

**DRAFT Minutes of the 52nd Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
Held via Teleconference on April 18, 2017**

Voting Members

Present: Stavros Thomadakis (Chairman)
Richard Fleck (Deputy Chair)
Helene Agélie
Michael Ashley
Brian Caswell
Hironori Fukukawa
Kim Gibson
Gary Hannaford
Liesbet Haustermans
Caroline Lee
Stefano Marchese
Ian McPhee
Reyaz Mihular
Patricia Mulvaney
Lisa Snyder
Sylvie Soulier

Apologies: Chishala Kateka
Robert Juenemann

Technical Advisors

Saadiya Adam (Mr. Mihular)
James Barbour (Mr. Ashley)
Denise Canavan (Ms. Haustermans)
David Clark (Ms. Soulier)
Jason Evans (Mr. Caswell and Ms. Snyder)
Andrew Pinkney (Ms. Mulvaney)
Tone Maren Sakshaug (Ms. Agélie)
Eva Tsahuridu (Mr. McPhee)
Toshihiro Yasada (Mr. Fukukawa)

Elbano De Nuccio (Mr. Marchese)
Michael Dorfman (Ms. Kateka)
Colleen Dunning (Ms. Lee)
Nigyar Mamedova (Mr. Juenemann)
Jens Poll (Mr. Hannaford)

Non-Voting Observers

Present: Kristian Koktvedgaard (IESBA Consultative Advisory Group (CAG) Chair); Takuya Emoto (Japanese Financial Services Agency (FSA)); Susan Jones (IAASB member); Bernard Agulhas and David Simko (IAESB members); Schuyler Simms (IAASB Staff); David McPeak (IAESB Staff)

Apology: Juan Maria Arteagoitia (European Commission)

Public Interest Oversight Board (PIOB) Observer

Present: Jules Muis

IESBA Technical Staff

Present: James Gunn (Managing Director), Ken Siong (Technical Director) and Diane Jules

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Dr. Thomadakis welcomed all participants and public observers to the meeting. He briefly noted that the purpose of the teleconference was to consider, with a view to approving for exposure, the revised proposed application material relating to:

- *Professional Skepticism* – To describe the linkage between the fundamental principles (FPs) and professional skepticism (PS) as defined in the International Auditing and Assurance Standards Board's (IAASB's) International Standards.
- *Professional Judgment* – To emphasize the importance of professional accountants (PAs) obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment, in the context of applying the conceptual framework.

2. Revised Application Material

Mr. Fleck introduced the topic, explaining the revisions made since the March 2017 meeting. He noted that as directed by the Board, the Task Force had sought input of a “fatal flaw” nature on a revised version of the proposed application material from the International Accounting Education Standards Board (IAESB) and on the advice of the IAASB Chairman, the IAASB representatives of the tripartite PS Working Group (PSWG).¹ Mr. Fleck noted that the IAESB members and the IAASB representatives of the PSWG did not identify any “fatal flaws” with the proposed application material. However:

- Some IAESB members had commented about the need for further alignment between the description of terms in the IAESB's standards and the Code. The Task Force was of the view that any work in that respect would be beyond the scope of the project.
- IAASB representatives had suggested some drafting refinements, which the Task Force had duly considered.

EXERCISE OF PS

The Board considered the Task Force's refinements to further clarify the illustrative examples of how compliance with the FPs of integrity, objectivity and professional competence and due care supports the exercise of PS in the context of audits of financial statements.

In addition to editorial matters, the Board considered a suggestion that the examples for objectivity and professional competence and due care would be clearer if they repeated certain aspects of the description of the FPs. Mr. Fleck explained that this approach, which involves repeating certain provisions that already exist elsewhere in the Code, would not be consistent with the new structure and drafting conventions for the Code. The Board concurred with Mr. Fleck.

Mr. Kottvedgaard wondered whether the description of the linkage should also address how PS supports compliance with the FPs. Mr. Fleck noted that this suggestion would be explored as part of a longer term PS project, because having such a statement in the Code would implicitly already mean that the concept of PS would apply to all PAs.

¹ The PSWG comprises representatives of IESBA, the IAASB and the IAESB.

EXERCISE OF PROFESSIONAL JUDGMENT

An IESBA member suggested that clarification be made to the link between the consideration of the factors to understand the facts and circumstances and how that consideration impacts the exercise of professional judgment. The IESBA agreed that the proposed application material should explain that:

- Professional judgment involves the application of training, knowledge and experience, taking into account the nature and scope of the professional activity being undertaken.
- When exercising professional judgment, it is important that the PA obtains a sufficient understanding of the facts and circumstances known to the PA to identify, evaluate and address threats to compliance with the FPs.

APPROVAL OF EXPOSURE DRAFT (ED)

After duly considering the necessary further refinements to the proposed application material, the Board approved it for exposure with 16 affirmative votes out of the 16 IESBA members present. The comment period will be for a minimum of 75 days from the date of issuance of the ED.

Mr. Gunn suggested that the explanatory memorandum include a specific question to respondents as to whether they believe the proposed illustrative examples clearly describe how compliance with the FPs supports the exercise of PS in the context of an audit of financial statements.

3. **PIOB Observer's Remarks**

Mr. Muis congratulated the Board on a successful outcome. He noted that Mr. Fleck's introductory explanations had helped him better understand why the scope of the proposed application material relating to PS was limited to audit and other assurance engagements only. He added that he would like to see all three standard-setting Boards come together to address the broader issue of the applicability of the concept of PS to all PAs. He added that this comment should not preclude the IESBA from issuing the ED that it had just approved.

4. **Next Meeting**

The next Board meeting is scheduled for June 19-21, 2017 at the AICPA offices in New York, USA.

5. **Closing Remarks**

Dr. Thomadakis thanked Mr. Fleck and the Task Force for their efforts and the Board participants for their contributions. He then closed the meeting.