



International Ethics Standards Board for Accountants

Meeting Summary November 2-3, 2010

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This meeting summary 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 and reflect only the current status of discussions on projects, which might change after further deliberation by the IESBA.

Strategy and Work Plan

The IESBA discussed the responses it had received on the exposure draft of its Strategy and Work Plan. Respondents to the exposure draft generally expressed support for the IESBA's projects addressing Conflicts of Interest and Responding to Suspected Fraud and Illegal Acts. Respondents were mixed in their support for the proposed project to provide guidance on the application of the related entity definition in the audit of collective investment vehicles. The IESBA discussed the feedback and noted that the way such vehicles are structured differs significantly between jurisdictions and, therefore, a global standard would likely only be very general.

Conflicts of Interest

The IESBA has received a report from the Task Force charged with developing additional guidance for professional accountants in practice and business when dealing with conflicts of interest. The IESBA discussed and provided guidance to the Task Force on a description of the types of conflicts of interest that will be addressed by this guidance. The IESBA also discussed examples of conflicts of interests that had been developed by the Task Force.

Responding to Suspected Fraud and Illegal Acts

The IESBA discussed and approved a project proposal to develop ethical guidance for professional accountants when encountering a suspected fraud or illegal act. While the Code recognizes that a professional accountant may have a professional duty or right to disclose confidential information it does not provide examples or guidance to the accountant on how to respond in such situations. The goal of the project is to provide guidance for professional accountants on how to respond in situations where they encounter a suspected fraud or illegal act.

The scope of this project is to revise Section 140 and develop two new sections in Parts B and C to provide additional guidance for professional

accountants in public practice and in business on how to respond in situations where they encounter a suspected fraud or illegal act. The project will focus on the actions that the professional accountant takes when encountering such a situation. It will not address actions that professional accountants should take to identify such matters.

Inadvertent Violation

The IESBA discussed and approved a project proposal to address the inadvertent violation provisions in the Code. The scope of the project will be to consider whether the Code should contain such provisions and, if so, how the provisions can best serve to protect the public interest. If the Board concludes that the Code should contain such provisions, the project will consider whether the provisions should apply to all of the Code or only to the independence provisions. The project will also consider whether: “inadvertent” is the appropriate descriptor and if so whether guidance should be given on the meaning of inadvertent; 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.

SME/SMP Working Group

The IESBA discussed a draft terms of reference of an IESBA SME/SMP Working Group. The IESBA has been advised that SMEs and SMPs face unique and challenging issues in complying with the Code, particularly with respect to SMPs serving SMEs. The Working Group’s objective will be to determine what those issues are, understand them, and recommend to the IESBA ways in which the board might address them.

Convergence

The IESBA discussed its initiatives to promote convergence of independence standards. The IESBA discussed and provided input on drafts documents identifying the provisions in the Code that apply to the audits of public interest entities.

EU Green Paper

The IESBA discussed the content of the European “Audit Policy: Lessons from the Crisis”. The IESBA considered matters in the Green Paper that are relevant to the activities of IESBA and discussed the process by which the IESBA would develop a response to the paper

Next Meeting

The next meeting of the IESBA is scheduled to be held on February 6-8, 2011 in New Delhi, India.