IESBA eNews: June 2015

Thank you for signing up to receive eNews from the International Ethics Standards Board for Accountants® (IESBA®, the Ethics Board). This edition provides a summary of topics discussed and decisions made at the last Ethics Board meeting, held April 13–15, 2015, in New York, New York, USA. See the Meeting Page for highlights, including a podcast summary and agenda papers. You can also subscribe to our podcast channel in iTunes and follow us on Twitter @Ethics_Board.

In This Edition

1. **2015 Handbook of the Code of Ethics for Professional Accountants**

The 2015 edition of the *Handbook of the Code of Ethics for Professional Accountants* is now available. Print copies can be purchased for USD $65 with discounts available for educators, students, and purchasers from WTO developing countries.

The 2015 edition of the handbook includes the revisions addressing certain non-assurance services for audit clients in Section 290, and assurance clients in Section 291. The changes will be effective on April 15, 2016, except for the changes to Section 290, which will be effective for audits of financial statements for periods commencing on or after April 15, 2016. Early adoption is permitted. See "Changes" section in Handbook for details.

For information on recent developments and pending changes to the Code issued subsequent to May 31, 2015, visit the IESBA's website, in particular, Exposure Drafts and Standards & Pronouncements.

To access the web-based IESBA Handbook for personal use or purchase print copies, see *Handbook of the Code of Ethics for Professional Accountants*.

2. Responding to Non-Compliance with Laws & Regulations

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

Comments on the revised proposals in the Exposure Draft are requested by **September 4, 2015.** All stakeholders are invited to comment, particularly preparers, those charged with governance, and investors. An At-a-Glance document has been prepared by staff to outline the key principles and objectives of the revised proposals. The IESBA will consider the comments received on the Exposure Draft at its December 2015 meeting.

3. Structure of the Code

The IESBA considered 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 on an 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; 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 a selection of restructured sections of the Code at its June-July 2015 meeting.

To enhance accessibility and navigability, the Code is now available in a new web-based format. Enhancements to the web-based Code are being considered in tandem with the restructuring.

4. Long Association of Personnel with an Audit or Assurance Client

The IESBA completed its consideration of 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 with respect to the audited entity during the cooling-off period; 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 regarding the threats created by long association.

The IESBA also discussed issues concerning audits of public interest entities (PIEs):

- Whether the existence of different regulatory safeguards, or a package of safeguards, set at the jurisdictional level might provide an alternative to elements in the Code regarding rotation requirements for PIE audits; and
- The approach to the cooling-off period for the engagement quality control reviewer on PIE audits.

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 Consultative Advisory Group (CAG).

5. Review of Safeguards in the Code

The IESBA considered preliminary issues in relation to the clarity, appropriateness, and effectiveness of the safeguards pertaining to the application of the conceptual framework in the Code, including:

- 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.

6. Review of Part C of the Code—Phase II

The IESBA discussed a number of matters regarding Phase II of its project to enhance Part C of the Code, which deals with PAIBs. The Task Force presented its preliminary analysis of Section 350 of the Code, which identified where potential 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 comments received on the Exposure Draft of Phase I of the project, addressing PAIBs' 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.

7. Non-Assurance Services

Following the Public Interest Oversight Board's approval that due process had been followed, the IESBA released in April 2015 the final pronouncement, *Changes to the Code Addressing Certain Non-Assurance Services Provisions for Audit and Assurance Clients*. The changes strengthen the independence provisions in the Code by, in particular, no longer permitting auditors to provide certain prohibited non-assurance services to PIE audit clients in emergency or other unusual situations, and ensuring that they do not assume management responsibility when providing non-assurance services to audit clients.

In addition, the revised provisions include:

- New and clarified guidance regarding what constitutes management responsibility; and
- Clarified guidance regarding the concept of "routine or mechanical" services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs.

See the staff-prepared Basis for Conclusions. The revised pronouncement is included in the 2015 IESBA Handbook; see above.

8. Follow the Latest Ethics Resources, News, and Discussions in Global Knowledge Gateway

Last year, the International Federation of Accountants® (IFAC)® launched the Global Knowledge Gateway™, a digital hub for the global accountancy profession. The Gateway serves professional and aspiring accountants in all sectors by providing streamlined access to relevant resources, news, discussions, and thought leadership in ten different areas, including ethics. Resources in this area, designed to serve both accountants in business and in practice, include surveys and reports on business ethics issues, as well as practical guidance on implementing the IESBA Code and other codes of conduct.

We invite you to explore, contribute your views and recommendations, suggest new resources, and subscribe to *The Latest* to receive customized twice-monthly updates on new ethics and other content added to the Gateway. Register and subscribe to take full advantage of these features.

9. **Next Meetings**

Meetings of the Ethics Board and the Ethics Board's CAG are open to the public. The next Ethics Board meeting will be held in New York, USA, on June 29–July 1, 2015. The next physical IESBA CAG meeting will be held in New York, USA, on September 14, 2015.

For more information and to register to attend an Ethics Board or Ethics Board CAG meeting as an observer, visit Ethics Board Meetings and Ethics Board CAG Meetings, respectively.

10. **IESBA Is Hiring**

The IESBA is recruiting at the Deputy Director and Senior Technical Manager levels for its staff team based in New York. For complete job descriptions and required skills and experience for these roles, see Working at IFAC. Qualified candidates should send their resume to jobs@ifac.org.

11. **Are You Getting the Most out of the IFAC Website?**

Register or log in to the IFAC website and visit My Subscriptions to update your preferences. You may also be interested in subscribing to The Latest from the Global Knowledge Gateway, which includes discussions, resources, and news on ethics, audit & assurance, and related topics, as well as subscribing to receive updates from the IAASB, IAESB, IPSASB, and IFAC Committees. You can unsubscribe or update your preferences at any time.

By registering on the IFAC website, you can also:

- submit comments on the IESBA's Exposure Drafts and Consultation Papers;
- submit translations and permissions requests or inquiries;
- interact on the Global Knowledge Gateway and MOSAIC websites, including:
    - commenting on discussions and viewpoints;
    - recommending discussions and resources; and
    - suggesting content.