

# IESBA Meeting Highlights and Decisions

September 2017

Contact: Ken Siong, IESBA Technical Director ([KenSiong@ethicsboard.org](mailto: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 2017 IESBA meeting is also available on the IESBA website.

## Structure of the Code

The IESBA further deliberated significant comments received on the Exposure Draft of Phase 2 of the project, [Improving the Structure of the Code of Ethics for Professional Accountants—Phase 2](#) (Structure ED-2). As part of its deliberation, the IESBA considered a first draft of revisions to the proposed text included in Structure ED-2 and consistency refinements to the agreed-in-principle text of Phase 1. Topics discussed included: the usage of the terms “may” and “might” and their descriptions in the restructured Code; distinguishing between “firm” versus “network firm,” primarily in the International Independence Standards; and the proposed effective date. The IESBA broadly supported the direction of the Structure Task Force’s proposals. The IESBA asked that the Task Force continue to liaise with the Safeguards Task Force to undertake a consistency review of the proposed texts to be included in the restructured Code before the next meeting.

At its December 2017 meeting, the IESBA will consider the final drafts of the texts of Phases 1 and 2 of the restructured Code, with a view to approval.

## Review of Safeguards in the Code

The IESBA further deliberated significant comments received on the Exposure Draft of Phase 2 of the project, [Proposed Revisions Pertaining to Safeguards in the Code—Phase 2 and Related Conforming Amendments](#) (Safeguards ED-2), and related Task Force responses. The IESBA also was briefed on the outcome of the Task Force’s July 2017 teleconferences with representatives of regulatory stakeholders who responded to Safeguards ED-2, and the IFAC Small and Medium Practices (SMP) Committee. As part of its deliberations, the IESBA considered a first draft of revisions to proposed Section 600, *Provision of Non-assurance Services to an Audit Client*, and conforming and consistency changes to safeguards-related provisions in other sections of the proposed restructured Code.

Among other matters, the IESBA discussed the adequacy and appropriateness of the provisions for evaluating and addressing advocacy threats; and whether additional guidance is needed in the Code to explain (a) the meaning of the term “appropriate professional” used in examples of actions that might be safeguards; and (b) how professional accountants and firms should determine whether an action is effective in reducing a threat to an acceptable level, and therefore qualify as a safeguard. The IESBA broadly supported the direction of the Task Force’s proposals.

At its December 2017 meeting, the IESBA will consider a final draft of the safeguards provisions and related conforming amendments, with a view to approving them for inclusion in the restructured Code.

## Review of Part C of the Code

### *Applicability*

The IESBA further deliberated significant comments received on the Exposure Draft, [Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice](#) (Applicability ED), and related Task Force responses.

The IESBA generally supported the Task Force’s proposed revisions which incorporated the feedback received from IESBA members during its June 2017 meeting. Topics discussed included matters relating to the project scope, and the nature of the examples to illustrate how the Applicability provisions in Part 2, *Professional Accountants in Business*, of the restructured Code would operate in the context of the work of professional accountants in public practice.

At the December 2017 meeting, the IESBA will consider a final draft of the applicability provisions, with a view to approving them for inclusion in the restructured Code.

### *Restructuring*

The IESBA considered revisions to the proposed restructured text of the provisions in extant Part C, *Professional Accountants in Business*, included in the [March 2016 close-off document](#), in light of the comments received from respondents to Structure ED-2 and Safeguards ED-2. The IESBA was generally supportive of the Task Force’s proposals, subject to any further structure- or safeguard-related refinements.

At its December 2017 meeting, the IESBA will consider a final draft of the restructured text, with a view to approval for inclusion in the restructured Code.

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

In light of the comments received from respondents on Structure ED-2, the IESBA considered revisions to the proposed restructured text relating to its [NOCLAR pronouncement](#). The IESBA was generally supportive of the Task Force’s proposals, subject to any further structure- or safeguard-related refinements.

At its December 2017 meeting, the IESBA will consider a final draft of the restructured text, with a view to approval for inclusion in the restructured Code.

## Long Association (LA)

In light of the comments received from respondents on Structure ED-2 and Safeguards ED-2, the IESBA considered revisions to the proposed restructured text relating to its [LA close-off document](#). The IESBA was generally supportive of the Task Force's proposals, subject to any further structure- or safeguard-related refinements.

At its December 2017 meeting, the IESBA will consider a final draft of the restructured text, with a view to approval for inclusion in the restructured Code.

## Professional Skepticism

The IESBA considered significant comments raised by respondents on the May 2017 Exposure Draft (ED), [Proposed Application Material Relating to Professional Skepticism and Professional Judgment](#), and related Task Force responses. The IESBA broadly supported the direction of the changes to the proposed application material in response to the feedback from respondents, subject to refinements and consideration of whether the description of the term "professional judgment" has been fully aligned with that in the International Auditing and Assurance Standards Board's (IAASB's) standards.

The IESBA also was briefed on comments made during the September 2017 IESBA Consultative Advisory Group (CAG) meeting, and by some respondents to the ED regarding the IESBA's longer term professional skepticism initiative. The longer term initiative will explore, among other matters, whether aspects of the concept of professional skepticism apply to all professional accountants, including those who are not auditors or assurance practitioners.

At its December 2017 meeting, the IESBA will consider a revised draft of the proposed application material relating to professional skepticism and professional judgment, with a view to approval for inclusion in the restructured Code. The IESBA will also receive an update on the longer term professional skepticism initiative.

## Future Strategy and Work Plan

The IESBA considered the results of the April 2017 Strategy and Work Plan (SWP) [survey](#) and the IESBA Planning Committee's (PC) initial analysis and preliminary considerations relating to the survey responses. The IESBA also considered the input it received from its CAG regarding priority topics to address in the next strategy period. The IESBA broadly supported the PC's initial analysis, and provided feedback on potential topics for prioritization and related considerations for the PC to take into account in developing the draft strategy consultation paper.

At its December 2017 meeting, the IESBA will consider a first draft of the consultation paper.

## Joint IAASB-IESBA Session

Recognizing the increasing need for coordination between them, the IAASB and IESBA met for the first time in joint session. Among other matters, the two Boards were briefed on areas requiring or potentially requiring coordination, and a proposed approach to coordination, which they broadly supported subject to refinements. The Boards agreed to

form a joint working group to address the topic of the objectivity of engagement quality control reviewer. They also discussed how best to achieve alignment of their future strategies and work plans while respecting their independence, including how to align their strategy periods.

The Boards agreed to meet again in joint session in the second half of 2018.

### Next Meeting

The next physical meeting of the IESBA will be held in Livingston, Zambia on December 4-8, 2017.