

## Those Charged With Governance Compilation of Exposure Draft Comments (Suggested Revisions or Objections)

Xref	Comment Letter # & Respondent	Comment	Task Force Comments
1.	5 – IDW	<p>We agree with the IESBA that definitions of terms should be aligned between the Code and relevant IAASB pronouncements when no difference in meaning is intended. We therefore support the proposed revision and include our responses to the questions raised in the IESBA's request for specific comments below. Firstly, we would like to draw your attention to the following issues of a more general nature:</p> <p><b>General Matters</b></p> <p><i>Proposed exclusion of explanatory material</i></p> <p>The provisions of the Code are to be adhered to in a variety of situations and jurisdictions throughout the world, and may apply to individual professional accountants – both in business and in practice (including auditors and their firms). It is therefore essential that definitions are clear and capable of consistent interpretation. <b>Whilst we appreciate the IESBA's decision to exclude the reference to application material found in ISA 260 (i.e., solely of audit relevance) within the definition itself, we would like to suggest that content similar to this be included within the Code</b>, as it will assist those who need to apply the Code in determining how the definition applies in their individual engagement circumstances. In particular accountants in business may not be as used to needing to establish what the term “those charged with governance” should mean in their individual circumstances as might be the case with, for example, auditors. We therefore would support including some of this application and explanatory material in the Code. In our view there needs to be a link between the definition and the practical application thereof within the Code, such that the Code remains a stand-alone document. The IESBA might consider whether a separate section to complement its definitions could be a suitable place for such material that could then be cross-linked to the definition.</p> <p><i>Definition of the term “Management”</i></p> <p>We also note that the proposed revision introduces the term “management” in the context of “management personnel”. We would like to point out that “management” is defined in ISA 260 and the IAASB's Glossary of</p>	See Agenda Item 4-A, Issue C.

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		<p>Terms, but not in the Code's definitions section, or elsewhere within the Code.</p> <p>Including within a definition a term that may not be capable of consistent interpretation without defining that term is not helpful and will not aid consistent application of the Code. <b>We therefore suggest the definition of the term "management" from ISA 260 be added to the definitions section of the Code.</b></p>	See Agenda Item 4-A, Issue A.
2.	7 – ACCA	<p>ACCA welcomes the opportunity to comment on the exposure draft concerning the proposed change to the definition of 'those charged with governance' within the Code of Ethics for Professional Accountants ('the Code'). In particular, we welcome the increased level of consistency with International Standard on Auditing 260 (ISA 260) <i>Communication with Those Charged with Governance</i> (and consistency with practice), and the reduction in the scope for confusion. Nevertheless, our reservations are outlined within our comments below.</p> <p>Within the proposed definition of 'those charged with governance', reference is made to 'management personnel'. We suggest that clarification and consistency with ISA 260 would be enhanced by <b>including within the Code a definition of 'management' consistent with that contained within ISA 260.</b></p>	See Agenda Item 4-A, Issue A.
3.	18 – WPK	<p>While we have repeatedly stated in earlier comments and still are basically of the opinion that after the comprehensive amendments to the Code of Ethics (hereinafter referred to as "CoE") over the past years, resulting in, at times considerable, demands on the member organizations in terms of implementation and regulation (including translation), <b>there should be no further amendments to the CoE at this time</b>, we are basically not in disagreement with this particular project since and as far as it does not call for any change in systems or common practice but might have a clarifying effect.</p>	Most respondents to the ED supported the IESBA in making this change.
4.	24 – CPA Australia	<p>CPA Australia agrees that the Code of Ethics for Professional Accountants (Code) should be better aligned with ISA 260, <i>Communication with Those Charged with Governance</i>. While we agree with the proposed change to the definition of 'those charged with governance', we are of the opinion that <b>changing each instance the Code refers to "those charged with governance" to "those charged with governance or a subgroup thereof" does not necessarily achieve better alignment.</b> We are of the opinion that ISA 260 sees communication only with a subgroup of those charged with governance as appropriate in some, but not all instances.</p>	See Agenda Item 4-A, Issue B.

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5.	26 – FEE	<p>We welcome the IESBA's ED to more closely align the Code's definition of "those charged with governance" with the definition contained in International Standard on Auditing 260 (ISA 260) Communication with Those Charged with Governance.</p> <p>(1) We agree with the IESBA's proposal to amend the Code's definition to align it with the definition in ISA 260 with the exception of the specific reference to application material as it is found in ISA 260. However, the inclusion of application and explanatory material in the Code would benefit both professional accountants in public practice and in business in a variety of situations and jurisdictions and enhance consistent interpretation of the amended definition. <b>Therefore, we recommend that application and explanatory material (similar to the one included in ISA 260) be added also to the Code.</b></p> <p><b>Definition of "Management"</b></p> <p>(2) In the context of the addition of the term "management" (more precisely "management personnel") to align the definition in the Code of "those charged with governance" with the definition in ISA 260, we note that "management" is defined in ISA 260 (and the IAASB's Glossary of Terms) but it is not defined in the Code. <b>We believe it would be helpful to add also to the Code (in the Definitions section) the definition of the term management from ISA 260</b> to ensure consistency in its interpretation and application.</p>	<p>See Agenda Item 4-A, Issue C.</p> <p>See Agenda Item 4-A, Issue A.</p>
6.	28 – IRBA	<p>We understand the need to address inconsistencies between the definitions of "<i>those charged with governance</i>" as contained in the IESBA Code of Professional Conduct and the definition of "<i>those charged with governance</i>" contained in ISA 260 <i>Communication with Those Charged with Governance</i> and as referred to elsewhere in other ISAs.</p> <p>Whilst the proposed amendments to the IESBA Code of Conduct for Professional Accountants have been drafted in the context of professional accountants our responses are provided in the context of registered auditors who perform audits, reviews and provide other assurance services and who are required in the performance of such engagements to communicate significant matters to those charged with governance.</p> <p>We support the proposed amendment to section 290.28, but note that while it addresses paragraphs 10(a) and 12 of ISA 260, namely:</p> <p style="text-align: center;"><i>"In complying with requirements in this section to communicate with those charged with</i></p>	

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		<p><i>governance, the firm shall determine the appropriate person(s) within the entity's governance structure with whom to communicate. If the firm communicates with a subgroup of those charged with governance, for example an audit committee, or an individual, the firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed";</i></p> <p><b>it fails to address the circumstances identified in paragraphs 10(b) and 13 of ISA 260, namely “where all of those charged with governance are involved in managing the entity”.</b> Both circumstances may be encountered by an auditor in the conduct of an audit or review engagement where communications with those charged with governance are required.</p> <p>Consequently the proposed change to 290.28 should be extended to <b>provide guidance similar to that in paragraph 13 of ISA 260, namely:</b></p> <p><i>“In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this ISA are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. .. The auditor shall nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity.”</i></p> <p>This latter suggestion they will be equally important in circumstances where professional accountants employed in an entity may identify matters of significance that they believe should be communicated to those charged with governance in the entity or in group entities, for example the proposed amendments to sections 320, 340 and 350 of the IESBA code.</p> <p>In all circumstances the principle to be followed is that <i>“the auditor (or professional accountant) shall determine the appropriate person(s) within the entity's governance structure with whom to communicate”</i>. Whether those charged with governance may comprise a sub group of those charged with governance, or all of those charged with governance are involved in managing the entity, will be a matter of fact to be determined in each situation.</p>	<p>See Agenda Item 4-A, Issue C.</p>

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7.	30 – NASBA	<p>In general, we support the proposed changes to definition of “those charged with governance” and the related changes that have been made throughout the Code of Ethics for Professional Accountants. However, we also believe that <b>there is important guidance presented in the International Standard on Auditing No. 260 (ISA 260) on Communication with Those Charged with Governance that should also be brought into the Code</b> of Professional Conduct.</p> <p>Paragraph 11 of ISA 260 is clear that the auditor should determine the appropriate person(s) within the entity’s governance structure with whom to communicate. This is further supported by a thoughtful discussion in paragraphs A1 – A4 of ISA 260 explaining the diversity of governance structures between public companies, not-for-profit entities, governmental entities, and family own entities and that the appropriate person(s) with whom to communicate may vary depending upon the entity’s governance structure and the matter to be communicated.</p> <p>The Code of Ethics for Professional Accountants addresses a variety of situations where an appropriate safeguard involves discussing an issue with those charged with governance of the client. In some cases this should involve those with oversight of the financial reporting process. The Code of Ethics for Professional Accountants would be stronger if it included specific guidance for the accountant or auditor on determining the appropriate person(s) within the entity’s governance structure with whom to communicate.</p> <p>From our perspective it is worth being redundant, and the guidance of ISA 260, paragraph 11 and the explanatory material in paragraphs A1 – A4 should also be brought into the Code of Ethics for Professional Accountants. This might be appropriately addressed by adding a few paragraphs on communicating with those charged with governance as part of the discussion of the Conceptual Framework Approach (Section 100 of the Code of Ethics for Professional Accountants).</p>	See Agenda Item 4-A, Issue C.
8.	7 – ACCA	<p>Yes, we agree with the proposed change to the definition of ‘those charged with governance’. This both aligns the definition more closely to that within ISA 260, but also enhances clarity within the Code. Of course, the reference within the definition in ISA 260 to paragraphs A1 to A8 of the ISA is not appropriate for the definition within the Code. <b>However, there is some useful guidance within those paragraphs, and the IESBA might consider providing similar guidance material.</b></p>	See Agenda Item 4-A, Issue C.
9.	11 – CND-CEC	<p>We understand the general reasoning of the proposal to align the definition of ‘Those charged with governance’ to the definition contained in ISA 260, to get better harmonization between professional accountants’ ethics and auditing standards.</p>	

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		<p>However, this alignment needs to be carefully reflected <b>as the two definitions (in the two standards) respond to different needs</b>. We need to consider the different perspective of the Code IFAC compared to the ISAs (260) : the former, identifying ethical behavior of the individual professional accountant and a set of relationships with a wider range of persons and situations; the latter specifically addressing the aspect of communication between auditor and audited client. In that direction the Code may contain definitions that are addressed to the wider plethora (those charged with governance).</p> <p>More specifically we are concerned that the extension of the definition, while providing a uniform definition to auditors, <b>might be more complicated when considered for assessing independence</b> (or self assessing) in relation to persons or organizations to be included under “those charged with governance”.</p> <ul style="list-style-type: none"> <li>• <b>We propose to reconsider the reference in the first sentence to “organizations”</b> and refer the definition only to natural persons . In that sense a groups of individuals would not be identified per se as addressee of the requirement. From the ISA 260 perspective of course the group or subgroup has a different relevance as it is identified for communication purposes. Furthermore, in some jurisdiction, companies (incorporated and or not) can be part of the board of directors. In that case it is even more critical to identify the persons to whom independence requirements need to be applied (the directors/the capital owners?) .</li> <li>• <b>We also propose to carefully consider the explicit reference to “management personnel” in the forth line.</b> In small entities the tasks would be managed by the persons in charged with decisional duties and be already included in the definition. In larger entities this would imply, in our view, and extension of the scope of the independence requirements to a quite relevant number of persons (IESBA code is not addressed only to audit assignments.</li> <li>• We propose to carefully consider the addition of the expression “...or a subgroup thereof” . The proposed change, specifically aimed to clarify that a subgroup, such as an audit committee, may assist the governing body in meeting its responsibilities, particularly in communicating with the auditor, can be understood, and probably is put in practice (as mentioned in the explanatory memorandum, the IESBA underlines that “<i>this change will reflect common practice by recognizing that communications with a subgroup of those charged with governance constitute communications with those charged with governance</i>”).</li> </ul> <p>However, <b>it should be noted that mostly in small medium entities, those charged with</b></p>	<p>Consistent with ISA 260, the definition refers to both person and organization.</p> <p>The definition suggests individuals or groups that may be included within the definition. The list is not intended to be all-inclusive.</p>

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		<p><b>governance would be an individual - owner or manager - and in that case it is unnecessary to specify with whom, within the entity's structure to communicate.</b></p> <ul style="list-style-type: none"> <li>Beyond the issue of communication or "discussion with" it is critical to consider if the intention is to assess (i.e. reduce) the independence requirements with regard to the subgroup as such. In that case where reference is made to "those charged with governance" the <b>subgroup would be naturally included, with no need to specify</b>. If a certain requirement is to be considered as relevant only with reference to the subgroup than of course it would need to be explicit, and even defined in the definition (Glossary). The changes proposed do not deal only with "communication" but also with "disclosure" "inquiries" "discussions". It is not clear if all these activities are assimilated to "communications" and if indeed can be considered only with the subgroup.</li> </ul> <p>Attention then needs to be given to internal relationships between the subgroup and the entire group. This in our view is not the intention of the ED and we invite IESBA to clear this.</p>	<p>The guidance added in Sections 290 and 291 acknowledges the need to determine the appropriate person with whom to communicate.</p> <p>See Agenda Item 4-A, Issue B.</p>
10.	22 – Assirevi	<p>ASSIREVI agrees with the proposed change to the definition of "those charged with governance". It is appropriate for the definition contained in the Code of Ethics to be aligned to the definition in ISA 260. This alignment will provide greater clarity for practitioners by eliminating any possible confusion that could arise from a definition that is different from ISA 260.</p> <p>We note that the proposed definition of "those charged with governance" includes among others "management personnel". We also note that ISA 260 contains a definition of "management" as "The person(s) with executive responsibility for the conduct of the entity's operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager".</p> <p>On the other hand the Code of Ethics contains a definition of "director or officer" as "those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which may vary from jurisdiction to jurisdiction". We question whether an officer is always a member of "those charged with governance". While a Chief Executive Officer will almost always be one of "those charged with governance" other members of management with titles such as Chief Compliance Officer, Chief Information Officer or Chief Accounting Officer are clearly not charged with "overseeing the strategic direction" of an entity but rather are charged with specific management duties. We note that ISA 260 refers to "directors" as being part of "those charged with governance" while officers are not mentioned at all.</p>	

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		In our opinion, for greater clarity, <b>it would be useful to provide a definition of the term “management”</b> and include in the Code of Ethics the same definition that is included in ISA 260. We also believe that the definition of “director or officer” be corrected so as to avoid suggesting that all corporate officers are “charged with governance”.	See Agenda Item 4-A, Issue A.
11.	28 – IRBA	We suggest that <b>the definition of “those charged with governance” should be aligned with paragraphs 10 (a) and (b) in ISA 260.</b> Thereafter retain reference to “those charged with governance” throughout the Code and <b>no need to incorporate “and subgroups thereof” throughout</b> or those where is necessary.	See Agenda Item 4-A, Issues A and B.
12.	2 – Anonymous	With respect to adding ‘or a subgroup thereof’ to the term ‘those charged with governance, <b>it would be neater and less cumbersome to change the definition of ‘those charged with governance’ to begin with the words “Any or all of” rather than adding the proposed words all over the code (messy).</b>	See Agenda Item 4-A, Issue B.
13.	3 – PwC	<p>We agree with the additional 3 references to a subgroup in sections 100, 200 and 280, albeit recognising that the reference is not explained.</p> <p>As proposed, paragraph 290.28 effectively states that the firm may decide, perhaps after consulting the client, that it is appropriate to communicate with a subgroup of those charged with governance. <b>We do not believe that it is then necessary to add the phrase “or a subgroup thereof” every time there is mention of those charged with governance.</b> This is unnecessarily repetitive (35 such references) and this adds further length to the Code.</p> <p>We recommend that the point be dealt with solely in paragraph 290.28 and that there is no need to repeat the phrase in the relevant paragraphs. This would be consistent with application in the ISA where the considerations are dealt with in paragraph 18, and guidance A5-A7, without any subsequent reference to a subgroup.</p> <p>We suggest amending the second new sub-paragraph to read:</p> <p style="padding-left: 40px;">“In complying with requirements in this section to communicate with those charged with governance, the firm shall determine the appropriate person(s) within the entity’s governance structure with whom</p>	See Agenda Item 4-A, Issue B.



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		<p>to communicate. If the firm communicates with a subgroup of those charged with governance, for example an audit committee <del>[delete comma]</del> or an individual, the firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.</p> <p style="color: red;">Subsequent references in this section to those charged with governance should be read to refer also to a “subgroup thereof”.</p> <p>We note that the final proposed sentence above in the ED addresses the consideration dealt with in ISA 260, A6. The Board may wish to consider adding at the end of that sentence “This may depend on how effectively and appropriately the subgroup communicates relevant information with the governing body”.</p> <p>In any event we do not believe it is appropriate to include the references to the “subgroup” in the first subparagraph of proposed 290.28 as the concept of communicating to a subgroup has, at that point, not been introduced.</p> <p>If the Board concludes, based on the responses, that it is appropriate to repeat the reference to a subgroup every time the term those charged with governance applies, then we believe that the concept of communicating with a subgroup is appropriate in all the paragraphs indicated, although we would <b>question whether the reference is really needed in paragraphs 290.195 and 291.125.</b></p>	<p>See Agenda Item 4-A, Issue B.</p>
14.	5 – IDW	<p>In our view <b>adding the phrase “or a subgroup thereof” to each reference to those charged with governance throughout the Code unnecessarily lengthens the text of the Code, without adding value</b> in terms of content. Indeed, whether, in a particular case, it is appropriate, or even required by the national law of a particular jurisdiction, for a particular matter to be discussed with or brought to the attention of a subgroup of those charged with governance rather than with the entire governance body, is something that would generally need to be determined on an individual basis, and may vary with the size or legal form of the specific client, the jurisdiction in which the particular engagement is performed, and the matter needing to be communicated. The mere addition as proposed could imply that the Code foresees a choice in every case.</p> <p>Furthermore, as the last sentence of the text to be added to 290.28 will already require the auditor to determine whether – when communication was with a subgroup of those charged with governance – communication with all of those charged with governance is also necessary, such repetition is not needed thereafter. Maybe this requirement needs to be given more prominence.</p>	<p>See Agenda Item 4-A, Issue B.</p>

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15.	6 - HKICPA	<p>We also agree with the IESBA's proposed changes to incorporate within the Code the requirements as set out in paragraphs 11 and 12 of ISA 260 on the determination by an auditor with whom within the entity's governance structure the auditor should communicate. We consider that these proposed changes are appropriate considering a subgroup, such as an audit committee, may assist the governing body in meeting its responsibilities.</p> <p>It is our understanding that communication with those charged with governance is not solely provided for in section 290 of the Code only but also under various other sections of the Code. Accordingly, we recommend the IESBA to <b>consider changing paragraph 290.28 to " ... In complying with requirements in this section-Code to communicate ..." to enhance clarity of the requirement.</b></p> <p>We also understand that paragraphs A1-8 of ISA 260 includes application and explanatory material for those charged with governance and communication with a subgroup of those charged with governance. Although those are not authoritative requirements, they provide useful guidance to practitioners to determine appropriate courses of action. <b>We accordingly recommend the IESBA to consider providing practitioners with similar non-authoritative guidance to assist in their implementation of the proposed changes to the Code.</b></p>	<p>See Agenda Item 4-A, Issue D.</p> <p>See Agenda Item 4-A, Issue C.</p>
16.	7 – ACCA	<p><b>We do not believe that it is necessary or desirable to include the words 'or a subgroup thereof' throughout the Code.</b> It may be argued that this would detract from the central message concerning communication, and make it less easy for professional accountants to engage with the Code.</p> <p>In addition, the apparently <b>casual use of the words 'or a subgroup thereof' might invoke a similarly casual approach by professional accountants in choosing with which subgroup to communicate.</b> Therefore, we perceive a risk in using the proposed wording throughout the Code without any supporting guidance, such as that within paragraphs A5 to A7 of ISA 260. Further, we believe that the approach adopted in the exposure draft would undermine the proposed requirement in paragraph 290.28 to consider the need to communicate with those charged with governance also.</p> <p>The exposure draft proposes to use the additional words 'or a subgroup thereof' in all sections of the Code where reference is made to 'those charged with governance', although the emphasis in paragraph 290.28 applies only to section 290. In the interests of consistency and proportionality, we recommend that this paragraph of emphasis should also appear in section 291 and, in each case, the words 'requirements in this section' should be replaced with the words 'requirements throughout the Code'.</p>	<p>See Agenda Item 4-A, Issue B.</p> <p>See Agenda Item 4-A, Issue D.</p>

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17.	11 – CND-CEC	<p>In accordance with the above we wish to draw the attention of IESBA to the following paragraphs and the need to ensure overall consistency and clarity. We noted that changes have been introduced mostly with regard to “consultation” “communication” “discussion” “disclosure” “inquiries” , but not only.</p> <p>For example:</p> <p>Par. 290.195 dealing with scope of internal audit activities: “...depending on...the requirements of management and those charged with governance or a subgroup thereof..”</p> <p>In this case, as a result of the change it is assumed that the definition of the requirements of internal audit activities can be set also directly by the subgroup.</p> <p>Par. 290.198 (b) dealing with internal audit services.  As a result of the change it is proposed that also the subgroup can review, assess and approve the scope, risk and frequency of the internal audit service.</p> <p>Par. 290.136; 290.153; 291.129; 290.195 - in all these cases there is a reference to “those charged with governance” to “management” and to the “subgroup” and using the preposition “or”. From the proposed definition both “management” and “subgroup” are included under “those charged with governance”. This creates quite a confusion as to the relevant persons addressed (if all fall under “those charged with governance then it would be sufficient to mention only them).</p> <p>We propose that <b>even if IESBA were to adopt the proposed definition the reference to the subgroup needs to be reconsidered with a specific reasoning relevant to independence environment</b>. In our view it should be kept only with reference to actions dealing with communications and similar but not with empowering the subgroup to adopt determinations (see par. 290.35-36).</p>	See Agenda Item 4-A, Issue B.
18.	12 – ICPAS	<p>We agree with the proposed change. This change will reflect common practice by recognising that communications with a subgroup of those charged with governance constitute communications with those charged with governance. However, as ISA 260 does not make reference to the subgroup throughout the standard when it refers to communication with those charged with governance, <b>we propose that IESBA discuss with the International Auditing and Assurance Standards Board to consider similar changes to be made to ISA 260.</b></p>	To respond to concerns raised by respondents, the IESBA will adopt an approach similar to that used by the IAASB.

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19.	14 - ICAA	<p>No, <b>the Institute does not agree with the repeated use of “or a subgroup thereof”</b> in each case as noted. We consider that the use of “thereof”, while grammatically correct, should be avoided as it is too legalistic a term to serve as an aid to understanding for the average reader.</p> <p>As an alternative we would favour a similar approach to that adopted in the Code at paragraph 290.3, where it is identified that references in that section to the terms “audit,” “audit team,” “audit engagement,” “audit client” and “audit report” include review, review team, review engagement, review client and review report. Therefore an appropriate statement within the Code identifying that the term “those charged with governance” includes subgroups would in our view be sufficient, and would preserve the overall readability of the Code.</p>	See Agenda Item 4-A, Issue B.
20.	18 – WPK	<p>However, regarding the specific transposition of this concept and its content proposed by IESBA, we do have some reservations which we would like to explain under question 2.</p> <p>Already according to the status quo a subgroup might be viewed as (part of) those charged with governance depending on the individual circumstances. This aspect is taken into account by ISA 260 by means of its extensive explanatory material explaining the diversity of governance structures (ISA 260. A 1 et seqq.). <b>While the explicit statement of “or a subgroup thereof” might have a positive effect in terms of clarifying at first glance, we deem the persistent repeating neither necessary nor useful.</b> Instead, it would be preferable to just clarify once the subgroup matter by either extending the proposed definition correspondingly or composing a separate section. In either case, <b>similar guidelines as the explanatory material in ISA 260 should be applied in order to safeguard the intended harmonization and consistency.</b> This approach would also make the persistent repeating dispensable and offer the necessary guidance for the profession.</p> <p>Besides, <b>we would like to point out that the proposed definition of “those charged with governance” encompasses the “management personnel” but does not define this term</b> as opposed to ISA 260 which contains a corresponding definition (ISA 260.10.(b)), even though the CoE refers to the term “management” in different contexts (e.g. management responsibilities Section 290.162). Therefore we would highly welcome a definition of “management” also within the CoE.</p>	<p>See Agenda Item 4-A, Issue B.</p> <p>See Agenda Item 4-A, Issue A.</p>
21.	22 – Assirevi	It is proposed to state throughout the Code of Ethics, in each case communication to those charged with governance is required, that such communication be to “those charged with governance or a sub-group thereof”. We believe that the wording is cumbersome and question whether it meets the purpose of reminding practitioners that communicating with a sub-group may be sufficient. Paragraph 290.28 provides a	See Agenda Item 4-A, Issue C.

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		comprehensive explanation as to what constitutes communicating with those charged with governance including when communicating with a sub-group is acceptable. <b>Accordingly, we see no reason for the words “or a sub-group thereof” to be repeated throughout the Code.</b> We also note that, as currently constructed, practitioners may be led to think that communicating to a sub-group is always an acceptable alternative to communicating with the wider group when in fact it is not, as explained in paragraph 290.28.	
22.	23 – APESB	<p>APESB agrees that in certain circumstances a subgroup of those charged with governance may have a responsibility to communicate with an auditor, and that an auditor may communicate with a subgroup of those charged with governance.</p> <p>We note that ISA 260 provides guidance in this respect in paragraphs A1-A8 which is referred to in the last sentence of the definition in ISA 260. This sentence has understandably been deleted by IESBA. IESBA should <b>consider whether to incorporate a cross reference in paragraph 290.28 of the Code to the application guidance (A1-A8) in ISA 260 or a general reference to ISA 260.</b> The benefit of such a reference is that the application guidance in ISA 260 considers different governance structures, matters to be considered when communicating with a subgroup of those charged with governance and circumstances in which when all of those charged with governance are also managing the entity.</p> <p>IESBA has provided similar guidance in respect of Network Firms and how to determine when a Network exists. In this instance IESBA is proposing to incorporate the definition of “those charged with governance” from IAASB in the Code but is silent on the application guidance. We believe that a cross reference to the existing application guidance in ISA 260 would be useful to stakeholders.</p>	See Agenda Item 4-A, Issue B.
23.	24 – CPA Australia	<p>CPA Australia is of the opinion that the addition of ‘or a subgroup thereof’ is not appropriate in every instance the Code refers to ‘those charged with governance’.</p> <p>We consider that the <b>addition of ‘or a subgroup thereof’ in every instance where the Code refers to ‘those charged with governance’ does not achieve the objective of better aligning the Code with ISA 260.</b> Paragraph 12 of ISA 260 states: ‘If the auditor communicates with a subgroup of those charged with governance, for example, an audit committee, or an individual, the auditor shall determine whether the auditor also needs to communicate with the governing body.’ Paragraphs A5-A7 provide further explanation on communication with a subgroup of those charged with governance. ISA 260 suggests that communicating only with a subgroup may not always be appropriate. The proposed changes to paragraph 290.28 clarify that the determination must be made of whether communication with all those charged with governance is</p>	See Agenda Item 4-A, Issue C.

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		<p>necessary. This clarification is not present in all the other instances where the proposed addition 'or a subgroup thereof' is made.</p> <p>CPA Australia is of the opinion that <b>clarity should be offered around 'those charged with governance' in the Code, so as to better align it with ISA 260, by explaining that communication with 'those charged with governance' may, in some circumstances, be a communication with a subgroup of the governing body (as described in paragraph 12 of ISA 260).</b></p>	See Agenda Item 4-A, Issue B.
24.	25 - CARB	In response to question 2, CARB agrees with that in each case noted in the Exposure Draft communication with those charged with governance would be appropriate. We would however <b>question the inclusion of 'or a subgroup thereof' in each instance in the Code which refers to those charged with governance.</b> In our opinion this would be open to different interpretations and we would suggest that the term 'or a subgroup' therefore either be included in the definition of those charged with governance or separately defined.	See Agenda Item 4-A, Issue B.
25.	28 – IRBA	<p><b>We do not believe it is appropriate or necessary to include the words “or subgroup thereof” in each section of the Code where “those charged with governance” is mentioned.</b></p> <p>We believe it is preferable for the IESBA Code to rather refer to ISA 260 either by way of footnote, or included in the amended definition of “those charged with governance” for an understanding of the meaning of the term in different circumstances that is clearly explained in ISA 260 Requirements and Application Material. This would obviate the need to make unnecessary conforming amendments throughout the IESBA Code with the addition of the words: “<u>or a subgroup thereof</u>”, that do not enhance the meaning of “those charged with governance” in the context of the Code.</p>	See Agenda Item 4-A, Issue B.
26.	29 – KPMG	<p>We also support inclusion of the proposed new paragraph in 290.28 of the Code to clarify requirements for determining the appropriate person(s) within the entity's governance structure with whom to communicate and procedures to follow where the firm communicates with a subgroup of those charged with governance.</p> <p>We do not object to the specific addition of the words “or a subgroup thereof” in every place in the Code where the phrase “those charged with governance” is mentioned, <b>however we question whether this is strictly necessary given the discussion proposed to be included in the new paragraph in 290.28.</b></p>	See Agenda Item 4-A, Issue B.

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27.	30 – NASBA	<p>Finally, if the definition of “those charged with governance” includes the requirement that the accountant should determine the appropriate person(s) with whom to communicate, the Code of Professional Conduct for Professional Accountants would not have to constantly refer to “those charged with governance, or a subgroup thereof.” Accordingly, we recommend the IESBA consider incorporating “or a subgroup thereof” into the definition itself, which would obviate the need to repeat those words numerous times in the standards. For example -</p> <p style="padding-left: 40px;">Those charged with governance  The person(s) or organization(s) (for example, a corporate trustee), or a subgroup thereof, 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. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.</p>	See Agenda Item 4-A, Issue B.
28.	31 – Denise Silva Ferreira Juvenal	<p>I agree that in each case as noted in the Exposure Draft communication, but I have doubt in relation which people will be have access of the informations and reporting (communication) elaborated for internal audit and external audit for clients.</p> <p>I think that in relation the discussion rotation of audit firms, this consideration need to be observed with results of PCAOB<sup>1</sup> and European Commission<sup>2</sup> for don’t have problems in relation the important viewpoints about internal control, that can be impact the audit work (internal or external).</p>	Comment noted.
29.	32 – SAICA	No, we do not agree. This is extremely repetitive, and it is also distracting. <b>We propose that the words “or a subgroup thereof” be included in the Definition of “Those charged with governance”.</b>	See Agenda Item 4-A, Issue B.
30.	33 – EYG	We fully agree that communication with a subgroup of those charged with governance may be appropriate in each case identified in the Exposure Draft. However, we do not agree with the IESBA proposal to refer to “or a subgroup thereof” explicitly in each instance when the Code refers to communication with those charged	See Agenda Item 4-A, Issue B.

<sup>1</sup> [http://pcaobus.org/News/Events/Pages/10182012\\_PublicMeeting.aspx](http://pcaobus.org/News/Events/Pages/10182012_PublicMeeting.aspx) and <http://pcaobus.org/Rules/Rulemaking/Pages/Docket037.aspx>

<sup>2</sup> [http://ec.europa.eu/internal\\_market/auditing/reform/index\\_en.htm](http://ec.europa.eu/internal_market/auditing/reform/index_en.htm)

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		<p>with governance. ISA 260 does not include such language wherever communication to those charged with governance is referenced and we believe that the concept of appropriate communication with a subgroup of those charged with governance is better addressed up front in Section 290.28 rather than repeated throughout the Code. <b>Accordingly, we suggest the following edits to Section 290.28 and the removal of “or a subgroup thereof” from all other 290 sections of the Code.</b></p> <p><b>Those Charged with Governance</b></p> <p><b>290.28</b> Even when not required by the Code, applicable auditing standards, law or regulation, regular communication is encouraged between the firm and those charged with governance of the audit client <del>or a subgroup thereof</del> regarding relationships and other matters that might, in the firm's opinion, reasonably bear on independence. Such communication enables those charged with governance <del>or a subgroup thereof</del> to:</p> <p>(a) consider the firm's judgments in identifying and evaluating threats to independence,</p> <p>(b) consider the appropriateness of safeguards applied to eliminate them or reduce them to an acceptable level, and</p> <p>(c) take appropriate action.</p> <p>Such an approach can be particularly helpful with respect to intimidation and familiarity threats.</p> <p>In complying with requirements in this section to communicate with those charged with governance, the firm shall determine the appropriate person(s) within the entity's governance structure with whom to communicate.  <u>Depending on particular circumstances, it may be appropriate to communicate with a subgroup of those charged with governance, such as an audit committee or an individual. If not clearly identifiable, the auditor may need to discuss and agree with the engaging party the appropriate subgroup with whom to communicate and it may vary depending on the matter to be communicated.</u> If the firm communicates with a subgroup <del>of those charged with governance, for example an audit committee, or an individual</del>, the firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.</p>	



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		We believe a more comprehensive discussion of communications with a subgroup of those charged with governance in Section 290.28 without repeated references to a “subgroup thereof” elsewhere in the Code will provide greater clarity for practitioners. More specifically, the phrase “those charged with governance or a sub-group thereof” without further explanation may lead practitioners to consider that communication with a subgroup is always an alternative, when in fact there may be cases when communication with a subgroup is insufficient and a communication to all those charged with governance is more appropriate.	

**APPENDIX 1:**

**ICAI Comments**

S.N.	Section	Comments
1.	----- (Definition of “Those Charged with Governance”)	Fine
2.	290.28	Fine
3.	100.19	Fine
4.	200.13	Fine
5.	200.14	Fine
6.	280.4	Fine  (It may be noted that the following portion appearing at the end of section , as was inserted vide 2010 edition of IFAC Code of Ethics , is not appearing in the exposure draft ):-  <i>“If safeguards cannot eliminate or reduce the threat to an acceptable level, the professional accountant shall decline or terminate the relevant engagement.”</i>
7.	290.34	Fine
8.	290.35	Fine
9.	290.36	Fine
10.	290.38	Fine
11.	290.39	The provisions pertaining to inadvertent violation, including this one, have /are not being adopted by the ICAI. Hence, we have not considered changes in this section.
12.	290.117	The provisions pertaining to inadvertent violation, including this one, have /are not being adopted by the ICAI. Hence, we have not considered changes in this section.
13.	290.133	The provisions pertaining to inadvertent violation, including this one, have /are not being adopted by the ICAI. Hence, we have not considered changes in this section.
14.	290.136	Fine  (It may be noted that the following portion appearing at the end of section , is not appearing in the exposure draft ):-

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		<p><i>“ The significance of any threats created shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:</i></p> <p><i>□ Modifying the audit plan</i></p> <p><i>□ Assigning individuals to the audit team who have sufficient experience in relation to the individual who has joined the client; or</i></p> <p><i>□ Having a professional accountant review the work of the former member of the audit team.”</i></p>
15.	290.141	Fine
16.	290.153	Fine
17.	290.174	As per Indian law, the professional accountants are not permitted to write the books of accounts of their auditee clients. Therefore, this provision, which allows writing of books, although only in emergency or unusual situations, has not been adopted by the ICAI. Hence, we have not considered changes in this section.
18.	290.186	Fine
19.	290.195	As per Indian law, a statutory auditor of an entity cannot be its internal auditor as it will not be possible for him to give an independent and objective opinion. Therefore, the provisions of ‘Internal Audit Services’ have not been adopted by the ICAI. Hence, we have not considered changes in this section.
20.	290.197	As per Indian law, a statutory auditor of an entity cannot be its internal auditor as it will not be possible for him to give an independent and objective opinion. Therefore, the provisions of ‘Internal Audit Services’ have not been adopted by the ICAI. Hence, we have not considered changes in this section.
21.	290.198	As per Indian law, a statutory auditor of an entity cannot be its internal auditor as it will not be possible for him to give an independent and objective opinion. Therefore, the provisions of ‘Internal Audit Services’ have not been adopted by the ICAI. Hence, we have not considered changes in this section.

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22.	290.222	Fine
23.	291.32	Fine
24.	291.33	The provisions pertaining to inadvertent violation, including this one, have /are not being adopted by the ICAI. Hence, we have not considered changes in this section.
25.	291.112	The provisions pertaining to inadvertent violation, including this one, have /are not being adopted by the ICAI. Hence, we have not considered changes in this section.
26.	291.127	The provisions pertaining to inadvertent violation, including this one, have /are not being adopted by the ICAI. Hence, we have not considered changes in this section.
27.	291.129	Fine
28.	320.5	Fine
29.	340.2	<p>Fine</p> <p>(It may be noted that the following portion appearing at the end of section , as was inserted vide 2010 edition of IFAC Code of Ethics , is not appearing in the exposure draft):-</p> <p>“ <del>I</del>nternal and external audit procedures.</p> <p><input type="checkbox"/> Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading.”</p>
30.	350.4	Fine