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Highlights of the June 25, 1999 ISB Meeting: ISB Seeks Comment on Proposal Regarding Family Relationships, Also Approves Practice Structure Discussion Memorandum and Development of an Exposure Draft on Mutual Funds

Independence Standards Board

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Recommended Citation

Independence Standards Board, "Highlights of the June 25, 1999 ISB Meeting: ISB Seeks Comment on Proposal Regarding Family Relationships, Also Approves Practice Structure Discussion Memorandum and Development of an Exposure Draft on Mutual Funds" (1999). *Association Sections, Divisions, Boards, Teams*. 582.

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Highlights of the June 25, 1999 ISB Meeting

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ISB SEEKS COMMENT ON PROPOSAL

REGARDING FAMILY RELATIONSHIPS

Also Approves Practice Structure Discussion Memorandum

and Development of an Exposure Draft on Mutual Funds

New York, NY (June 25, 1999) - The Independence Standards Board today authorized the release of a proposal to revise rules concerning independent auditors with family members who are employed by clients. Upon publication, it will be available for a ninety-day comment period.

The Invitation to Comment, *Independence and Family Relationships*, reflects the view that the greatest threats to independence posed by relationships are those with persons who are directly able to influence the outcome of the audit.

"This proposal would impose the stiffest restrictions on those serving on the engagement team," said William T. Allen, ISB Chairman. "If adopted, it would prohibit *any* employment by the client of a spouse or dependents of a member of the engagement team. However, it would be less restrictive for partners and others who aren't on the team, based on one tentative view that doing so would not adversely affect the firm's independence."

In other business, the Board approved, subject to certain changes, a Discussion Memorandum on practice structures. The DM, *Evolving Forms of Firm Organization and Structure*, investigates such issues as the independence implications of corporations buying the non-attest functions of accounting firms. The Discussion Memorandum will be issued in July for a sixty-day comment period.

The Board also authorized the development of an Exposure Draft on certain issues concerning auditor independence and mutual funds. The Exposure Draft is expected to be issued during the summer for a sixty-day comment period.

The Independence Standards Board is a private standard-setting body established in 1997 as the result of an agreement between the American Institute of Certified Public Accountants and the Security and Exchange Commission. However, it operates independently of either body. Its mission is to develop concepts, principles and standards that ensure independence of auditors of public companies. It is headquartered in New York.

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