



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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**Agenda Item**

**4**

**Board** International Ethics Standards Board for Accountants

**Meeting Location:** Prague Renaissance Hotel, Prague, Czech Republic

**Meeting Date:** June 13-14, 2006

**Other Matters**

**Objective of Agenda Item**

1. To discuss letter received from IDW

**Background**

Just before the February 2006 IESBA meeting, we received a letter from the IDW (Agenda Paper 4-A) expressing some concern with the guidance in the Code that the professional accountants not be associated with false and misleading information.

Paragraphs 110.2 and 110.3 of the Code state:

“A professional accountant should not be associated with reports, returns, communications or other information where they believe the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information furnished recklessly; or
- (c) Omits or obscures information required to be included where such omission or obscurity would be misleading.

A professional accountant will not be considered to be in breach of paragraph 110.2 if the professional accountant provides a modified report in respect of a matter contained in 110.2.”

Further, Part C of the Code states:

“A professional accountant in business who has responsibility for the preparation or approval of the general purpose financial statement of an employing organization should ensure that those financial statements are presented in accordance with the applicable financial reporting framework.”

IDW has two concerns with the guidance in the Code:

- There may be differing interpretations of misleading between Part B and C; and
- The IAASB applies the term in certain issued and draft pronouncements which, in effect, interprets the term for accountants in public practice.

There have been some preliminary discussions with the IAASB. The matter is particularly relevant for the IAASB in its project dealing with special reports. This project was on the agenda of its May 22-26, 2006 meeting.

At the Prague meeting, an update of the IAASB discussions will be provided and a proposal for the way forward.

### **Material Presented**

Agenda Paper 4	This Agenda Paper
Agenda Paper 4-A	Letter from IDW dated February 13, 2006

### **Action Requested**

1. Board members are asked to read the attached letter and agree on next steps