



10 October 2012

International Ethics Standards Board for
Accountants (IESBA)
Mr Ken Siong
Deputy Director

Email: kensiong@ifac.org

Ref.: ETH/PRJ/HBL/LFU/PCO

Dear Mr Siong,

Re: FEE comments on IESBA Exposure Draft on Proposed Change to the Definition of “Those Charged with Governance”

- (1) FEE (the Federation of European Accountants) is pleased to provide you with its comments on the IESBA Exposure Draft on the Proposed Change to the Definition of “Those Charged with Governance” (“the ED”) in the IESBA Code of Ethics for Professional Accountants (“the Code”).

General comments

- (2) 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.
- (3) Our responses to the two questions in the request for specific comments of the ED are included below following our general comments.

Application and Explanatory Material

- (4) 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. Therefore, we recommend that application and explanatory material (similar to the one included in ISA 260) be added also to the Code.

Definition of “Management”

- (5) 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. 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 to ensure consistency in its interpretation and application.

Responses to specific questions

Question 1: Do respondents agree with the proposed change to more closely align the definition of “those charged with governance” to the definition contained in ISA 260, Communication with Those Charged with Governance?

- (6) Subject to our observations under general comments and our response to Question 2 below, we agree with the proposed change to more closely align the definition of “those charged with governance” to the definition in ISA 260.

Question 2: Do respondents agree that in each case as noted in the Exposure Draft, communication to “those charged with governance or a subgroup thereof” would be appropriate?

- (7) We agree with the proposal to recognise, as does the definition in ISA 260, that the communication may be with a subgroup of those charged with governance. In this context, we support in particular the text proposed to be added to the Code (in paragraph 290.28 of the ED) making it clear that if communication is with a subgroup it should be determined whether communication with all of those charged with governance is also necessary so that they are adequately informed, in line with the text in ISA 260.12. This particular requirement could be further emphasised.
- (8) However, by adding in the text “or a subgroup thereof” in each instance the Code refers to “those charged with governance”, it could be misinterpreted that the Code implies a choice in every case, while in some cases it might not be appropriate to communicate only with a subgroup.
- (9) Therefore, we do not think it is necessary to add “or a subgroup thereof” in each instance the Code refers to “those charged with governance” and we believe that it should be made clear that in certain circumstances communication with a subgroup of those charged with governance can constitute communication with those charged with governance - this could be done by adding once an explanatory text in this respect (e.g. under paragraph 290.28 of the ED).

For further information on this FEE¹ letter, please contact Hilde Blomme on +32 2 285 40 77 or via email at hilde.blomme@fee.be or Leyre Fuertes on +32 2 285 40 76 or via email at leyre.fuertes@fee.be from the FEE Secretariat.

Yours sincerely,



Philip Johnson
FEE President

¹ FEE is the Fédération des Experts comptables Européens (Federation of European Accountants). It represents 45 professional institutes of accountants and auditors from 33 European countries, including all of the 27 European Union (EU) Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 700.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE's objectives are:

- To promote and advance the interests of the European accountancy profession in the broadest sense recognising the public interest in the work of the profession;
- To work towards the enhancement, harmonisation and liberalisation of the practice and regulation of accountancy, statutory audit and financial reporting in Europe in both the public and private sector, taking account of developments at a worldwide level and, where necessary, promoting and defending specific European interests;
- To promote co-operation among the professional accountancy bodies in Europe in relation to issues of common interest in both the public and private sector;
- To identify developments that may have an impact on the practice of accountancy, statutory audit and financial reporting at an early stage, to advise Member Bodies of such developments and, in conjunction with Member Bodies, to seek to influence the outcome;
- To be the sole representative and consultative organisation of the European accountancy profession in relation to the EU institutions;
- To represent the European accountancy profession at the international level.

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