

IESBA Meeting Highlights and Decisions

September 2015

Contact: Ken Siong, IESBA Technical Director (KenSiong@ethicsboard.org)

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.

A [podcast](#) recording that provides a short audio summary of the main outcomes of the September 2015 IESBA meeting is also available on the IESBA website.

Long Association of Personnel with an Audit or Assurance Client

The IESBA received a brief update on the main outcomes of the September 2015 IESBA Consultative Advisory Group (CAG) meeting, including feedback from the CAG on the topics of: cooling-off period for an engagement quality control reviewer on the audit of a public interest entity (PIE); providing an alternative to elements of the partner rotation requirements for PIE audits in the Code where jurisdictions have established different regulatory safeguards, or a package of safeguards, to address threats created by long association; and activities that can be performed by the rotated partner with respect to the audited entity during the cooling-off period.

The IESBA agreed to consider a revised draft of the proposed changes to the Code by conference call in October 2015, taking into account the feedback from the CAG. The IESBA will consider a final draft of the proposed provisions at its November/December 2015 meeting, and vote on whether to re-expose the changes to the Code on specific issues.

Structure of the Code

The IESBA considered a revised draft of Tranche I and a first-read draft of Tranche II of the draft Exposure Draft. The IESBA continued to broadly support the direction of the restructuring. The IESBA discussed, among other matters: the approach to describing the relevance of application material in the Code; articulation of the linkage between independence and objectivity; decoupling network firms from the concept of “firms” with respect to the application of certain independence provisions; restructuring the documentation provisions from a navigability point of view; and labeling of parts.

The IESBA will consider a revised draft of Tranches I and II at its November/December 2015 meeting with a view to approval for exposure.

Review of Safeguards in the Code

The IESBA considered a first-read draft of the proposed revised provisions in extant Section 100, *Introduction and Fundamental Principles* and Section 200, *Introduction* (Part B – Professional Accountants in Public Practice) of the Code as they relate to safeguards. Topics discussed included: a proposed revised description of the concept of “safeguards;” re-characterization of certain examples of safeguards in extant Section 200 as conditions in the work environment, within a firm or within an entity’s systems and procedures that may affect the level of threats to compliance with the fundamental principles; a proposed description for the concept of a “reasonable and informed third party;” and “stepping back” to evaluate the continued effectiveness of safeguards in the light of changed circumstances or new information concerning threats.

The IESBA will consider a revised draft of the proposed Sections 100 and 200 at its November/December 2015 meeting with a view to approval for exposure.

Review of Part C of the Code – Phase I

The IESBA considered significant comments received on proposed revised Section 370 included in the Exposure Draft, [*Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles*](#), and a number of matters common to Sections 320 and 370 that were raised by respondents to the Exposure Draft. Topics discussed included: how to evaluate and respond to pressure to breach the fundamental principles, including in a conflict of interest situation; whether the proposed guidance should distinguish between “senior” professional accountants in business (PAIBs) and other PAIBs; and the adequacy of the guidance in Section 300 in highlighting the greater expectations of “senior” PAIBs.

The IESBA agreed to consider revised drafts of Sections 300, 320 and 370 by conference call in October 2015. It will aim to finalize the changes to Part C of the Code under the current structure and drafting conventions of the Code at its November/December 2015 meeting.

Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations (NOCLAR)

The IESBA received a preliminary update on significant comments from respondents to the Exposure Draft, [*Responding to Non-Compliance with Laws and Regulations*](#). The IESBA will consider a full analysis of the comments received on the Exposure Draft at its November/December 2015 meeting.

IESBA Staff Publication on Fees

The IESBA considered and provided feedback on a preliminary draft of an IESBA staff publication, *Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure*. The publication is intended to highlight important considerations

in the Code for auditors in relation to the setting of audit fees, specifically in the context of circumstances where there may be downward pressure on those fees.

The IESBA will consider a revised draft of the publication at its November/December 2015 meeting and provide any final comments with a view to enabling IESBA staff to finalize it for issuance.

Meeting

The next physical meeting of the IESBA will be held in New York, USA on November 30-December 4, 2015.