

Meeting: IESBA

Meeting Location: New York

Meeting Date: July 7-9, 2014

Agenda Item 5

Structure of the Code

Objective of Agenda Item

1. To consider and provide input on a preliminary draft of the Consultation Paper, *Improving the Clarity of the IESBA Code*.

Task Force

2. Members:
 - Don Thomson, Chair, IESBA Member
 - Tony Bromell, IESBA Technical Advisor
 - Brian Caswell, IESBA Member
 - Peter Hughes, IESBA Member
 - Stefano Marchese, IESBA Member
 - Wen Zhang, IESBA Member

Activities Since Last IESBA Discussion

3. Based on the final report and recommendations of its Structure of the Code Working Group regarding ways to improve the usability of the Code, the IESBA approved at its April 2014 meeting a project on restructuring the Code. Among other matters, the IESBA also provided further input on the topics of clarifying responsibility for compliance with the Code's requirements; clarifying the wording in the Code; reorganizing parts of the Code; and an electronic Code.
4. The Task Force met in person in May 2014 and via teleconference in June 2014 to consider the restructuring of Parts A and B of the Code and to develop a preliminary draft of the Consultation Paper.
5. The project proposal was presented at the May 2014 IESBA-National Standard Setters (NSS) meeting. NSS participants were generally supportive of the project. Concerns, however, were raised on two significant matters:
 - Whether it would be sufficient to assigning responsibility to the firm and for the firm to have policies and procedures that enable identification of the individual or individuals responsible for maintaining independence in a particular circumstance.
 - The use of safeguards in the Code.

6. Material Presented

| | |
|-----------------|---|
| Agenda Item 5-A | Issues Paper |
| Agenda Item 5-B | Draft Consultation Paper |
| Agenda Item 5-C | Appendix to Consultation Paper: Illustrative Examples |
| Agenda Item 5-D | Table of Concordance |

Forward Timeline

7. The Task Force notes that the Public Interest Oversight Board (PIOB) has expressed concerns about the project potentially taking until the end of 2017 to complete (i.e., a further three and a half years or so). In this regard, the PIOB has encouraged the Board to consider ways to accelerate the project as a matter of the public interest.
8. The Task Force has set a target of October 2015 for the issuance of an Exposure Draft of a proposed restructured Code to meet stakeholder expectations. The Task Force anticipates that this would be preceded by Board approval of the Consultation Paper in October 2014, which would explain the approach to the restructuring and provide illustrative examples of restructured extracts from Part A, Part B and Section 290.¹ The Task Force anticipates further that the Exposure Draft would include all of the Code except Part C, which may be exposed separately as part of the Part C project. These dates are tentative, subject to feedback on the proposals and the continued availability of sufficient resources.
9. The Task Force recognizes the encouragement of some stakeholders to progress this initiative as quickly as possible. The Task Force has already prepared initial stages of restructuring of Parts A and B, excluding Section 291,² to allow it to progress as quickly as possible after feedback on the Consultation Paper is received.
10. The Task Force recommends that the Board consider the matter of alignment of the timing of issuance of the Structure Exposure Draft in relation to the timing of other projects currently in progress. This matter is included in the issues paper.

| Indicative Timing | Milestone |
|-------------------|---|
| September 2014 | CAG Meeting <ul style="list-style-type: none">• Consideration of the draft Consultation Paper |
| October 2014 | IESBA Meeting <ul style="list-style-type: none">• Approve Consultation Paper |

¹ Section 290, *Independence – Audit and Review Engagements*

² Section 291, *Independence – Other Assurance Engagements*

Structure of the Code (Cover Note)
IESBA Meeting (July 2014)

| Indicative Timing | Milestone |
|-------------------|--|
| January 2015 | IESBA Meeting <ul style="list-style-type: none">• Further work on portions of the Code |
| March 2015 | CAG Meeting <ul style="list-style-type: none">• Discussion of Consultation Paper responses |
| April 2015 | IESBA Meeting <ul style="list-style-type: none">• Discussion of Consultation Paper responses and consideration of final approach to restructuring• Further work on portions of the Code |
| May 2015 | IESBA-NSS meeting <ul style="list-style-type: none">• Discussion of Consultation Paper responses and consideration of final approach to restructuring |
| June-July 2015 | IESBA Meeting <ul style="list-style-type: none">• Consideration of draft Exposure Draft |
| September 2015 | CAG Meeting <ul style="list-style-type: none">• Consideration of draft Exposure Draft |
| October 2015 | IESBA Meeting <ul style="list-style-type: none">• Approve Exposure Draft |
| Early 2017 | Finalize and issue a restructured Code, possibly effective January 1, 2018 (seven years after the effective date of the last major revision) |

Action Requested

11. IESBA members are asked for views on:

- (a) The matters raised in the issues paper, including the forward timeline;
- (b) The draft Consultation Paper; and
- (c) The illustrative examples to be included in the Consultation Paper.