

Meeting: IESBA
Meeting Location: New York
Meeting Date: July 7-9, 2014

Agenda Item

4

Review of Part C of the Code

Objectives 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 proposed new Section 370¹ 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 300,² 320,³ 330⁴ and 340⁵ of the Code and will, in particular, address the topics of Pressure and Faithful Representation.

¹ Section 370, *Pressure to Breach the Fundamental Principles*

- Phase II will address Section 350,⁶ which is related to the topic of Inducements.

Activities Since Last IESBA Discussion

5. The Task Force met in the margins of the April 2014 Board meeting, and in June 2014 to consider the Board's input on the proposed Sections 320 and 370, and to develop the agenda material for the July 2014 Board meeting. The Task Force met subsequently via teleconference to finalize the Board agenda material.

Material Presented

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|-----------------|--|
| Agenda Item 4-A | Issues paper |
| Agenda Item 4-B | Proposed Revised Section 320, <i>Presentation of Information</i> (Clean) |
| Agenda Item 4-C | Proposed Revised Section 320, <i>Presentation of Information</i> (Mark-Up from Extant) |
| Agenda Item 4-D | Proposed Revised Section 320, <i>Presentation of Information</i> (Mark-Up from April 2014 Version) |
| Agenda Item 4-E | Proposed Section 370, <i>Pressure to Breach the Fundamental Principles</i> – (Clean) |
| Agenda Item 4-F | Proposed Section 370, <i>Pressure to Breach the Fundamental Principles</i> (Mark-Up from April 2014 Version) |

Forward Timeline

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

| Indicative Timing | Milestone |
|-------------------|--|
| October 2014 | Issues (Sections 300, 310, ⁷ 330, 340) and second read of proposed Sections 320 and 370 |

² Section 300, *Introduction*

³ Section 320, *Preparation and Reporting of Information*

⁴ Section 330, *Acting with Sufficient Expertise*

⁵ Section 340, *Financial Interests*

⁶ Section 350, *Inducements*

⁷ Section 310, *Conflicts of Interest*

| Indicative Timing | Milestone |
|-------------------|------------------------|
| January 2015 | Approve Exposure Draft |

Draft to be Discussed at the Meeting

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

Action Requested

8. The IESBA is asked to consider the issues and preliminary Task Force recommendations presented in Agenda Items 4-A to 4-F and to provide input to the Task Force.