



Meeting: IESBA Consultative Advisory Group
Meeting Location: New York
Meeting Date: September 12, 2012

Agenda Item

G

Breach of a Requirement of the Code

Objective of Agenda Item

To seek input from CAG members on the IESBA's proposed changes to the exposure draft in response to comments received on exposure.

Background to the Project

In October, 2011, the IESBA issued an exposure draft proposing changes to the Code related to provisions addressing a breach of a requirement of the Code. The Board discussed the comments and proposed changes at its February and June meetings and on an April conference call.

At its June meeting, the IESBA took a straw poll and subject to any comments from the CAG indicated it would support issuing changes to the Code as reflected in Agenda Paper G-2 (with the exception of the change regarding consultation as discussed further below).

Discussion

The task force noted majority support for the proposal but that there were a number of specific comments regarding a lack of clarity in some terms used in the guidance e.g. "generally necessary" and some suggested a need to split out disclosure and consent. Some respondents questioned whether consent itself is a safeguard and the task force agreed not to describe it as such.

Reporting to a Regulator

The Task Force proposed an amendment to the exposure draft to state that the firm may determine that consultation with a member body, relevant regulator or oversight authority is appropriate. The IESBA felt that this was not strong enough and accordingly, the revision now states that the firm shall consider reporting the breach if such reporting is common practice or expected in the jurisdiction.

Consultation within the firm

In response to comments received from IOSCO regarding the disposition of their comments on exposure, the proposals have been amended to state that when a breach is identified “the firm shall be notified in accordance with its policies and procedures to enable it to take appropriate actions to address the consequences of the breach and promptly communicate a breach to the engagement partner and other relevant personnel in the firm.” This language was modelled on ISQC1 and was developed by the Task Force and has yet been considered by the IESBA.

Next Steps

The Task Force will consider input from CAG members and revise the proposal as necessary. The IESBA will consider the revisions made to the draft and approve the document either by conference call in October or at its next physical meeting in December

Material Presented

Agenda Item G	This Agenda Paper
Agenda Item G-1	IESBA Agenda Paper from June 2012
Agenda Item G-2	Proposed Revisions – Mark-up
Agenda Item G-3	Proposed Revisions – Clean

Action Requested

CAG members are asked to consider the proposed changes to the exposure draft.