

**Meeting:** IESBA

**Meeting Location:** Livingstone, Zambia

**Meeting Date:** December 4-8, 2017

## Agenda Item 2

### Joint Cover – Structure of the Code and Safeguards

#### Objectives of Agenda Item

1. To:
  - (a) Consider:
    - Final restructuring revisions to the extant Code arising from the Structure of the Code (Structure) project; and
    - Final revisions to the provisions in the extant Code arising from the Safeguards project.
  - (b) Approve the text of the restructured Code presented at this meeting.

Structure and Safeguards Task Force meetings are planned for **Sunday, December 3, 2017**. Comments and drafting suggestions are requested in advance of those meetings, preferably by **Friday November 24, 2017**. Please email comments to [elizabethhiggs.ethics@gmail.com](mailto:elizabethhiggs.ethics@gmail.com), [ssommer2016@gmail.com](mailto:ssommer2016@gmail.com) and [dianejules@ethicsboard.org](mailto:dianejules@ethicsboard.org).

#### Task Forces

2. The Task Forces responsible for the proposed texts in **Agenda Item 2-C** and their respective areas of focus include:

Safeguards Task Force	Part C Task Force	Professional Skepticism (PS) Task Force	Structure Task Force
<ul style="list-style-type: none"> <li>• Gary Hannaford, TF Chair, IESBA Member</li> <li>• Kim Gibson, IESBA Member</li> <li>• Ian McPhee, IESBA Member</li> <li>• Jens Poll, IESBA Technical Advisor</li> <li>• Sylvie Soulier, IESBA Member</li> </ul> <p>Observer:</p>	<ul style="list-style-type: none"> <li>• Helene Agélli, TF Chair, IESBA Member</li> <li>• Michael Ashley, IESBA Member</li> <li>• Joyce Evans, IFAC PAIB Committee Member</li> <li>• Robert Juenemann, IESBA Member</li> </ul>	<ul style="list-style-type: none"> <li>• Richard Fleck, TF Chair, IESBA Deputy Chair</li> <li>• Patricia Mulvaney, IESBA Member</li> <li>• Tone Maren Sakshaug, IESBA Technical Advisor</li> </ul>	<ul style="list-style-type: none"> <li>• Don Thomson, TF Chair, former IESBA Member</li> <li>• Brian Caswell, IESBA Member</li> <li>• Liesbet Haustermans, IESBA Member</li> <li>• Peter Hughes, former IESBA Member</li> <li>• Stefano Marchese,</li> </ul>

Safeguards Task Force	Part C Task Force	Professional Skepticism (PS) Task Force	Structure Task Force
<ul style="list-style-type: none"> <li>Don Thomson</li> </ul>			IESBA Member
Staff: Diane Jules	Staff: Geoff Kwan	Staff: Diane Jules	Staff: Elizabeth Higgs and Shirley Sommer
<i>Responsible for safeguards-related changes in the Code (i.e., text shaded in gray).</i>	<i>Responsible for new applicability paragraphs (i.e., paragraphs R120.4 and R300.5 to 300.5 A1).</i>	<i>Responsible for new application material relating to PS and professional judgment (PJ) (i.e., paragraphs 120.5 A1 to 120.5 A1 A3; and 120.13 A1 to 120.13 A2).</i>	<i>Responsible for consistent application of the new format and drafting convention for the restructured Code.</i>

### Activities since Last Board Discussion

3. Since the September 2017 IESBA meeting:

- The Structure Task Force held one physical meeting and three teleconferences; and
- The Safeguards Task Force held one physical meeting and three teleconferences

to develop the agenda materials for this meeting. In doing so, each Task Force liaised with the other Task Forces involved in the restructuring work, including the Long Association, Part C and NOCLAR Task Forces as appropriate.<sup>1</sup>

### Compilation of Proposed Texts

4. The compilation in **Agenda Item 2-C** includes the cumulative proposals of the Task Forces identified in paragraph 2 above, and incorporates feedback from the September 2017 Board and IESBA Consultative Advisory Group (CAG) meetings. The proposals incorporate feedback from respondents to the following exposure drafts:

- [Improving the Structure of the Code of Ethics for Professional Accountants—Phase 2](#) (Structure ED-2).
- [Proposed Revisions Pertaining to Safeguards in the Code—Phase 2 and Related Conforming Amendments](#) (Safeguards ED-2).
- [Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to](#)

<sup>1</sup> Structure ED-2 included proposed restructuring changes to:

- Phase 1 of the Part C project, as revised in the Close-off document, [Changes to Part C of the Code Addressing Preparation and Presentation of Information and Pressure to Breach the Fundamental Principles](#) (Part C Phase 1 Restructuring).
- The July 2016 pronouncement, [Responding to Non-Compliance with Laws and Regulations](#) (NOCLAR).
- The Long Association Close-off Document, [Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#) (LA).

At its September 2017 meeting, the Board expressed general support for the restructuring changes to the Part C Phase 1, LA and NOCLAR close-off documents, subject to any further structure- or safeguard-related refinements.

[Professional Accountants in Public Practice](#) (Applicability ED).

- [Proposed Application Material Relating to Professional Skepticism and Professional Judgment](#) (PS and PJ ED).
5. Phase 1 of each of the Structure and Safeguards projects was agreed in principle in December 2016. Staff-prepared Basis for Agreement in Principle (BFAP) documents were released in January 2017 to explain the rationale for the IESBA's conclusions on Phase 1 of each of the two projects. Subject to the Board's approval of the proposed text, these BFAPs will be used to develop the final Basis for Conclusion documents for the two projects.

*Part C Phase 2 – Proposals Relating to Inducements*

6. In September 2017, the IESBA released for exposure, [Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements](#) (Inducements ED) with proposed revisions to the extant Code regarding:
- The offering and accepting of inducements by professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs); and
  - Related conforming amendments to the independence provisions relating to gifts and hospitality.
7. The Board approved the proposals for exposure in June 2017, and the revised provisions: Sections 250,<sup>2</sup> 340,<sup>3</sup> 420<sup>4</sup> and 906,<sup>5</sup> were drafted using the new structure and drafting conventions for the Code.
8. The text of the Inducements ED is not included in **Agenda Item 2-C**. Subject to respondents' feedback on the ED, the final Inducements provisions will be presented to the Board for approval in June 2018 and included in the published handbook of the restructured Code.

**Format of the Board Discussion**

9. On Day 1 of the Board meeting, the Chairs of the Structure and Safeguards Task Forces will highlight in a joint presentation the significant matters relating to the Structure and Safeguards projects drawing from the issues summarized in **Agenda Items 2-A and 2-B**:
- The Structure Task Force will focus on structure-related matters and present revisions to the proposed texts arising from its work.
  - The Safeguards Task Force will focus on safeguards-related matters and present revisions to the proposed texts arising from its work.
10. Receipt of advance comments from IESBA meeting participants will facilitate the Board deliberation and final approval of the restructured Code at this meeting. Advance comments are requested by November 24, 2017. As part of their introductory remarks, the Structure and Safeguards Task Force

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<sup>2</sup> Proposed Part 2 – Professional Accountants in Business, Section 250, *Inducements, including Gifts and Hospitality*

<sup>3</sup> Proposed Part 3 – Professional Accountants in Public Practice, Section 340, *Inducements, including Gifts and Hospitality*

<sup>4</sup> Proposed Part 4A, Section 420, *Gifts and Hospitality*

<sup>5</sup> Proposed Part 4B, Section 906, *Gifts and Hospitality*

Chairs will summarize significant comments received in advance of the meeting and the Task Forces' preliminary views on those comments, as appropriate.

11. The Structure and Safeguards Task Force Chairs will co-present the revisions in **Agenda Item 2-C** on a section by section basis. Board members are asked to raise any substantive suggestions that will enhance the clarity of the revisions to the proposed texts. Editorial suggestions can be passed to staff offline.
12. On Day 2 of the meeting, the Chairs of the Part C and Professional Skepticism Task Forces will present the revisions to the applicability paragraphs (i.e., paragraphs R120.4 and R300.5 to 300.5 A1) and the application material relating to PS and PJ (i.e., paragraphs 120.5 A1 to 120.5 A1 A3 and 120.13 A1 to 120.13 A2).
13. Task Force meetings are scheduled during the week of the meeting to consider further revisions based on the feedback from the Board. Reading time is scheduled to allow meeting participants the opportunity to consider the revised drafts that will be circulated during the meeting.

#### **Drafts to Be Considered During the Meeting**

14. **Agenda Item 2-C** is the compilation of proposed texts of the restructured Code to be considered during this meeting.

#### **Materials Presented**

##### *For Discussion*

- |                 |   |
|-----------------|---|
| Agenda Item 2-A | Structure – Remaining Issues and Task Force Proposals                         |
| Agenda Item 2-B | Safeguards – Remaining Issues and Task Force Proposals                        |
| Agenda Item 2-C | Compilation of all proposed texts (Mark-up from September 2017 IESBA meeting) |

##### *For Reference*

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|-----------------|---|
| Agenda Item 2-D | Compilation of all proposed texts (Clean)   |
| Agenda Item 2-E | Compilation of all proposed texts (Mark-up from EDs and Agreed-in-principle-text) |
| Agenda Item 2-F | Drafting Guidelines for the Restructured Code                                     |

#### **Action Requested**

15. The Board is asked to:
  - (a) Consider the Task Forces' proposed revisions in **Agenda Item 2-C**.
  - (b) Consider whether there are any matters raised by respondents to Structure ED-2, in addition to those summarized by the Task Force, that they consider should be discussed by the Board;<sup>6</sup>
  - (c) Approve the restructured Code comprising:
    - The safeguards-related changes;
    - The applicability paragraphs;

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<sup>6</sup> All comment letters in response to Structure ED-2 and Safeguards ED-2 can be accessed on the [IESBA website](#).

- The application material relating to PS and PJ; and
  - The restructuring changes to the extant Code.
- (d) Determine an effective date for the restructured Code.