



International
Ethics Standards
Board for Accountants

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Meeting Location: IFAC Offices, New York, USA

Meeting Date: June 18-20, 2012

Those Charged with Governance

Objective of Agenda Item

1. To approve a project proposal to clarify the definition of those charged with governance.
2. To approve an exposure draft clarifying the definition of those charged with governance.

Background

At its February 2012 meeting, the IESBA discussed responses to the Breaches exposure draft. A respondent noted that the Code definition is not consistent with the definition contained in ISA 260 Communicating with Those Charged with Governance (ISA 260). The IESBA considered ISA 260 and concluded that the communications required under the Code should be to the same group of people as the communications under ISA 260. The IESBA, therefore, agreed that a project should be undertaken to align the Code definition of those charged with governance with the definition contained in the ISAs. Given the limited scope of the project, the members of the Breaches Task Force¹ agreed to undertake this project.

The Task Force has considered ISA 260 and has developed language to conform the Code to the ISA.

Discussion

Project Proposal

IESBA due process requires a project proposal be prepared for each project it undertakes. This project proposal is circulated to the technical staff of the standard setting boards and committees of IFAC for sign-off and comment. The project proposal is contained in Agenda Paper 5-A.

Action Requested

IESBA members are asked to approve the project proposal.

¹ Kate Spargo (chair), Wui San Kwok, Alice McCleary and Marisa Orbea

Proposed Wording

ISA 260 deals with the auditor's responsibility to communicate with those charged with governance. It addresses matters to be communicated and provides guidance on who should receive the communication. The Task Force has reviewed the ISAs definition and description of who should received the communication and proposes the changes presented in Agenda Paper 5-B.

Definition – The proposed changes align the definition to that contained in ISA 260.10(a)

Section 290 – The proposed new paragraph is modeled on ISA 260.11 and 12

Other Changes – It is proposed that each time the Code refers to communication to those charged with governance, this is changed to “those charged with governance, or a subgroup thereof”.

The Task Force is of the view that these proposed changes appropriately align the Code to the ISAs.

Exposure Draft

IESBA members are asked to approve the proposed changes for release as an exposure draft. Due process requires the IESBA to expose changes for a period of no less than 90 days. The Task Force is of the view that the standard period of exposure is appropriate. An affirmative vote of two-third of IESBA members (twelve) is necessary to approve an exposure draft.

Each exposure draft is accompanied by an explanatory memo. The IESBA does not vote on this memo but it is provided to Board members for comment and input. This document, which will include the impact analysis, will be circulated to Board members for their comment before the exposure draft is released.

Effective Date - The Task Force has considered the effective date. The Task Force is of the view that the proposals do not call for any changes in systems. The Task Force, therefore, recommends a relatively short transition period and proposes the revisions become effective approximately one year after approval of the final standard.

Material Presented

Agenda Paper 5	This Agenda Paper
Agenda Paper 5-A	Project Proposal
Agenda Paper 5-B	Proposed Changes to Code
Agenda Paper 5-C	ISA 260 Communication with Those Charged with Governance

Action Requested

1. IESBA members are asked to approve the document for exposure.