

PROPOSED CHANGE TO THE DEFINITION OF 'THOSE CHARGED WITH GOVERNANCE'

Comments from ACCA
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Introduction

ACCA welcomes the opportunity to comment on the exposure draft concerning the proposed change to the definition of ‘those charged with governance’ within the Code of Ethics for Professional Accountants (‘the Code’). In particular, we welcome the increased level of consistency with International Standard on Auditing 260 (ISA 260) *Communication with Those Charged with Governance* (and consistency with practice), and the reduction in the scope for confusion. Nevertheless, our reservations are outlined within our comments below.

Within the proposed definition of ‘those charged with governance’, reference is made to ‘management personnel’. We suggest that clarification and consistency with ISA 260 would be enhanced by including within the Code a definition of ‘management’ consistent with that contained within ISA 260.

Question 1: Do respondents agree with the proposed change to more closely align the definition of “those charged with governance” to the definition contained in ISA 260, *Communication with Those Charged with Governance*?

Yes, we agree with the proposed change to the definition of ‘those charged with governance’. This both aligns the definition more closely to that within ISA 260, but also enhances clarity within the Code. Of course, the reference within the definition in ISA 260 to paragraphs A1 to A8 of the ISA is not appropriate for the definition within the Code. However, there is some useful guidance within those paragraphs, and the IESBA might consider providing similar guidance material.

Question 2: Do respondents agree that in each case as noted in the Exposure Draft, communication to “those charged with governance or a subgroup thereof” would be appropriate?

We do not believe that it is necessary or desirable to include the words ‘or a subgroup thereof’ throughout the Code. It may be argued that this would detract from the central message concerning communication, and make it less easy for professional accountants to engage with the Code.

In addition, the apparently casual use of the words 'or a subgroup thereof' might invoke a similarly casual approach by professional accountants in choosing with which subgroup to communicate. Therefore, we perceive a risk in using the proposed wording throughout the Code without any supporting guidance, such as that within paragraphs A5 to A7 of ISA 260. Further, we believe that the approach adopted in the exposure draft would undermine the proposed requirement in paragraph 290.28 to consider the need to communicate with those charged with governance also.

The exposure draft proposes to use the additional words 'or a subgroup thereof' in all sections of the Code where reference is made to 'those charged with governance', although the emphasis in paragraph 290.28 applies only to section 290. In the interests of consistency and proportionality, we recommend that this paragraph of emphasis should also appear in section 291 and, in each case, the words 'requirements in this section' should be replaced with the words 'requirements throughout the Code'.

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