

IESBA Meeting Highlights and Decisions

March 2017

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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 2017 IESBA meeting is also available on the IESBA website.

Professional Skepticism

The IESBA approved a project to develop application material to explain how compliance with the fundamental principles in the Code supports the application of professional skepticism (PS) as defined in the standards of the International Auditing and Assurance Standards Board (IAASB). The IESBA also considered the proposed application material and broadly supported it, subject to some refinements.

In addition, the IESBA considered proposed new application material to emphasize the importance of professional accountants (PAs) obtaining an understanding of the facts and circumstances known to them when exercising professional judgment, in the context of applying the conceptual framework. The IESBA also supported this proposal, subject to some refinements.

The IESBA asked that its Task Force share the two sets of proposed application material, taking into account its March discussion, with both the IAASB and the International Accounting Education Standards Board (IAESB) for comment on a “fatal flaw” basis. Subject to feedback from the IAASB and IAESB, the IESBA will consider a final draft of the proposed application material with a view to approving it for exposure during a teleconference in the second half of April 2017.

The IESBA also received an update on the recent activities of the tripartite Professional Skepticism Working Group (PSWG) comprising representatives of the IESBA, IAASB and IAESB. The PSWG is developing a publication intended to, among other matters, inform stakeholders about the PSWG’s reflections on the topic and the discussions of the IAASB, IESBA, and IAESB regarding PS; highlight the IAASB’s, IESBA’s and IAESB’s actions and forward work plans relating to PS; and highlight the role that others in the financial reporting supply chain can play in helping to address concerns about the effective application of professional skepticism in audits and other assurance engagements.

The IESBA will consider a draft of the PSWG publication at its June 2017 meeting.

Review of Part C of the Code

The IESBA considered a revised draft of proposed Section 250, *Gifts, Hospitality and Other Inducements* together with initial proposed conforming amendments to (a) Section 340, *Gifts, Hospitality and Other Inducements*, and (b) independence standards in Sections 420 and 906 addressing gifts and hospitality with respect to audit and other assurance engagements.

Among other matters, topics discussed included: the use of “inducements” as a neutral term; the “intent test” and its positioning within the proposals; the interaction of the intent test with the conceptual framework; and the nature and extent of guidance regarding inducements offered to or received by a PA’s immediate or close family members.

The IESBA will consider, with a view to approval for exposure, revised proposals to the sections under consideration during a teleconference in May 2017.

Mid-cycle Strategy Review

The IESBA reviewed and noted the progress to date against the various commitments in its Strategy and Work Plan (SWP) 2014-2018. The review identified a number of items for consideration as part of the IESBA’s development of its next SWP.

IESBA Strategy Survey

The IESBA considered a draft survey of stakeholders for purposes of developing its SWP 2019-2023. The IESBA provided further input for purposes of refining the structure and content of the survey. The input from the survey will inform the IESBA as it develops its proposed new SWP, which it expects to issue for public consultation in 2018.

Subject to the refinements, the IESBA will publish the survey in the second half of April 2017.

Fees Initiative

The IESBA received an update on the fact finding activities of its Fees Working Group which are aimed at identifying whether there is a relationship between fees charged by audit firms and threats to compliance with the fundamental principles or to independence. The fact finding work is focused on four areas, namely the level of audit fees for individual audit engagements; the relative size of fees and dependence on particular clients; the ratio of non-audit to audit fees; and audit services provided by firms that have significant non-audit service businesses. Among other matters, the IESBA considered a high-level analysis of the final report from Prof. David Hay, the academic it had commissioned to undertake a review of academic and other literature, as well as an overview of regulatory provisions regarding fees in G-20 jurisdictions.

The IESBA also considered a survey proposal to gather views from key stakeholders on the four areas of focus. Among other matters, the IESBA provided feedback on the list of proposed stakeholders to approach, and the structure and content of potential questionnaires for the survey. The input from the stakeholder outreach will assist the

Working Group in finalizing its report and recommendations to the IESBA regarding any actions on the topic.

The IESBA will further discuss the approach to the stakeholder outreach at its June 2017 meeting.

Long Association of Audit Firm Personnel with an Audit Client

The IESBA considered a revised draft of the Questions & Answers (Q&A) publication that it has commissioned its staff to develop to facilitate implementation of the revised long association provisions it finalized in December 2016. The IESBA provided suggestions for further refinement to the publication.

The IESBA asked that its staff consider its feedback and finalize the publication for issuance in April 2017.

IFAC Initiative Regarding Tackling Corruption

The IESBA received a presentation from Amir Ghandar, IFAC Deputy Director, Public Policy & Regulation, on IFAC's initiative, *The Accountancy Profession – Playing a Positive Role in Tackling Corruption*. Among other matters, the presentation outlined the background to the initiative; its objectives, scope and approach; the parties with whom IFAC has been engaged; key findings from the initiative; and the way forward.

Next Meeting

The next two meetings of the IESBA will be held via teleconference on April 18 and May 18, 2017. The next physical meeting of the IESBA will be held in New York, USA on June 19-21, 2017.