

**Draft Minutes of the Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
December 10-12, 2012
New York, USA**

Voting Members

Present: Jörgen Holmquist (Chair)
Helene Agélii
Brian Caswell
Robert Franchini
James Gaa
Caroline Gardner
Gary Hannaford
Peter Hughes
Felicitas Therero Irungu
Chishala Kateka
Wui San Kwok
Alice McCleary
Marisa Orbea
Isabelle Sapet
Kate Spargo
Don Thomson

Technical Advisors

Tony Bromell (Ms. Gardiner)
Elbano de Nuccio (Mr. Marchese)
Kim Gibson (Mr. Thomson)
Liesbet Haustermans (Ms. Orbea)
Tone Maren Sakshaug (Ms. Agélii)
Andrew Pinkney (Mr. Kwok)
Sylvie Soulier (Mr. Franchini)
Lisa Snyder (Mr. Caswell)
Eva Tsahuridu (Ms. McCleary)
Patrick Wanjelani (Ms. Kateka)

Apologies: Stefano Marchese
Brian Walsh (Deputy Chair)

Jean Luc-Doyle (Ms. Sapet)

Non-Voting Observers

Present: Richard Fleck (IESBA Consultative Advisory Group (CAG) Chair) (December 11-12 only),
and Seiya Fukushima

Apology: Juan Maria Arteagoitia

Public Interest Oversight Board (PIOB) Observer

Present: Chandu Bhawe

IESBA Technical Staff

Present: Jim Sylph (Executive Director), Ken Siong (Acting Deputy Director), Chris Jackson and
Karlene Mulraine

1. Opening Remarks and Minutes

WELCOME AND INTRODUCTIONS

Mr. Holmquist welcomed the participants and public observers to the meeting. He welcomed, in particular, Mr. Bhave, observing on behalf of the PIOB, and Mr. Caswell, attending his first physical meeting as the new IESBA member replacing Mr. Dakdduk. Apologies were received from Messrs. Marchese, Walsh, Arteagoitia and Doyle.

MEMBER ROTATIONS, APPOINTMENTS AND RE-APPOINTMENTS

Mr. Holmquist noted that Mr. Walsh had not sought re-appointment to the Board and that Ms. Irungu would be leaving the Board at the end of the year.

Mr. Holmquist also noted the appointment of Messrs. Caswell and Reyaz Mihular and Ms. Claire Ighodaro to the Board in 2013. In addition, he congratulated Mss. Gardner, Orbea and Spargo, and Messrs. Gaa, Hughes, Kwok and Thomson on their re-appointment to the Board, and Ms. Sapet on her appointment as Deputy Chair for 2013.

MEETING AGENDA

Mr. Holmquist noted that he would not be seeking a vote on the Definition of Engagement Team agenda item at this meeting pending consultation with the IESBA Consultative Advisory Group (CAG) in January 2013 regarding significant comments received from respondents on the exposure draft of the proposed amended engagement team definition. Accordingly, a Board teleconference would be planned for late January 2013 for purposes of the vote on the final definition, which would then enable the International Auditing and Assurance Standards Board (IAASB) to formally vote on the final direct assistance provisions in the proposed revised ISA 610¹ at its February 2013 meeting.

In connection with the Long Association and Non-Assurance Services agenda items, Mr. Holmquist noted that he had invited Mss. Orbea and Gardner, respectively, to chair the project Task Forces, subject to the IESBA's approval of the project proposals at this meeting. They had both accepted.

PLANNING COMMITTEE UPDATE

Mr. Holmquist reported that the Planning Committee had met in September, October and November 2012. The Planning Committee had considered, and provided advice on, a number of topics on the Board's current work plan and other matters, including: reformatting of the Code, review of Part C, draft project proposals on topics of long association and non-assurance services, planning for the 2014-16 strategy and work plan, consideration of the Board's internal processes and working practices, and approach to stakeholder outreach.

RECENT DEVELOPMENTS

Mr. Holmquist highlighted that the Staff Questions and Answers (Q&A) publication, *Implementing the Code of Ethics (Part II)*, was issued on November 7, 2012. He also noted that IFAC had released in early December 2012 its revised Statements of Membership Obligation (SMOs). These include the revised SMO 4, which sets out requirements for IFAC Member Bodies with respect to the Code.

¹ Proposed ISA 610 (Revised), *Using the Work of Internal Auditors*

RECENT PRESENTATIONS AND OUTREACH

Mr. Holmquist provided a brief report-back on recent outreach activities that he and other IESBA representatives had undertaken. He highlighted in particular meetings with the leaderships of audit oversight bodies and other regulators, including the International Forum of Independent Audit Regulators (IFIAR), the International Organization of Securities Commissions (IOSCO) and the U.S. Public Company Accounting Oversight Board (PCAOB).

OTHER MATTERS

Mr. Holmquist noted that this would be the last meeting for Ms. Stephenie Luciani, who has supported the Board in an administrative capacity for several years and would be pursuing her travel interests. He thanked her for her significant contributions in support of the Board's work. Mr. Holmquist also noted that the Board would have an opportunity to bid farewell to Ms. Jan Munro, the former Deputy Director, at the social event later in the week.

Finally, Mr. Holmquist welcomed Ms. Mulraine as a new Technical Manager on the staff.

MINUTES OF THE PREVIOUS MEETING

The minutes of the October 2012 IESBA teleconference meeting were approved as amended.

2. Breach of a Requirement of the Code

Ms. Spargo introduced the topic, summarizing changes to Sections 290² and 291³ agreed at the October 2012 IESBA teleconference and outlining the Task Force's proposed further changes in response to the Board's comments arising from that teleconference. She also noted that the Task Force had ~~had been~~ a number of interactions with representatives of IOSCO throughout the process of evolving the final proposals in response to comments on exposure, the most recent one being a teleconference with IOSCO representatives at the end of the week preceding this IESBA meeting (IOSCO teleconference).

Except as outlined below, the IESBA agreed the recommendations of the Task Force as set out in the meeting papers.

FURTHER CHANGES TO SECTIONS 290 AND 291

Ms. Spargo highlighted a comment arising from the IOSCO teleconference regarding paragraph 291.35, namely that with the proposed change with respect to the timing of the discussion of the breach and related action with those charged with governance, the communication requirement now appeared to lack a sense of timeliness. Ms. Spargo noted that the Task Force agreed that it had gone too far the other way in responding to a comment from the October 2012 Board teleconference with respect to the timing of the communication. The Task Force therefore accepted that it would be appropriate to recognize an element of timeliness in the provision. The IESBA concurred and asked the Task Force to amend the proposed wording accordingly.

² Section 290, *Independence – Audit and Review Engagements*

³ Section 291, *Independence – Other Assurance Engagements*

Except for the above and a few editorial refinements, the IESBA agreed to the further changes proposed by the Task Force to Sections 290 and 291 in response to the comments arising from the October 2012 IESBA teleconference.

An IESBA member wondered how the concept of timeliness of communication of a breach would work in a network context. It was noted that it would be difficult to be prescriptive in this regard as circumstances will vary widely. Accordingly, it would be important to exercise appropriate judgment in the circumstances.

IOSCO TELECONFERENCE

Ms. Spargo briefed the Board on the outcome of the IOSCO teleconference, highlighting in particular three specific concerns raised by the IOSCO representatives. Firstly, given the important role those charged with governance play in the proposals, there was a concern that they might not be as effective in some jurisdictions as in others. Ms. Spargo reported that the Task Force's response to the representatives had been that the Board cannot set standards on the basis of a perceived inadequacy in the quality or effectiveness of those charged with governance, a matter over which the Board has no control. Rather, the Board must start on a presumption that corporate governance systems adequately fulfill their roles. Further, if national regulators wished to amend corporate governance rules, it would be within their remit to do so. The Task Force therefore did not believe that changes to the document would be necessary in this regard. Ms. Spargo noted that the IOSCO representatives had accepted the Task Force's views and rationale regarding this matter.

Ms. Spargo also highlighted the IOSCO representatives' second concern regarding the adequacy of guidance to enable the firm to evaluate the significance of a breach. She reported that the Task Force's response to the representatives had been that extensive guidance had already been provided in the exposure draft in terms of various factors to support such evaluation. She also indicated that the Task Force had discussed at length with the representatives during the IOSCO teleconference the extent of prescription that could be provided. The Task Force had conveyed its belief that the degree of significance of the breach would necessarily be a matter of professional judgment in the circumstances. The representatives had understood the practical challenges in attempting to prescribe bright lines such as specific monetary thresholds, especially when qualitative factors may be equally relevant. In addition, the Task Force had pointed out that an important check and balance that often tends to be insufficiently weighted is the involvement of those charged with governance in the process. The Task Force had observed to the representatives that indeed, in many jurisdictions, those charged with governance bear onerous oversight responsibilities from both regulatory and market perspectives. Accordingly, the Task Force had concluded that no further changes should be made.

An IESBA member noted that in the U.S., there has long been an ethics standard in this area and the view has been that it is not practicable to evaluate significance on the basis of predefined formulae. Instead, it will be a matter of judgment in the circumstances.

Finally, Ms. Spargo reported a concern from the IOSCO representatives that the proposals did not appear to indicate that even when the consequences of a breach are highly significant, resignation would be necessary. She indicated that the Task Force had explained to the representatives that whether resignation would be necessary would depend on an evaluation of both the significance of the breach and whether action can be taken to satisfactorily address the consequences of the breach. It had also been noted to the representatives that terminating the audit may not necessarily be in investors' best interests in all circumstances. Rather, in some circumstances, appropriate action might be capable of being taken

to address the consequences of the breach which could therefore legitimately enable the audit to continue to completion.

With respect to the proposed requirement in paragraph 290.43 that the firm determine whether appropriate action can be taken to satisfactorily address the consequences of a breach, Ms. Spargo highlighted a comment from the IOSCO representatives that from the perspective of independence in fact and in appearance, it should not only be whether action *can* be taken but also whether such action would be *appropriate* in the circumstances. She reported that the Task Force had on further reflection agreed that it would be appropriate to recognize the point and, therefore, the Task Force would be proposing an amendment to this requirement.

Ms. Spargo concluded that the IOSCO representatives had accepted that it is the IESBA's prerogative to promulgate standards and guidance and to do so in a way that the IESBA believes is appropriate, in consultation with IOSCO. They had also acknowledged that such consultation does not represent a process of negotiation between IESBA and IOSCO. In the context of this project, they recognized that while the Board had not accepted all their comments, it had given all of them careful and serious consideration.

The IESBA agreed with the Task Force's views and the proposed further amendment to paragraph 290.43 noted above.

Mr. Fukushima explained that IOSCO representatives' concern was that the proposals might not be implemented consistently, particularly with respect to determining when the consequences of a breach are so significant that resignation would be necessary. He noted IOSCO's view that rules should be enforceable, hence its concern that guidance should make it clear when the significance of a breach would be such that resignation would be required. He also reiterated IOSCO representatives' concern regarding the variability in the quality of those charged with governance around the world and therefore the potential for inconsistency in their responses in the context of breaches of requirements of the Code.

CONSIDERATION OF THE NEED FOR FURTHER CONSULTATION

The IESBA considered and concluded that, other than the survey of audit committee members and directors that the Task Force had undertaken as part of this project, there was no need to further consult on the proposed standard through, for example, the issuance of a consultation paper, the holding of a public forum or roundtable, or the conduct of a field test of the proposed standard.

CONSIDERATION OF FURTHER ISSUES

The IESBA considered and concluded that there were no further issues raised by respondents, in addition to those summarized by the Task Force, which should have been discussed by the Board. Ms. Spargo confirmed that all significant matters identified by the Task Force as a result of its deliberations since the beginning of this project, and the Task Force's considerations thereon, had been brought to the IESBA's attention.

APPROVAL

After agreeing all necessary changes to the document, the IESBA approved the proposed changes to the Code as a final standard with 16 affirmative votes out of the 16 IESBA members present.

The IESBA assessed whether there was a need to re-expose the standard. The IESBA agreed that the changes made to the exposure draft were in response to the comments received from respondents and

did not fundamentally change the principles in the exposure draft or represent other changes of substance. The IESBA therefore determined that re-exposure was not necessary. Mr. Siong advised the IESBA that it had adhered to its stated due process in finalizing the standard.

The IESBA set the effective date for the changes to the Code to be approximately one year after the release of the final pronouncement.

3. Conflicts of Interest

Mr. Hughes introduced the topic, recapitulating the background to, and objectives of, the project, and the key Board decisions to date. He reported that at its September 2012 meeting, the CAG had expressed support for the proposed changes to the Code. Nevertheless, the CAG had advised, amongst other matters, on the need for further clarification regarding the connection between the concepts of a conflict of interest and independence, greater clarity on the need for disclosure and consent, and strengthening the need for documentation of consent.

Except as outlined below, the IESBA agreed the recommendations of the Task Force as set out in the meeting papers.

OBJECTIVITY AND INDEPENDENCE

Section 220⁴ addresses threats to objectivity and Sections 290⁵ and 291⁶ address threats to independence. Objectivity and independence are closely related and in some respects they are linked. Independence can be interpreted as a rules-based proxy for the fundamental principle of objectivity, which is a state of mind. There is therefore a linkage. Accordingly, some CAG representatives had proposed that a connection be made between conflicts of interest in Section 220 and independence in Sections 290 and 291 because a professional service that creates a conflict of interest may be an audit or assurance engagement. The Task Force's view was that a conflict of interest is a threat to objectivity and not a threat to independence. However, although rare, independence-related conflicts of interest could occur. The Task Force therefore proposed that the following cross reference be added to paragraph 220.1 to address the matter:

"When the professional service is an assurance service the professional accountant in public practice shall also comply with the independence requirements of Sections 290 and 291 as appropriate."

The Task Force was of the view that a cross reference would suffice for those professional accountants to whom the matter would apply as Section 220 and Sections 290/291 are not directly comparable. Section 220 deals with threats to objectivity for all professional accountants, whereas Sections 290 and 291 only deal with threats to independence for professional accountants in public practice working on audit or other assurance engagements.

The Code does not explicitly differentiate between objectivity, which is a fundamental principle, and independence which is the subject of Sections 290 and 291. It was noted that the difference could be perceived as a philosophical matter or as a complex technical point. It was also noted that some stakeholders have interpreted a conflict of interest and independence as having the same meaning. In

⁴ Section 220, *Conflicts of Interest*

⁵ Section 290, *Independence – Audit and Review Engagements*

⁶ Section 291, *Independence – Other Assurance Engagements*

addition, students were reported to find the difference confusing, and it was suggested that users of the Code may also have difficulty with this matter.

The IESBA was of the view that the difference is an important topic that could be better addressed as a separate project because the difference between independence and objectivity is broader than its relationship to conflicts of interest. However, for greater clarity, the IESBA asked the Task Force to amend the cross reference proposed in paragraph 220.1 using wording from paragraph 291.3, i.e., “compliance with the fundamental principle of objectivity also requires being independent of assurance clients.”

“REASON TO BELIEVE” TEST

In response to comments from respondents to the exposure draft (ED) and from the CAG, the Task Force proposed strengthening the “reason to believe” test by adding “having made enquiries as appropriate”. IESBA members noted that the proposed wording the Task Force had added to paragraph 220.7 regarding making inquiries suggested that a trawl across the network would be necessary. As this was not what was intended, the IESBA asked the Task Force to replace the reference to making inquiries with a reference to “reasonable steps.” Doing so would link the test to the preceding paragraphs which use the concept of “reasonable steps” in the conflict identification process.

In addition, the IESBA agreed to split paragraph 220.7 into two separate paragraphs, with the first one addressing conflict identification for the firm and the second one addressing conflict identification if the firm is a member of a network. This second paragraph would then deal with the “reason to believe” test for network firms. This increased the prominence of the “reason to believe” test.

Mr. Hughes noted a suggestion at the CAG regarding the need for processes and systems for conflict identification in networks. He highlighted the Task Force’s view that this would be excessive, in particular for small and medium practices.

DISCLOSURE, CONSENT AND SAFEGUARDS

The Task Force proposed changes to clarify disclosure and consent in response to comments from respondents to the ED, the June 2012 Board discussion and the September 2012 CAG discussion. Consent was included as an example of a safeguard in the ED. A regulator had expressed the view in its response that consent is not a safeguard because treating consent as such would allow a professional accountant to rely solely on that consent where no other safeguards are available. To address the comment, the Task Force proposed to deal with safeguards and consent in separate paragraphs.

An IESBA member noted that a consequence of this change would be to prevent a professional accountant from acting where there may be a conflict of interest, even if a sophisticated client were to provide consent. As an example, it was noted that in some circumstances, such as where an expert in a narrow field is involved, it may not be possible to avoid a conflict of interest. Where the professional accountant relies on the consent of one or more informed clients, it was argued that it would be important to ensure that the client understands the risks and for the professional accountant to consider any specific conditions imposed by the client.

The IESBA determined that if the professional accountant were to rely solely on consent, it would be necessary for the professional accountant to have concluded that the threat is at an acceptable level. The IESBA therefore asked the Task Force to amend paragraphs 220.5 and 220.10 to allow for the possibility

of an informed client providing consent to a professional accountant where no other safeguards are available provided that the threat is already at an acceptable level.

DOCUMENTATION OF DISCLOSURE AND CONSENT

Some respondents and CAG representatives had proposed that documentation of disclosure and consent should be required. The Board supported the Task Force's view that mandating such disclosure was a matter for firms' procedures and not for a code of ethics. It was noted that the requirement for documentation in the Breaches project was a different situation, as written communication was required in those circumstances.

CONSIDERATION OF THE NEED FOR FURTHER CONSULTATION

The IESBA considered and concluded that there was no need to further consult on the proposed standard through, for example, the issuance of a consultation paper, the holding of a public forum or roundtable, or the conduct of a field test of the proposed standard.

CONSIDERATION OF FURTHER ISSUES

The IESBA considered and concluded that there were no further issues raised by respondents, in addition to those summarized by the Task Force, which should have been discussed by the Board. Mr. Hughes confirmed that all significant matters identified by the Task Force as a result of its deliberations since the beginning of this project, and the Task Force's considerations thereon, had been brought to the IESBA's attention.

APPROVAL

After agreeing all necessary changes to the document, the IESBA approved the proposed changes to Code as a final standard with 16 affirmative votes out of the 16 IESBA members present.

Mr. Fukushima noted that he had no comment to make on the matter of public interest, which IOSCO had raised in its response to the ED, as the matter was covered under Agenda Item 9.

The IESBA assessed whether there was a need to re-expose the standard. The IESBA agreed that the changes made to the ED were in response to the comments received from respondents and did not fundamentally change the principles in the ED or represent other changes of substance. The IESBA therefore determined that re-exposure was not necessary. Mr. Siong advised the IESBA that it had adhered to its stated due process in finalizing the standard.

The IESBA set the effective date for the proposed changes to be 18 months after approval of the final standard, as proposed in the ED. The IESBA confirmed that earlier adoption would be permitted.

4. **Definition of Engagement Team**

Mr. Holmquist welcomed Ms. Diana Hillier, Chair of the ISA 610⁷ Task Force, to the meeting.

Mr. Franchini introduced the topic, providing background to the material presented. He also provided an overview of the activities conducted jointly by the IESBA and IAASB Task Forces in considering and responding to significant comments received on the exposure draft (ED), *Proposed Change to the*

⁷ ISA 610, *Using the Work of Internal Auditors*

Definition of “Engagement Team” in the context of the provisions of the proposed ISA 610 (Revised) addressing the use of internal auditors to provide direct assistance on the external audit. As reflected in the agenda papers for the IESBA’s consideration, amongst other matters, Mr. Franchini reported that the leaderships of the two Task Forces had held two teleconferences with the International Organization of Securities Commissions (IOSCO) in November 2012 to obtain a further understanding of the concerns noted in its comment letter. He also reported that IESBA and IAASB representatives had participated in the meeting of the European Audit Inspections Group (EAIG) in November 2012 at which the topics of the definition of engagement team and direct assistance were discussed.

Mr. Franchini noted that the IAASB would be considering significant comments raised by respondents to the engagement team ED at its meeting this week, and that arrangements had been put in place for him to observe the IAASB’s discussions and to update it on the IESBA’s discussions. Similar arrangements had been put in place for Ms. Hillier to do the same with respect to the IESBA discussions.

Except as outlined below, the IESBA agreed the recommendations of the Task Force as set out in the meeting papers.

SIGNIFICANT ED COMMENTS

Mr. Franchini briefed the IESBA on the significant comments received on the ED and the Task Force’s proposed further amendments to the definition in response to the significant ED comments.

As input to the IESBA’s consideration, Ms. Hillier provided an update on the IAASB’s discussions on the proposed limited changes to the direct assistance material in the proposed revised ISA 610 in response to comments pertaining to direct assistance from respondents to the engagement team ED. She circulated a proposed revised draft of ISA 610 which reflected the IAASB’s deliberations to date, and noted that the IAASB had been updated on the progress of the IESBA’s discussions.

An IESBA member expressed the view that as internal auditors are employees of the entity, it is difficult to reconcile the concept of direct assistance with the fact that the engagement team is required to be independent of the audit client. Most IESBA members, however, recognized that direct assistance is accepted in practice in many jurisdictions. Accordingly, the proposed change to the definition was intended to accommodate the use of such assistance where it is not prohibited by law or regulation.

With respect to the Task Force’s proposed further changes to the definition, some IESBA members noted that referring to the exclusion of internal auditors providing direct assistance as applying only where such direct assistance is not prohibited by law or regulation could suggest that an outright prohibition would be needed for the definition not to apply. The IESBA agreed that the definition should be clarified in this respect to indicate that the use of direct assistance is restricted to situations where it is permitted. The proposed revised definition is as follows:

Engagement team—All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm.

The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), *Using the Work of Internal Auditors*. (Footnote)

Footnote: ISA 610 (Revised 2013) establishes limits on the use of direct assistance. It also acknowledges that the external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. Therefore, the use of direct assistance is restricted to situations where it is permitted.

The IESBA agreed to align the effective date of the revised definition with that of the proposed revised ISA 610 incorporating the direct assistance material. As such, the proposed revised definition would become effective for audits of financial statements for periods ending on or after December 15, 2014.

After agreeing changes to the proposed revised definition, 16 of the 16 IESBA members present indicated informally that they would anticipate being in a position to vote in favor of the revised definition, subject to consultation with the CAG in January 2013 regarding the significant comments on the ED.

WAY FORWARD

The IESBA deferred voting on the final revised definition to soon after the consultation with the CAG.

5. **Review of Part C**

Mr. Gaa introduced the topic, recapitulating the background to, and objectives of, the review, and the Board discussions to date. He noted that at its September 2012 meeting, the CAG had expressed support for the initiative.

Except as noted below, the IESBA agreed with the recommendations of the Working Group as set out in the agenda material.

GUIDANCE RELEVANT TO PROFESSIONAL ACCOUNTANTS IN THE PUBLIC SECTOR

The working group had included coverage of the public sector in its survey through liaison with the Chartered Institute of Public Finance and Accountancy (CIPFA) in the UK. It was, however, suggested that the Working Group also consider including liaison with other public sector-focused organizations such as the International Public Sector Accounting Standards Board (IPSASB) and the International Organization of Supreme Audit Institutions (INTOSAI) to explore whether there are public sector issues that should be prioritized in this initiative. In this regard, it was noted that two issues to consider are the application of accounting standards to government financial reporting from the perspective of greater accountability and transparency, and the fact that performance reporting is as important in the public sector as financial reporting.

INDEPENDENCE REQUIREMENTS FOR INTERNAL AUDITORS

The working group reported its view that independence for internal auditors was a low priority issue and therefore should not be included in the scope of the initiative. An IESBA member suggested that this issue should be a higher priority one, and not only with respect to internal auditors but also with respect to other professional accountants who provide assurance services while not independent of the entity. It was, however, noted that internal auditors generally do not issue assurance reports and the issue has more to do with objectivity than independence.

IESBA members also commented as follows:

- Consideration should be given to how professional accountants in business (PAIBs) who are members of the Institute of Internal Auditors (IIA) should respond if conflicts arise between the IIA's code of ethics and the IESBA Code. Liaison with the IIA may therefore be necessary in this regard.

- Some regulators may require internal auditors to be independent or their services to be outsourced to respond to concerns regarding independence, such as in the context of banks and financial institutions, and school districts in the U.S.
- The governance structure of the internal audit function within an entity can influence its independence.

OTHER MATTERS

IESBA members also commented on various other matters, including the following:

- PAIBs should encourage their employers to have a corporate code of conduct.
- It is important to consider the application of the Code in different cultures. For example, some jurisdictions have a large number of family-owned businesses and in that context some of the safeguards in the Code may be more difficult to apply.
- Consideration should be given to the extent of understanding, awareness and enforcement of Part C by PAIBs. It was, however, noted that enforcement is more a matter for member bodies to address and that Part C may be viewed as embodying more of a set of principles than a set of rules that can be enforced.
- Although the financial reporting supply chain starts with PAIBs and many chief financial officers are not professional accountants, regulators tend to focus more on auditors. Accordingly, consideration should be given to reaching out to the Monitoring Group and regulators to discuss how this imbalance might be addressed.
- Consideration should be given to exploring more the non-financial aspects of ethical issues for PAIBs, as many PAIBs may not be carrying out much work with respect to financial reporting.
- The Code is focused on the PAIB as an individual. Consideration should be given to their roles as part of an organizational structure and when working within multi-disciplinary groups.
- Any professional accountant providing voluntary services may be acting as a PAIB.
- Consideration should be given to appropriate liaison with the IAASB in relation to ISA 240,⁸ Financial Executives International, and the International Accounting Standards Board (IASB) as necessary.

WAY FORWARD

Given the extent of demand from stakeholders, the IESBA agreed that the Part C work stream should proceed on an accelerated basis under the current strategy and work plan rather than be subject to further consideration of relative prioritization as part of the upcoming 2014-2016 strategy consultation. Accordingly, the IESBA asked the Working Group to develop a project proposal for the Board's consideration at the March 2013 IESBA meeting, taking into account the above comments. The IESBA also asked the Working Group to consider whether there should be one or more projects given the potentially large scope of the initiative.

⁸ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

6. **PCAOB Concept Release on Auditor Independence and Auditor Rotation**

Mr. Martin Baumann, PCAOB Chief Auditor and Director of Professional Standards, and Mr. Michael Gurbutt, PCAOB Associate Chief Auditor, briefed the IESBA on the PCAOB's August 2011 Concept Release on Auditor Independence and Audit Firm Rotation (CR), and related developments.

Amongst other matters, Mr. Baumann summarized the outcome of the PCAOB's outreach in connection with its initiative. He also outlined the advantages and disadvantages of audit firm rotation and other approaches to enhancing auditor independence, objectivity and professional skepticism, i.e.:

- Mandatory retendering;
- Strengthening the audit committee;
- Enhancing audit firm culture and systems of quality control;
- Strengthening existing independence requirements; and
- Changes to PCAOB inspection and enforcement activities.

In addition, he noted the experiences of jurisdictions that have adopted audit firm rotation.

IESBA members commented as follows:

- The status quo is not an option. However, when the IESBA considered the matter at its June 2012 meeting, it noted how finely balanced the issue was.
- The "client pays" model creates a conflict to which no solution has been found, other than an insurance model which the insurance market does not appear to be considering. This option would require a change to the law and may lead to unintended consequences. Mr. Baumann noted that the PCAOB is focusing its attention on approaches which are within the legislative framework.
- Neither the IESBA nor the PCAOB has authority over the role of audit committees in achieving audit quality, although the U.S. Securities and Exchange Commission (SEC) does have a remit over audit committees.
- Independence, objectivity and professional skepticism are concerned with independence of mind and these concepts tend to overlap.

Mr. Baumann noted that the PCAOB is focused on exploring what would be the right response to independence concerns and is not working to a specific timetable.

Mr. Holmquist thanked Messrs. Baumann and Gurbutt for their informative presentation.

7. **Enhancing Audit Quality Initiative: Canadian Perspectives.**

Mr. Peter Mills and Ms. Melissa Langlois, Chair and Project Manager, respectively, of the Auditor Independence Working Group of the joint initiative *Enhancing Audit Quality* of the Canadian Public Accountability Board (CPAB) and the Canadian Institute of Chartered Accountants (CICA), briefed the IESBA on the Working Group's findings relating to its independence work stream. Mr. Mills noted that although there was no immediate concern regarding the audit process in Canada, it was considered important that the audit process and audit quality in Canada are consistent and comparable internationally.

Amongst other matters, Mr. Mills outlined the continuum of alternatives that the Working Group had examined, including:

- Mandatory audit firm rotation;
- Mandatory retendering; and
- Mandatory comprehensive audit firm review by audit committees.

The Working Group's consensus was to propose a mandatory comprehensive audit firm review by audit committees on a five-year basis for a number of reasons, including the following:

- It would be audit committee-led.
- The focus would be on audit quality rather than price.
- There would be the greatest degree of public disclosure of the basis of the audit committee's evaluation of the audit firm.
- The proposal would have regard to proportionality and scalability for reporting issuers.
- It would provide most of the benefits with fewer of the issues and less cost.

Mr. Mills also outlined a number of the Working Group's other recommendations, including:

- With respect to non-audit services, continuing the Canadian principles-based/prohibition approach to non-audit services, with consideration of additional independence prohibitions for certain differences between Canadian and SEC/PCAOB prohibitions.
- Rejecting the concept of joint audits.
- Not supporting the concept of audit-only firms.

After the presentation, a number of views were exchanged, including the following:

- It is currently unclear if audit committees have the resources to accommodate the proposals. The proposals will rely on effective communication between audit committees and CPAB.
- The financial literacy of audit committees is an area for improvement.
- Audit committees would require firms to demonstrate professional skepticism.
- Regulators can test audit firm compliance with auditing standards but it is not possible to judge retrospectively if an audit opinion was valid. Audit committees seek advice on how to evaluate audit quality. Large companies have greater resources and usually demonstrate greater sophistication in assessing audit quality.
- Audit Committees are better equipped than regulators to assess audit quality.

Mr. Holmquist thanked Mr. Mills and Ms. Langlois for their informative presentation.

8. Emerging Issues and Strategic Plan

EMERGING ISSUES

Mr. Holmquist introduced the topic, noting that the objective of the session was for IESBA members to share information about significant national and international developments or emerging issues that may be of relevance to, or impact, the IESBA's current or future strategy and work plan.

Amongst other matters, IESBA participants noted the following for further consideration:

- The issue of the morality of tax avoidance, an issue that has been amplified by the climate of austerity in many countries.
- Increasing prevalence of invasions of individuals' rights to privacy, a big disadvantage of self-regulation.
- Professional skepticism being at risk, as noted during Mr. Baumann's presentation earlier in the meeting, with mandatory audit firm rotation not being the only way to address this issue.
- The increasing prominence of social media and whether and, if so, what ethical guidance should be provided around its use.
- The issue of business arrangements between professional accountants in public practice and their clients, for instance, joint seminars with clients for marketing purposes.
- The rise of sovereign wealth funds and their financial interests in many companies and whether conflicts of interest provisions apply to such funds.
- The need for more evidence-based research, partly to be informed of emerging issues and partly as a basis for the Board's standard-setting activities.
- Consideration of the implications of inspection findings relative to the Code.
- The implications of integrated and sustainability reporting for the Code.
- Consideration of the need for the IESBA to develop an ethics position with respect to joint audits

Mr. Holmquist suggested that there would be benefit in staff maintaining a watching brief over international developments for purposes of keeping the Board informed of emerging issues. He also suggested that consideration be given to creating a small working group to follow these issues and that members interested in participating in this working group let him or Mr. Siong know.

STRATEGIC PLAN

Mr. Siong introduced the topic, noting that the objective of the session was to consider the scope of, and approach to, the survey of stakeholders in the development of the IESBA's Strategy and Work Plan for 2014-2016.

In generally supporting the scope of, and approach to, the survey as presented in the meeting material, IESBA members commented as follows:

- The matter of book-keeping for small- and medium-sized entities (SMEs) should be considered for prioritization. In addition, emerging issues should be considered in timely manner.
- *Convergence*. An IESBA member argued that priority should be given to reformatting the Code as opposed to convergence, as the Code is complex and unwieldy. Other IESBA members, however, were of the view that de-emphasizing convergence would send a poor message to those who look to the Code as a global benchmark for independence and other ethical requirements. In addition, many jurisdictions allow the Code to be used for audits of foreign components. Further, many firms are using the Code as a basis for developing their internal independence rules. It was also noted that convergence should remain a priority, otherwise there would be little point in pursuing a reformatting of the Code.

- *Benchmarking.* It was noted that while it would be important to be aware of existing requirements in other jurisdictions, the IESBA should also be sensitive to the fact that undertaking a comprehensive benchmarking exercise would be a very time consuming exercise. It was suggested that consideration be given to leveraging national standard setter contacts for benchmarking purposes rather than relying on the limited IESBA staff resources. It was also suggested that when considering benchmarking, attention should be directed not only at existing national ethical requirements but also any regulations being contemplated or proposed.

WAY FORWARD

The IESBA asked staff to finalize the survey for release in early January 2013, taking into account IESBA members' input. Mr. Holmquist encouraged the IESBA to make every effort to have the strategy and work plan for 2014-2016 finalized by the end of 2013, while at the same time allowing for as much time as possible for consultation. IESBA participants were asked to publicize the survey in their jurisdictions when released.

9. Long Association Project Proposal

Ms. Orbea introduced the topic, summarizing the outcome of the discussion at the June 2012 IESBA meeting regarding three possible responses to real or perceived familiarity threats to independence and their potential effect on audit quality, i.e. mandatory firm rotation (MFR), audit retendering and the partner rotation provisions in the Code, and the Board's conclusion that there was insufficient evidence for the Board to yet have a formal position on MFR or tendering. As ~~circumstances-global debate has evolved & changed~~ since the partner rotation provisions in the Code were ~~approved~~ last revised, the IESBA had agreed however that it would be appropriate to review these provisions to ensure they remain appropriate.

Ms. Orbea noted that the scope of the project proposal is long association of senior personnel with an audit client, which is broader than just the partner rotation provisions in the Code. Ms. Orbea also noted that it would be important for the project to clearly define the question it is seeking to answer in order to focus on the right issues. In addition, she highlighted the importance of research as well as outreach to audit committees and regulators, amongst others, in order to help inform the project.

In broadly supporting the project proposal, IESBA members provided various comments and suggestions, including the following:

- Standard setters in some jurisdictions have implemented stricter or different rotation requirements to those set out in the Code not adopted the 7/2 rotation requirement and it would be important to try to understand why. ~~Likewise, it would be important to try to understand why other jurisdictions have concluded that the 7/2 requirement is appropriate.~~
- Familiarity threats from long association may be the same as those arising from a short association. It may be helpful to consider familiarity threats from association generally and not focus solely on tenure.
- Proposals in Europe, the U.S. and Canada to address familiarity threats may include information on partner rotation which could be helpful to this project.
- There are parallels that could be drawn from reviews of the impact of tenure on the independence of non-executive directors even though in some jurisdictions there is no time limit on tenure for non-executive directors.

- This project proposes a quantitative assessment of a qualitative matter when it may be helpful to look at the relationships and circumstances that may be considered to erode objectivity over time.
- It may be helpful to consult with audit committees to identify the factors that they use to determine the objectivity of the auditor.
- The project should consider how any new rules would interact with existing regulations across jurisdictions and consider how to facilitate the adoption of any new requirements that may need to be overlaid over existing ones (including practicality, start dates, cost). In particular, it would be important to liaise with regulators, ~~and it could be problematic if regulators do not observe the Code's transitional provisions.~~
- It may be helpful for the Task Force to think widely about the issue and not necessarily restrict itself to a precise remit.
- When the Board consulted on revisions to the Code, the need for an exemption when a firm has only a few people with the necessary knowledge and experience to serve as a key audit partner (paragraph 290.155) received many comments. It would be helpful to consider whether there has been regulatory intervention and whether this has led to changes in practice. In addition, there may be benefit in reaching out to regulators to understand how they view this provision.

WAY FORWARD

The IESBA agreed that a Task Force be established for the project comprising Ms. Orbea as Chair, Messrs. Caswell and Hannaford and Ms. Kateka as members, and Mr. Pinkney as correspondent member. The IESBA asked the Task Force to commence research and present initial matters for consideration at the March 2013 IESBA meeting.

10. **Non-Assurance Services Project Proposal**

Ms. Gardner introduced the topic, providing an overview of the background to the project proposal, including the key issues proposed to be addressed in the project. She then invited comments on the objectives, scope, approach and timing of the project.

PROJECT SCOPE

While accepting the objective of the project, some IESBA members expressed reservations with respect to its proposed scope. It was noted that the scope appeared quite extensive and seemed to suggest a reconsideration of all non-assurance services, a broader scope than the Independence I project, which was a significant project in itself. It was also noted that the proposed scope seemed to suggest that the Code is in need of significant change with respect to areas that were recently addressed as part of the Independence I and II projects. It was suggested that the project should, instead, carefully assess, through consideration of benchmarking, whether there are specific areas that need to be revised, and then focus on whether specific requirements or guidance may be necessary. Ms. Gardner clarified that the intent of the project proposal was to suggest areas the IESBA could review to determine whether there are issues that need to be addressed, rather than to review all areas in-depth at the outset.

An IESBA member commented that with a few exceptions, the current prohibitions serve as a benchmark for countries that are attempting to implement independence rules. The IESBA member expressed the view that, except for issues regarding materiality, the requirements within the Code are generally similar to those in other major jurisdictions. Accordingly, other than a few other jurisdictions that might be

diverging from the Code, there appeared to be little evidence to suggest that non-assurance services should be reviewed more broadly.

Another IESBA member expressed reservations with approving a project on non-assurance services if there were an expectation that the project would lead to further changes to the Code. It was, however, noted that until the research is done, it would be difficult to conclude that the project would lead to a recommendation for changes to the Code.

An IESBA member also expressed concern about the potential for the proposals to impact non-public interest entities (PIEs) and to result in prohibitions on non-audit services that are currently permitted.

Mr. Fleck noted, that based on his understanding of parliamentary discussions currently underway in Europe, there appears to be a fair degree of overlap between the Code's "black list" and the EU parliament's proposals. He added that while that overlap may not be complete, as the Task Force moves forward, the current areas of similarities should serve as important input into the Task Force's thinking and could go a long way towards reducing difficulties in the IESBA reaching conclusions in this project. He also added that while the non-audit services provisions in the Code differ in some respects with those in some major jurisdictions, further international convergence in the area of non-assurance services would be a worthwhile endeavor.

An IESBA member noted that the scope of the project would encompass non-PIEs, with a bigger emphasis on PIEs. The IESBA member also noted that if there are regulatory pressures to impose restrictions on non-assurance services, those concerns should be further considered. The IESBA member, nevertheless, expressed support for furthering convergence between the requirements in the Code and those in major jurisdictions on these issues.

IESBA members also made other comments, including the following:

- It would be important for the IESBA to present itself as a thought-leader on this topic and that time to market is key. With respect to thought leadership, it was noted this may be an area in which the IESBA may decide to issue a consultation paper rather propose a new or an amended standard outright.
- It would be important to consider the guidance on materiality thresholds.
- From a governance perspective, many audit committee members would appreciate feedback on this topic.

WAY FORWARD

The IESBA agreed to the project proposal in principle, subject to confirmation of its scope. The IESBA agreed that a Task Force be established for the project comprising Ms. Gardner as Chair, Mss. Sapet and Spargo and Messrs. Kwok and Thomson as members, and Ms. Soulier as correspondent member. The IESBA asked the Task Force to provide an update on its research for purposes of scoping out the project in due course.

11. Public Interest

Mr. Ian Ball, IFAC Chief Executive Officer, briefed the IESBA on IFAC's Policy Position 5, *A Definition of the Public Interest* topic.

IESBA participants shared various views and reactions in the light of the presentation, including the following:

- The IFAC definition appears to call for a marginal exercise (i.e., net benefits exceed net costs) rather than establish an order-of-magnitude threshold that would justify action. Accordingly, applying the IFAC definition would present a challenge in the context of the Suspected Illegal Acts project. Mr. Ball expressed the view that the Board could benefit from an analysis of what the public interest means in the context of the project.
- The concept is challenging to understand with respect to circumstances where a standard setter leads society. It is almost axiomatic that the consultation process of a standard-setter will yield a large number of negative responses because the standard-setter is ahead of the curve. The issues the IESBA is dealing with are not purely economic. The definition therefore appears challenging to apply relative to the non-economic aspects of the standard setter's role and outputs, such as building trust, establishing competence, etc. Mr. Ball, however, noted that the challenge for the standard setter when establishing new standards is to carefully explain how it sees the net benefits accruing from its proposals.
- It is important to have a broad view of the public interest as opposed to a quantitative view, as the mindset is important. In particular, demonstrating that benefits exceed costs can be taken too far and lead to decision paralysis. Mr. Ball noted that it was never IFAC's intent to come up with a narrow quantitative-type analysis or a single quantitative measure given the need for many assumptions when considering issues of public interest.
- Making an assessment of net benefits need not be onerous, particularly if it is approached from a qualitative vs. quantitative angle. It would be a useful discipline for not only the IESBA but also individual accountants to undertake such analysis when considering actions.
- While the concept of public interest should apply to the IFAC standard-setting boards, it is unclear whether it applies equally to individual accountants.
- Caution should be exercised in judging matters on the basis of outcomes. For example, the courts have an elaborate evidence-based system underpinning legal judgments. Accordingly, it is important to recognize the role of the process and to emphasize consideration of all the relevant facts and circumstances. Mr. Ball agreed, noting that the IFAC paper considers both the process and the outcome, as opposed to one or the other only. He acknowledged, however, that in the context of standard setting, process is important.
- It was unclear how the question of value judgment interacts with the net benefits approach taken in IFAC's definition. For example, in relation to tax avoidance, some companies may, on the one hand, be seen as free-riding by not contributing their share of the costs of public goods such as education. On the other hand, some may argue that economic growth derives from the ability of companies to plan their tax matters in the most favorable way. Mr. Ball expressed the view that it should be the responsibility of the legislature to analyze the cost-benefit implications of any new proposed tax laws, including their distributional aspects, before finalizing those laws. Undertaking such analysis would enable the legislature to form a view as to what is a fair outcome.
- While the meaning of the public interest is important from the standard-setting perspective, a consensus definition from the compliance and enforcement perspectives does not appear workable as agreement from a broad group around the world would be necessary. This in itself would be

difficult to achieve given the range of views, values and cultures around the world. So the question is whether the IFAC definition is intended only for standard setting or whether it is intended to have broader ramifications. Mr. Ball expressed the view that setting standards without regard to professional accountants' ability to comply with them, or to the standards being capable of being enforced, would unlikely lead to standards that would be recognized and accepted. He noted that the IFAC definition is intended to apply to all of IFAC's activities and not just standard setting, given that IFAC operates in the public interest. He added that if a professional accountant were to hold himself or herself as acting in the public interest, the definition would apply to that individual as well.

- The concept of the public interest represents many different things, and some of them conflict with each other. There will always be multifaceted aspects to the public interest, and the IFAC paper does not quite capture that range of dimensions or the complexity involved. In this regard, Mr. Ball noted that one of the real benefits of making a public interest assessment is that it would force consideration of which groups would be impacted by the given proposals, and the extent of the impacts.
- While the IFAC paper may assist IFAC in meeting its objectives relative to its standard-setting activities, it is not useful in guiding the professional accountant in discharging his or her responsibilities. How professional accountants think about the public interest will vary depending on the nature of the services they provide. For example, an auditor will have a different view of the public interest than a professional accountant providing non-audit services to a client. Also, using any criteria as a basis for taking action should require agreement as to what that threshold should be. It is unclear whether there is universal agreement as to what the public interest means. For this reason, there has been criticism regarding the use of the public interest threshold in the Suspected Illegal Acts exposure draft when it is not clear what the threshold means. In this regard, it was noted that there is no international paradigm for professional accountants to make judgments about the public interest as they have to operate within the constraints of their regulatory frameworks. Mr. Ball commented that it would be important for the IESBA to be clear about what it understands by the public interest. He was of the view that this should be a matter that the Board should consider, especially if making a public interest assessment is a responsibility that the Board intends to impose on professional accountants.

In relation to the particular comment that IOSCO had raised with respect to this topic in the context of the conflicts of interest project, Mr. Ball expressed the view that the effective and efficient operation of the capital markets does not equate entirely to the public interest as there are broader segments of the economy, such as SMEs, that are also important. He believed that the IFAC test was broader.

Mr. Holmquist thanked Mr. Ball for his presentation and for his constructive input into the discussion of this complex topic.

12. IFAC Compliance Program

Ms. Sylvia Tsen, IFAC Director, Quality and Member Development, provided a brief update to the IESBA on IFAC's compliance program. Amongst other matters, she briefed the IESBA on IFAC's newly revised SMOs and the revised applicability framework under which they would operate. She also highlighted the challenges faced by those adopting and implementing the Code, including:

- With respect to adoption:
 - The complexity of the Code.

- How the Code differs from national requirements.
- The fact that some IFAC member bodies have few staff to undertake work associated with the Code.
- Translation and dissemination.
- The recent emphasis on ISA and IFRS adoption, which has reduced focus on the Code.
- With respect to implementation:
 - A lack of resources.
 - The level of development of the profession.
 - Differing interpretations between cultures of difficult concepts such as independence and objectivity.
 - The need for an effective investigation and disciplinary process.

She also noted that effective communication between the IFAC Compliance Advisory Panel (CAP) staff and IESBA staff would help enhance the quality of the questions in the self-assessment questionnaires distributed to the member bodies under the compliance program.

In response to a question from an IESBA member, Ms. Tsen noted that the compliance program does not drill down to the individual level. Accordingly, it is not possible to know about implementation at the individual level, although there is a requirement to include ethics in education standards, and the investigation and disciplinary processes are covered by the SMOs.

It was noted that countries which are developing an accountancy profession for the first time often implement the Code in its entirety. Thus, convergence is a matter of greater relevance to the more developed economies.

Mr. Holmquist thanked Ms. Tsen for her informative presentation.

13. **Suspected Illegal Acts**

Mr. Franchini provided a brief update on the Suspected Illegal Acts project, noting that the comment period on the exposure draft would be closing on December 15, 2012 and six comment letters had been received to date. He also briefly outlined the nature of the concerns he had been able to glean from recent interactions with stakeholders, including:

- A view that it is for jurisdictions to establish the requirement to disclose to an appropriate authority as they are also able to establish protection mechanisms.
- A philosophical objection to the proposals as they could undermine the trust between the professional accountant and the client.
- Perception of little difference in practice between a requirement to disclose and an expectation that a right to disclose will be exercised.
- The subjectivity of the public interest reporting threshold.

Mr. Thomson also briefly reported on the input he had received from his presentation on the Board's activities at the October 2012 Forum of Firms meeting. Amongst other matters, he reported the following main concerns from the participants:

- The proposals would be unworkable in jurisdictions where there are no “safe harbor” provisions.
- There could be a loss of trust by clients if they knew that confidentiality could be breached.
- The matter should be addressed by regulators.
- The proposed public interest threshold for reporting is subjective.
- The proposals would have benefitted from legal advice.
- Some professional accountants may have to deal with dueling ethics codes if they are members of another profession, for example, lawyers.
- It may not always be possible to identify the auditor to whom a report should be made if the client is not a public interest entity.

Mr. Holmquist also briefly reported on the outcome of a workshop on the topic that he had chaired at the IFAC Council meeting in November 2012.

A few IESBA members commented as follows:

- Some commentators believe the project should only focus on auditors.
- Roundtables organized in Melbourne and Sydney had raised concerns similar to those above. Concerns had also been raised that it may be difficult for a junior accountant to conduct the necessary investigation due to lack of authority. Also, although auditors may have an obligation to disclose, it is less clear that the proposals should apply to other professional accountants.
- It would be important to liaise with the IAASB regarding the interactions between the proposals and the ISAs.

Mr. Fukushima noted that that the exposure draft is not consistent with ISA 250.⁹

Mr. Fleck was of the view that although the volume of responses may be large, they would probably focus on a small number of issues which may help the Board's consideration of the way forward.

14. **PIOB Observer's Remarks**

Mr. Bhave commented that he was encouraged by the fact that the public interest arose a number of times in the Board discussions. He noted that although IFAC had managed to retain its standard-setting role as a result of the 2002-2003 IFAC reforms, there were still some concerns amongst regulators regarding the independence of the IESBA from the accounting profession. He also noted that while IFAC does not sanction professional accountants, it does expect those accountants to adhere to its standards, which is important to retain credibility. He expressed the view that if credibility is lost, then regulators would set the standards.

Mr. Bhave also noted that he was encouraged to see that the IESBA had decided to address the topic of non-assurance services. He was of the view that this issue is important to governments and regulators and that it is a public interest issue. This is because auditors are appointed by shareholders to undertake independent audits, but if management engage auditors to provide non-assurance services, auditors may

⁹ ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

face conflicts of interest. He expressed the view that the IESBA should recognize issues that are of concern to governments, regulators and the general public in order to provide leadership.

Mr. Holmquist thanked Mr. Bhave for his constructive comments, noting that he recognized that regulators are observing the IESBA and how well its standard-setting model is working, in particular taking the public interest into consideration.

15. Next Meetings

The next meeting of the IESBA is scheduled via teleconference in January 2013. The next physical meeting of the IESBA is scheduled for March 11-13, 2013 in New York, United States.

16. Closing Remarks

Mr. Holmquist thanked Ms. Irungu for her contributions on the Board and wished her the best in her future endeavors. Ms. Irungu thanked fellow IESBA members, noting that it was an honor and a pleasure for her to serve on the Board and that she had found the experience enriching.

Mr. Holmquist thanked the American Institute of Certified Public Accountants (AICPA) for hosting the meeting and for its assistance with the meeting arrangements. He also thanked the IESBA members, technical advisors, observers and staff for their contributions to the meeting, and conveyed his best wishes for the holiday season. He then closed the meeting.