

**Accelerated Response Process—Matter for Consideration****A. Background**

1. At its October 2014 meeting, the IESBA explored how the current due process<sup>1</sup> could be amended to address circumstances requiring an accelerated standard-setting response. This followed a discussion on the same topic at the September 2014 International Auditing and Assurance Standards Board (IAASB) meeting.
2. The IAASB discussion was prompted by its desire to explore how it could further improve the efficiency and effectiveness of its activities. One of the suggestions put forward as it contemplated the possibilities was to consider the development of a “rapid response” process for the issuance of authoritative material. The idea was that circumstances may arise where the IAASB may identify a need to address an emerging and urgent issue relating to one (or more) of its standards on an accelerated basis rather than follow the normal due process for setting standards.
3. At its September 2014 meeting, the IAASB considered proposals by its staff for an alternative to the full due process to address such a matter. Broadly, the proposals envisaged the following:
  - (a) The accelerated process would be used to respond to:
    - (i) An issue of such significance that, in the public interest, an amendment to an IAASB standard on an accelerated basis would be warranted; or
    - (ii) Circumstances indicating different interpretations among stakeholders regarding the intent or effect of an IAASB standard that can lead to undesired inconsistencies in practice, thus highlighting a need in the public interest to clarify the intent via an amendment to the standard; and
  - (b) Acceleration of the development of a response to an identified issue in the following ways:
    - (i) A condensed timetable for IAASB and IAASB Consultative Advisory Group (CAG) discussions (e.g., one meeting vs. several) prior to issuance of an exposure draft (ED). In this regard, the suggestion was for the IAASB CAG to be consulted on significant issues relating to the project prior to the release of the ED.
    - (ii) Accelerated exposure period, i.e., 30–45 days (vs. the usual 120 days for IAASB EDs).
    - (iii) Allowing for the possibility of, but not requiring, consultation with the IAASB CAG on significant issues raised by respondents on the ED and the IAASB's related responses prior to the IAASB's finalization of the revised standard.
4. As the standard-setting boards (SSBs) supported by IFAC<sup>2</sup> and overseen by the PIOB share the same due process, it was important to obtain the IESBA's views before any changes to the due process could be presented to the PIOB.

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<sup>1</sup> IFAC's *Standards-setting Public Interest Activity Committees' Due Process and Working Procedures*, March 2010

<sup>2</sup> IAASB, IESBA and the International Accounting Education Standards Board

5. During the October 2014 IESBA discussion, IESBA members made a number of comments, including the following:
- The use of teleconferencing could speed up obtaining board feedback. However, this may not be suitable for more complex issues which require longer deliberation. The issue of low participation in teleconferences was noted as a concern.
  - Following due process is in the public interest and lends credibility to the standards. It would be undesirable for stages of due process to be bypassed. Knee-jerk reactions can create rather than solve issues. Any accelerated process should be used rarely and subject to an evidence-based, transparent decision making process.
  - Matters which the Board may consider simple or trivial could be considered important by the CAG.
  - It is difficult to understand how a significant issue could be addressed in such a short period of time and why a separate process would be necessary.
  - Improving coordination among the SSBs, CAG and PIOB could assist with adding matters deemed urgent to the work plan.
  - Alternative methods of dealing with urgent issues could be considered, such as the development of non-authoritative guidance. However, concerns have been expressed in the past regarding this approach since this material is not subject to the SSBs' due process.

**B. Developments Since the October 2014 IESBA Meeting**

6. In light of the concerns expressed at the September 2014 IAASB and IAASB CAG meetings and the October 2014 IESBA meeting regarding these proposals, staff of the Auditing Board has developed a draft policy paper setting out an alternative approach to achieving the intended outcome within the parameters of due process.
7. At its February 2015 meeting, the Planning Committee considered this revised proposal and was supportive of its direction.
8. The IAASB CAG considered the draft policy at its March 2015 meeting and provided a number of comments, mainly in relation to appropriate consultation with the CAG at the relevant stages of the process. The IAASB considered a revised draft of the proposed policy at its March 2015 meeting and was supportive of the revised proposals, subject to some editorial comments.
9. The revised draft of the proposed policy, incorporating input received from the IAASB CAG and the IAASB, is set out in the Appendix, substituting IESBA for IAASB and the Code for IAASB standards.
10. Subject to any comments from the IESBA, IAASB staff will circulate the revised proposal to the IAASB for a fatal-flaw review. The Managing Director, Professional Standards, will then discuss the document with the PIOB later in the year.

**Matter for Consideration**

1. IESBA members are asked if they have any fundamental concerns regarding the proposed accelerated response process set out in the draft policy document in the Appendix.

## APPENDIX

### Draft Process to Address Circumstances Requiring an Accelerated Response

#### Introduction

1. In rare circumstances, the IESBA may become aware of an issue that, in the public interest, the IESBA believes should be addressed in accordance with the Due Process applied in an accelerated manner. This policy explains how the Due Process is applied in such circumstances.

#### Circumstances that Require an Accelerated Response

2. This process applies only to projects to amend an extant provision or set of provisions in the IESBA *Code of Ethics for Professional Accountants* (the Code), and only when the IESBA believes all of the following conditions are met:
  - (a) The circumstances of an issue indicate different interpretations of a provision or set of provisions in the Code that can lead to undesired inconsistencies in practice or the need to address other more general matters of consistency.
  - (b) It is in the public interest and deemed urgent to clarify the IESBA's intent by amending the provision or set of provisions in the Code rather than via a non-authoritative publication or other means.
  - (c) A precise project proposal can be prepared such that the scope of the project and the issue to be addressed are clear.
  - (d) The issue is not so complex nor the likely change(s) to the Code so pervasive that it would be unreasonable for the IESBA to become adequately informed, and appropriately conclude, on the issue based on an expedited deliberation process.
  - (e) Adequate resources will be available, and prioritization of the project would be an effective and efficient use of the IESBA's resources, recognizing that the project may redirect resources from other priorities that were subject to public consultation.

#### Application of the Due Process

3. All elements of the Due Process apply when projects to amend a provision or set of provisions in the Code are undertaken, including the requirement for the IESBA to approve a project proposal and public exposure of the proposed amendments for a period ordinarily no shorter than 90 days. When the IESBA identifies circumstances that it believes may require the Due Process to be applied in an accelerated manner, it specifically:
  - (a) Develops a project proposal that includes a description of how the project complies with the criteria described in paragraph 2 and the proposed timing for applying the Due Process in an accelerated manner. This project proposal is put forth for the IESBA's consideration in a meeting open to the public.
  - (b) Consults the IESBA Consultative Advisory Group (CAG) and informs the Public Interest Oversight Board (PIOB) by providing a copy of the project proposal and notice of its intention to proceed in an accelerated manner, and requests advice of any objection or relevant

consideration. This feedback is considered by the IESBA in the meeting in which the project proposal is put forth for approval.

- (c) Provides advance notice, including a copy of the approved project proposal, on the IESBA's website and through other regular communication channels of its intention to discuss at its next public meeting an amendment to the Code, noting it is unlikely to hold a public forum, roundtable or other initial information gathering activities and encourages public submissions on the issue. Any comments received from stakeholders will be taken into account in developing the exposure draft of the proposed amendments.
4. It may be necessary for IESBA meetings, as well as interactions with the CAG and the PIOB required by the Due Process, to occur via electronic or telephonic means outside of usual meeting schedules.