

Meeting: IESBA

Meeting Location: New York, USA

Meeting Date: September 15-16, 2015

Agenda Item

4

Review of Part C of the Code—Phase 1

Objectives of Agenda Item

1. To consider a summary of significant comments on proposed Section 370¹ of the exposure draft (ED), *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles*, and related Task Force proposals.
2. To consider a revised draft of proposed Section 320.²

Task Force

3. Members:
 - Jim Gaa, Chair, IESBA Member
 - Helene Agélii, IESBA Member
 - Claire Ighodaro, IESBA Member
 - Ian Rushby, IFAC Professional Accountants in Business (PAIB) Committee Member
 - Lisa Snyder, IESBA Technical Advisor

Background

4. 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 professional accountants in business (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).
 - The applicability of Part C to professional accountants in public practice.

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

² Proposed revised Section 320, *Preparation and Presentation of Information*

5. This project is divided into two phases:

- Phase 1 addresses Sections 300,³ 310,⁴ 320,⁵ 330⁶ and 340⁷ of the Code and, in particular, the topics of Pressure and Faithful Representation.
- Phase 2 addresses Sections 350 and 260,⁸ and the applicability of Part C to professional accountants in public practice (PAPPs).

Activities since Last IESBA Discussion

6. The Task Force met physically and via teleconference in August 2015 to consider views expressed on proposed Section 370 within the comment letters received on the ED, and to discuss Board feedback received on the Task Force's preliminary proposals regarding Section 320 at the June/July 2015 IESBA meeting. The Task Force subsequently corresponded via e-mail to finalize the agenda material to present at this Board meeting.

Material Presented

- Agenda Item 4-A Summary of Significant Comments on Section 370 of the Exposure Draft
- Agenda Item 4-B Proposed Changes to Section 370 (Mark Up)
- Agenda Item 4-C Proposed Changes to Section 370 (Clean)
- Agenda Item 4-D Task Force Proposals in Response to the June/July 2015 Board Feedback
- Agenda Item 4-E Proposed Changes to Section 320 (Mark Up)
- Agenda Item 4-F Proposed Changes to Section 320 (Clean)
- Agenda Item 4-G Proposed Changes to Section 300 (Mark Up)
- Agenda Item 4-H Proposed Changes to Section 300 (Clean)

Drafts to be Discussed at the Meeting

7. The Task Force proposes that the mark-up versions of the proposed Section 370 (Agenda Item 4-B), Section 320 (Agenda Item 4-E) and Section 300 (Agenda Item 4-G) be discussed at the meeting.

³ Section 300, *Introduction*

⁴ Section 310, *Conflicts of Interest*

⁵ Section 320, *Preparation and Reporting of Information*

⁶ Section 330, *Acting with Sufficient Expertise*

⁷ Section 340, *Financial Interests*

⁸ Section 260, *Gifts and Hospitality*

Forward Timeline

8. The Task Force's updated forward timeline for the project is as follows:

| Indicative Timing | Milestone |
|-------------------|--|
| Phase 1 | |
| September 2015 | Second read post-ED Section 320 and Full Review of Section 370 ED comments |
| December 2015 | Approve close-off Phase 1 ⁹ |
| March 2016 | Approve restructured Phase 1 ¹⁰ |

| Indicative Timing | Milestone |
|-----------------------------|------------|
| Phase 2 | |
| June 2016 | Issues |
| September 2016 | First read |
| November / December 2016 | Approve ED |

Action Requested

9. IESBA members are asked for views and directional feedback on the matters raised in Agenda Items 4-A and 4-D, and the proposed changes to Sections 370, 320 and 300.

⁹ Approval of final text under current structure and drafting conventions

¹⁰ Approval of revised Sections 300, 310, 320, 330, 340 of the Code and the proposed Section 370