

# IESBA Meeting Highlights and Decisions

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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.

## Breach of a Provision of the Code

The IESBA approved for issuance, subject to confirmation by the Public Interest Oversight Board (PIOB) that due process has been followed, changes to the *Code of Ethics for Professional Accountants* (the Code) related to provisions addressing a breach of a requirement of the Code.

The changes will be effective approximately one year after the release of the final pronouncement.

## Conflicts of Interest

The IESBA approved for issuance, subject to confirmation by the PIOB that due process has been followed, changes to the Code addressing conflicts of interest.

The changes will be effective on July 1, 2014.

## Definition of Engagement Team

The IESBA considered significant comments received on the exposure draft (ED) of its proposed change to the definition of the term “engagement team.” The IESBA also considered amendments to the proposed definition, taking into account limited amendments proposed by the International Auditing and Assurance Standards Board (IAASB) to the material in ISA 610 (Revised), *Using the Work of Internal Auditors*, dealing with the use of internal auditors to provide direct assistance on the external audit (Direct Assistance). The Direct Assistance material was previously approved by the IAASB for inclusion in ISA 610 (Revised). The IAASB considered the limited amendments to this Direct Assistance material in light of the significant comments on the Engagement Team ED.

The IESBA will consider approving the revised definition of engagement team after consulting with its Consultative Advisory Group (CAG) on the significant ED comments in January 2013.

### Long Association of Senior Personnel with an Audit Client

The IESBA approved a project proposal 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.

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

### Non-Assurance Services

The IESBA approved in principle, subject to confirmation of scope, a project proposal to review the non-assurance services provisions in Sections 290 and 291 of the Code to ensure that they continue to support a rigorous approach to independence for assurance services, particularly audits of financial statements.

The IESBA will consider the outcome of a benchmarking exercise for purposes of narrowing the scope of the project at its March 2013 meeting.

### Review of Part C of the Code

The IESBA agreed the recommendations of the Part C Working Group, including that priority attention be given to the following areas in a review of Part C of the Code:

- Pressure by superiors and others to engage in unethical or illegal acts;
- The responsibility of professional accountants in business (PAIBs) to produce financial reports that are faithful representations of the economics of transactions, and associated matters; and
- Facilitation payments and bribes.

The IESBA agreed that the Part C work stream should proceed on an accelerated basis under the current strategy and work plan rather than be subject to further consideration of relative prioritization as part of the upcoming consultation on its 2014-2016 strategy and work plan. Accordingly, the IESBA directed the Working Group to develop a project proposal for its consideration with a view to approval at the March 2013 IESBA meeting.

### Emerging Issues and Strategic Plan

IESBA members shared information and views about significant national or international developments or emerging issues of potential relevance to, or impact on, the IESBA's current or future strategy and work plan.

In addition, the IESBA agreed the scope of, and general approach to, the survey of stakeholders to be used to facilitate the development of its Strategy and Work Plan for 2014-2016.

The IESBA will issue the survey in January 2013.

## Suspected Illegal Acts

The IESBA received a brief update on initial stakeholder reactions to its August 2012 exposure draft, *Responding to a Suspected Illegal Act*.

The IESBA will consider a full review of comments received on the exposure draft at its March 2013 meeting.

## Auditor Independence

The IESBA received an update from Martin Baumann, Chief Auditor and Director of Professional Standards of the U.S. Public Company Accounting Oversight Board (PCAOB), regarding the PCAOB's work relating to its *Concept Release on Auditor Independence and Audit Firm Rotation*.

The IESBA also received an update from Peter Mills, Chair of the joint Canadian Public Accountability Board (CPAB)–Canadian Institute of Chartered Accountants (CICA) Auditor Independence Working Group, regarding the auditor independence work stream of the Canadian initiative *Enhancing Audit Quality*.

## Public Interest

The IESBA received an update from the IFAC Chief Executive Officer Ian Ball regarding IFAC's Policy Position 5, *A Definition of the Public Interest*. Among other matters, the IESBA discussed the challenges of defining and applying the concept of the public interest in the context of the Code given the multi-faceted aspects of the concept and its complexity.

## Convergence

The IESBA received an update from Sylvia Tsen, IFAC Director, Quality and Member Development, regarding IFAC's Compliance Program for adoption and implementation of International Standards as it relates to the Code, including IFAC's revised Statements of Membership Obligations and challenges in the adoption and implementation of the Code.

## Next Meetings

The IESBA is expected to next meet via teleconference in the latter part of January 2013. The next physical IESBA meeting will be held in New York, USA, on March 11-13, 2013.