



## **International Ethics Standards Board for Accountants and its CAG Oversight Assurance Plan 2016**

### **1. 2015 Experience**

The PIOB directly observed the five IESBA and the two CAG meetings held in the year, in addition to the two IESBA teleconferences. This implied direct observation of 100% of the Board and CAG meetings, in line with the oversight plan approved for 2015.

In January 2015 the IESBA approved *Changes to the Code of Ethics for Professional Accountants Related to Certain Provisions Addressing Non-Assurance Services for Audit and Assurance Clients*, which the PIOB also approved in June 2015, in accordance with due process and with proper regard for the public interest. However, the PIOB noted the limited scope of the project and urged IESBA to revisit issues on auditor's independence from a broader perspective, such as prohibited NAS, related fee issues, and the role of Those Charged with Governance in approving NAS.

At its December 2015 meeting, the IESBA approved the close-off text of the Part C – Phase I project, which will be submitted for PIOB approval in March 2016.

Another milestone reached in the year was the approval and publication of the new ED of *Responding to Non-Compliance with Laws and Regulation* (NOCLAR). Comment letters were available in the 4<sup>th</sup> quarter of the year and discussed at the IESBA meeting in December.

During the year the IESBA progressed with its work, in particular with the Structure of the Code project, which is considered the top priority, and which will have a great impact on the other projects, as it will imply a redrafting exercise of provisions under discussion or already approved. For this purpose, some provisions (NOCLAR, Long Association, Part C of the Code – Phase I) will be first approved as close-off documents, to be later redrafted under the new conventions of the Structure of the Code project.

At its December 2015 meeting, the IESBA approved the ED of the Structure of the Code project and the ED of the Safeguards project, to ensure alignment within the two projects. At the same meeting, it decided to re-expose the parts of the Long Association project where major changes occurred compared to the original ED.

During the year the PIOB observers at IESBA and IESBA CAG meetings raised their concerns, some of which are still under consideration by the IESBA.

Six IESBA members are ending their term in 2015 and are not eligible for re-appointment, of which two Public Members and four Practitioners, involved in Task Forces as members or as Chairs (four). For the Structure of the Code project, the current TF Chair will stay in the TF for another year, but will not have the status of an IESBA member. The IESBA will inevitably face a continuity issue, as one third of its Board will leave and the projects will need to continue to advance. However, such impact will be manageable since important milestones in the different projects are planned before the end of 2015. Moreover, to face the rotation cliff, some current

members of the IESBA have been reappointed for a two-year term, instead of a three-year term. This should help cope with the imbalance in rotations.

## 2. Expected IESBA Activity for 2016

As previously mentioned, in 2016 the IESBA will be approving the close-off documents of NOCLAR and Long Association and will be further progressing with projects such as the Structure of the Code and Safeguards.

All these projects are highly relevant from the PIOB's public interest perspective and will be closely overseen by the PIOB.

The IESBA CAG Chair will end his term in June 2016. He has expressed the willingness to renew his term and the CAG will then vote on a re-election or a new appointment.

## 3. Oversight Assurance Team

	<b>Team Leader</b>	<b>Team Member</b>
2016	Jane Diplock	Michael Holm
2015	Chandu Bhave	Eddy Wymeersch Jane Diplock
2014	Eddy Wymeersch	Chandu Bhave Nic van der Ende

## 4. Oversight Assurance Model for 2016

Considering the busy agenda of the IESBA in 2016 and the progress it will have to achieve on the important and complex projects, the PIOB will apply Oversight Assurance **Model 2 (high intensity)** with 100% direct observations in 2016.

**Appendix I** details the PIOB 4 different Oversight Assurance Models that the PIOB applies.

## 5. Oversight Activities for 2016

### 5.1. Direct Observations of Meetings

During 2016, the PIOB will observe the following meetings:

#### **IESBA:**



The Board will meet four times, three in NYC and one in Madrid (March). All four meetings will be scheduled for observation:

- March 14-16
- June 27-29
- September 26-30 (dates TBD)
- December 12-15

Should the IESBA add teleconferences during 2016, the PIOB will observe them as part of the OAM Model 2.

**IESBA CAG:**

The IESBA CAG is meeting twice, once in Paris (March) and once in NYC. The two meetings will be scheduled for observation, given that they will be held back-to-back with IAASB CAG meetings already scheduled for observation:

- March 7
- September 14

Should the IESBA CAG add teleconferences during 2016, the PIOB will observe them as part of the OAM Model 2.

The PIOB Bluebook provides detailed guidance on observations.

**5.2. Approvals Scheduled for 2016**

During 2016, the IESBA expects to submit the following to PIOB’s approval:

<b>Project</b>	<b>IESBA Approval</b>	<b>PIOB Approval</b>
Part C of the Code - Phase 1 (Close-Off)	December 2015	March 2016
Long Association (Close-Off)	TBD	TBD
Responding to Non-Compliance with Laws and Regulations (NOCLAR) (Close-Off)	March 2016	June 2016

**5.3. Oversight Analysis**

The following analysis will be performed over the documents submitted for PIOB’s approval:



<b>Standard</b>	<b>Type of Oversight Analysis</b>
Part C of the Code – Phase I	Limited Review
Long Association	Extended Review
NOCLAR	Extended Review

Throughout the year, the Team Leader, supported by PIOB staff, will confirm whether the OAM planned for 2016 remains relevant. Should the PIOB determine that a change of OAM be required, the reasons supporting the change will be recorded as part of this plan.

## APPENDIX I - OVERSIGHT ASSURANCE MODELS

	<b>INTENSITY of Oversight</b>	<b>WHEN</b>	<b>FEATURES</b>	<b>ASSURANCE</b>
<b>1</b>	Very high	Risk of failure. Low confidence.	100% observations Third party verification	High
<b>2</b>	High	Higher risks in standard development. Medium confidence.	100% observations	High
<b>3</b>	Medium	Lower risk in standard development. Higher confidence.	Medium level of observations	Medium
<b>4</b>	Low	Excellent performance. Highest level of confidence.	Minimal or no observations	Lower