

**APB Ethical Standards – summary of key issues raised on July 2010
consultation and draft positions taken**

Background

The consultation period ended on 23 October. Responses to the consultation were received from 38 parties:

- 4 investor organisations;
- 11 Corporate organisations or individuals working in this sector;
- 18 organisations in the accounting profession;
- 5 other respondents.

A summary of these responses, which provides a flavour of the issues raised, is attached as Appendix 1 to this briefing paper. The letters (with the exception of two confidential letters) are available to view on the APB website, or can be provided in hard copy on request.

The APB’s proposed response is attached as a first draft of a feedback paper at Appendix 2 to this briefing paper. Specific amendments have been made to the draft ESs in relation to each of the significant comments set out below. At the Ethics sub-committee meeting, we will follow through each of the proposed responses in this order, looking at draft wording of the final ESs which are attached at Appendix 3.

	ES ref	Comment made
1	ES 1 [A], 9	Including conflicts under integrity complicates both concepts
2, 3	ES 1, [B] & [C]	Concerns over how revisions to Ethics Partner and independent non-executives roles will work.
4	ES 1, 30	This will result in complex and costly systems to identify connected parties.
5	ES 1, 35, 36, 60	Guidance on connected parties to be amended so that known threats are assessed
6	ES 1, [D]	The second example outlines a confidentiality issue, but not an independence one.
7	ES 1, 63 (repositioned after 58)	Repositioning creates a requirement not necessary for unlisted companies
8	ES 1, 59	Query as to whether ‘relationships’ includes non-audit services
9	ES 1, 61	Concern that the template does not reconcile to statutory disclosures – see draft feedback paper para 3.9
10	ES 1, 68	Transition requirements can be taken out as conforming change.
11	ES 1, App 1	Need to be clear where affiliates and JVs included
12	ES 4: 10, [H], [I],	Approach to contingent fees – see draft feedback paper paras 5.10 – 5.14
13	ES 4, 11, [L]	If contingent fee definition changed, need to consider situation for abort fees – see draft feedback para 5.9
14	ES 4, [N]	Take out optional wording
15	ES 4, 14,	Reference to audited entity or its affiliates not required as dealt with by definition of non-audit services
16	ES 4, 38	Extension of remuneration and evaluation policies to all engagement team – see draft feedback paper, paras 4.12 to 4.14

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	ES ref	Comment made
17	Effective date	Transitional arrangements needed for contingent fees and remuneration services
18	ES 5, 6	Complex and costly systems needed to identify connected parties– see draft feedback paper, paras 5.15 to 5.18.
19	ES 5, 11	Reference to audited entity not required as dealt with by definition of non-audit services
20	ES 5, [V], [Y]	Add in contingent fees to considerations in assessment of threats as not prohibited outright
21	ES 5, 18	Ethics partner review should only be for listed companies – see draft feedback paper, paras 3.12 to 3.15
22	ES 5, 18	It is not clear whether ‘group’ includes upstream entities and wider affiliates
23	ES 5, 18	Complex systems envisaged to collect information – see draft feedback paper, paras 3.13 to 3.16
24	ES 5, 31	The second example outlines a confidentiality issue, but not an independence one.
25, 26	ES 5, 45	Paragraph 45 could adversely affect SMEs and approach is different to IESBA
27	ES 5, 73	Conforming change required to adopt new wording in guidance
28	ES 5, 74, 75	Question over whether paragraphs required following amendment to contingent fees approach
29	ES 5, 78	Amendment thought to bring in a new prohibition that will affect AIM and other small listeds – see draft feedback paras []
30	ES 5, [AS]	Paragraph should focus on definition of an entity in distress.
31	ES 5, [AU]	Option 3 preferred by profession, but investors split – see draft feedback paras 5.1 to 5.8
32	Effective date	Longer implementation needed
33	Affiliate defn	Propose IESBA definition without additional wording
34	Audit team defn	Exception needed for internal audit staff directly assisting the auditor – see draft feedback paras 4.16 to 4.19
35	Connected party defn	Complex and costly systems needed to identify connected parties if requirements retained.