

Meeting: IESBA
Meeting Location: Toronto
Meeting Date: April 7-9, 2014

Agenda Item 3

Review of Part C of the Code

Objective of Agenda Item

1. To obtain the IESBA's views on:
 - (a) Proposed changes to Section 320 of Part C of the *Code of Ethics for Professional Accountants* (the Code) to address the topic of preparation and reporting of information; and
 - (b) A new proposed Section 370 of Part C to address the topic of pressure by superiors and others to breach the fundamental principles.

Task Force

2. Members:
 - Jim Gaa, Chair, IESBA Member
 - Claire Ighodaro, IESBA Member
 - Alice McCleary, former IESBA Member
 - Ian Rushby, IFAC Professional Accountants in Business (PAIB) Committee Member
 - Lisa Snyder, IESBA Technical Advisor

Background

3. At its meeting in March 2013, the IESBA approved the project to review Part C of the Code, including that priority attention be given to the following topic areas:
 - Pressure by superiors and others to engage in unethical or illegal acts (Pressure);
 - The responsibility of PAIBs to produce financial reports that are faithful representations of the economics of transactions, and associated matters (Faithful Representation); and
 - Facilitation payments and bribes (Inducements).
4. This project is divided into two phases:
 - Phase I will review Sections 300,¹ 320,² 330³ and 340⁴ of the Code and will, in particular, address the topics of Pressure and Faithful Representation.

¹ Section 300, *Introduction*

- Phase II will address Section 350,⁵ which is related to the topic of Inducements.
5. At their September 2013 meetings, the CAG and the IESBA considered issues related to Pressure. The IESBA agreed that a new section should be drafted addressing pressure in addition to revising Section 340. This new section is provisionally numbered Section 370. The Task Force will present the proposed Section 370 for further discussion with the CAG at the September 2014 CAG meeting.
 6. At its December 2013 meeting, the IESBA considered issues related to Section 320 dealing with the preparation and presentation of information.
 7. The Task Force is aiming to present a first read of an exposure draft of Section 320 at the October 2014 IESBA meeting.

Activities Since Last IESBA Discussion

8. The Task Force met in February 2014 and twice by teleconference in February 2014 to discuss issues related to Sections 320 and 370, and to develop the agenda material for this Board meeting.

Material Presented

| | |
|-----------------|----------------------------------------------------------------------------|
| Agenda Item 3-A | Preparation and Reporting of Information – Issues paper |
| Agenda Item 3-B | Preparation and Reporting of Information – Section 320 (Clean) |
| Agenda Item 3-C | Preparation and Reporting of Information (Mark-Up from Extant Section 320) |
| Agenda Item 3-D | Pressure – Issues paper |
| Agenda Item 3-E | Pressure – Section 370 (Clean) |
| Agenda Item 3-F | Pressure – Section 370 (Mark-Up from September 2013) |

Forward Timeline

9. Subject to the Board's deliberations, including consideration of developments arising from the Structure initiative, the Task Force's anticipated forward timeline for Phase I of the project is as follows:

| Indicative Timing | Milestone |
|-------------------|-------------------------------------------------------------------------|
| July 2014 | Issues (Sections 300, 310, 330, 340; and revised drafts of Sections 320 |

² Section 320, *Preparation and Reporting of Information*

³ Section 330, *Acting with Sufficient Expertise*

⁴ Section 340, *Financial Interests*

⁵ Section 350, *Inducements*

| Indicative Timing | Milestone |
|-------------------|------------------------|
| | and 370) |
| October 2014 | First Read |
| January 2015 | Second Read |
| April 2015 | Approve Exposure Draft |

Draft to be Discussed at the Meeting

10. The Task Force proposes that the clean versions of draft Sections 320 and 370 be discussed at the meeting.

Action Requested

11. The IESBA is asked to consider the issues and preliminary Task Force recommendations presented in Agenda Items 3-A to 3-F and to provide input to the Task Force.