

Meeting: IESBA CAG

Meeting Location: New York, USA

Meeting Date: September 9, 2019

Agenda Item

D

Alignment of Part 4B with ISAE 3000 (Revised)

Objectives of Agenda Item

1. To update the IESBA CAG on developments since the approval of the exposure draft in March 2019; and
2. To discuss the summary of significant comments on the Exposure Draft (ED), [Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 \(Revised\)](#) and seek input from CAG representatives on the Task Force's proposals.

Status and Timeline

3. The IESBA approved the Project at its September 2018 meeting. The Board released the exposure draft for public consultation on March 27, 2019 with a 90-day consultation period.
4. The project has involved consultation with representatives of the IAASB to ensure that the revisions to Part 4B are consistent with the terms and concepts in ISAE 3000 (Revised), according to the established principles of IAASB-IESBA coordination.
5. The Task Force presented its conclusions on the consideration of the independence implications of direct engagements at the December 2018 Board meeting. Additionally, the Task Force presented its proposals for amending Part 4B to be consistent with the terms and concepts in ISAE 3000 (Revised), together with its recommendations following a consideration of the clarity and consistency of the independence requirements in Part 4B.
6. The Task Force met in July 2019 to consider input received from respondents and will update the IESBA at its September 2019 meeting on how the matters raised have been addressed.
7. The timeline envisions closing off the final text of a revised Part 4B at the December 2019 Board meeting, subject to any consequential and conforming amendments arising from the Non-assurance Services (NAS) project.

Report Back on March 2019 CAG Discussion

8. Below are extracts from the draft minutes of the March 2019 CAG meeting¹ and an indication of how the Task Force and/or IESBA has responded to the CAG's comments.

¹ The draft March 2019 minutes will be approved at the September 2019 IESBA CAG meeting.

Matters Raised	Task Force/IESBA Response
<ul style="list-style-type: none"> On the topic of direct engagements, Mr. Dalkin noted that paragraph 900.14 A2 indicates that the responsible party or engaging party might appoint another party to prepare the subject matter information. He observed that in practice, there might be a conflict of interest if the auditor is also the preparer of the subject matter information. He emphasized the need for assurance that practitioners are not also preparing subject matter information. Mr. Dalkin followed up with a comment that he has in mind more a non-audit service where the practitioner prepared the information that is subsequently the focus of the direct engagement. Mr. Dalkin thought that the question was probably more suited for the NAS session later on the agenda. 	<p>Point noted.</p> <ul style="list-style-type: none"> Ms. Haustermans responded that based on discussions with several experts in the area of direct engagements, including representatives from the IAASB, and reviews of such engagements, in reality the practitioner is not reviewing the practitioner's own work. Rather, assurance is obtained at the same time as the evaluation or measurement of the subject matter. There is therefore no independence issue. She noted that the IESBA's position on this matter will be clarified in the explanatory memorandum to accompany the ED. In addition, the Task Force envisaged that an IESBA Staff publication will be developed in coordination with the IAASB to explain why there is no self-review threat in a direct engagement.
<ul style="list-style-type: none"> Commenting on assurance engagements other than audits or reviews, Mr. Pavas noted that some topics such as ESG will increase the demand for assurance in years to come. Accordingly, he wondered whether it would be beneficial to include examples of those types of engagement. 	<p>Point noted.</p>

Matters for CAG Consideration

9. Representatives are asked to:
- Note the report-back; and.
 - Consider and provide feedback on the matters raised in the presentation.

Material Presented

Agenda Item D1 Draft Changes to Part 4B of the Code (Mark-up from Exposure Draft)

Material Presented for CAG Reference Only

Supplement to Agenda Item D Analysis of responses to Part 4A Alignment to ISAE 3000 (Revised) Exposure Draft

Note

CAG Members should be aware that Agenda item D1 does not contain any changes which are being

proposed by the NAS Task Force and which will be the subject of a separate paper.