

IESBA Meeting Highlights and Decisions

March 2013

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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.

Responding to a Suspected Illegal Act

The IESBA considered significant comments received on its exposure draft (ED), *Responding to a Suspected Illegal Act*. Topics discussed included: disclosure to an appropriate authority; disclosure to the external auditor; right with an expectation to disclose to an appropriate authority; the “public interest” reporting test and the escalation threshold; the requirement to confirm or dispel the suspicion; types of suspected illegal acts to be disclosed; and the interaction of the proposed standard with the International Standards on Auditing (ISAs).

The IESBA will continue its consideration of key issues and the way forward at its June 2013 meeting.

International Organization of Securities Commissions (IOSCO) Presentation

The IESBA received a presentation from the chair of IOSCO’s Committee 1, Julie Erhardt, regarding the structure, composition and governance of the committee, the general nature of its agenda, and its deliberative process.

The IESBA also was briefed by Ms. Erhardt on some of the thinking behind IOSCO’s comment letter on the IESBA’s exposure draft, *Responding to a Suspected Illegal Act*.

Long Association of Senior Personnel (Including Partner Rotation) with an Audit Client

The IESBA received an update on the project to review the long association provisions in Section 290 of the Code to ensure that they continue to provide robust and appropriate safeguards against the familiarity and self-interest threats arising from long association with an audit client. Amongst other matters, the IESBA discussed the approach to research into

the partner rotation provisions in major jurisdictions and the views of stakeholders on the threats associated with long association.

The IESBA will receive an update on the project at its June 2013 meeting.

Review of Part C of the Code

The IESBA approved a proposal to commence a project to review Part C of the Code addressing professional accountants in business (PAIBs) to ensure that the provisions in that part of the Code remain appropriate and are robust. Phase I of the project will review Sections 300, 320, 330 and 340 of the Code. This phase will, in particular, address pressure by superiors and others to engage in unethical or illegal acts, the responsibility of PAIBs to produce financial reports that are faithful representations of the economics of transactions, and associated matters. Phase II of the project will address Section 350, which is related to facilitation payments and bribes.

The IESBA will consider issues relating to the project at its June 2013 meeting.

Structure of the Code

The IESBA considered draft terms of reference for, and an initial status report from, the working group formed to advise the Board on ways to improve the readability, understandability and accessibility of the Code. Amongst other matters, the IESBA discussed the objectives, scope and timing of the initiative, as well as the approach to the work.

The IESBA will consider revised terms of reference for the working group at its June 2013 meeting.

Definition of Those Charged with Governance

The IESBA considered significant comments received on its ED of a proposed change to the definition of the term “those charged with governance.” The IESBA agreed in principle amendments to the proposed definition in the light of respondents’ significant comments.

The IESBA will consider approving the amended definition after consulting with its Consultative Advisory Group (CAG) in April 2013 on the significant ED comments.

Emerging Issues and Outreach

The IESBA agreed to the establishment of an Emerging Issues and Outreach working group to advise the Board on emerging issues and international developments of relevance to the IESBA’s work, and on the Board’s strategy for outreach.

The IESBA will consider draft terms of reference for the working group at its June 2013 meeting.

Non-Assurance Services

The IESBA received a brief update on the Task Force’s approach to information gathering for purposes of scoping out the project.

The IESBA will consider the information gathered and the Task Force's proposals regarding the scope of the project at the June 2013 IESBA meeting.

[IFAC Small and Medium Practices \(SMP\) Committee Liaison](#)

The IESBA received a report-back on IESBA representatives' participation at the February 2013 IFAC SMP Committee meeting. In addition, the IESBA discussed a draft protocol with respect to a process for obtaining the IFAC SMP Committee's input on the IESBA's projects.

The IESBA will consider a revised draft of the protocol at its June 2013 meeting.

[Presentation on Context and Issues in Australia](#)

The IESBA received a presentation on the context in which ethics standards for professional accountants are set in Australia, including the Australian framework and regulatory regime, and the composition, role, responsibilities and agenda of the Australian Accounting Professional & Ethical Standards Board (APESB). The IESBA also was briefed on current ethical developments in Australia.

[Next Meetings](#)

The IESBA is expected to meet via teleconference in the latter part of April 2013. The next physical meeting will be held in New York, USA, on June 10-12, 2013.