

# IESBA Meeting Highlights and Decisions

June / July 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 June/July 2015 IESBA meeting is also available on the IESBA website.

## Structure of the Code

The IESBA considered a first-read draft of selected sections of the restructured Code (Tranche 1 of the draft Exposure Draft), incorporating drafting suggestions from a plain English editor. The IESBA broadly supported the direction of the restructuring. The IESBA also discussed, among other matters: ambiguity in certain pieces of guidance as to whether they require specific actions of the professional accountant (“half requirements”); the distinction between the Glossary and Terms Used; the extent of cross referencing needed; the overall flow and readability of the restructured Code; a draft Preface; the need for a “How to Use the Code” section; and terminology and numbering matters.

The IESBA will consider a revised draft of Tranche 1 as well as a first-read of Tranche II of the draft Exposure Draft at its September 2015 meeting.

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

The IESBA further considered two issues arising from 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\*](#), namely:

- 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 partner rotation requirements for audits of public interest entities (PIEs) in the Code; and
- The adjustment 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).

In relation to the first issue, the IESBA supported the Task Force's proposal for an alternative approach to the Code's requirements in the particular circumstances, subject to tightening the conditions under which the alternative approach can be utilized. In relation to the second issue, the IESBA reached agreement on a way forward that it will present at the September 2015 IESBA CAG meeting.

The IESBA will consider a revised draft of the proposed provisions with a view to approval at its December 2015 meeting.

### Review of Safeguards in the Code

The IESBA considered issues identified by the Task Force and related Task Force proposals. Topics discussed included: clarifications to the conceptual framework; the meaning of the concept of a reasonable and informed third party; the description of a safeguard; types of safeguard; in relation to the provision of non-assurance services, the involvement of those charged with governance as a safeguard; documentation requirements; and small and medium practices (SMP) considerations.

The IESBA will consider a first draft of the proposed changes to the Code at its September 2015 meeting.

### Review of Part C of the Code – Phase I Exposure Draft (ED)

The IESBA considered significant comments received on proposed revised Section 320 included in the Exposure Draft, [\*Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles\*](#), and related Task Force proposals. Topics discussed included: the meaning of the concept of "fair and honest" and its relationship to the fundamental principles; the appropriateness of certain examples of misuse of discretion in preparing or presenting financial information; the nature and extent of guidance to be provided regarding the purpose, context and audience when information is prepared in the absence of a reporting framework; the nature and extent of guidance to be provided regarding "reasonable steps" the professional accountant in business (PAIB) should take when relying on work performed by others; the need to differentiate the guidance between "senior PAIBs" and other PAIBs; and the approach towards disassociation from misleading information for different levels of PAIBs.

The IESBA will consider a revised draft of Section 320 at its December 2015 meeting and significant comments received on proposed Section 370 included in the Exposure Draft at its September 2015 meeting.

### Fee-Related Issues

The IESBA supported a recommendation from its Planning Committee for a working group to be established to initiate fact finding on fee-related issues in various jurisdictions. This is in response to a call from the Public Interest Oversight Board (PIOB) for the IESBA to revisit issues on auditor independence and non-assurance services from a broader perspective, including consideration of fee-related issues, when it recently approved the IESBA's Non-Assurance Services pronouncement.

As a related initiative, the IESBA also agreed to commission a staff publication to raise auditors' awareness of fee-related issues and relevant provisions of the Code. The IESBA will be briefed on the development of this staff publication at its September 2015 meeting.

### Emerging Issues Initiative

The IESBA received presentations with respect to India, Indonesia, Mexico and South Korea 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 also received an update on the MG Rover case in the UK and the potential implications for the Code regarding the responsibility of professional accountants to act in the public interest.

The IESBA will receive a further series of presentations on key differences between the Code and national ethical requirements, and consider the way forward for this initiative, at its December 2015 meeting.

### Next Meeting

The next meeting of the IESBA will be held in New York, USA on September 15-16, 2015.