

THOSE CHARGED WITH GOVERNANCE DRAFT IESBA PROJECT PROPOSAL

I. Subject

1. This project will reconsider the definition of those charged with governance contained in the Code.

II. Background

2. The Code defines those charged with governance as.
“The persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process.”
3. A respondent to the IESBA exposure draft addressing a Breach of a Requirement of the Code noted that the Code definition is not consistent with the definition contained in International Standard on Auditing 260 Communication with those Charged with Governance (ISA 260).
4. The IESBA has considered ISA 260 and has concluded that the communications required under the Code should be made to the same group of people as considered by ISA 260, The IESBA has concluded that a project should be undertaken to avoid any perception that the Code and the ISAs are in conflict.

III. Project Objective and How It Serves the Public Interest

A. Project Objective

5. The objective of the project is to align the definition of those charged with governance to the definition contained in ISA 260.

B. How the Project Objective Serves the Public Interest

6. Aligning the definition of those charged with governance serves the public interest because it avoids any perception that the Code and the ISAs are in conflict.

IV. Outline of the Project

A. Project Scope

7. The scope of this project is to align the definition of those charged with governance in the Code with ISA 260.

B. Major Problems and Key Issues that Will Be Addressed

8. The Board will consider the following matters:
 - How to align the Code definition to ISA 260, paying particular attention to:
 - The definition of those charged with governance contained in paragraph 10;
 - The requirements addressing the definition in paragraphs 11-13; and

- The related application material contained in paragraphs A1-A8

V. Implications for Any Specific Persons or Groups

9. The project has particular implications for the following:
- (a) Professional accountants in public practice; and
 - (b) National standard setters.

VI. Development Process, Public Consultation, Project Timetable and Project Output

10. The project will follow due process for the development of a pronouncement.
11. Specific consideration will be given to the need to hold focus groups or roundtables to ensure relevant feedback is obtained as necessary.

A. Project Timetable

Project Stage	Timing
Approval of project proposal by IESBA	Q2 2012
Exposure draft approval	Q2 2012
Review exposure draft comments and approve final standard	Q4 2012

B. Project Outputs

12. Revisions to the definition of those charged with governance in the Code.

VII. Impact Analysis

13. The Board will assess the cost associated with aligning the definition with ISA 260. The Board also will assess the primary benefits of such provisions, which it believes includes providing clarity that the Code is not intending to provide a different definition from the ISAs.

VIII. Resources Required

14. A project task force of 4 individuals, including a member of the IESBA as chair.
15. IESBA technical staff will provide staff support to the task force.

IX. Relevant Sources of Information that Address the Matter Being Proposed

16. Relevant sources of information include the following:
- International Standards on Auditing 260 Communication with Those Charged with Governance paragraphs 10-13 and A1-A8

APPENDIX A

COMMENTS BY TECHNICAL MANAGERS

Technical Manager from each technical area to be consulted on the Project:

Technical Manager to the IAASB

IAASB staff supports the objective and scope of this project. For noting, IAASB has a current initiative to gather information about the implementation experiences with the Clarified ISAs, including ISA 260 amongst others. Feedback therefrom is expected to inform IAASB's further standards-setting activities in the post 2014 strategic cycle. The IAASB also has a current project on Auditor Reporting. This may have implications to ISA 260 regarding matters to be communicated. At this stage neither of these initiatives are anticipated to effect the definition and requirements in ISA 260 that are referred to in the project proposal.

Signed James Gunn

Date June 8, 2012

Technical Manager to the PAODC

Signed Gabriella Kusz

Date May 31, 2012

Technical to the IAESB

Signed David McPeak

Date June 8, 2012

Technical Manager to the PAIB Committee

Signed Stathis Gould

Date June 5, 2012

Technical Manager to the IPSASB

Signed Stephenie Fox

Date June 4, 2012

Technical Manager to the SMP Committee

Signed Paul Harrison

Date June 8, 2012

Technical Manager to the Transnational Auditors Committee

Signed Barry Naik

Date June 8, 2012