

Meeting: IESBA
Meeting Location: New York, USA
Meeting Date: March 11-13, 2019

Agenda Item

3

Alignment of Part 4B with ISAE 3000 (Revised)

Objectives of Agenda Item

1. To complete a second read of the draft Exposure Draft of the aligned Part 4B arising from the project to address the consistency of Part 4B of the revised and restructured Code with ISAE 3000 (Revised).¹
2. To approve the Exposure Draft for publication.

The Task Force welcomes any comments and editorial suggestions on the agenda material in advance of the meeting. Please email comments to: CarlaVijian@ethicsboard.org.

Task Force Members

3. The IESBA Part 4B TF comprises:
 - Liesbet Haustermans, Chair and IESBA Member
 - Saadiya Adam, IESBA Technical Advisor
 - Caroline Lee, IESBA Member
 - Andrew Pinkney, IESBA Technical Advisor
 - Peter Hughes, Former IESBA Member (providing technical support)

Activities since the IESBA's First Read of the Draft Exposure Draft at the December 2018 IESBA Meeting

4. The TF met in New York after the December Board meeting on 5th and 6th December. It agreed some changes as set out below to the draft Exposure Draft to respond to comments of the IESBA at the meeting. The TF also discussed and agreed a draft of the Explanatory Memorandum to accompany the Exposure Draft.
5. As part of the coordination with the IAASB on this project, the draft Exposure Draft was provided again to the IAASB representatives in January after making changes in response to the comments received by the TF at the December Board meeting. Some comments of the IAASB representatives have been reflected as appropriate in the revised Exposure Draft.

¹ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

Response of the TF to Comments Raised at the December Board Meeting

6. The TF has accepted that it may be confusing to define 'assurance client' in terms of entities or individuals and proposes to return to defining 'assurance client' as a 'party'. The proposed revisions to the definition of assurance client are shown in the Glossary and in paragraph 900.14 A1.
7. The TF has considered carefully the suggestions made by Board members as to how the meaning of paragraph 900.14 A2 could be clarified in particular so far as describing the circumstances in which the firm would need to be independent of the measurer or evaluator. It is proposing certain revisions accordingly, which are shown in the revised Exposure Draft.
8. In the light of the discussion about whether the assurance client could be an entity or an individual, the TF has reconsidered the phrase 'individual or individuals who are the responsible party' in the last bullet of paragraph 940.3 A3 and in paragraph 940.3 A4 in the restructured Code. The TF believes that this phrase could be confusing and proposes to define the relevant individuals as those 'who are responsible for the underlying subject matter or, in an attestation engagement, the subject matter information.' The TF believes that this more clearly reflects the intended meaning in the Code. This would also cover situations where an assurance client is an individual because such an individual would be responsible for the underlying subject matter or subject matter information, or both, depending on the circumstances. In a further change to the text of the draft Exposure Draft presented at the December Board, the TF now proposes to retain the reference to senior management in the last bullet of paragraph 940.3 A3 to ensure that the scope of this paragraph is not unintentionally reduced.
9. As agreed at the December Board meeting, the TF has included a definition of 'attestation engagements' and 'direct engagements' in the Glossary consistent with the meaning of these terms in ISAE 3000 (Revised).
10. The TF is also proposing an extension of the definition of 'assurance engagements' in the Glossary from the draft presented at the December Board meeting to refer specifically to the IAASB Standards that apply to the assurance engagements defined in the Code. The extant Code also included a reference to these Standards in the Glossary. The change has been made to respond to a request from the Non-Assurance Services Task Force for clarity as to the meaning of 'assurance engagements' in the Code.
11. Some Board members questioned whether it is sufficiently clear in Part 4B that the firm needs to evaluate the firm's objectivity in addition to applying the requirements for independence. The TF notes that a great deal of thought was given to this point at the time when Part 4A and Part 4B were developed as part of the Restructuring of the Code Project. In particular, paragraph 900.5 addresses this issue in the same way as paragraph 400.5 with respect to audit and review engagements. The TF believes, therefore, that the matter raised is already addressed in Part 4B.

Material Presented

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| Agenda Item 3-A | Draft Exposure Draft of Proposed Changes to Part 4B of the Code (Mark-up from Revised and Restructured Code) |
| Agenda item 3-B | Draft Exposure Draft of Proposed Changes to Part 4B of the Code (Mark-up from version provided at December 2018 Board meeting) |

Agenda Item 3-C Draft Exposure Draft of Proposed Changes to Part 4B of the Code (Clean)

Agenda Item 3-D Draft Explanatory Memorandum to accompany the Exposure Draft of Proposed Changes to Part 4B of the Code (for information purposes only; comments from Board members can be provided offline to the TF)

Action Requested

12. IESBA members are asked to read the draft Exposure Draft (**Agenda Item 3-A**) in preparation for the second read and approval at the March 2019 meeting. For the convenience of the Board two additional versions of the text are attached:
 - Agenda item 3-B shows only the changes to the text made since the December 2018 Board meeting;
 - Agenda item 3-C shows the clean text with all changes accepted.