



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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**Agenda Item**

**F**

**Committee** Ethics Consultative Advisory Group  
**Meeting Location:** Crowne Plaza St James, London, United Kingdom  
**Meeting Date:** September 13, 2010

**Inadvertent Violation**

**Objectives of Agenda Item**

1. To discuss and comment on the draft project proposal addressing an inadvertent violation of the Code

**Background**

The Code contains some paragraphs which address an inadvertent violation of provision of the Code. These provisions were commented on in a response to IESBA's Drafting Conventions Exposure Draft, issued in July 2008. The IESBA recognized the issues raised were beyond the scope of that ED and they would be considered as appropriate, for a future project.

**Discussion**

The Planning Committee of the IESBA has re-considered the provisions in the Code that address an inadvertent violation and has concluded that it will recommend to the IESBA, at its November 2010 meeting that a project should be undertaken to consider this matter.

***Action Requested***

CAG members are asked to consider whether they believe that a project on this matter should be added to the IESBA's work plan.

The Planning Committee has developed a draft project proposal (Agenda Paper F-1) addressing the matter. This project proposal, adjusted as necessary in response to comments from CAG members, will be presented to the IESAB at its November 2010 meeting for discussion and approval.

The Planning Committee is of the view that the project scope should reconsider the provisions in the Code addressing an inadvertent violation of the Code, including whether the Code should contain such provisions and, if so, how the provisions can best serve to protect the public interest.

If the conclusion is that the Code should contain such provisions it will assess the following matters:

- *Scope of Coverage* – The project will consider whether the provisions should apply to all of the Code or only to the independence provisions of the Code.
- *“Inadvertent”* –The project will consider whether “inadvertent” is the appropriate descriptor and if so whether guidance should be given on the meaning of inadvertent.
- *Consequences of a violation* – The project will consider whether there are some violations that are of such magnitude that, even if the action creating the violation was inadvertent, compliance with the fundamental principles would still be compromised.
- *Quality Control Policies and Procedures in Place* – The inadvertent provisions in the Code addressing independence require the firm to have appropriate quality control policies and procedures in place equivalent to this required by ISCQ. The project will consider whether this requirement continues to be appropriate or whether additional guidance is required.
- *Safeguards* –The project will consider whether any additional guidance should be given, including, the types of safeguards that might be appropriate.
- *Discussion with those Charged with Governance* – The project will consider whether there should be a requirement to report.
- *Implications of an Inadvertent Violation* – The project will consider the implications, for example it would be deemed to not to compromise compliance with the fundamental principles or whether the Code should indicate that, provided certain criteria are met, no enforcement action need to be taken or it would not impact the firm’s ability to issue the audit opinion.

**Action requested**

CAG members are asked to review the content of the project proposal and comment on the major problems and key issues that will be addressed.

**Material Presented**

Agenda Paper F	This Agenda Paper
Agenda Paper F-1	Draft Project Proposal

**Action Requested**

1. CAG members are asked to consider the questions posed.