



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item

5

Board International Ethics Standards Board for Accountants

Meeting Location: CICA, Toronto, Canada

Meeting Date: October 24-26 2007

Independence

Objectives of Agenda Item

1. To discuss and provide input to the Task Force on proposed responses to comments received on exposure.

Background

In December 2006, the IESBA issued an exposure draft (ED) proposing revisions to existing Section 290 and proposing a new Section 291. The ED period ended on April 30, 2007.

Comments have been received from the following:

Member Bodies of IFAC	33
Firms	8
Regulators	4
Government Organizations	3
Other	28
Total Responses	76

All of the comment letters received have been posted on the IFAC website and may be downloaded at <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0075>.

The Task Force has met three times since the June 2007 IESBA meeting and has one conference call. The CAG discussed the direction of the Board and the proposals of the Task Force at its meeting on September 19, 2007. The Task Force considered and responded to the input of the CAG at its Task Force meeting the following day.

The IESBA discussed comments received on overall key strategic issues at its June 2007 meeting. This paper, and Agenda Papers 5-A, 5-B, 5-C and 5-D, provide a recap of the direction provided by the IESBA at the June meeting, any further consideration of the Task Force, any input received from the CAG and an explanation for the proposals

presented by the Task Force. Agenda Paper 5-E contains a clean copy of the proposals and Agenda Paper 5-F a mark-up.

Agenda Paper 5-G contains the detailed comments received on exposure, sorted by issue. This Agenda Paper provides a disposition for each comment based on the proposal of the Task Force. The legend for the respondents (and a complete list of respondents) is contained in the appendix to *this* agenda paper and also at the end of Agenda Paper 5-G.

Issues

Principles/Rules

34 respondents commented on the issue of a principles-based approach as opposed to a rules based approach. The respondents expressed concern that the exposure draft seems to be moving away from a principles based approach. Illustrative comments are:

- Although the draft claims that revised sections are based on a threats and safeguards approach the sections nevertheless contain a large number of proscriptions such that in practice they reflect a move towards a rules-based approach;
- For a principles-based approach to be robust, it should not be undermined by the proliferation of detailed underlying rules...the examples should not become proscriptive rules; the aim should be to deter auditors from “tick-box” compliance with the form of the requirement rather than the substance;
- Additional prohibitions should only be introduced if it is clear that there are significant threats and that public confidence in audit and assurance engagements is adversely affected by activities carried out in line with existing requirements;
- Whilst we acknowledge that a purely principles-based approach is unlikely to be sufficient, we are concerned with the increase in the number of restrictions. Additionally we are concerned that costs associated with certain aspects of the standards as proposed may outweigh the intended benefits.

Some of the respondents who expressed concern that the revisions were moving towards a rules-based approach expressed concern with some of the specific requirements – in particular the proposals partner rotation, on valuations for SPIES, the cooling-off requirement and the requirements on taxation services.

Given the existence of a general concern but an absence, in the large part, of any specific amendments to address the concern, the Board considered the additional restrictions which were proposed in the Exposure Draft.

The IESBA discussed the additional requirements contained in the Exposure Draft. The IESBA noted that while the exposure draft does contain some additional requirements four of the additions relate to expanding an existing requirement to cover an immediate family member and six of the new requirements relate only to audits of entities of significant public interest.

The IESBA noted that changes in the exposure draft included those to make the requirements more clear and direct. The change was made to address concern expressed by some that it was difficult to identify the restrictions

The IESBA determined that the issue was best addressed when considering the comments on each specific topic to determine whether the proposals in the exposure draft do stem from the application of the principles-based approach.

The IESBA is of the view that there is no conflict between a principles-based approach and absolute restrictions or prohibitions, provided that such restrictions or prohibitions flow directly from the application of the principles. The IESBA concluded that the matter will be considered on an item by item basis as the IESBA discusses proposed changes to respond to comments received on exposure – consideration will be given to whether the individual proposals are consistent with the principles-based approach.

The matter was discussed with the CAG who also noted that there is no contradiction between a principles-based approach and specific restrictions. It was further noted that many of the additional public interest entity provisions relate to matters with which the CAG has previously expressed specific support.

Split of Section 290

The existing Code contains one Section (290) that addresses independence requirements for all assurance engagements. The Section deals with both “Financial Statement Audit engagements” and all “Other Assurance engagements”, whether assertion-based or direct reporting. The Section contains differing independence requirements depending on the nature of the engagement. Section 290 currently defines “Financial Statements” as:

“The balance sheets, income statements or profit and loss accounts, statements of changes in financial position (...) notes and other statements and explanatory materials which are identified as part of the financial statements”.

This effectively means a complete set of financial statements.

The Exposure Draft proposed that Section 290 address all audit and review engagements and Section 291 address “other assurance engagements”. Under the exposure draft audit and review engagements were defined as assurance engagements in which a professional accountant expresses an opinion (in the case of a review engagement a conclusion) on whether historical financial information is prepared in all material respects with an identified financial reporting framework. Such engagements include engagements to report on:

- A complete set of general purpose financial statements;
- A complete set of financial statements prepared in accordance with a framework designed for a special purpose;
- A single financial statement; and
- One or more specific elements, accounts or items of a financial statement.

The ED proposed that the independence requirements of Section 290 apply to more than the audit (or review) of “financial statements” (see final bullet above), and in doing so extended the requirements beyond that of the current Code. For example, under the

existing Section 290 the “audit” independence requirements apply to audit of financial statements – an audit of one or more specific elements, accounts or items of a financial statement would be treated as an “other assurance engagement.” Similarly, under the existing Section 290 review engagements are treated as “other assurance engagements.”

The majority of respondents that commented on this matter were in favour of a split of existing 290. Comments were however received from many respondents as to “how” the split should be made.

Some respondents expressed concern that review engagements were addressed in Section 290 and were of the view it would be preferable if reviews were addressed in Section 291. At the June meeting the IESBA considered this view and recognising the level of direct and indirect support for the inclusion of reviews “*performed in accordance with International Standards on Review Engagements issued by the IAASB, or equivalent standards*” in Section 290, the IESBA was of the view that such reviews should dealt with in Section 290. In particular the IESBA was not persuaded by a primary argument that because the level of assurance was less than in an audit that the independence requirements should also be less rigorous.

In coming to this view, the IESBA had particular concerns that if reviews of financial statements were moved to Section 291 the important provisions in Section 290 relating to accounting and bookkeeping services might not be followed when the firm is conducting a review of financial statements. The IESBA was of the view that this is particularly important given the nature of the more limited procedures undertaken to form a review conclusion, but the same self review threat.

The IESBA considers that the provisions relating to accounting and bookkeeping services should be complied with in the case of a review of financial statements. The IESBA was not persuaded that the threats and safeguards approach in Section 291 would be sufficiently robust for reviews of financial statements. The IESBA also noted that in the North American market, where many reviews are performed, the independence requirements for audit and review are effectively the same.

A few respondents expressed concern about the inclusion of the audit and review of “*One or more specific elements, accounts or items of a financial statement*” in Section 290. These respondents were concerned this change would result in broader independence requirements than is considered appropriate for those services, in terms of application to the firm and network, partners of the firm, and members of firm management. The IESBA considered the matter in June 2007 and was of the view that the position taken in the exposure draft was, on balance, too stringent. It could, for example, require network firm independence in the case of audit reports on costs incurred for determination of various royalties that are payable under statute or an agreement. Therefore, the IESBA concluded that assurance related to one or more specific elements, accounts or items of a financial statement be addressed in Section 291. Such an approach would have the advantages of:

- Clarity and simplicity by focusing on the audit and review of “financial statements” in Section 290, as consistently defined with that of the IAASB;
- Recognizing that in some situations (e.g., an audit of royalties due) the application of the threats and safeguards approach in 291, based on the nature of subject matter information, will be appropriate; and
- Minimizing the relevance of the difficult concepts in 291 regarding the definition of an assurance engagement (e.g., where there are multiple parties or direct reporting engagements).

The above split was discussed with the CAG who noted that the proposal seemed logical.

The Task Force has amended the drafting to reflect the above position.

Public Interest Entities

The exposure draft proposed extending the listed entity independence provisions to all entities of significant public interest. Such entities are described in proposed revised Section 290 as listed entities and certain other entities which, because of their business, size or number of employees have a large number and wide range of stakeholders.

The position in the ED was that because of the significant public interest associated with listed entities, such entities should always be considered to be entities of significant public interest. For other entities, the exposure draft contained some flexibility for each jurisdiction to determine, based on the facts and circumstances, which entities should be considered to be entities of significant public interest in that particular jurisdiction. While there is a presumption that regulated financial institutions will be considered to be entities of significant public interest, it was recognized that in some jurisdictions, it is possible that certain regulated financial institutions would not have a large number and a wide range of stakeholders and thus, the extent of public interest in those entities would not be significant. Conversely, some pension funds, government-agencies, government-controlled entities and not-for-profit entities may have a large number and wide range of stakeholders and should, therefore, be treated as entities of significant public interest. Accordingly, the ED stated that “depending on the facts and circumstances” entities of significant public interest will normally include regulated financial institutions, such as banks and insurance companies, and may include pension funds, government-agencies, government-controlled entities and not-for-profit entities.

60 respondents commented specifically on the extension of the listed entity provisions to all entities of significant public interest (“ESPIs”) of whom the majority either agreed with the proposal or agreed in large part with the proposal with some suggestions for clarification. Several of the respondents who disagreed with the proposal commented that this could lead to inconsistent application because of differing interpretation from jurisdiction to jurisdiction. Some also commented that this could be particularly problematic for ESPIs that cross jurisdictions.

Respondents noted that while the ED states that ESPIs are entities that “because of their size or number of employees, have a large number and wide range of stakeholders” the

examples provided would not necessarily meet this overall characteristic. Respondents expressed concern that irrespective of this overall characteristic some may inappropriately interpret this as meaning that the nature of the business itself would be sufficient to determine whether an entity should be considered a SPIE. These respondents suggested that greater emphasis be given to either the size of the entity or the fact that it has a wide range of stakeholders.

At the June meeting, the IESBA concluded that despite the large number of respondents who expressed explicit support for these proposals, in light of the large volume of comments expressing concern with the proposals, or concern with how the proposals could be interpreted, it is appropriate to modify the proposals. The IESBA considered different alternatives to modify the proposals (flexibility for listed entities, emphasis on size, adopting the IAS definition, additional guidance on the criteria, a narrow definition or a broad definition).

The IESBA concluded that the definition of entities of significant public interest should be limited to listed entities and other entities that a regulator or legislation has designated to be an entity of significant public interest. In addition, Section 290 should contain a strong encouragement for firms and member bodies to consider whether other types of entities should be treated as entities of significant public interest for independence purposes in that jurisdiction, thus subjecting their auditors to the more stringent independence requirements contained in Section 290.

The Task Force had revised the guidance to reflect this position.

The matter was discussed with the CAG. The CAG noted that it was an extremely difficult area and recognized the logic of the proposals. There was support for an encouragement for firms to consider whether the requirements should be applied more broadly. Several CAG members were also of the view that it was important that there be disclosure in the auditor's report of the whether the PIE independence provisions had been applied or the non PIE provisions. It was recognized, however, that disclosure in the auditor's report was a matter for the IAASB and not the IESBA.

The Task Force is of the view that, given the proposal to narrow the definition somewhat it is appropriate to refer to these entities as "Public Interest Entities" as opposed to "Entities of Significant Public Interest".

Non-Assurance Services

Management Responsibilities

12 respondents commented on this area. Seven expressed support, some providing suggestions to clarify the language. Three respondents expressed the view that the proposals did not go far enough, for example the proposals permit the execution of an insignificant transaction. One respondent expressed the view that there should be an additional category of threat – a management threat. And one respondent expressed the view that a threats and safeguards principles based approach would be appropriate.

The Task force has considered the comments received and other than some changes to improve clarity, for example by referring to performing management activities and assuming management responsibilities, the Task Force is not recommending any changes in this area.

Preparing Accounting Records and Financial Statements

There were few comments received in this area. Other than a few changes to improve clarity, the Task Force is not recommending any changes in this area.

Valuation Services

Under existing Section 290, the guidance related to the provision of valuation services is the same for listed and non-listed audit clients. In both cases the self-review threat would be too significant if the valuation involves matters material to the financial statement and involves a significant degree of subjectivity. The IESBA reviewed these provisions and the ED proposed strengthening the provisions in two areas:

- For audit clients that are entities of significant public interest, the IESBA was of the view that a firm should not provide a valuation service if it would have a material effect on the financial statements. This enhanced safeguard is necessary to address the significant public interest in such entities. Accordingly, under the proposal a material valuation for an audit client that is an entity of significant public interest would compromise independence irrespective of the subjectivity associated with the valuation.
- To ensure consistent application of the Code, the IESBA proposed additional guidance on the meaning of significant subjectivity. Proposed revised Section 290 states that certain valuations do not involve a significant degree of subjectivity. This is likely to be the case where the underlying assumptions are determined by law or regulation or are widely accepted and when the techniques and methodologies to be used are based on generally accepted standards or are 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.

Of the 15 respondents who commented on the proposal that a firm should not perform a valuation service if it would have a material effect on the financial statements of an audit client that is an entity of significant public interest, four expressed explicit support for the proposal and 11 stated that they disagreed with the proposal because if there was no significant subjectivity involved in the valuation service there would not be an acceptable self-review threat.

The Task Force has considered the comments received on this area and is of the view that no change is necessary. The Task Force is of the view that because of the public interest associated with financial statements of public interest entities the threat to independence would be too great if an audit firm performed a material valuation for such an audit client.

Three respondents stated that tax-only valuations do not give rise to the same threats to independence as financial valuations. The Task Force has considered this issue and is of the view that a firm should not perform a material valuation service for an audit client that is an entity of public interest even if the valuation is for tax purposes. Accordingly, the Task Force will not recommend any change in this area.

Taxation Services

Existing Section 290 states that taxation services are generally not seen to create a threat to independence. The proposed revised Section 290 recognizes that performing certain tax services may create self-review and advocacy threats and contains guidance on four broad categories of taxation services:

- *Tax return preparation* – these services involve assisting clients with their tax reporting obligations. The IESBA was of the view that such services do not generally threaten independence as long as management takes responsibility for the returns including any judgments made.
- *Preparation of tax calculations* – The IESBA was of the view that preparing calculations of tax liabilities (or assets) for an audit client for the purposes of the preparation of accounting entries that will be subsequently audited by the firm may create a self-review threat. In addition, for audit clients that are entities of significant public interest, the public interest is such that the firm should not perform calculations for the primary purpose of preparing accounting entries that are material to the financial statements.
- *Tax planning and other tax advisory services* – The IESBA was of the view that a self-review threat may be created where the advice will affect matters to be reflected in the financial statements. In addition, where the effectiveness of the advice depends upon a particular accounting treatment or presentation and there is reasonable doubt as to the appropriateness of the treatment or presentation, and the outcome of the advice will have a material effect on the financial statements the advice should not be provided because the self-review threat would be so significant no safeguards could address the threat.
- *Assistance in the resolution of tax disputes* – The IESBA was of the view that an advocacy threat may be created when the firm represents an audit client in the resolution of a tax dispute once the tax authorities have made it known that they have rejected the audit client's arguments on a particular issue and are referring the matter for determination in a formal proceeding, for example before a tribunal or court. In addition, where the services involve acting as an advocate for an audit client before a public tribunal or court in the resolution of a tax matter and the amounts are involved are material to the financial statements, the service should not be provided because the advocacy threat would be so significant no safeguards could address the threat. What constitutes a public tribunal or court should be determined according to how tax proceedings are heard in the particular jurisdiction.

Many respondents had overall comments on the proposals, in addition to providing specific comments on the broad categories of tax services described in the ED. These general comments included the following sentiments:

- We generally support the proposal. (two respondents)
- We generally agree that the threats and safeguards approach should be applied to tax services. (13 respondents)
- Tax services historically have not created a threat to independence. (two respondents)
- The proposal appears to be moving to a rules-based approach where the restrictions are not based on threats. The length of the section on taxation seems out of proportion and is too detailed. (12 respondents)
- The provision of tax services enhances audit quality and consequently, it is in the public interest for accountants to provide tax services to their audit clients. (eight respondents)
- Companies rely on their auditors for tax services and additional costs will be incurred if they need to seek other advisors, which is not in the public interest. (eleven respondents)
- Smaller firms will be put in a disadvantageous position as compared to larger firms and/or small firms will not be able to implement the safeguards mentioned. (two respondents)
- The proposed restrictions could adversely affect the quality of tax return preparation and tax calculations. (two respondents)
- No recognition is given to the nature of tax regimes in different countries. (two respondents)
- The proposal could be strengthened further since the approach taken contradicts the general principles on management function. (one respondent)
- The proposals applicable to ESPI are supportable, but for others, the proposals should be deferred to assess whether the restrictions would enhance audit quality. (one respondent)

Several of the respondents believe that taxation services should be analyzed using a threats-and-safeguards approach and are concerned about what appears to be a disproportionate amount of space devoted to covering services that have traditionally been provided by accountants to their audit clients without restrictions. In addition, arguments are posited that these services are in the public interest as they enhance audit quality, reduce the audit client's costs, and help ensure accurate tax filings. However, while there was a lot of comment on this subject the majority of respondents (40 out of 76) had no comments on the tax proposals.

The IESBA concluded at its June meeting that given the differing conclusions on the independence consequences of differing taxation services, it was necessary to discuss the categories of tax services separately. As a result, other than possibly streamlining the language where possible, the IESBA concluded that the categories of taxation services addressed in the ED were appropriate.

The other main issue on taxation services related to comments on preparation of tax calculations. Several respondents suggested that the preparation of tax calculations should only be restricted for entities of significant public interest if the amounts are material and there is a high degree of subjectivity. Others argued that safeguards should be able to be applied to minimize any threat resulting from preparing tax calculations. Several respondents noted that either determining the “primary” purpose of the calculations would be difficult or the purpose of the calculations is not what gives rise to the threat. Two respondents argued that the threat to independence depends on the timing of the calculations.

In considering this issue at the June meeting the IESBA noted that for entities of significant public interest bookkeeping services were prohibited, without regard to materiality. Thus, restricting auditors from calculating the tax liability for use by the client in preparing its accounting entries was not unreasonable. The IESBA also discussed whether the restriction should depend on the timing of the preparation of the tax calculations, recognizing that in some instances the calculations are performed before the audit is complete, whereas in other cases the calculations are performed after the audit. The IESBA was of the view that the critical issue, regardless of timing, was whether the client makes a good faith effort at calculating its current and deferred tax liabilities and preparing its accounting entries. The IESBA was of the view that the use of the term “primary” could convey the wrong meaning and asked the Task Force to consider this term. The Task Force has considered the term and is of the view the term should be deleted. The Task Force is also of the view that an exception should be provided for emergency situations – which will bring align the position to that taken in bookkeeping.

IT Systems Services

Existing Section 290 provides that IT services involving the design *and* implementation of financial information technology systems that are used to generate information forming part of a client’s financial statements may create a threat that is likely to be too significant unless certain specified safeguards are applied. The existing section also provides that providing design *or* implementation services may create a threat. The ED proposed strengthening the guidance in two areas:

- For audit clients that are not entities of significant public interest, the ED states that either the design or the implementation of financial information technology systems that form a significant part of the accounting systems, or generate information that is significant to the client’s financial statements, may create a threat that is likely to be too significant unless certain specified safeguards are applied.
- For audit clients that are entities of significant public interest, the ED states that, due to the level of public interest in such entities, a firm should not provide services involving either the design or the implementation of financial information technology systems that form a significant part of the accounting systems, or generate information that is significant to the client’s financial statements.

Of the 14 respondents who commented on this proposal three were supportive of the strengthening of the requirements for entities of significant public interest, nine stated that the strengthening was not necessary, several stating that there was no evidence that the existing approach of mandatory safeguards had failed. One respondent expressed the view that the proposal for entities of significant public interest should be applied to all entities. One respondent stated that it was not possible to conclude whether the proposed amendment was appropriate or not.

The Task Force has considered the comments received. The Task Force is of the view that a firm should not provide design or implementation services to an audit client that is an entity of significant public interest because the threats to independence would be so significant safeguards could not address the threat. Other than a few changes to improve clarity, the Task Force is not recommending any changes in this area.

Litigation Support Service

There were few comments received in this area. Other than a few changes to improve clarity, the Task Force is not recommending any changes in this area.

Legal Services

Few respondents commented on this area. One respondent stated that legal services can involve giving accounting advice and recommended the guidance be strengthened to state that service should be prohibited if there was reasonable doubt as to the appropriateness of the accounting treatment and the outcome of the advice would have a material consequence on the financial statements. The Task Force is of the view that no change is necessary because legal services (which are defined as any services for which the person providing the services must be either admitted to practice law before the Courts of the jurisdiction or have the required legal training to practice law) do not include offering accounting advice.

Other than a few changes to improve clarity, the Task Force is not recommending any changes in this area.

Recruiting Senior Management

There were few comments received in this area. Other than a few changes to improve clarity, the Task Force is not recommending any changes in this area.

Corporate Finance Services

15 respondents commented on this area – five of whom were supportive of the position proposed. Of the ten other respondents one felt the proposals did not go far enough and proposed, for example, prohibiting assistance in developing corporate strategies, four questioned that guidance regarding reasonable doubt as to the accounting treatment. The Task Force is of the view that the guidance is consistent with that provided in tax and is, therefore, appropriate.

Other than a few changes to improve clarity, the Task Force is not recommending any changes in this area.

Effective Date

The exposure draft proposed that the new provisions would become effective one year after approval of the final standard with transitional provisions in three areas:

- Provision of non-assurance services – the ED proposed expanded some of the restrictions related to the provision of certain non-assurance services. The transitional provision proposed providing a six month period after the effective date to complete any ongoing services that were contracted before the effective date;
- Partner rotation – the ED proposed rotation of additional individuals (“other” key audit partners and all key audit partners in firms which had previously not rotated because they had limited resources). The transitional provision proposed allowing an additional year before the rotation requirements had to apply to such individuals; and
- Entities of Significant Public Interest – the ED proposed extending the listed entity provisions to all ESPIs. The transitional provision proposed allowing an additional year before the extended provisions had to be applied to such entities.

16 respondents commented on this area.

Two respondents were of the view that revisions should be effective for audit or assurance engagements commencing after a defined period of time rather than the requirements being effective at a particular date. These respondents were concerned that the change could be confusing because differing independence requirements might be in place for differing parts of the engagement. The Task Force considered this point and is of the view that it is appropriate for the requirements to become effective as at a point in time. This approach is clearer because the new independence requirements are all effective at the same period of time and are not dependent upon, for example, the reporting period or the date at which the report is signed.

Six respondents expressed an overall concern that the period of time was too short. Such respondents noted the need for translation, implementation and education. The Task Force considered this matter and is of the view that no change is appropriate. The IESBA has determined that the output from this project, Independence II and the Drafting Conventions will be issued in one document. Given the IESBA is reviewing a revised draft of Independence I at its October meeting, the language will be close to final at its January meeting – which provides an additional six months for those who wish to start or prepare for the translation process.

Provision of non-assurance services – Twelve respondents expressed concern that the transition period of six months was too short if firms were to complete ongoing services. The majority of those who commented in this area were of the view a twelve month period should be provided to allow firms to complete ongoing services (two respondents were of the view that a period of three years should be provided and one respondent was of the view that there should be no prescribed completion date where the project is long

term in nature and where early termination would have a significant effect on the client.) The Task Force discussed these comments and noted that while the transition period is six months to complete ongoing projects, the effective date is one year after the approval of the proposals. Firms, therefore, have 18 months to wind down ongoing activities. The Task Force, therefore, does not recommend any change to this element of the transitional provisions.

Partner rotation – Three respondents commented on this area. Two were of the view that an additional two years should be provided and one was of the view an additional three years should be provided. The Task Force discussed these responses and also considered whether “time on the clock” should count or whether there should be a “fresh start” when the rotation requirements become effective. For example if a key audit partner, who is now subject to rotation requirements, has been a key audit partner on the client for 10 years, could that individual remain on the client for a further five years? The Task Force concluded that “time on the clock” should count. In forming this conclusion the Task Force was mindful that the additional rotation requirements related mainly to “other” key audit partners because rotation was already required for the engagement partner and the individual responsible for the engagement quality control review. The Task Force was also of the view that a one additional year after the effective date was appropriate. Again the Task Force was mindful that new provisions will not be effective until one year after the approval date.

Entities of Significant Public Interest – The Task Force considered whether the proposed transitional provision continued to be appropriate for such entities. The Task Force considered the impact of the IESBA’s decision to change narrow the definition of public interest entity from that contained in the Exposure Draft. In light of this proposed change the Task Force is of the view that no additional transitional provision is necessary for public interest entities. If considered appropriate, the regulator in a particular jurisdiction is able to provide a transitional provision.

Material Presented

Agenda Paper 5	This Agenda Paper
Agenda Paper 5-A	Partner Rotation and Definition of Key Audit Partner
Agenda Paper 5-B	Engagement Team Definition
Agenda Paper 5-C	Restricted Use
Agenda Paper 5-D	Independence – Other Matters
Agenda Paper 5-E	Proposed revised Section 290 and 291 (clean)
Agenda Paper 5-F	Proposed Revised Section 290 and 291 (mark-up)
Agenda Paper 5-G	Detailed Cut and Paste of all Comments Received

Action Requested

1. IESBA members are asked to consider the direction of the Task Force and provide input on the proposals.

Appendix

Respondents Legend

AC	Audit Conduct (US)
ACAG	Australasian Council of Auditors General
ACCA	Association of Chartered Certified Accountants (UK)
AICPA	American Institute of Certified Public Accountants
APB	Auditing Practices Board (UK)
APESB	Accounting Professional and Ethical Standards Board – Australia
Australia	Australian Member Bodies – CPA Australia, The Institute of Chartered Accountants in Australia and National Institute of Accountants
Basel	Basel Committee on Banking Supervision
BDO	BDO
Blieden	Mervyn Blieden (US practitioner)
CACPA	California Society of Certified Public Accountants (US)
CAGNZ	Controller and Auditor General of New Zealand
CARB	Chartered Accountants Regulatory Board – Ireland
CCAB	Consultative Committee of Accountancy Bodies (UK)
CEBS	Committee of European Banking Supervisors
CGA – Alberta	Certified General Accountants – Alberta
CGA - Canada	Certified General Accountants – Canada
CICA	Canadian Institute of Chartered Accountants
CIMA	Certified Institute of Management Accountants (UK)
CMA	Society of Management Accountants of Canada
CNCC	Compagnie Nationale des Commissaires aux Comptes
CNDC	Consiglio Nazionale Dottori Commercialisti
CoCPA	Colorado Society of Certified Public Accountants (US)
Constantine	Constantine Assoices
CSOEC	Conseil Supérieur de l'Ordre des Experts-comptables
DnR	The Norwegian Institute of Public Accountants
DTT	Deloitte Touche Tohmatsu
EC	European Commission
E&Y	Ernst & Young
EFAA	European Federation of Accountants and Auditors for SMEs
FACPE	Federacion Argentina de Consejos Profesionales de Ciencias Economicas
FAP	Federation of Accounting Professionals (Thailand)
FAR	The Institute for the Accountancy Profession in Sweden
FEE	Federation des Experts Comptables Europeens
FSR	Foreningen af Statsautoriserede Revisorer (Danish Institute of State Authorized Public Accountants)
GAO	Government Accountability Office (US)
GSH	Gabel, Schnieders, Hollman & Co (US accounting firm)
GT	Grant Thornton

Hogan Hansen	Hogan Hansen (US accounting firm)
HKICPA	Hong Kong Institute of Chartered Accountants
HRH –CR	Hare, Russell & Holder – Claire Russell (US practitioner)
HRH – DH	Hare, Russell & Holder – David Holder (US practitioner)
IBR-IRE	Institut des Reviseurs d’Entreprises (Belgium)
ICAEW	Institute of Chartered Accountants of England and Wales
ICANZ	Institute of Chartered Accountants of New Zealand
ICAP	Institute of Chartered Accountants in Pakistan
ICAS	Institute of Chartered Accountants of Scotland
ICAIIndia	Institute of Chartered Accountants in India
ICJCE	Instituto de Censores Jurados de Cuentas de España
ICPAI	Institute of Certified Public Accountants in Israel
ICPAS	Institute of Public Accountants in Singapore
IDW	Institut der Wirtschaftsprüfer (Germany)
IRBA	Independent Regulatory Board for Auditors (South Africa)
IOSCO	International Organization of Securities Commissions
JICPA	Japanese Institute of Certified Public Accountants
KICPA	Korean Institute of Certified Public Accountants
KPMG	KPMG
KyCPA	Kentucky Society of Certified Public Accountants (US)
Lorenzi	David Lorenzi CPA (US practitioner)
MACPA	Massachusetts Society of Certified Public Accountants (US)
MACPA2	Massachusetts Society of Certified Public Accountants second response (US)
Maresca	Joseph S. Maresca (US)
Mazars	Mazars
MIA	Malaysian Institute of Accountants
NASBA	National Association of States Boards of Accountancy (US)
NIVRA	Nederlands Instituut Van Registeraccountants (Netherlands)
NRF	Nordic Federation of Public Accountants
OCPA	Ohio Society of Certified Public Accountants (US)
PAOC	Public Accountants Oversight Committee (Singapore)
PwC	PricewaterhouseCoopers
SAICA	South African Institute of Chartered Accountants
SCAA	Society of Chinese Accountants and Auditors
SMP/DNC	IFAC Small and Medium Practices Committee and Developing Nations Committee
Wolf	Wolf & Co (US accounting firm)
WPK	Wirtschaftsprüferkammer (German member body)