
EXPOSURE DRAFT

PROPOSED DEFINITION OF THOSE CHARGED WITH GOVERNANCE AICPA PROFESSIONAL ETHICS DIVISION

September 10, 2013

Comments are requested by November 10, 2013

Prepared by the AICPA Professional Ethics Executive Committee for comments from persons interested in independence, behavioral, and technical standards matters.

Comments should be addressed to Lisa A. Snyder, director of the Professional Ethics Division, at lsnyder@aicpa.org.

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September 10, 2013

This exposure draft contains an important proposal for review and comment by AICPA members and other interested parties regarding pronouncements for possible adoption by the Professional Ethics Executive Committee (PEEC). The text and an explanation of the proposed pronouncements are included in this exposure draft.

After the exposure period is concluded and PEEC has evaluated the comments, PEEC may decide to publish the proposed pronouncement. Once published, the pronouncement becomes effective on the last day of the month in which it is published in the *Journal of Accountancy*, unless otherwise noted.

Your comments are an important part of the standard-setting process. Please take this opportunity to comment. Responses must be received at the AICPA by November 10, 2013. All written replies to this exposure draft will become part of the public record of the AICPA.

All comments received will be considered by PEEC at its next open meeting.

Please send comments to Lisa A. Snyder, director of the Professional Ethics Division, via e-mail at lsnyder@aicpa.org.

Sincerely,

Wes Williams, *Chair*
AICPA Professional Ethics Executive Committee

Lisa A. Snyder, *Director*
AICPA Professional Ethics Division

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Proposed New Definition of *Those Charged With Governance* Under ET Section 92

Explanation

The AICPA Professional Ethics Executive Committee (PEEC) is exposing for comment the proposed new definition of *those charged with governance* (paragraph .33 of ET section 92, *Definitions* [AICPA, *Professional Standards*]) because the AICPA Code of Professional Conduct refers to *those charged with governance* in a number of its provisions, including the affiliates interpretation, confidential information obtained from the employment or volunteer activities interpretation, and the management responsibilities and internal audit sections of the nonattest services interpretation.

The Auditing Standards Board (ASB) adopted provisions concerning *those charged with governance* in an effort to converge with the International Standards on Auditing (ISAs). Because the International Ethics Standards Board for Accountants (IESBA) adopted a final definition of *those charged with governance* in June 2013 as part of the PEEC's convergence efforts, PEEC is proposing a definition that is substantially equivalent to the IESBA's, ASB's, and ISA's definitions and related guidance.

PEEC recommends the definition be effective upon publication.

Text of Proposed New Definition

.33 Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).

When an interpretation requires communicating with those charged with governance, the member should determine, considering the nature and importance of the particular circumstances and matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the member communicates with a subgroup of those charged with governance (for example, an audit committee or an individual), the member should determine whether communication with all of those charged with governance is also necessary, so that they are adequately informed.