

IESBA Meeting Highlights and Decisions

June 2013

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This summary of decisions of the International Ethics Standards Board for Accountants (IESBA) has been prepared for information purposes only. Except for approval of documents for public exposure and issuance of final pronouncements, decisions reported are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IESBA.

Definition of “Those Charged with Governance”

The IESBA approved for issuance, subject to confirmation by the Public Interest Oversight Board (PIOB) that due process has been followed, a revised definition of “those charged with governance” and related changes to the *Code of Ethics for Professional Accountants* (the Code).

The changes will be effective on July 1, 2014.

Responding to a Suspected Illegal Act

The IESBA considered a proposed alternative to the approach set out in the Exposure Draft, *Responding to a Suspected Illegal Act*, regarding a professional accountant’s responsibilities when encountering a suspected illegal act. Among other matters, the IESBA discussed the concept of a permission in the Code to override confidentiality in the circumstances set out in the proposed Section 225, *Responding to a Suspected Illegal Act*, applicable to professional accountants in public practice, and Section 360, *Responding to a Suspected Illegal Act*, applicable to professional accountants in business. It also discussed the various elements of the proposed alternative approach as well as the thresholds for actions, the types of suspected illegal acts to disclose, and documentation.

The IESBA will continue its deliberation of the proposed alternative approach at its September 2013 meeting.

Review of Part C of the Code

The IESBA considered issues in the project to review Part C of the Code addressing professional accountants in business (PAIBs). Topics discussed included: the application of Part C to all professional accountants and pressure. The IESBA agreed to defer

consideration of matters relevant to professional accountants in public practice in this project until after PAIB-specific issues have been addressed by the board.

The IESBA will continue its consideration of the issue of pressure at its September 2013 meeting.

Provision of Non-Assurance Services (NAS) to an Audit Client

The IESBA considered the findings from a survey of a number of jurisdictions that the project Task Force had carried out for purposes of narrowing the scope of the project. The IESBA also considered the Task Force's recommendations for the way forward. The IESBA agreed that the project proposal should be refined to focus on the following:

- Clarification of the provisions in Section 290, *Independence—Audit and Review Engagements*, addressing management responsibilities;
- Clarification of the concept of “routine and mechanical” services relating to the preparation of accounting records and financial statements; and
- A review of the emergency exception provisions in the Code pertaining both to accounting and bookkeeping services, and to taxation services.

The IESBA also supported the development of a paper to, among other matters, raise awareness of the Code's approach to NAS and of the robustness of the Code's NAS provisions, highlight supplementary ways by which the threats and safeguards approach to independence in the Code may be enhanced, and generally increase the visibility and transparency of the relevant provisions in the Code.

The IESBA will receive an update on the project at its September 2013 meeting.

Future Strategy and Work Plan

The IESBA considered the input received through its survey conducted in January 2013 on the 2014-2016 Strategy and Work Plan. It also considered the IESBA Planning Committee's preliminary analysis of this input and its recommendations for the way forward. Among other matters, the IESBA agreed to extend its 2011-2012 Strategy and Work Plan through the end of 2014, and to develop its next Strategy and Work Plan for the period 2015-2017. The IESBA also identified a short list of topics for possible inclusion in its next Strategy and Work Plan for further consideration.

The IESBA will continue its deliberation of these topics at its September 2013 meeting.

Long Association of Senior Personnel (Including Partner Rotation) with an Audit Client

The IESBA received an update on the project to review the long association provisions in Section 290 of the Code to ensure that they continue to provide robust and appropriate safeguards against the familiarity and self-interest threats arising from long association with an audit client.

The IESBA will consider the findings from the research being undertaken in this project and preliminary issues at its September 2013 meeting.

Structure of the Code

The IESBA approved the terms of reference for the working group formed to advise the board on ways to improve the usability of the Code. The IESBA also supported the working group's research plan and proposed timeline for the initiative, and provided suggestions for the working group to consider as it undertakes the research.

The IESBA will receive an update on the research at its September 2013 meeting.

Emerging Issues and Outreach

The IESBA approved the terms of reference for the working group formed to advise the board in relation to emerging issues and international developments of relevance to the board's work, and outreach to stakeholders.

The IESBA will consider at its meeting in September 2013 preliminary recommendations from the working group with respect to processes by which the board may consider emerging issues and its strategy for outreach.

November 2012 IESBA Staff Questions & Answers (Q&A) Publication

The IESBA discussed a substantive matter that has arisen regarding the response to one of the questions included in the November 2012 Staff Q&A publication, *Implementing the Code of Ethics—Part II*. The IESBA asked a subgroup of board members to further reflect on the matter and advise the board on the way forward in due course.

Statement of Compliance with Relevant Ethical Requirements

The IESBA considered a proposal to be presented at the June 24-28, 2013 International Auditing and Assurance Standards board (IAASB) meeting by the IAASB's Auditor Reporting (ISA 700) Drafting Team regarding the inclusion of an explicit statement of compliance with relevant ethical requirements in the auditor's report. Among other matters, the IESBA expressed support for the proposed requirement for the auditor to include in the auditor's report the statements that the auditor is independent within the meaning of the relevant ethical requirements and that the auditor has fulfilled the auditor's other ethical responsibilities under those (or other) ethical requirements.

Next Meeting

The next meeting of the IESBA will be held in Sydney, Australia, on September 16-18, 2013.