

# IESBA Meeting Highlights and Decisions

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

## Responding to Non-Compliance with Laws and Regulations

The IESBA unanimously approved for exposure revised proposals regarding professional accountants' response to identified or suspected non-compliance with laws and regulations (NOCLAR). The revised proposals set out a new framework to guide auditors, other professional accountants in public practice, and professional accountants in business (PAIBs) in deciding how best to act in the public interest when they come across an act or suspected act of NOCLAR.

The [Exposure Draft](#) was issued on May 6, 2015. Comments are requested by September 4, 2015. The IESBA will consider the significant comments received on the Exposure Draft at its December 2015 meeting.

## Long Association of Personnel with an Audit or Assurance Client

The IESBA completed its consideration of significant comments received on the Exposure Draft, [Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#). Topics discussed included: restrictions on the activities of key audit partners during the cooling-off period, including whether the engagement partner should be permitted to undertake a limited consultation role in relation to the audit engagement after two years of a five-year cooling-off period have elapsed; obtaining the concurrence of those charged with governance with respect to the application of certain exceptions to rotation requirements; and enhancements to the general provisions that apply to audit and assurance engagements regarding the threats created by long association.

The IESBA also discussed options concerning:

- Whether the existence of different regulatory safeguards, or a package of safeguards, set at the jurisdictional level might provide an alternative to elements of the rotation requirements for audits of public interest entities (PIEs) in the Code; and
- The approach to the cooling-off period for the engagement quality control reviewer on PIE audits, in the light of feedback received from the IESBA Consultative Advisory Group (CAG).

The IESBA will continue its deliberation of the issues at its June-July 2015 meeting, taking into account further input to be received from the IESBA CAG.

## Structure of the Code

The IESBA considered significant comments received on the Consultation Paper, [Improving the Structure of the Code of Ethics for Professional Accountants](#), and related Task Force recommendations. The IESBA broadly agreed to the Task Force's proposed approach to restructuring the Code, subject to reconsideration of the titles of certain components within the new structure. The IESBA also discussed, among other matters: how to give appropriate prominence to compliance with the fundamental principles and application of the conceptual framework; rebranding of the Code as standards; the approach to distinguishing requirements from guidance; the risk of unintended changes in meaning due to restructuring; and numbering conventions. The IESBA agreed to seek early engagement with stakeholders as the restructuring work progresses.

The IESBA will consider a first draft of certain restructured sections of the Code at its June-July 2015 meeting.

## Review of Safeguards in the Code

The IESBA considered preliminary issues identified by the Task Force in the project. Topics discussed included: the approach to describing the meaning of a safeguard; characteristics of a reasonable and informed third party; the meaning of materiality in evaluating the significance of threats; evaluating the effectiveness of safeguards; and the nature and extent of involvement of those charged with governance regarding the provision of non-assurance services by the auditor. In addition, the IESBA considered the approach to coordination between this project and the Structure of the Code project. The IESBA agreed that any changes to the Code proposed as a result of the Safeguards project should be issued for exposure in the format and under the drafting conventions of the restructured Code.

The IESBA will continue its deliberation of the issues at its June-July 2015 meeting.

## Review of Part C of the Code – Phase II

The IESBA received an update regarding the progress of the Task Force's analysis of areas of Section 350, *Inducements* where improvements could be made to provide more robust and comprehensive guidance to PAIBs on the topic of inducements.

At its June-July 2015 meeting, the IESBA will consider significant comments received on the [Exposure Draft](#) of Phase I of the project addressing PAIB's responsibilities with respect

to the presentation of information and pressure to breach the fundamental principles. The IESBA will continue its deliberation of the issues on Phase II of the project in due course.

### Accelerated Response Process

The IESBA considered a revised staff proposal regarding the process to address circumstances requiring an accelerated standard-setting response within the parameters of due process. The IESBA broadly supported the proposal. Subject to minor refinements, the IESBA asked staff to circulate a revised version for a fatal flaw review, share IESBA reactions to the document with the International Auditing and Assurance Standards Board (IAASB), and arrange for the document to be discussed with the IESBA CAG and PIOB in due course.

### Emerging Issues Initiative

As part of its initiative to understand key differences between the Code and national ethical requirements in the G-20 countries and major financial centers, the IESBA received presentations with respect to Australia, Japan and Singapore. The IESBA also received a brief update on the work of its Emerging Issues and Outreach Committee.

The IESBA will receive a further series of presentations on key differences between the Code and national ethical requirements at its June-July 2015 meeting.

### Meeting

The next meeting of the IESBA will be held in New York, USA on June 29-July 1, 2015.