


International Federation of Accountants

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Agenda Item
9

Committee: IAASB
Meeting Location: New York
Meeting Date: September 13-17, 2004

Independence for Assurance Engagements

Objective of Agenda Item

To discuss and provide comment on certain aspects of the Ethics Committee revisions to the independence requirements of the IFAC of Ethics for Professional Accountants (the Code).

Overview

At its September 2004 meeting the Ethics Committee plans to approve for exposure changes to the independence requirements of the Code. These changes are necessary to conform to the new International Framework for Assurance Engagements.

Marilyn Pendergast (Ethics Chair), Jean Rothbarth (Ethics Committee member and member of the task force responsible for revising the independence requirements) and Jan Munro (Ethics staff) will attend the IAASB meeting for this agenda item.

Discussion

The Code provides a conceptual framework for independence for assurance engagements and provides examples of how the framework is to be applied to specific circumstances and relationships. The independence section of the Code applies only to professional accountants in public practice.

In considering the various types of assurance engagements performed by professional accountants in public practice, the task force concluded that the vast majority of these engagements are assertion-based engagements. Therefore, the task force has drafted the document with a focus on assertion-based engagements.

When discussing the application of the independence framework to direct reporting engagements the task force considered the self-review threat in such engagements. In a direct reporting engagement:

“the practitioner either directly performs the evaluation or measurement of the subject matter, or obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to the intended users.”

The task force is of the view that if the professional accountant in public practice directly performs the evaluation or measurement of the subject matter, the self-review threat created may be so significant that no safeguard would be available to reduce the threat to independence to an acceptable level. This is the position that the task force will recommend to the Ethics Committee at its September meeting.

The Ethics Committee welcomes the views of the IAASB on the proposed approach. Extracts of the relevant parts of the revised independence section is provided in Agenda Paper 9-A. Staff would be pleased to provide a complete copy of the revised section.

Material Presented

Agenda Item 9-A Extract of revised independence section
(Pages 1909 – 1914)

Action requested

IAASB members are asked to consider the proposed revisions and provide feedback to the Ethics Committee. This feedback will be considered when the Ethics Committee discusses the document at its meeting on September 20-21, 2004.