

IESBA Meeting Highlights and Decisions

January 2015

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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 January 2015 IESBA meeting is also available on the IESBA website.

Non-Assurance Services (NAS)

The IESBA unanimously approved for issuance, subject to approval by the PIOB, the following changes to the Code pertaining to the provision of NAS to audit clients:

- Withdrawal of the exception provisions that permit an audit firm to provide certain bookkeeping and taxation services to public interest entity (PIE) audit clients in emergency situations;
- Additional guidance and clarification regarding what constitutes management responsibility; and
- Enhanced guidance and clarification regarding the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs.

The IESBA also approved corresponding and conforming changes to Section 291 of the Code pertaining to the provision of NAS to assurance clients that are not audit clients.

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

Structure of the Code

The IESBA discussed a number of topics relating to the Structure of the Code project. These included a possible rebranding of the Code and the alignment of certain definitions of terms in the Code with those issued by the International Auditing and Assurance Standards Board (IAASB).

In addition, the IESBA received a brief report on the progress of background work on the project, including consideration of a plain English editor and the refinement of drafting guidelines for the restructuring work.

The IESBA will consider responses to its [consultation paper](#) regarding the structure of the Code and a preliminary draft of sections of the restructured Code at its April 2015 meeting.

Emerging Issues Initiative

As part of its Emerging Issues initiative, the IESBA received presentations on the approach to convergence with the Code in USA (other than for audits of listed entities) and Canada. As part of these presentations, the IESBA was briefed on the key differences between the IESBA Code and the American Institute of Certified Public Accountants (AICPA) Code and Canadian rules of professional conduct.

The IESBA also received an update on the new European Union (EU) audit legislation and relevant independence provisions therein regarding the statutory audit of PIEs. Key differences between the EU legislation and the IESBA Code were highlighted.

Continuing its series to identify the key differences between the IESBA Code and the relevant ethical requirements in the G20 jurisdictions and major financial centers, the IESBA will receive further presentations on this topic at its April 2015 meeting. At that meeting, the IESBA will also consider relevant developments in the external environment identified by its Emerging Issues and Outreach Committee.

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

The IESBA considered a revised draft of the proposed Sections 225 and 360 addressing responding to non-compliance or suspected NOCLAR. Topics discussed included: the scope of these Sections; the third party test regarding the need for, and nature and extent, of further action to achieve the objectives under each Section; the factors to consider in determining whether or not to disclose NOCLAR or suspected NOCLAR to an appropriate authority; a draft rationale for the proposed response framework which outlines the strengths of the framework and the main reasons for not imposing mandatory disclosure of NOCLAR or suspected NOCLAR to an appropriate authority in the Code; and illustrative examples of the application of the proposed Sections.

The IESBA will consider a revised draft of the pronouncement with a view to approval for re-exposure at its April 2015 meeting.

Review of Part C of the Code

The IESBA received a presentation from representatives of Transparency International (TI) UK regarding the topic of corruption and bribery, TI's work in general, and the role of accountants relating to corruption.

The IESBA then considered preliminary matters regarding Phase 2 of the Part C project. Topics discussed included: scope and objectives of this second phase; and use of terminology, including translatability of terms.

The IESBA will consider revised proposals regarding the scope of, and approach to, Phase 2 of the project in due course.

Review of Safeguards in the Code

The IESBA approved a project to review the clarity, appropriateness and effectiveness of the safeguards in Sections 100 and 200 of the Code and those safeguards that pertain to NAS in Section 290.

The IESBA will consider preliminary issues at its April 2015 meeting, including the approach to co-ordination between this project and the Structure of the Code project.

Long Association of Personnel with an Audit or Assurance Client

The IESBA considered significant comments received on key aspects of its [exposure draft](#) concerning proposed changes to the provisions of the Code addressing the long association of personnel with an audit or assurance client.

Among other matters, the IESBA discussed, with respect to audits of PIEs: the length of the time-on period for all key audit partners (KAPs); the length of the cooling-off period for other KAPs, including the engagement quality control reviewer; the length of the cooling-off period for the engagement partner; and the proposed provision that a KAP who at any time during the seven-year time-on period served as an engagement partner be required to cool off for five years.

The IESBA will consider significant comments on other aspects of the exposure draft and a revised draft of the pronouncement at its April 2015 meeting.

Meeting

The next meeting of the IESBA will be held in New York, USA on April 13-15, 2015.