

DATE: August 28, 2006
TO: Ethics CAG
FROM: Richard George, Chair IESBA
SUBJECT: Report from the IESBA

Introduction

This report summarizes the activities of the IESBA since the last Ethics CAG meeting in April 2006. The report provides an update on each of the working projects of IESBA and an overview of the expected activities before the next CAG meeting in April 2007. The Board has met once since April, in June in Prague. Draft minutes for this meeting are contained in Agenda Paper B.2.

Network Firms

In June 2006, the IESBA approved for release changes to the definition of a network firm. The revised definition is identical to the definition contained in the EU 8th directive. It would classify firms as network firms if the firms belong to a larger structure that is aimed at cooperation and is clearly aimed at profit or cost sharing, or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name or a significant part of professional resources.

The document was issued on July 31, 2006 and has an effective date for assurance reports dated on or after December 31, 2008. This effective date gives firms approximately 18 months to implement the requirements.

Independence

The Board continued its discussion of independence at its June meeting. The Task Force will have met three times between the June meeting and the October meeting for eight days in total. At the October meeting an exposure draft containing Sections 290 and 291 and an explanatory memorandum will be presented for approval. A meeting in December in London has been tentatively scheduled in case the exposure draft is not approved in October. The technical aspects of this project are addressed under a separate agenda item.

Accountants in Government

The purpose of this project is to determine whether any additional guidance should be provided in Part C of the Code for professional accountants in government and to develop

independence guidance for public accountants performing assurance engagements in the public sector (such as engagements performed by legislative audit offices).

The Task Force has met once since the April CAG meeting. The Task Force has concluded only minor changes are necessary to Part C. With respect to independence the Task Force is proposing some additional guidance regarding receiving a benefit from a government program which is subject to audit. This additional guidance is included in the revised Section 290 and 291 under a separate agenda item.

It is proposed that the Board will approve and expose these changes concurrently with the independence changes.

Other Matters

The next IESBA meetings are:

- October 16-18, 2006 – Sydney, Australia
- December 18-21, 2006 – London, United Kingdom (tentative)
- March 6-7, 2007 – New York, United States
- June 25-27, 2006 – Berlin, Germany
- October 23-25, 2007 – TBD

Richard George
August 23, 2006