

IESBA Meeting Podcast Summary

April 2014

IESBA has provided a podcast summarising the main outcomes of their meeting on their website: <http://www.ifac.org/news-events/2014-04/iesba-april-2014-meeting-highlights>

The following summary notes have been prepared by APESB Technical Staff from this podcast.

Tribute to Jörgen Holmquist

The Board observed a moment of silence in memory of Jörgen Holmquist and noted his outstanding performance in the role of Chairman of the IESBA.

New IESBA Board Members

Two new Board members have joined IESBA from China and Japan respectively. These Board members are an important addition to the Board, bringing diversity which will enhance the quality of the Code that is produced.

Strategy

The Strategy and Work Plan is expected to be finalised at the next meeting.

Long Association of Senior Personnel (Including Partner Rotation) with an Audit Client

The focus of this project has been the reconsideration and enhancement of the provisions on the long association of senior personnel. The taskforce noted that the provisions should be robust enough to address threats to independence that arise from the long association of individuals on an engagement with an audit client.

The taskforce has focussed on increasing the professional accountant's understanding of the factors involved in and the importance of evaluating familiarity and self-interest threats which result from long association scenarios.

The Board debated mandatory rotation for Key Audit Partners of Public Interest Entities (PIEs) in an effort to determine the appropriate cooling off period for key audit partners. The majority of the Board supported increasing the cooling off period to 5 years for lead audit partners of PIEs. However, the Board also agreed that some flexibility should be granted to those individuals that have specialist skills or expertise or who are in technical roles. The Board further agreed that the individual should have limited contact with the engagement team and the client during the cooling off period.

The Board is hoping to finalise an Exposure Draft at the next meeting.

Structure of the Code

The structure of the Code is a high priority topic in the IESBA work program.

The project initiative focussed on usability of the Code including changes that may enhance its clarity and enforcement.

The Board considered recommendations of the working group and approved a project to address the following key matters:

- Separating requirements and guidance whilst retaining adherence to the conceptual framework as an overarching requirement;
- Clearly enabling the identification of a Firm's responsibilities along with policies and procedures;
- Increasing the clarity of language taking full advantage of drafting conventions, editorial reviews and the consideration of consistency in the approach; and
- Identifying and advising on electronic features to be incorporated into the Code.

The project's timelines reflect the importance of this project. The taskforce is working towards a consultation paper in October 2014 with an Exposure Draft in October 2015. By 2016, IESBA hopes to have a restructured Code approved and issued.

Non-Assurance Services (NAS)

The Board discussed the Exposure Draft with the following results:

- In relation to emergency situations, the Board confirmed its agreement to delete the emergency provision as recommended by the taskforce at prior Board meetings.
- In relation to management responsibilities, the Board commented and agreed on proposed edits resulting in management responsibilities being more clearly defined (in one simple paragraph) and illustrated by practical examples. This section is to be further strengthened by the introduction of requirements in relation to the involvement of the client's management when providing non-audit services.
- The Board agreed to align the changes in respect of the management responsibilities for audit and assurance engagements. This means that changes made in s290 will be reflected in s291 of the Code. The Board also commented and agreed on additional editorials and guidance to clarify the concept of routine and mechanical transactions, along with the addition of specific examples.
- The Board expects to issue an Exposure Draft in the near future.

Review of Part C of the Code

The Taskforce asked the Board to consider two areas of this project:

1. The revision of s320 *Preparation and reporting of information*. It is intended that this will address both financial and non-financial data, which can be for internal or external use.

The Board discussion focussed on looking at the fundamental principles of the Code and the usefulness of the information. The Board also discussed the completeness of

information and how much information should be produced by Professional Accountants in Business (PAIBs).

2. The potential introduction of s370 which deals with pressure felt by PAIBs to violate the fundamental principles of the Code. This part of the project was instigated as the result of a survey which requested PAIBs to identify the most important ethical issues they faced in their respective work environments.

The taskforce has made good progress on developing the underlying concepts and principles to drive this project forward.

The taskforce is currently working on a number of issues and is looking forward to a draft of these two sections plus consequential amendments to other sections of part C of the Code.

Next meeting

The next meeting will be held from 7-9 July 2014 in New York, USA.