

**Draft Minutes of the Meeting of the  
International Ethics Standards Board for Accountants  
February 17-18, 2010  
New York, United States**

	<b>Members</b>	<b>Technical Advisors</b>
<i>Present:</i>	Ken Dakdduk	Lisa Snyder
	Nina Barakzai	Tony Bromell
	Robert Franchini	Sylvie Soulier
	James Gaa	Stephen Spector
	Caroline Gardner	
	Peter Hughes	
	Wui San Kwok	Andrew Pinkney
	Alice McCleary	Tiina-Liisa Sexton
	Michael Niehues	Petra Gunia
	Marisa Orbea	Liesbet Haustermans
	Volker Röhricht	Tim Volkmann
	Robert Rutherford	
	Isabelle Sapet (day 1 in part, and day 2)	Jean-Luc Doyle
	Aiko Sekine	Roman Adler
	Kate Spargo	
	Don Thomson	Kim Gibson
	Sandrine Van Bellinghen	Christine Cloquet
	Brian Walsh	

	<b>Non-Voting Observers</b>
<i>Present:</i>	Juan Maria Arteagoitia
	Koichiro Kuramochi
	Bella Rivshin <sup>1</sup>
<i>Regrets</i>	Richard Fleck

**PIOB**

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<sup>1</sup> The views expressed by Ms. Rivshin, where noted in the minutes, are her own and do not necessarily reflect the views of the PCOAB Board or PCAOB members or its staff.

*Present*            David Brown

**IFAC Technical Staff**

*Present:*        Jan Munro  
                     Jim Sylph

**Guests**

Russell Guthrie (item 5)  
Sylvie Voghel (item 6)  
Paul Thompson (item 6)  
Susan Jones (item 8)

**1. Introduction and Administrative Matters**

Mr. Dakdduk opened the meeting and welcomed participants. Mr. Dakdduk welcomed as new members to the IESBA: Dr. Gaa, Ms. Gardner, Mr. Hughes, Mr. Kwok, Ms. Orbea, Ms. Spargo, Mr. Thomson, and Mr. Walsh. He also welcomed as new Technical Advisors: Mr. Spector, Ms. Haustermans and Ms. Gibson.

Mr. Dakdduk welcomed Mr. Brown, observing the meeting on behalf of the Public Interest Oversight Board (PIOB).

Apologies were received from Ms. Sapet who would be arriving later on day 1, and from Mr. Fleck.

Mr. Dakdduk noted that the Board's membership was balanced by region and by practitioner/non-practitioner. He indicated that it was important that this balance be maintained in the Board's discussions. In this regard, he encouraged all board members to participate in the Board's debates. He also asked that Technical Advisors be judicious about the extent to which they participate in the Board's debates. He recommended that if a TA had a point he or she wished to raise with the Board, the TA should discuss the matter with his or her Board member and the two of them should then determine who should present the matter to the Board. Mr. Dakdduk noted that he would monitor the balance of input between practitioner and non-practitioner to ensure that a balance is being maintained.

*Minutes of the Previous Meeting*

The minutes of the October 2010 IESBA meeting were presented for approval and were approved as presented.

*Presentation to Japanese Institute of Certified Public Accountants*

Mr. Dakdduk reported that after the IESBA meeting in October 2009, he, Ms. Sekine, and Richard George (the IESBA's immediate past chairman) had conducted a seminar for members of the JICPA. The presentation was followed by several excellent questions from the audience in a Q&A session.

*International Organization of Securities Commissions*

Mr. Dakdduk reported that he and Ms. Munro had met in November 2009 with the IOSCO Standing Committee No 1 and the IOSCO Auditing Sub-committee. He noted the meetings had been very productive and there had been a good discussion of the matters that the IESBA should consider in moving forward.

*Planning Committee*

Mr. Dakdduk reported that the Planning Committee had met once in December 2009 to discuss changes to the draft Strategy and Work Plan. The Planning Committee will meet again immediately after the IESBA meeting.

*IESBA Consultative Advisory Group (CAG)*

Mr. Dakdduk reported that the CAG next meets on March 3, 2010 in Barcelona, Spain. The agenda will include a discussion of the draft Strategy and Work Plan 2010-2012 and the project proposal Responding to Suspected Fraud and Illegal Acts. He encouraged all Board members to observe a CAG meeting.

*National Standard Setters Meeting*

Mr. Dakdduk reported that the second IESBA – National Standard Setters meeting was scheduled for April 28, 2010 in Vienna, Austria. He noted that, in addition to a discussion of the draft Strategy and Work Plan 2010-2012, items on the agenda would include adoption and implementation activities and convergence.

*Definition of Professional Accountant*

Mr. Dakdduk reported that IFAC has constituted a Task Force with the objective to develop a common definition of the term *professional accountant* that can be used throughout IFAC and by IFAC's three independent standard-setting boards—the IESBA, the International Auditing and Assurance Standards Board, and the International Accounting Education Standards Board, collectively referred to as Public Interest Activity Committees (PIACs). The Task Force includes representatives from the PIACs and also from IFAC's other committees. Mr. Rutherford is the IESBA representative on the Task Force. The IESBA will discuss proposals from the Task Force at a future meeting.

*Public Interest*

Mr. Dakdduk reported that IFAC was developing a paper that would provide a definition of the public interest.

*Conflicts of Interest Task Force*

Mr. Dakdduk reported that a Task Force had been formed to address Conflicts of Interest, in accordance with the project proposal the IESBA had approved at its October 2009

meeting. Mr. Niehues would be chairing the Task Force and other members of the Task Force were Ms. Barakzai, Mr. Hughes, Mr. Rutherford, Ms. Soulier, and Ms. Van Bellinghen. He noted that the staff support for the project would be provided by Jason Evans, Senior Technical Manager, AICPA.

## **2. Overview of IFAC and PIOB**

Mr. Dakdduk introduced the topic and noted that the purpose of this agenda item was to provide IESBA members with an overview of IFAC and the PIOB.

Mr. Dakdduk reported that the oversight and consultation to which the IESBA was subject was the outcome of reforms that were approved by IFAC Council in 2003. The purpose of the reforms was to ensure that IFAC activities are responsive to the public interest. The reforms led to increased transparency, and greater public and regulatory input.

Mr. Dakdduk reported that the Monitoring Group provides consultation and advice. The Monitoring Group comprises the International Organization of Securities Commissions, Basel Committee on Banking Supervision, the European Commission, the International Association of Insurance Supervisors, the World Bank, and the Financial Stability Board. The Monitoring Group works closely with the PIOB and monitors the 2003 reforms.

The Consultative Advisory Group (CAG) provides advice on the IESBA's agenda, work plan, and priorities and technical advice on projects. The members of the CAG represent organizations that are interested in the development of high quality ethical standards for professional accountants. Mr. Dakdduk noted that the CAG does not provide a consensus view, rather CAG members provide individual views. The CAG Chair attends the IESBA meetings and is also a member of the IESBA Planning Committee. The CAG meets twice a year and its meetings are open to the public.

Mr. Brown provided an overview of the PIOB. He noted that the PIOB's oversight responsibility extends to the three PIACs and their respective CAGs. He noted that the PIOB also oversees the Compliance Advisory Panel, which is responsible for evaluating member body compliance with IFAC membership obligations.

Mr. Brown noted that in assessing whether the public interest is being served by its oversight, the PIOB attempts to answer three simple questions:

- Are the PIAC's processes the right processes?
- Are the right people implementing these processes?
- Are the processes being implemented properly?

The PIOB carries out its oversight responsibilities through: direct and comprehensive observation of all meetings of the PIAC's and their respective CAGs; oversight of the process for nominating PIAC members; intensive interaction with IFAC leadership; reports from and dialogue with PIAC and CAG chairs; and PIOB independent staff reviews.

Mr. Brown noted that the PIOB believes that personal observation of all PIAC and CAG meetings was important. It provides an opportunity to form a firsthand opinion on the overall level of professionalism, efficiency, transparency, inclusiveness of public interest focus of each PIAC and CAG. These opinions contribute to the formulation of the PIOB's final view on the appropriateness of each stage of the processes used to develop individual standards. Direct observation also enables timely PIOB intervention should a public interest issue arise.

The PIOB closely monitors the nominations process through direct observation of all meetings of the IFAC Nominating Committee and regular consultations with IFAC leadership on nominations issues. The PIOB also reviews and consents to the appointment of new CAG member organizations.

Mr. Brown noted that the 2003 reforms contemplated an assessment of the achievement of its objectives and the Monitoring Group is currently evaluating self assessments by the PIOB and IFAC. He noted that the PIOB has observed to the Monitoring Group that all PIACs apply vigorous and consistent processes and operating procedures designed to serve the public interest. The PIOB also believes that its independent oversight and monitoring has contributed positively to the achievement of the IFAC Reforms. The PIOB also believes that the self-assessment process provides a timely opportunity to consider changes that will better prepare all participants in the reform to meet anticipated future challenges.

Mr. Dakdduk thanked Mr. Brown for his comprehensive overview of the PIOB and its activities.

### **3. ISA 610 Using the Work of Internal Audit**

Mr. Franchini introduced the topic. He noted that the International Auditing and Assurance Standards Board (IAASB) has a project to revise ISA 610 *Using the Work Of Internal Auditors*. The objective of the project is to “revise [the clarified] ISA 610 to reflect developments in the internal audit environment and changes in practice regarding the interactions between external and internal auditors.” Given the linkage with the Code of Ethics, Mr. Franchini is serving as a correspondent member on the IAASB's Task Force.

Mr. Franchini stated that the Task Force had finalized a draft revised ISA 610, which would be discussed with the IAASB CAG and the IAASB in March. He noted that the IAASB expected to approve the revised ISA 610 for exposure at its meeting in June 2010.

#### *Ethical Principles of Internal Auditors*

Mr. Franchini reported that when discussing the ethical principles of internal auditors, the Task Force endeavored to maintain consistency with the Code. The principle of objectivity was identical but with respect to the principle of professional competence, the Task Force was mindful that internal auditors may not be members of an IFAC member

body. The Task Force, therefore, proposed to refer to “competence” as opposed to “professional competence.”

*Direct Assistance*

Mr. Franchini reported that the draft ISA will expand the scope of the existing ISA and address the provision of direct assistance to the external auditor by the internal auditor. Mr. Franchini reminded Board members that at the October 2009 IESBA meeting, the IESBA discussed the IAASB Task Force’s approach to addressing the provision of direct assistance by the internal auditor. The IESBA agreed that no change to the Code’s definition of engagement team seemed to be needed because the draft ISA referred to direct assistance on the engagement as opposed to being a member of the engagement team, therefore, the internal auditor would not be considered to be a member of the engagement team.

Mr. Franchini reported that the approach with respect to direct assistance is broadly as follows:

- If the external auditor plans to use internal auditors to provide direct assistance, require an evaluation of the level of competence and degree of objectivity of the internal auditors;
- If obtaining direct assistance from internal auditors, require the external auditor to direct, supervise and review the work, recognizing that internal auditors are not independent and therefore their work is presumed to provide less reliable evidence.

Mr. Franchini noted that the Code addresses management responsibilities and states that a firm shall not assume a management responsibility for an audit client. At the October 2009 IESBA meeting, a question was raised as to whether the guidance in the Code is consistent with the proposed revised ISA 620, which would require an external auditor, when obtaining direct assistance from internal auditors, to “direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220” and whether any clarification to the Code was necessary.

Points indicating no need for clarification:

- The Code does not state that directing and taking responsibility for the actions of an entity’s employees would always be considered a management responsibility. It states that an assessment of whether an activity is a management responsibility depends upon the circumstances and requires the exercise of judgment;
- The external auditor is responsible for the audit, and planning to use internal auditors to provide direct assistance on the engagement does not relieve the external auditor from this responsibility; and
- The external audit is the responsibility of the external auditor - provision of direct assistance by an internal auditor is therefore part of the external audit, not part of the internal auditor’s day to day responsibilities as an employee of the client, and cannot be viewed as a management responsibility.

Points indicating a need for clarification:

- The Code states that directing and taking responsibility for the actions of an entity's employees would "generally be considered a management responsibility" – without clarification, some readers of the Code might inappropriately interpret this as including situations where the external auditor is obtaining direct assistance from internal audit.

The Board concluded that no clarification to the Code was necessary and it was clear that directing and supervising internal auditors who were providing direct assistance would not be a management responsibility.

In response to question as to whether the ISA contemplates a situation where the internal audit function was outsourced, Mr. Franchini noted that this would be a factor to be considered when assessing the objectivity of the internal auditor.

Mr. Franchini noted that the ISA does provide some guidance on the degree to which the external auditor would use the work of internal audit. He noted that the draft ISA indicates that the greater the amount of judgment that needs to be exercised in designing the audit procedures and evaluating the results thereof, the greater the likelihood that the work of the internal audit function may not be adequate for the purposes of the audit. He noted that perhaps the Task Force should consider whether this should also apply to direct assistance.

It was noted that while the statement "audit procedures performed by internal auditors in connection with the external audit are presumed to provide less reliable evidence than work performed directly by the external auditor themselves" was consistent with the hierarchy of audit evidence, it might send the wrong message by implying that others could place less reliance on work performed by an internal auditor.

Mr. Dakdduk thanked Mr. Franchini for his presentation and his participation on the Task force on behalf of the IESBA.

#### **4. Independence Adoption**

Mr. Dakdduk introduced the topic. He noted that in its discussions on convergence, the IESBA has recognized that there is much work to be done on furthering the IESBA's objective of convergence. Discussions at both the National Standard Setters meeting and the October IESBA meeting suggest that some jurisdictions will maintain some existing additional requirements, for example additional restrictions on the provision of non-assurance services. He noted that the IFAC Statement of Membership Obligations provide that a member body of IFAC "should not apply less stringent standards than those stated" in the Code. Member bodies may, however, decide to maintain some existing requirements in their own codes that are more restrictive than the requirements in the IESBA's Code and those more restrictive requirements may apply not only to the auditors in the member body's jurisdiction, but also to auditors located outside that jurisdiction who audit the foreign subsidiaries of those entities.

Mr. Dakdduk noted that the APB in the UK has explicitly addressed this matter by requiring the group auditor to be satisfied that the auditors (whether a network firm or another firm) involved in the audit of the group financial statements, who are not subject to APB Ethical Standards, are objective and have complied with the Code. In those cases, the other auditors are not required to comply with the APB Ethical Standards.

Mr. Dakdduk noted that, if the Board is of the view that IESBA should have such a policy, the matter could be explored with the National Standard Setters at its meeting in April 2010.

The Board discussed the issue and the following points were noted:

- If the Board decides to explore this matter it should be clear that it is an interim step so as not to detract from the longer-term objective of convergence;
- A discussion at the next NSS meeting would be useful to explore whether other standard setters would be receptive to the approach;
- The firms that are members of the Forum of Firms are already complying with the Code;
- Such an approach might be useful not only for member bodies that establish ethical standards but also possibly for regulators;
- Some of the differences in a jurisdiction might be due to specific cultural matters relevant to that jurisdiction. If the cultural matters are not relevant outside of the jurisdiction, using the Code as a benchmark for foreign auditors might be appropriate. In this regard it might be important to understand why the differences exist.

The IESBA concluded that the matters should be discussed with the National Standard Setters. Mr. Dakdduk thanked IESBA members for their input.

## **5. Compliance Advisory Panel and Developing Nations Committee**

Mr. Guthrie, Executive Director, Quality and Member Relations, provided an overview of the activities of the Compliance Advisory Panel (CAP) and the Developing Nations Committee (DNC).

Mr. Guthrie noted that the DNC supports the development of the accountancy profession in all regions of the world by representing and addressing the interests of developing nations. An objective of the DNC is to work with standard-setting boards to ensure they are aware of, and give due consideration to, the issues relevant to the profession in developing nations. He reported that developing nations face several challenges including:

- Lack of stakeholder involvement;
- Outdated legal frameworks;
- A need to strengthen accountancy professional organizations;
- Wide-spread non-compliance with standards;
- A need to strengthen monitoring and enforcement mechanisms;



- Lack of access to translated international standards and related implementation guidance; and
- Inadequate training and curricula with poor linkage to the academic community.

He noted that one of the challenges of the DNC is that it is not a technical committee and so does not have the depth of knowledge to speak out on all technical matters. The DNC issues tools and guidance, including a document on establishing and strengthening professional accountancy organizations, technical guidelines, and mentoring guidelines.

Mr. Guthrie reported that the CAP develops and assesses compliance with the IFAC Statement of Membership Obligations. Compliance has been assessed in three phases. The first phase comprised a fact-based questionnaire to gather information on the regulatory and standard-setting framework in the member body's jurisdiction. In the second phase, the member bodies provided a self-assessment of compliance with specific requirements of the SMOs. In the third phase, member bodies developed action plans to address gaps. Mr. Guthrie noted that as of February 1, 2010, 76 action plans had been published on the IFAC website, 39 were under review by CAP, 40 were in progress but the member bodies had not yet submitted an action plan to CAP, 3 member bodies had been suspended and the IFAC Board was to consider an expulsion at its next meeting. The CAP monitors the progress that member bodies make in fulfilling their action plans.

Mr. Guthrie reported that the CAP would be undertaking a program in 2010-2012 to review the SMOs. He expected the review to clarify the SMOs and increase the consistency between the SMOs. He noted that the requirement in SMO 4 that member bodies adopt standards that are "no less stringent" than the Code would likely be considered. He stated that his personal view was that the similar statement that was contained in the Code might not be in the right place because it is the SMO that should contain the obligations of membership as opposed to the standard itself. He indicated that the CAP would welcome feedback from the IESBA as to what was intended by "no less stringent standards." In addition, the CAP may develop a new SMO addressing corporate governance matters.

Mr. Dakdduk thanked Mr. Guthrie for his presentation.

## **6. Small and Medium-Sized Practices Committee**

Ms. Voghel, Chair, Small and Medium-Sized Practices (SMP) Committee, and Mr. Thompson, Senior-Technical Manager, SMP Committee, joined the meeting to provide an overview of the activities of the SMP Committee.

Ms. Voghel noted that in many, if not most, countries small and medium-sized entities (SMEs) account for the vast majority of entities as well as the majority of private sector employment and Gross Domestic Product. IFAC and its member bodies recognize the importance of SMEs and SMPs. Respondents to the 2008 IFAC Global Leadership Survey said addressing the needs of SMEs and SMPs was the most important issue facing the profession in 2009. The provisional findings of the 2009 survey echo this. Ms. Voghel

noted that SMEs are severely affected by the recession. This has increased the already significant challenges confronting SMEs, challenges that include a slump in demand, gaining access to financing, managing costs, competing with larger entities, and meeting ever tighter and more complex regulations. In this regard SMEs need help from professional accountants. The SMP Committee sees a special role for SMPs when it comes to SME financing. For many SMEs the greatest problem is access to financing.

Ms. Voghel noted that the strategy of the SMP Committee is two-fold. Firstly, the Committee helps shape the form and content of international standards - primarily auditing & assurance, ethics, and accounting – by inputting to the standard setting process. Much of the input is in the form of technical comment letters on draft material of the standard setters. The SMP Committee is also represented on the IAASB's Consultative Advisory Group. Second, is the provision of practical support to SMPs, including guidance and web-based tools. This support is intended to help SMPs efficiently implement international standards – so they can deliver high quality, cost competitive services to their clients. The support is also intended to help SMPs manage their practices better, help them remain relevant to their clients, and ultimately, help them be profitable.

Ms. Voghel noted that while input to the IAASB has been the SMP Committee's primary focus, they have also invested much time and effort monitoring revisions to the *Code of Ethics for Professional Accountants* in particular, to the revision of Section 290 Independence. While the SMP Committee is supportive of the added clarity of the new Code, and some of the enhanced requirements, they were concerned that some of the requirements may go too far. Ms. Voghel indicated that the model by which the SMP Committee provides technical input to the IAASB could also work well to provide input to the IESBA.

In responding to a question regarding the types of challenges SMPs face regarding implementation of the Code, it was noted that the length of the document could be intimidating for SMPs, especially if English is not a first language. In this regard, it might be helpful to develop scenarios illustrating the application of the Code.

Mr. Dakdduk thanked Ms. Voghel and Mr. Thompson for their presentation and noted that he looked forward to meeting with the SMP Committee at their meeting in March 2010.

## **7. Strategic Plan**

Mr. Dakdduk introduced the topic. He noted that the IESBA had surveyed key stakeholders in the summer of 2009. The results of the survey were discussed with the CAG at its September 2009 meeting. A draft Strategic Plan was developed based on the survey comments and input from the CAG. The IESBA discussed the draft Strategy and Work Plan at its October 2010 meeting.

The more significant comments noted were as follows:

- There should be greater emphasis on convergence by importing some of the initiatives from the convergence plan into the Plan. This will provide a context for the considerable amount of effort that will be required by the Board to further the convergence objective;
- Recognition should be given to the IESBA's intention to implement an impact analysis for changes to the Code;
- The work plan should have separate work streams for adoption/implementation and convergence;
- *Ethical Guidance for Accountants in Government* was a project on the 2008-2009 plan, the draft plan should indicate why this is no longer a priority for the IESBA;
- The Plan should be more explicit that it may need to be amended if required by future events; and
- The exposure draft should contain some questions for respondents

Mr. Dakdduk indicated that the Strategy and Work Plan had been updated to reflect these comments. The CAG would discuss the document at its meeting in March 2010. If, as the result of CAG comments, further changes were made to the plan, it was planned that these changes will be approved by the IESBA during a conference call to be held in March/April.

The Board discussed the draft Strategy and Work Plan and the following points were noted:

- The Explanatory Memorandum should contain two additional questions. One question should ask respondents whether there were any specific initiatives that the IESBA should undertake to promote or assist in the adoption and implementation of the Code. The other question should ask whether there were any specific initiatives that should be undertaken in relation to the needs of professional accountants in SME and SMP environments and those in developing nations;
- The description of the convergence initiatives should be more direct and state that the IESBA will seek input on the types of improvements to the Code that standard setters and regulators believe should be made for the Code to gain acceptance and recognition in their jurisdictions; and
- The description of the convergence initiatives should also make specific reference to the IESBA's intention to develop a working document that focuses on the independence provisions that relate to public interest entities.

The IESBA approved the plan, subject to these changes and some editorial matters, and any further changes that would need to be made to respond to comments from CAG members.

## **8. IAASB Project on Reviews and Compilations**

Ms. Jones, Chair, IAASB Task Force on Reviews and Compilations, and Ms. Sapet, IESBA correspondent member of the Task Force, introduced the topic. Ms. Jones reported that the IAASB has started a project to revise ISRE 2400 and ISRE 4410 to

provide standards for assurance and related services regarding financial statements, other than audits.

#### *Review Engagements*

Ms. Jones reported that one of the issues considered by the IAASB Task Force was whether there was a need to further explore how the independence requirements of the *Code of Ethics for Professional Accountants* (Code) are applied in the context of reviews of financial statements. The IAASB Task Force received a presentation on the Code. The objective of the presentation was to explain the requirements of the revised Code to identify any areas where there was a need for further discussion with the IESBA on the independence requirements for review engagements. After discussion, the view reached by the Task Force was that, in the context of providing assurance on financial statements, the current provisions of the Code are appropriate.

#### *Compilation Engagements*

Ms. Jones reported that independence is currently not a requirement for a compilation engagement. The extant standard states:

- Independence is not required for a compilation engagement. However where the accountant is not independent, a statement to that effect would be made in the accountant's report; and
- When relevant, the report on a compilation engagement should contain a statement that the accountant is not independent of the entity.

She noted that the reporting requirement addresses the possibility that users of compiled financial information may assume the practitioner is independent because he or she is a professional accountant (even though practitioners are not required to be independent to provide compilation services). Through the disclosure requirement, users are “put on notice” if the practitioner is not independent when providing the compilation service. There is, however, no guidance in the Code about how the practitioner's independence could be maintained in a compilation engagement.

Ms. Jones reported that the IAASB discussed the matter at its December 2009 meeting and provided direction to the Task Force that the revised standard should require “the practitioner to state in the report that the practitioner is not required to be independent in the context required in an assurance engagement, to undertake a compilation engagement,” or similar wording intended to convey this message to users of the compiled financial information.

The IAASB Task Force has considered the direction provided by the IAASB and the implications on the proposed reporting requirement in relation to practitioners' independence for purposes of compilation engagements. The Task Force recognizes that users may have a valid interest in understanding anything that might pose a risk to the practitioner's ability to be objective for the purpose of the compilation. The Task Force proposes, therefore, to recommend to the IAASB that this be addressed through a requirement for the practitioner to disclose, in the report, the existence of any significant

interests or relationships that the practitioner believes are of interest to the intended users of the compiled financial information.

The IESBA discussed the issue and the following points were noted:

- Many issuers of the reports will not be familiar with all of the details of the standard and may not know the difference between reports that provide assurance and those that do not. It is therefore, important that the report clearly explain the level of service provided;
- There seemed to be an inconsistency with the statement that independence was not required and a requirement to disclose when the practitioner was not independent;
- A continuing reference to independence may increase the expectations gap because people will be thinking of independence as it relates to assurance engagements;
- If a practitioner is required to disclose any significant interests or relationships he or she believes are of interest to the intended users of the financial statements, the practitioner would need guidance as to the types of interests and relationships that would be disclosed; and
- It might be useful to describe what a compilation engagement is as opposed to what it is not. In this regard it might be more useful to include a statement that the practitioner has complied with the Code.

In light of the discussion on the proposed direction of the Task Force, the IESBA felt that it was premature to discuss whether the Code should be clarified to specifically address compilation engagements.

Ms. Jones thanked the IESBA members for their input and indicated that it would be carefully considered by the Task Force at its meeting later that week.

Mr. Dakdduk thanked Ms. Jones and Ms. Sapet for the presentation.

## **9. Convergence**

Mr. Dakdduk introduced the topic. He noted that the Planning Committee had discussed how the IESBA could obtain input on the types of improvements to the Code that standard setters and regulators believe should be made for the Code to gain acceptance and recognition in their jurisdictions. He noted that the Planning Committee had considered the length of the Code and wondered whether it prevented readers from easily seeing the strength and rigor of the provisions. The Planning Committee had, therefore, discussed whether it would be useful to prepare a document that focuses on the independence requirements for the audits of public interest entities as a first step. The Planning Committee was of the view that such a document might be useful to facilitate a discussion with standard setters and regulators.

The IESBA discussed the suggestion and the following points were noted:

- A significant part of the Code provides context for the conceptual framework and it would be important that this is not lost;

- Preparing the stand-alone document might give the Board some insight on a future restructuring of the Code;
- Some regulators might feel that the Code is not as robust as it could be because the requirement that firms and member bodies should apply “no less stringent standards” gives the impression that the requirements of the Code are meant to be a minimum;
- Having prepared the document, it would be useful to then bench-mark the provisions against other jurisdictions. In this regard it would be useful to communicate with IOSCO;
- The document would have to include not only the provisions that are specific to public interest entities but also the general provisions that apply to all entities; and
- It would be important to position the document so that people did not think that it was a substitute for the full Code.

The IESBA agreed that such a document should be prepared and also agreed that it should be mentioned in the Strategy and Work Plan.

#### **10. Comments from the Public Interest Oversight Board**

Mr. Dakdduk invited Mr. Brown to make some final comments.

Mr. Brown indicated that he had enjoyed observing the meeting and had witnessed a very high degree of participation by all members, including new members. He was pleased that the participation had come from such a high cross-section of members.

Mr. Brown concluded by stating that he felt the public interest had been well served by the activities of the IESBA at its meeting.

#### **10. Future Meeting Dates**

June 24-25, 2010 (Paris, France)  
November 2-3, 2010 (*TBC*) – *Revised Date*