

IESBA Meeting Highlights and Decisions

June 2017

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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 2017 IESBA meeting is also available on the IESBA website.

Review of Part C of the Code – Phase 2

The IESBA approved for exposure proposed Section 250, *Gifts, Hospitality and Other Inducements* together with proposed conforming amendments to (a) Section 340, *Gifts, Hospitality and Other Inducements*, and (b) independence standards in Sections 420 and 906 of the restructured Code addressing gifts and hospitality.

The Exposure Draft is expected to be released in August 2017 with a 90-day comment period.

Applicability of Part C to Professional Accountants in Public Practice

The IESBA considered significant comments received on the Exposure Draft [Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice](#). Topics discussed included: the clarity of the requirement paragraphs in Sections 120 and 300 relating to the applicability of extant Part C; the scope and location of the requirement paragraphs; and the relevance of the example provided.

The IESBA will consider a revised draft of the proposed applicability provisions at its September 2017 meeting.

Structure of the Code

The IESBA received an update on the responses to the Exposure Draft of Phase 2 of the project, [Improving the Structure of the Code of Ethics for Professional Accountants—Phase 2](#) (Structure ED-2). Among other matters, the IESBA was briefed on the main comments received from respondents and the Task Forces' initial analysis and preliminary considerations.

The IESBA will undertake a full review of the significant comments received on the Exposure Draft and the Task Force's proposals at its September 2017 meeting.

Review of Safeguards in the Code

The IESBA considered significant comments received on the Exposure Draft of Phase 2 of its Safeguards project, [Proposed Revisions Pertaining to Safeguards in the Code—Phase 2 and Related Conforming Amendments](#). Topics discussed included: the permissibility of specific non-assurance services (NAS); extension of the prohibition of certain recruiting services to all entities; and the appropriateness of safeguards included in the Code. The IESBA also considered feedback received from some respondents on certain matters it had agreed in principle in Phase 1, including the descriptions of the concepts of a “reasonable and informed third party” and “acceptable level,” and use of the term “significance” in relation to identifying, evaluating, and addressing threats.

The IESBA will consider a first-read draft of the revised Phase 2 text at its September 2017 meeting.

Professional Skepticism

The IESBA considered and broadly supported the release of a joint publication developed by the tripartite Professional Skepticism Working Group (PSWG) comprising representatives of the IESBA, International Auditing and Assurance Standards Board (IAASB) and International Accounting Education Standards Board (IAESB). The publication will, among other matters, inform stakeholders about the PSWG's key observations in light of its work on the topic to date; highlight actions taken by the standard-setting Boards to date and their intended future actions; and emphasize the role that others in the financial reporting supply chain can play in assisting more effective application of PS in audits and other assurance engagements. Subject to the IAASB's and IAESB's support, the publication is expected to be issued by early August 2017.

The IESBA also considered Task Force proposals for progressing a longer term initiative on PS. Among other matters, the IESBA considered a Task Force analysis to identify the concerns that have led to stakeholder calls for greater exercise of PS, and possible ways in which concerns regarding PS might be addressed and be responsive to root cause issues and public expectations. The IESBA supported development of a consultation paper that will seek stakeholder input on the relevant issues in 2018.

Fees Initiative

The IESBA received a further update on the fact finding activities of its Fees Working Group, which are aimed at identifying whether there is a relationship between fees charged by audit firms and threats to compliance with the fundamental principles or to independence. Among other matters, the IESBA considered the Working Group's planned approach to a survey of stakeholders, with questionnaires expected to be disseminated by October 2017. The IESBA also was briefed on feedback received from its National Standard Setters' liaison group regarding the fact finding activities to date and fee-related developments in their jurisdictions.

The Working Group is expected to present its final recommendations to the IESBA regarding any actions on the topic in Q1 2018.

[IAASB-IESBA Coordination](#)

The IESBA received a brief update on the main outcomes of a joint session of the IAASB Steering Committee and IESBA Planning Committee earlier in the Board meeting week. The objective of the joint session was to discuss matters of coordination between the IAASB and IESBA, in preparation for a joint session of the two Boards in September 2017.

[Next Meeting](#)

The next meeting of the IESBA will be held in New York, USA on September 19-22, 2017.