

IESBA Meeting Highlights and Decisions

November/December 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 November/December 2015 IESBA meeting is also available on the IESBA website.

Review of Safeguards in the Code

The IESBA unanimously approved for exposure under the first phase of the project revised provisions in extant Section 100, *Introduction and Fundamental Principles* and extant Section 200, *Introduction (Part B – Professional Accountants in Public Practice)* of the Code as they relate to safeguards. Among other matters, the proposed revisions:

- Place strengthened emphasis on the requirements in the Code for professional accountants to comply with the fundamental principles and apply the conceptual framework;
- Provide an enhanced description of, and further application material on, the “reasonable and informed third party” test;
- Clarify what constitutes a safeguard;
- Include enhanced application material that *inter alia* clarifies and simplifies the examples of safeguards in the extant Code; and
- Include a requirement for an overall assessment of judgments made and conclusions reached when applying the conceptual framework.

The revisions have been drafted under the proposed new structure and drafting conventions of the Code which have been developed under the Structure of the Code project. The Exposure Draft is expected to be released by the end of December 2015, with a 90-day comment period.

The IESBA will consider issues and Task Force proposals in the second phase of the project focusing on safeguards pertaining to the independence provisions related to non-assurance services (NAS) at its March 2016 meeting.

Structure of the Code

The IESBA approved for exposure under the first phase of the project restructured provisions in extant Part A, *General Application of the Code* and extant Part B, *Professional Accountants in Public Practice* of the Code, excluding:

- The provisions relating to (a) safeguards, (b) the description and application of the conceptual framework, and (c) independence with respect to the provision of NAS in extant Section 290, *Independence – Audit and Review Engagements* (which are being addressed under the Safeguards project);
- The provisions addressing reports that include a restriction on use and distribution in extant Section 290; and
- Extant Section 291, *Independence – Other Assurance Engagements*.

The Exposure Draft is expected to be released by the end of December 2015, with a 120-day comment period. The IESBA will consider selected restructured sections under the second phase of the project at its March 2016 meeting.

Long Association of Personnel with an Audit Client

The IESBA unanimously approved to re-expose on a limited basis certain revised provisions in Section 290 of the Code dealing with long association of audit personnel with an audit client. The re-Exposure Draft focuses on provisions relating to the following three specific matters only:

- Proposed increases in the cooling-off period for engagement quality control reviewers (EQCRs) with respect to (a) audits of listed entities, and (d) audits of public interest entities (PIEs) other than listed entities;
- A proposal to provide an alternative to elements of the partner rotation requirements for PIE audits in the Code where jurisdictions have established different regulatory safeguards, or a package of safeguards, to address threats created by long association; and
- A change in the approach to cooling-off for a key audit partner who has acted as an engagement partner or EQCR for only part of the seven-year time-on period.

The re-Exposure Draft is expected to be issued in January 2016 for a 90-day comment period.

The IESBA also unanimously approved to close off its deliberations on the other provisions that were included in the August 2014 Exposure Draft, [Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#). The closed-off provisions will be included in the re-Exposure Draft but will not be open for public comment.

Review of Extant Part C of the Code – Phase I

The IESBA unanimously approved to close off its deliberations on changes to extant Part C of the Code addressing professional accountants in business (PAIBs). The changes include revisions to extant Section 320 dealing with the preparation and presentation of information, a new Section 370 dealing with pressure to breach the fundamental principles, and related consequential and conforming amendments to other sections of extant Part C.

The text of the approved changes will be made available on the IESBA website for information by the end of December 2015. However, the changes will not become effective until after they have been redrafted using the proposed new structure and drafting conventions of the Code. The IESBA will consider a first draft of the restructured text at its March 2016 meeting.

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

The IESBA considered significant comments received on its May 2015 Exposure Draft [Responding to Non-Compliance with Laws and Regulations](#) and related Task Force proposals. The IESBA broadly supported the direction of the Task Force's proposed revisions to the text of the Exposure Draft in the light of the feedback from respondents. Topics on which the IESBA provided input for purposes of refining the NOCLAR provisions included: communication of NOCLAR matters between component and group auditors; where withdrawal by the auditor from the client relationship is related to a NOCLAR matter, whether the auditor's communication of the facts and circumstances concerning the instance of NOCLAR or suspected NOCLAR to the proposed auditor should be subject to the client's consent; and where professional accountants have reason to believe an imminent breach of a law or regulation would cause actual or substantial harm to the entity's stakeholders or the general public, whether the professional accountants would be permitted under the Code to disclose the matter to an appropriate authority without following the response framework set out in the proposed provisions.

The IESBA will consider a revised draft of the proposed provisions with a view to finalizing them at its March 2016 meeting. Subject to approval of due process by the Public Interest Oversight Board (PIOB), the IESBA agreed that the final provisions should be issued at the earliest opportunity without waiting for them to be redrafted using the proposed new structure and drafting conventions of the Code.

Fee-Related Matters

Fact Finding on Fee-Related Matters

The IESBA considered draft Terms of Reference for the working group it has established to undertake fact finding in relation to certain fee-related matters. Among other matters, the IESBA discussed the scope and focus of, and approach to, the fact finding. The IESBA also broadly supported leveraging academic research for purposes of informing its future actions on this topic.

The IESBA will consider revised Terms of Reference for the working group with a view to approving them at its March 2016 meeting.

IESBA Staff Publication on Fees

The IESBA considered a revised draft of the proposed IESBA staff publication, *Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure*. The IESBA broadly supported the direction of the revised draft and suggested refinements to IESBA staff for purposes of finalizing the document.

The publication is expected to be issued on the IESBA website by mid-January 2016.

Next Meeting

The next physical meeting of the IESBA will be held in Madrid, Spain on March 14-16, 2016.