role in developing the methodology. Accordingly, the respondent recommends the sentence be deleted. While the respondent is right that there is a difference, this difference is not relevant for independence purposes, accordingly the Task Force recommends no change to this sentence.

Action requested

Members are asked to consider whether they agree with the revised wording in 290.18-19.

Disclosure of being part of an association ¶290.19a

Eight respondents (ACCA, CCAB, E&Y, ICAEW, PCAAI, Basel, Moore Stephens and IOSCO) commented on this paragraph. In addition this point was raised at the Ethics CAG.

Two respondents (CCAB and ICAEW) felt the paragraph was useful but the Code should *recommend* rather than *require* the disclosure. One respondent (E&Y) felt the disclosure was useful if the association related to a profession trade or self-regulatory organization but could lead to abuse of confusion where the relationship existed between commercial or professional firms. One respondent (Basel) felt the disclosure was ambiguous because of the use of the word “independent”. Three respondents (PCAAI, Moores Stephens and

ACCA) felt the paragraph should be deleted. These respondents were concerned that this could be seen as undermining the broader proposed definition of a network firm.

One respondent (IOSCO) noted that the proposed disclosure was not dissimilar from how some of the Big firms describe themselves. This point was also raised by an IOSCO representative at the Ethics CAG.

The Task Force considered the issue and was of the view that the proposed disclosure should not be required. The critical issue is that firms should take care to ensure that to the extent possible they do not give the impression that they are part of a network.

Action requested

Members are asked to consider whether they agree with the revised wording presented in 290.19a.

Linkage to definition

One respondent (IOSCO) noted that it would be helpful if there were a stronger linkage between the definition and the explanatory paragraphs. The respondent found the explanatory paragraphs to be very useful in amplifying the definition and accordingly suggested a way be found to link the definition more closely with the discussion.

While it would be a departure from the usual presentation of definitions, the Task Force is of the view that it would be useful to cross-refer the definition to the paragraphs which provide guidance on the application of the definition.

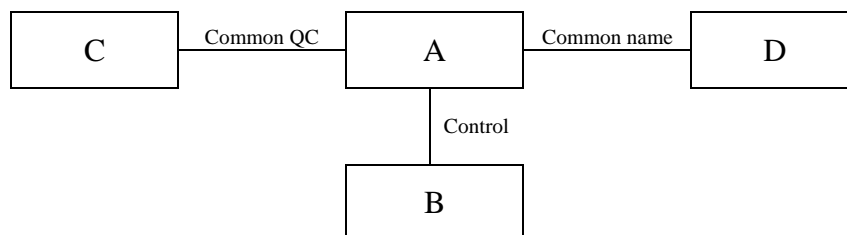
Action requested

Members are asked to consider the recommendation of the Task Force.

Overall comment on the definition

As noted previously, the EU 8th directive defines a network and the Code defines a network firm. This has implications for how well the background material is aligned to the definition. The Task Force notes that the background material as currently structured means that it is possible for a firm to be in more than one network

For example consider the following simplified structure:



Assumption: all of the above are part of a common structure which is aimed at co-operation.

Firm A controls entity B and therefore if firm A has a network relationship with another entity within the larger structure, entity B will also have a network firm relationship with that entity.

A and D share a common brand name, for example A is an accounting firm and D is a consulting firm. A, B and D are network firms.

A and C share common QC policies and procedures but do not share a common name. A, B and C are network firms.

However C and D are not network firms.

Action requested

Members are asked to consider the above and confirm that they agree that it is appropriate for a firm to be in more than one network.

All firms need to be independent

One respondent (IOSCO) stated that it would be useful to state somewhere in section 290 that the issue of identifying whether a group of firms constitute a network such that independence is required of all audit clients is a separate issue from the requirement that all firms that participate in the audit of a particular group must be independent of the audited group entity. (Firms participating in the same audit must all be independent of the audited entity regardless of whether they are part of a firm network).

The definition of financial statement audit client is the entity in respect of which a firm conducts a financial statement audit. When the entity is a listed entity it includes related entities. Therefore the matter is addressed.

The Independence Task Force may wish to consider this matter. The APB in ES1 for example includes the requirement “The group audit engagement partner should be satisfied that other auditors (whether a network firm or another audit firm) involved in the audit of the group financial statements, who are not subject to APB Ethics Standards are objective and document the rationale for the decision. The group audit engagement partner obtains written conformation from the other auditors that they have a sufficient understanding of and have complied with the IFAC Code of Ethics for Professional Accountants, including the independence requirements.”

Action requested

Members are asked to consider whether they wish the Independence Task Force to consider this matter.

Additional guidance

Four respondents (Baker Tilly, IDW, ICAEW, MIA) felt that additional guidance was needed.

Two respondents felt that that additional guidance should be provided on how members should develop procedures to be able to comply with the guidance. ISQC 1 provides that firms must develop policies and procedures to provide the firm with reasonable assurance that they comply with relevant ethical requirements. ISQC 1 goes on to provide some guidance as to what such policies and procedures would be. Therefore, any additional specificity as to guidance needed would seem to fall within the remit of the IAASB rather than the IESBA.

Two respondents were of the view that additional application guidance was needed with respect to sharing profits or costs and control.

One respondent was of the view that additional guidance was needed when there was a franchise agreement.

The Task Force considered the issue and was of the view that the additional guidance provided in the background material is sufficient to explain the application of the definition. The Task Force recommends that the concern with respect to the policies and procedures to be developed be referred to the IAASB.

Action requested

Members are asked to consider the recommendation of the Task Force.

Effective date

Six respondents (APB, Grant Thornton, PwC, AICPA, Baker Tilly and ICAEW) commented on this issue. The ED proposed an effective date for assurance reports dated on or after December 31, 2006.

Respondents noted that the proposed change will need to be communicated to all firms within the network and firms may need to establish cross-border mechanisms for the identification and reporting of audit clients and relationships. Respondents also noted that independence is required throughout the audit period and time would be needed for member bodies to implement the revised standard. Accordingly, respondents recommended extending the effective date. This concern was raised with the Ethics CAG – no CAG member expressed concern with extending the effective date.

The Task Force considered the issue and is of the view that the effective date should be to assurance reports dated on or after December 31, 2007 which would capture all December 31, 2007 year-ends. Assuming approval at the February IEBA meeting and publishing the final text in early March, this would give firms 10 months to effect the necessary dissemination of information, training and systems changes before the December 31, 2007 year-ends start. This date would also be consistent with the proposed effective date of the Group Audits exposure draft which is for audits of group financial statements beginning on or after December 15, 2006.

Action requested

Members are asked to consider whether they agree with the proposed extended effective date.

Next Steps

The Task Force plans to revise the document based on the feedback provided by the IESBA. Before bringing the document back for approval at the June IESBA meeting the Task Force plans to perform some limited additional consultation with some networks to ensure that there are no unintended consequences with the proposed changes. The proposals will also be discussed with the Ethics CAG at their April meeting.

Material Presented

Agenda Paper 2	This paper
Agenda Paper 2-A	Proposed revised wording – mark-up
Agenda Paper 2-B	Proposed revised wording – clean
Agenda Paper 2-C	Detailed cut and paste of comments received
Agenda Paper 2-D	ISQC 1 – provided for reference purposes only

A PDF of all the comment letters received can be downloaded from:

<http://www.ifac.org/Guidance/EXD-comments.php?EDID=0045&Group=All+Responses>

Action requested

1. Members are asked to respond to the specific questions outlined in this paper.