

**Minutes of the Meeting of the
International Ethics Standards Board for Accountants
Held on June 13-14, 2006
Prague, Czech Republic**

	Members	Technical Advisors
<i>Present:</i>	Richard George (chair)	
	Christian Aubin	
	Frank Attwood (Day 1 only)	
	Ken Dakdduk	Lisa Snyder
	David Devlin	Andrew Pinkney
	Mark Fong	Patricia McBride
	Akira Hattori	
	Geoffrey Hopper	Sylvie Soulier
	Thierry Karcher	Jean-Luc Doyle
	Neil Lerner	Tony Bromell
	Pekka Luoma (Day 1 only)	Jouko Ilola (Day 1 only)
	Barbara Majoor	
	Michael Niehues	
	Russell Philp	Tiina-Liisa Sexton
	Jean Rothbarth	
	Volker Rohricht	Tim Volkmann
	Robert Rutherford	David Hastings
	David Winetroub	Peter Hughes
<i>Regrets:</i>		Heather Briers

Non-Voting Observers

Present: Richard Fleck

PIOB Observer

Present: Sir Bryan Nicholson

IFAC Technical Staff

Present: Jan Munro

1. Introduction and Administrative Matters

Mr. George opened the meeting and welcomed all those attending. In particular, he welcomed Richard Fleck, the new IESBA CAG chair, as a non-voting observer of IESBA. He also welcomed Sir Bryan Nicholson, an observer of the Public Interest Oversight Board who would be observing the IESBA meeting. He also welcomed new technical advisor Patricia McBride.

He thanked the Chamber of Auditors of the Czech Republic and the Union of Accountants of the Czech Republic for hosting the meeting.

Minutes of the Previous Meeting

The minutes of the public session of the February 2006, IESBA meeting, subject to some minor editorial changes, were approved as presented.

April 2006 Consultative Advisory Board Meeting

Mr. George reported that the IESBA CAG met on April 3, 2006.

At that meeting he had informed the CAG of the decision taken by the IESBA at its February 2006 meeting to assign priority to the independence project so that an exposure draft could be issued in 2006. Therefore, the IESBA, in addition to scheduling a fourth tentative meeting in December, had decided to defer work on the project addressing ethical guidance for accountants when encountering fraud or illegal acts.

The CAG had also discussed independence and network firms. Mr. George indicated that both Task Force chairs were at the CAG meeting and the feedback had been considered by the respective Task Forces in developing the material for the Prague IESBA meeting.

Mr. George reported that at the December IESBA CAG meeting there had been some discussion on selection of a CAG chair. The CAG had felt that certain matters should be discussed before a CAG chair was selected. These included the composition of the IESBA and CAG. Mr. George reported that, in response to these issues, two initiatives, with the support of the PIOB, has been put in place:

- Firstly, consistent with the IESBA terms of reference, three observers will be appointed. The observers will have the privilege of the floor, participate in projects but will have no vote; and
- Secondly, when appointing the new voting members to IESBA and considering those put forward for re-appointment, the Nominating Committee will give particular regard to qualified individuals who are non-practitioners and to non-accountants.

These steps will rebalance the composition of the IESBA and provide more input from non-practitioners and non-accountants.

Mr. George reported that when he met with the PIOB in late March they expressed their disappointment that the CAG had not yet felt able to appoint a chair from amongst its own members. While the PIOB recognized that the CAG wished to discuss some

structural issues, the PIOB was of the view that this should not delay the selection of a chair.

Mr. George reported that the CAG had determined at its April 3, 2006 meeting that, in light of the PIOB desire to have a chair appointed and the structural changes to the membership of the IESBA, the conditions were such that it would be appropriate to select a chair. The CAG unanimously expressed support for the election of Richard Fleck as Chair and on May 2, 2006, IFAC issued a press release approving his appointment.

2. Network Firm

Mr. Attwood, Task Force chair, noted that draft wording to respond to comments received on exposure had been presented to the IESBA at its February meeting. The Task Force had met to respond to comments received at that meeting and was presenting revised wording for approval.

It was noted that at the February meeting it was agreed that the wording be aligned with the EU 8th directive wording. It was further noted that while the definitions were aligned they were not identical, partially because Section 290 refers to a network firm while the 8th directive refers to a network. After discussion, the Board concluded that the Section 290 definition should be identical to the 8th directive language. This would necessitate a definition of network and a definition of network firm. The Task Force revised the definitions and accompanying text and Mr. Dakdduk presented the revised material on the second day of the meeting.

Profit or cost sharing – it was noted that firms might share the cost of developing an audit methodology, manuals or training costs. It was agreed that sharing of such costs would not in itself create a network relationship such that the firms would be required to be independent of each others' audit clients.

Common quality control policies and procedures – it was noted that the important element of sharing common quality control policies and procedures was common monitoring. When firms share common monitoring procedures information is exchanged and firms are likely to place reliance on the monitoring system – with such a level of co-operation a reasonable and informed third party is likely to conclude that the firms are closely associated in such a way that they belong to a network. It was agreed that the reference to ISQC 1 be dropped and instead the common quality control policies and procedures would be those designed, implemented and monitored across the larger structure. The Board noted that when the sharing of professional resources is limited to common audit methodology or audit manuals with no exchange of personnel or client/market information this would not in itself create a network.

Disclosure of being part of an association – the Board agreed with the Task Force recommendation to delete the requirement in exposure draft paragraph 290.25 regarding membership in an association of firms. The Board concluded that the final standard should indicate that when a firm that is not part of a network makes a reference in its

stationery or promotional materials to being a member of an association of firms the firm should carefully consider how it describes any such membership, in order to avoid the perception that it belongs to a network.

Consistent application within the network – the Board agreed with the Task Force recommendation that the final standard include the statement that the judgment as to whether a network exists should be applied consistently throughout the network.

Due-process

Ms Munro confirmed that due process had been followed and the Board unanimously approved the revised text reflecting the foregoing changes for release.

Re-exposure

The Board considered whether re-exposure was appropriate. As part of this consideration it discussed whether there had been substantial change:

- To a proposal arising from matters not aired in the exposure draft such that commentators had not had an opportunity to make their views known to the IESBA before it reaches a final conclusion;
- Arising from matters not previously deliberated by the IESBA; or
- To the substance of a change proposed in the exposure draft.

It was noted that the most significant change from the exposure draft was the adoption of the EU 8th directive definition and this change had been made in response to comments on exposure. It was further noted that the EU definition was largely similar to that proposed in the exposure draft.

It was reported that when the matter was discussed at the IESBA CAG, two members had indicated that re-exposure would provide the IESBA with the opportunity to confirm that there were no unintended consequences of the changes made. The Board recognized this point but concluded no re-exposure was warranted because there had been no substantial change to the definition contained in the exposure draft; the changes had been made in responses to comments received on exposure and there had been consultation with affected parties.

Effective date

The Board discussed the Task Force recommendation of an effective date for assurance reports dated on or after December 31, 2008. It was noted that the proposed change would need to be translated and communicated to all entities within a network and that networks may need to establish cross-border mechanisms for identification, monitoring and reporting of clients relationships. It was noted that some assurance reports for periods ending earlier than December 31, 2008 will be signed on or after December 31, 2008, for example October 31, 2008 year-ends. The Board concluded that the proposed date provided sufficient implementation time and, accordingly, agreed with the Task Force recommendation of an effective date for assurance reports dated on or after December 31, 2008.

Mr. George thanked the Task Force for their work in developing the exposure draft and the final standard.

3. Independence

Ms. Rothbarth, Task Force chair, introduced the topic of independence.

Spilt of Section 290

Ms. Rothbarth reported that, when developing the split of Section 290, the Task Force had been mindful of the feedback from the forum that the extent of duplication was not a significant issue. Accordingly there was some degree of duplication between the proposed Sections 290 and 291. The Board agreed that the approach taken was appropriate.

Ms. Rothbarth indicated that the Task Force considered whether the split should be by type of client or by type of engagement. It recognized that if the split was by client it would be necessary to include the material distinguishing a direct reporting engagement and an assertion based engagement in both sections. Therefore, the Task Force concluded that the better approach was to split the section by type of engagement. Accordingly, the Task Force recommendation was that section 290 address audit and review engagements and section 291 address other assurance engagements. The Board agreed with the Task Force recommendation on the split.

Ms. Rothbarth noted that extant section 290 distinguishes between financial statement audit clients and other types of assurance clients. She reported that the Task Force, in deciding which engagements should be included in Section 290, had considered the differing types of audit and review engagements. The Task Force had considered the standards issued by the IAASB for such engagements. The Task Force was of the view that review engagements should be treated the same for independence purposes as audit engagements because the subject matter and subject matter information are the same – and even the users might be the same. The Board agreed with this position. With respect to the types of audit engagements, the Task Force considered the different types of audit engagements and concluded that all audits (reasonable assurance engagements in which a practitioner expresses an opinion whether historical financial information is prepared in all material respects in accordance with an identified financial reporting framework) should all be dealt with in section 290. The Board agreed that section 290 would address all audit and review engagements and section 291 would address all other assurance engagements and, therefore, the additional restrictions (including independence implications for networks firms) would apply to all audit and review engagements. The Board asked the Task Force to consider:

- Making it clear in section 290 that the non-assurance services provisions apply to only the subject matter information of the engagement; and
- Whether there were any implications if a firm is performing a review of an immaterial subsidiary for consolidation purposes.

Directness of language

Ms. Rothbarth reported that, in drafting the new sections 290 and 291, the Task Force has adopted more direct language for example, by stating that a member of the assurance team should not have a direct or a material indirect financial interest in the assurance client. The Board agreed with this approach and asked the Task Force to ensure that this change in language did not override the existing position in the Code that an inadvertent violation did not necessarily impair independence.

She noted that the Task Force was of the view that other methods could be used to streamline the language, for example rather than referring to “audit and review engagement” the document could in a footnote state that “audit engagement” encompasses audit and review engagements. The Board agreed that such steps should be taken to streamline the document.

Responsibility

Ms. Rothbarth reported that the Task Force had considered a comment received on the network firm exposure draft (and from the CAG) that in some cases the Code is not clear whether the responsibility for a particular action or requirement rests with a firm, a network firm, an individual or all parties concerned. The Task Force has considered the issue and is of the view that it would not appropriate to be prescriptive as to the specific responsibility of individuals within the firm or network firm because responsibility may differ depending upon the size and structure of the firm. Accordingly, the Task Force was proposing a paragraph discussing responsibility and including a statement that firms should have policies and procedures in place to assign responsibility for such actions. The Board made the following comments:

- The statement that responsibility should be assigned is critical and the Task Force should consider moving the sentence to the beginning of the paragraph.
- Paragraph 290.2, as drafted, seems to indicate that the engagement partner has a responsibility for evaluating threats and taking action to eliminate or reduce the threat. This is not quite the same as the ISA 220 requirement that engagement partner form a conclusion on compliance with independence requirements – for example others within the firm might take action to eliminate a threat to independence.
- It is important that the responsibility is assigned and also that it is consistently applied.

The Board also discussed the application of safeguards. The Board asked the Task Force to consider whether additional guidance can be given to encourage consistent application of professional judgment. It was noted that two audit teams could face identical fact patterns but apply different safeguards to eliminate or reduce the threat to an acceptable level.

Management Functions/Informed Management

Mr. Hopper reported that the Task Force had refined the illustrative wording presented at the February IESBA meeting and the drafting now included a description of a management function, examples of what would be considered management functions and what would not. The Board discussed the guidance noting that:

- The Task Force should revisit the ordering of the examples of management functions in 290.16
- The Task Force should consider the implications of 290.16 for related entities of a listed audit client
- It would be useful to have a warning that an auditor should not step into the shoes of management

The Board questioned the interaction of the paragraphs addressing management functions and those addressing the concept of “informed management”. It was noted that informed management could comprise several components including: capability to hear advice, to listen to alternatives and to make a decision and possessing technical ability/expertise to receive the information. The Board discussed whether technical ability/expertise was necessary in all cases and concluded that there might be cases where management needed technical expertise (for example in the provision of IT system services).

The Board discussed whether informed management was a safeguard or was a requirement in the provision of all non-assurance services. The Board concluded that in all cases management must be capable of receiving advice and have the ability to understand and evaluate the advice given.

The Board asked the Task Force to consider:

- The concept of informed and capable management;
- The interaction of the guidance on management functions and the requirement for informed management before providing non-assurance services; and
- The positioning of the guidance on management functions.

Entities of Significant Public Interest

Mr. Bromell presented the recommendations of the Task Force in the area of entities of significant public interest. He noted that the Task Force had drafted guidance which indicates that:

- Entities of significant public interest are those which, because of the nature of their business, their size or their numbers of employees, have a wide range of stakeholders;
- Entities of significant public interest will normally include banks, insurance companies and other regulated financial institutions; and may, depending upon their size, include pension funds, government-owned entities and not-for-profits such as large charitable organizations;
- In some countries, the scope of all entities considered to be of significant public interest is defined by statute or legislation – in the absence of such a definition, the member body should determine the types of entity that are of significant public interest;
- For audit clients which are listed entities, references to the client include its related entities. In the case of other entities of significant public interest, references to audit client will generally include its related entities.

The Board agreed that it was not possible to develop a workable global definition of an entity of significant public interest. The Board questioned whether, in the absence of a

legislated definition, it was appropriate for member bodies to define entities of significant public interest for independence purposes. After discussion it was agreed that this was a practical approach and the proposed guidance in the Code will indicate which entities would generally be considered to be of significant public interest.

The Board discussed the guidance with respect to the related entities of entities of significant public interest. It was noted that in a government entity, consideration of all related entities might be too wide ranging. It was suggested that guidance be given as to who makes the determination as to whether references to audit client will, or will not, include related entities in the circumstances where the audit client is an entity of significant public interest.

It was further suggested that there should be a clear rationale for the differential independence requirements for listed entities.

Documentation

Ms Rothbarth reported that the Task Force recommended moving the paragraph addressing documentation requirements and giving it a heading for more prominence. She noted that ISA 220 contains a requirement to document the engagement partner's conclusions on independence and any relevant discussions with the firm that support these conclusions. She indicated that the Task Force had discussed whether, in light of the ISA 220 requirement, it was necessary for the Code to contain a documentation requirement. The Board discussed the issue noting that the Code requirement was more extensive than the requirement in ISA 220 in that it also required documentation of the threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level. The Board concluded that the existing documentation requirement as set out in paragraph 290.27 should be retained in the Code. It was, however, important that the Code note that a failure to meet the documentation requirements would not in itself impair independence.

Cooling-off Period

Ms Rothbarth reported that the Task Force had refined the illustrative wording presented at the February IESBA meeting to respond to the direction given. She noted that:

- The cooling-off period before joining a listed audit client should apply to all key partners and not be restricted to only the engagement partner;
- The cooling-off period should be such that there is one audit opinion covering at least 12 months with which the partner was not involved;
- There should be an exemption, subject to certain conditions, if a former partner is in such a position as the result of a business combination or merger.

She further noted that the recommendation included a new definition of a key audit partner – which is used in the paragraphs addressing cooling-off, partner rotation and compensation. The definition proposed is:

“The engagement partner, the individual responsible for the engagement quality control review, and other partners involved at the group level who are responsible for key decisions or judgments on significant matters with respect to the audit engagement.”

The Board questioned what was meant by “at the group level” and whether this would capture the engagement partner of a subsidiary. It was noted that it was important to strike the appropriate balance and not for example, require rotation on immaterial subsidiaries. The Board requested the Task Force to consider the implications of the definition on partners of subsidiaries.

In response to a question, Ms Rothbarth noted that the Task Force had considered whether to extend the cooling-off restriction to senior managers on the audit. The Task Force had concluded that this was appropriately addressed in paragraphs 290.143-145 which require an evaluation of the significance of any threat created and the application of safeguards.

Temporary Staff Assignments

Ms Rothbarth reported that, as agreed at the February IESBA meeting, the Task Force had revised the guidance to indicate that such assignments should be short in duration and the assigned staff could not provide non-assurance services that would otherwise be prohibited.

It was noted that the wording could be read as contradicting the guidance in management functions. The Task Force agreed to look at this.

Partner Rotation

Mr Dakdduk reported that the Task Force had refined the illustrative wording presented at the February IESBA meeting to respond to the direction given:

- The rotation requirements extend to the key audit partners;
- Rotation is required after seven years and during a two-year time-out period there should be no meaningful activity on the client – any transitioning activity, therefore, would have to be completed before the end of the seven year period;
- There is some limited flexibility for key audit partners other than the engagement partner and the individual responsible for the engagement quality control review – the flexibility permits such partners to remain on the client for one additional year if it is deemed that the person’s continuity is especially important to the audit client.

The Board discussed the proposal and asked the Task Force to consider:

- Including guidance on how the lead-in period should be handled;
- Clarifying the wording in paragraph 290.155.
- A more meaningful heading for the section.

- Amending the safeguard in 290.153 to state that the quality reviews should be external and need to be regular in nature and address the specific audit or review in question.

Provision of Non-assurance Services

Informed Management

In light of the decision that informed management was a precondition for the provision of a non-assurance service, the Board questioned whether informed management and any of the general safeguards contained in 290.163 would in and of themselves be sufficient to eliminate or reduce a threat, or whether it would always be necessary to consider the additional safeguards that are discussed in the detailed guidance. The Board also questioned whether there might be situations where informed management and management's acknowledgement of responsibility for the decisions would be sufficient to eliminate or reduce a threat to an acceptable level. The Board was of the view that informed management could, on its own, be sufficient. The Board asked that the Task Force consider this further and also provide a better linkage between performing non-audit services and the need for informed management.

Not-subject to Audit

Ms Rothbarth reported that, as agreed at the February IESBA meeting, the Task Force has incorporated the SEC notion that in the case of certain non-audit services, independence would not be impaired if it is reasonable to conclude that the results of the procedures would not be subject to audit procedures. The exemption exists when there is no self-review threat and does not apply to "downstream" entities such as subsidiaries or divisions.

The Board asked the Task Force to consider two additional points with respect to this concept:

- Firstly, whether the concept was only relevant with respect to self-review threats or whether the concept might sometimes also be applicable to other categories of threat – for example whether a service which would create an advocacy threat if provided to the client would not create an advocacy threat if provided to a sister entity.
- Secondly, whether the concept could be applied to all types of services as opposed to only certain specified services.

Preparing Accounting Records and Financial Statements

Ms Rothbarth reported that, as agreed at the February IESBA meeting, the Task Force has amended the guidance in this area to clarify that for non-listed entities, an auditor can prepare standard or adjusting journal entries provided the client reviews the entries and understands their purpose. In addition, changes have been made to make it clear that accounting advice can be provided to listed and non-listed audit clients. The Board agreed with the changes.

Valuation Services

Ms Rothbarth reported that as agreed at the February IESBA meeting, the Task Force has provided clarification of the meaning of significant subjectivity. Valuations would likely not have a significant degree of subjectivity when the underlying assumptions are

determined by law or regulation, or are widely accepted and the techniques and methodologies to be used are based on generally accepted standards or even prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.

The Board discussed subjectivity. A view was expressed that all valuations were inherently subjective. An opposite view was expressed that with some valuations the methodology is established and, therefore, there is limited subjectivity. It was further noted that even if the methodology was established the assumptions could create a significant degree of subjectivity. The Board discussed whether the restriction should be on valuations which were material or highly subjective as opposed to material and highly subjective.

The Board was of the view that the standard for listed audit clients should be higher than currently drafted and asked the Task Force to consider this direction.

Taxation Services

Mr. Lerner presented the recommendations of the Task Force in the area of the provision of tax services. He noted that the proposed guidance analyzes tax services in four categories:

- Tax return preparation
- Preparation of tax calculations to be used as the basis for the accounting entries in the financial statements
- Tax planning and other tax advisory services
- Assistance in the resolution of tax disputes

With respect to tax return preparation, he noted that the guidance explains that these services are generally based upon historical information; principally involve analysis and interpretation of such historical information based upon the constraints of existing tax law; and tax returns are subject to whatever review or approval process the tax authority considers appropriate. Therefore, such services do not normally create threats to independence. It was noted that the documentation requirement regarding threats related to only those threats that are other than clearly insignificant. The statement that tax return preparation does not normally create a threat to independence would indicate that normally documentation of independence threats would not therefore be necessary. A question was raised as to whether the phrase “normally do not create a threat to independence” was used elsewhere in the Code. It was agreed that the Task Force would consider this point.

With respect to tax calculations to be used as the basis for the accounting entries in the financial statements, Mr. Lerner noted that the guidance indicates that preparing such calculations may create a self-review threat, the significance of which will depend upon the degree of subjectivity involved and the materiality to the financial statements. If the self-review threat is other than clearly insignificant, safeguards should be applied to reduce the threat to an acceptable level. In addition, in the case of the audit of a listed entity, if the tax calculations are material to the group financial statements, the provision

of such services would generally create a threat that could not be reduced to an acceptable level by the application of any safeguard.

It was noted that the statement that preparing tax calculations generally created a threat that could not be addressed by safeguards implies that there are situations when safeguards would be able to address the threat and accordingly the service could be performed. It was agreed that the Task Force would consider this point.

A question was raised regarding the consistency between the positions taken in bookkeeping, valuations and performing tax calculations. It was agreed that the Task Force would examine this issue.

With respect to tax planning and other advisory services, Mr. Lerner noted that the guidance indicates that a self-review threat may be created where the advice will affect matters that will be reflected in the financial statements and an advocacy threat when the firm or a network firm promotes the tax advice. The significance of the threat will depend upon matters such as:

- The degree of subjectivity involved in determining the appropriate treatment for the tax advice in the financial statements;
- The extent to which the advice is supported by tax authority or other precedent, established practice or basis in tax law;
- Whether the tax treatment is supported by a private ruling or has otherwise been cleared by the tax authority prior to the preparation of the financial statements; and
- Whether the effectiveness of the tax advice depends on a particular accounting treatment or presentation, there is doubt as to the appropriateness of the related accounting treatment and the outcome of the tax advice will have a material effect on the financial statements.

The guidance indicates that the significance of the threat should be evaluated and, if other than clearly insignificant, safeguards applied.

The Board discussed highly aggressive “leading edge” tax planning which has a material affect on the financial statements. The Board noted that, at least for listed entities it would be appropriate to have a restriction with respect to such aggressive tax planning. The difficulty with defining aggressive was noted. The Board asked the Task Force to develop a restriction for listed entities.

With respect to providing assistance in the resolution of tax disputes, Mr. Lerner noted that the guidance provides that an advocacy threat may be created when acting for an audit client in the resolution of a tax matter by representing the client before a public tribunal or court. If the amounts involved are material to the financial statements, the threat would be too great. The Task Force recognizes that what constitutes a public tribunal or court will vary from jurisdiction to jurisdiction. Accordingly, the guidance indicates that this will be determined according to how the tax proceedings are heard in a particular jurisdiction. The guidance further states that a firm or network firm would not be precluded from having a continuing advisory role in relation to the matter which is being heard before a public tribunal or court. If the firm is asked to act in an advisory role

where the matters involved are not material to the financial statements, the firm should evaluate the significance of any threat created and apply safeguards as necessary. The Board agreed with the position taken.

A number of other clarifications were raised for the consideration of the Task Force.

IT System Services

Ms Rothbarth reported that as agreed at the February IESBA meeting, the Task Force has amended the guidance in this area to restrict such services for listed audit clients that involve the design *or* implementation of IT systems that form a significant part of the accounting systems or generate significant information used in the preparation of the group's financial statements. The Board agreed with the position but suggested the words "current or future" be deleted.

Litigation Support Services

Ms Rothbarth reported that, as agreed at the February IESBA meeting, the Task Force has amended the guidance in this area to mirror the guidance for valuation services and restrict certain litigation support services that involve a significant degree of subjectivity and are material to the financial statements.

The Board discussed whether additional guidance should be provided on litigation services and discussed the distinction between litigation support services and legal services. The Board indicated that the guidance related to estimating damages should either be aligned with valuation services or dropped. The Board asked the Task Force to consider whether additional guidance was needed on the other types of litigation support services which are mentioned in extant 290.193

Partner Compensation

Ms Rothbarth reported that the draft Section 290 indicates that the basis on which a partner is compensated may create a self-interest threat, particularly when the partner is compensated for selling non-assurance services. The guidance restricts key audit partners from being compensated for selling non-assurance services to audit or review clients. The proposal also indicates that compensating other members of the audit or review team may create threats. A question was raised as to whether the Task Force had considered guidance with respect to independence implications of promotion based on selling of non-assurances services. Ms Rothbarth responded that the Task Force had considered this but was of the view that the more significant threat related to compensation for the selling of non-assurance services.

Section 291

Ms Rothbarth reported that the Task Force had not yet had an opportunity to discuss the draft Section 291. She asked Board members whether they had any overall comments on the draft. No comments were provided. She invited Board members to provide any comments on the draft Section 291 and any further comments on Section 290 directly to staff.

Other Matters

A question was raised as to whether additional guidance should be provided in the Code on the provision of corporate finance services. It was noted that the thinking in the provision of tax planning and advice could be applied to corporate finance services. After discussion, the Board agreed that the Code should address this area and asked the Task Force to develop guidance.

The Board noted that the Task Force had identified matters which would be addressed in the next round of revisions to the independence requirements. The Board noted that such a list would never be comprehensive because as circumstances change there might be other matters that require guidance. The Board, therefore, concluded that the explanatory memorandum accompanying the exposure draft should outline the areas which had been changed by the Board so that respondents can comment on the changes.

Ms Rothbarth reported that the Task Force had yet to review Section 290 and 291 for the consistency of safeguards.

The Board directed the Task Force to review the situations where there are more restrictive requirements for listed entities and ensure that there is a rationale for the differential requirements. It was also noted that it would be useful to explain why there are sometimes differential requirements for listed entities. It was further noted that with listed entities, because there is a large number of stakeholders, there is a higher level of public interest and, therefore, it is appropriate to have some additional restrictions.

4. Other Matters

Mr. George reported that a letter had been received from the IDW expressing some concern with the guidance in the Code that professional accountants not be associated with false and misleading information. The concerns expressed were two fold:

- There may be differing interpretations of misleading between parts B and C of the Code; and
- The IAASB applies the term in certain issued and draft pronouncements which, in effect, interprets the term for accountants in public practice.

Mr. George reported that he had participated in a conference call with a representative of the IDW, John Kellas (IAASB Chair) and staff of IAASB and IESBA. During the conference call, the guidance in the Code was discussed and it was agreed that the IDW concern would be addressed in the development of the proposed IAASB pronouncements and there was no longer a concern with the Code language.

5. Closing

Mr. George thanked all attending for their participation and closed the meeting at 18:00 on June 14, 2006.

6. Future Meeting Dates

October 16-18, 2006 (Sydney)
December 18-19, 2006 (London – tentative)
March 6-7, 2007 (New York)
June 25-27, 2007 (Berlin)
October 23-25, 2007 (TBD)