

IESBA Meeting Highlights and Decisions

March 2016

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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.

A [podcast](#) recording that provides a short audio summary of the main outcomes of the March 2016 IESBA meeting is also available on the IESBA website.

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

The IESBA agreed in principle, subject to the deliberations of the International Auditing and Assurance Standards Board (IAASB) on related consequential and conforming amendments to IAASB standards, the final provisions in Sections 225 and 360 of the IESBA *Code of Ethics for Professional Accountants* (the Code) addressing the responsibilities of professional accountants in public practice and in business, respectively, to respond to NOCLAR or suspected NOCLAR. The IESBA also agreed in principle consequential and conforming changes to other sections of the Code.

Topics discussed included: disclosing NOCLAR to an appropriate authority without following the specified response process; scope of matters covered by the two sections; communication with respect to group audits; documentation by professional accountants other than auditors; communication between predecessor and proposed successor auditors; and the proposed effective date of the final pronouncement.

The IESBA will consider the outcome of the IAASB's March 2016 deliberations and any necessary changes to the text of Sections 225 and 360 with a view to approving the final pronouncement at its teleconference scheduled for April 25, 2016.

Structure of the Code

The IESBA considered a first-read draft of Section 800, *Reports that Include a Restriction on Use and Distribution*, of the draft restructured Code (DRC). This section will form part of the Phase 2 Structure of the Code Exposure Draft. The IESBA broadly supported the direction of the restructuring and provided structural and drafting feedback to the Structure

of the Code Task Force for further consideration, including whether Section 800 should include a requirement to apply the conceptual framework.

The IESBA will consider at its June 2016 meeting significant comments received on the [Phase 1 Structure of the Code Exposure Draft](#), a revised draft of Section 800 and matters pertaining to Phase 2 of the project.

Long Association of Personnel with an Audit Client

With a view to making timely progress on the restructuring of the Code, the IESBA considered a preliminary draft of the restructured text of the February 2016 re-Exposure Draft, [Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client](#). The proposed restructured text will form part of the Phase 2 Structure of the Code Exposure Draft. The IESBA broadly supported the direction of the restructuring and provided structural and drafting feedback to the Long Association Task Force for further consideration, including how certain exceptions to requirements should be drafted.

The IESBA will consider at its June 2016 meeting significant comments received on the re-Exposure Draft and a revised draft of the restructured text of the long association provisions.

Fee-Related Matters

The IESBA approved Terms of Reference for a working group to undertake fact finding in relation to certain fee-related matters. Among other matters, the IESBA refined the scope and focus of, and approach to, its fact finding initiative. Based on the agreed parameters for the fact finding, the IESBA will commission a review of the academic literature for purposes of informing its future actions on the topic. The IESBA also agreed to engage with key stakeholders, in particular investors, regulators and audit oversight bodies, audit firms and those charged with governance (TCWG) to obtain an understanding of their respective perspectives on the identified fee-related matters.

The IESBA will consider a progress report on the fact finding at its September 2016 meeting.

Review of Safeguards in the Code

The IESBA considered issues and Task Force proposals in the second phase of the Safeguards project focusing on safeguards pertaining to the independence provisions related to non-assurance services (NAS). As part of its meeting materials, the IESBA considered a first-read draft of consequential amendments to proposed Section 400, *Application of the Conceptual Framework to Independence* resulting from the Exposure Draft: [Proposed Revisions Pertaining to Safeguards in the Code – Phase 1](#) (Safeguards ED-1).

With respect to independence, the IESBA discussed how the Code should address:

- The linkage between independence and the fundamental principles;

- Requirements and application material with respect to identifying, evaluating and addressing threats to independence;
- Communication with TCWG about independence matters; and
- Documentation of conclusions about compliance with independence requirements.

With respect to NAS, topics discussed included: principles for identifying, evaluating and addressing threats created from providing a NAS to an audit client; materiality; examples of safeguards relating to the provision of NAS; and whether, how and when a firm should interact with TCWG regarding the provision of NAS to an audit client.

At its June 2016 meeting, the IESBA will consider significant comments received on Safeguards ED-1 and related Task Force proposals, and a first draft of the proposed changes to the Code pertaining to NAS.

[Review of Extant Part C of the Code](#)

The IESBA considered a draft restructured text of the [Part C Phase 1 close-off document](#). The IESBA broadly supported the direction of the restructuring and provided structural and drafting feedback to the Part C Task Force for further consideration, including with respect to maintaining the substance and focus of some of the provisions.

As part of Phase 2 of the project, the IESBA considered Task Force proposals regarding how best to address the issue of the applicability of Part C to professional accountants in public practice. The IESBA supported the inclusion of an explanatory paragraph in the Code clarifying how Part C applies to professional accountants in public practice and provided suggestions for how the proposed wording of such a paragraph could be enhanced.

The IESBA will consider a second-read draft of the restructured Part C Phase 1 close-off document, a revised explanatory paragraph regarding the applicability issue, and matters relating to extant Section 350, *Inducements* under Phase 2 at its June 2016 meeting.

[Emerging Issues and Outreach](#)

As part of its initiative to understand key differences between the Code and national ethical requirements in the G-20 countries and major financial centers, the IESBA received presentations with respect to Brazil and Saudi Arabia. The IESBA will consider an analysis of the key differences between the Code and the local ethical codes in those jurisdictions, and the possible implications for the Code, at its June 2016 meeting.

The IESBA also received a presentation from the leadership of ICAS regarding ICAS's Power of One initiative and ICAS's related Discussion Paper, *The Five Fundamental Ethics Principles: Time for Evaluation*. The presentation was well received. The IESBA asked its Planning Committee to reflect on the way forward in relation to possible further IESBA consideration of the ICAS initiative as it develops.

[Next Meeting](#)

The next meeting of the IESBA will be via teleconference on April 25, 2016. The next physical meeting of the IESBA will be held in New York, USA on June 27-29, 2016.