

**Draft Minutes of a Meeting of the  
International Ethics Standards Board for Accountants  
July 21, 2011  
Conference Call 08:00-10:00**

	<b>Members</b>	<b>Technical Advisors</b>
<i>Present:</i>	Ken Dakdduk	
	Robert Franchini	Sylvie Soulier
	James Gaa	
	Caroline Gardner (Day 2 and 3)	
	Jörgen Holmquist	
	Peter Hughes	
	Felicitas Irungu	
	Wui San Kwok	Andrew Pinkney
	Alice McCleary	
	Michael Niehues	Petra Gunia
	Marisa Orbea	Liesbet Haustermans
	Robert Rutherford	
	Isabelle Sapet	
	Kate Spargo	
	Don Thomson	
	Sandrine Van Bellinghen	Christine Cloquet
	Brian Walsh	
	Nina Barakzai	
	Caroline Gardner	
	Tony Bromell	
	Jean-Luc Doyle	
<i>Regrets</i>	Kim Gibson	
	Lisa Snyder	
	Stephen Spector	
	Eva Tsahuridu	

### **Non-Voting Observers**

*Present:* Richard Fleck  
*Regrets* Juan Maria Arteagoitia  
Koichiro Kuramochi

### **IFAC Technical Staff**

*Present:* Jan Munro

## **1. Introduction and Administrative Matters**

Mr. Dakdduk opened the meeting and welcomed participants. He reported that the PIOB had considered the IESBA Strategy and Work Plan 2011-2012 at its June 27-28, 2011 meeting. There were some questions on the plan and the PIOB did not complete their review of due process and expects to do so at its next meeting on September 29-30, 2011.

## **2. Breach of an Independence Requirement**

Ms. Spargo introduced the project. She reported that its June 2011 meeting in Warsaw, the IESBA discussed draft guidance to address a breach of an independence provision of the Code. The Task Force met on the evening of the second day of the meeting to revise the guidance in response to input from IESBA members. The IESBA discussed a revised draft on the morning of the third day of the meeting and provided some additional input to the Task Force. This additional input has been considered by the Task Force and the Task Force is presenting a revised draft for the further input of the IESBA.

### *Section 290*

The IESBA concluded that breaches should be discussed as soon as possible with those charged with governance, and the Task Force has revised the draft guidance to reflect this position. The IESBA provided some additional comments on clarifying the meaning of certain paragraphs and some editorial comments which have been considered by the Task Force and is reflected in the revised drafting.

### *Section 291*

Ms Spargo noted that while draft wording for this section was presented to the IESBA in Warsaw, the IESBA did not discuss the detailed wording. The IESBA discussed how the guidance for this section should be structured. After discussion, the IESBA tentatively concluded that the guidance for Section 291 should follow the same approach as that taken in Section 290 but should take a shorter more principle-based approach.

Ms. Spargo noted that the Task Force had developed guidance to reflect the views of the IESBA. The Task Force had also developed an alternative detailed version based on the approach taken in 290 for the information of the IESBA.. The Task Force is of the view that the principles-based approach is the preferred approach but wished to provide both versions for the information of the IESBA.

The IESBA discussed the revised Section 291 and the following points were noted:

- Whether paragraph 41 should precede paragraph 42. After discussion it was agreed that the existing order was appropriate because it was important that once a breach was identified, steps would be taken as soon as possible to suspend or eliminate the interest or relationship that caused the breach;
- With respect to paragraph 42, a view was expressed that the second bullet should refer to not only whether the member of the audit team had knowledge of the interest or relationship but also whether the member should have had knowledge. After discussion it was agreed that purpose of the paragraph was to identify the factors that address the significance of the breach and because this would not affect the significance of the breach it would not be an appropriate addition;
- With respect to paragraph 43, it was noted that the wording “would be likely to conclude that objectivity would be compromised and consequently that the firm is unable to issue an audit report” was very definitive. It was noted that the breach might be such that while the objectivity of an individual was compromised but it was possible to take action to satisfactorily address the consequences of the breach. For example, the individual could be a junior member of the audit team. After discussion, the IESBA agreed that the paragraph should read “would be likely to conclude that objectivity would be compromised such that the firm is unable to issue an audit report.”
- With respect to paragraph 44, it was noted that the drafting was not the same as in paragraph 41. The IESBA agreed that the drafting of 44 should be consistent with paragraph 41.
- It was noted that paragraph 46 is only applicable if the firm determines that action can be taken to satisfactorily address the consequences of the breach. The IESBA agreed that the paragraph should be re-drafted to make this clear.
- It was noted that paragraphs 47 and 48 seemed to be in the wrong order. The IESBA agreed to reverse the order of the paragraphs.
- The documentation paragraph should be moved to the end of the section.

#### Section 291

The IESBA discussed the two versions and agreed that the shorter, principles-based approach was appropriate.

The IESBA discussed the proposed draft of the shorter version and the following comments were noted:

- The Code does not contain a definition of “engaging party” which is a term contained in the IAASB and is defined as “the party that engages the firm”. After discussion, the IESBA agreed that section 291 should use the term “the party that engages the firm”;
- It was noted that paragraph 291 would need to be redrafted to be consistent with the changes that would be made to section 290.

IESBA members did not have any other comments or suggestions on the proposed sections.

Ms. Spargo, thanked IESBA members for their input and noted that the drafts would be amended and then discussed with the CAG at its meeting in September 2011.

### **3. Closing Remarks**

Mr. Dakdduk thanked members for their participation on the conference call and closed the meeting.

#### *Future meetings of IESBA*

- October 17-19, 2011 – New York, USA (08:00-18:00 days 1 and 2, 08:00-17:00)
- February 20-22, 2012 – New York, USA
- June 18-20, 2012 – Lisbon, Portugal
- October 15-17, 2012 - New York, USA