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About the IESBA

The International Ethics Standards Board for Accountants® (IESBA®) is an independent standard-setting body that develops the Code of Ethics for Professional Accountants (the Code) for use by the global accountancy profession. The objective of the IESBA, as outlined in its Terms of Reference, is to serve the public interest by setting high-quality ethics standards for professional accountants and by facilitating the convergence of international and national ethics standards. A single set of high-quality ethics standards can enhance the quality and consistency of services provided by professional accountants throughout the world, thereby contributing to public confidence in the accountancy profession.

The IESBA’s standard-setting arrangement has a number of elements designed to ensure and protect the independence of the board. The most important of these is formal, independent, public interest oversight: the Public Interest Oversight Board (PIOB) has authority over key elements of the standard-setting structure and process.

Threats to the independence of the IESBA are further safeguarded by three other aspects of the process. The first is a highly transparent due process for standard setting that is formally approved by the PIOB. The second is the involvement of the IESBA’s Consultative Advisory Group (CAG) and observers in the standard-setting process. The CAG provides public interest input into the development of
the IESBA’s standards and guidance. The third is the requirement that members of the IESBA annually sign declarations that they will act in the public interest and with integrity, and will not submit to any improper influence. In addition, all nominating organizations are required to sign a declaration that they will not exert undue influence that might impair the members’ ability to serve or act with independence, integrity, and in the public interest.

The IESBA’s membership consists of an independent chair and 17 volunteer board members from around the world. The 18 members comprise 9 practitioners and 9 individuals who are not members or employees of an audit firm (“non-practitioners”). At least three of the non-practitioners are public members: individuals who are expected to reflect, and are seen to reflect, the wider public interest. The appointments of members to the IESBA, including the independent chair, are based on the recommendation of the IFAC Nominating Committee and endorsement of the International Federation of Accountants® (IFAC®) Board, and approved by the PIOB.

In developing its standards, independently and under its own authority, the IESBA is required to be transparent in its activities, and to adhere to due process as approved by the PIOB. Board meetings, including meetings by teleconference, are open to the public, and agenda papers are available at www.ethicsboard.org.

The Code establishes ethics standards for professional accountants in public practice and in business. Under IFAC’s membership requirements, IFAC member bodies have committed to apply standards at least as stringent as those stated in the Code. IFAC has more than 175 members and associates that represent approximately 2.8 million accountants worldwide. In addition, under their membership obligations, members of the Forum of Firms, an association of networks of international accounting firms, have agreed to have policies and methodologies that conform to the Code for transnational audits.

The structures and processes that support the operations of the IESBA are facilitated by IFAC. The IESBA is a component of the overall IFAC reporting entity; accordingly, its financial results are included within IFAC’s audited financial statements, which are published as part of IFAC’s Annual Review at www.ifac.org.

Please visit www.ethicsboard.org for more information, and follow the IESBA on Twitter @Ethics_Brain.
High expectations for ethical behavior are a major feature of the social environment after the global financial crisis. Many investors, policymakers, and citizens perceive ethical behavior as a powerful component of defense against similar crises in the future.

The IESBA, as the ethics standard setter for the global accountancy profession, builds on these expectations. And it does so by working to elevate norms of ethical behavior and practice within the profession. Its goal is to renew trust in professional integrity and to protect the smooth operation of markets and economies.

The board’s strategic plan for 2014–2018, which was published in 2014, is a roadmap of our commitment to bringing ethics to the foreground in debates where the public interest is at stake.

Our projects focus on standards that professional accountants must adhere to and duties they must undertake in discharging their public interest responsibilities. Most ambitious is the project to restructure the Code of Ethics for Professional Accountants (the Code), a seminal infrastructural undertaking that will make the Code easier to understand, translate, apply, and enforce, and one that will enhance its role as a cornerstone of the profession for years to come.

The pursuit of public interest objectives in a global context has always been complex and it now has become challenging. Many jurisdictions are expanding their own regulations in areas such as auditor independence, creating a variegated landscape that no global standard setter can ignore. In navigating through this landscape, the IESBA will maintain a principles-based Code of global relevance. This provides a two-pronged advantage: a robust code for jurisdictions that have not promulgated rules in ethical areas; and comprehensive guidance that supports application in jurisdictions that have promulgated such rules.
I firmly believe that the diligent pursuit of our strategic plan in consultation with our stakeholders, and the absorption of new ethical challenges in the world of accounting and auditing will enable us to reach our goals: elevate ethics to its rightful place, strengthen the reputation of the IESBA as an independent global standard setter, and position the Code as a valuable source of ethical norms to be adopted by the global accountancy profession.

I wish to thank board members, technical advisors, official observers, and staff for their tremendous commitment and contributions to the work of the board during the year. I convey my special appreciation to Wui San Kwok for his exemplary leadership of the board as Interim Chair after the sad and unexpected passing of the late Chair Jörgen Holmquist in March 2014. I wish also to convey the board’s sincere thanks to Kate Spargo, who retired from the board at the end of the year, for her dedication and unerring service to the board. The board is indebted to Jim Sylph, who retired from his position as Executive Director, Professional Standards and External Relations, in June 2014, for all his support and counsel over the past 14 years (including to the IESBA’s predecessor, the IFAC Ethics Committee). Finally, I convey the board’s gratitude to the IESBA Consultative Advisory Group and to the Public Interest Oversight Board for their valuable advice to the board throughout the year.

Dr. Stavros Thomadakis
Incoming Chairman
In 2014, the board consolidated its efforts to deliver on strategic commitments that were already on its agenda, including finalizing its future strategy and work plan, advancing the development of additional or enhanced standards and guidance in the Code of Ethics for Professional Accountants (the Code), proactively pursuing a stakeholder outreach program, and enhancing its responsiveness to emerging issues of international relevance. As a result, the board had a productive year. In all its endeavors, the board continued to place emphasis on engagement and consultation with its stakeholders, a prerequisite to global recognition and acceptance of the Code, to reinforcing the board’s role as a leading international standard setter, and to ensuring that the board’s activities are responsive and relevant to stakeholder needs.

My review highlights the board’s accomplishments in 2014 and the progress it achieved on its various projects and initiatives during the year. The board met three times in person and once by conference call.

**STRATEGY AND WORK PLAN**

In 2014, the board finalized its *Strategy and Work Plan, 2014–2018* (SWP). The SWP lays out four inter-connected strategic themes that articulate the board’s vision over the medium to longer term:

- Maintaining a high-quality Code for application by professional accountants globally;
- Promoting and facilitating the adoption and effective implementation of the Code;
- Evolving the Code for continued relevance in a changing global environment; and
- Increasing engagement and cooperation with key stakeholders.

The SWP also reflects broad stakeholder support for the board to press on with the four projects added to its agenda in 2012, i.e., Structure of the Code, Long Association, Non-Assurance Services (NAS), and Part C. I am pleased that the board achieved significant milestones on
these projects during the year, as I further outline below.

The board has also committed to, among other matters:

- Undertaking a review of the clarity, appropriateness, and effectiveness of the safeguards in the Code, principally in response to regulatory feedback. Preliminary consideration of the matters to be addressed in this new work stream started toward the end of 2014;

- More formally monitoring the progress of global adoption of the Code. To date, over 100 jurisdictions have adopted or are in the process of adopting the Code, have based their national ethics standards on the Code, or are working to eliminate differences with the Code. Further, the 27 large networks of accounting firms that comprise the Forum of Firms have committed to complying with the Code for transnational audits;

- Speaking out more on ethics-related developments that have the potential to lead to greater divergence in standards, and seeking to influence debates toward greater international convergence; and

- Seeking to extend and deepen its engagement and cooperation with key stakeholders. In this regard, the board will be exploring a more structured approach to its outreach activities in the context of its broad objectives for outreach. It will also explore closer liaison with the academic community, recognizing the valuable input this constituency may contribute to the board’s work.

The SWP will remain dynamic in the broader context of the evolving global business environment and, therefore, subject to revision as the board determines appropriate.

**2014 HIGHLIGHTS**

The *IESBA Strategy and Work Plan, 2014-2018* was approved by the board in July and issued in September after PIOB confirmation of due process.
STANDARDS DEVELOPMENT

Overview

In 2014, the board:

- Issued three Exposure Drafts (EDs) on the topics of NAS, long association, and Part C of the Code;
- Issued a Consultation Paper on improving the structure of the Code;
- Hosted three global roundtables on responding to non-compliance with laws and regulations (NOCLAR); and
- Launched a web-based version of the Code.

Responding to Non-Compliance with Laws and Regulations

This project commenced in October 2009 and has been one of the most challenging projects the board has undertaken, reflecting the complex and multi-faceted issues involved. The key objective of the project is to create a framework to help guide professional accountants in how best to act in the public interest, given the particular circumstances, when they come across identified or suspected acts of NOCLAR.

Pursuant to its consideration of the responses to its August 2012 ED, and to solicit further input from stakeholders on the key issues in the project, the board held a series of three global roundtables in Hong Kong, Brussels, and Washington, DC, in May, June, and July respectively. Over 160 senior-level participants from a wide range of stakeholder groups representing 27 jurisdictions, including 13 G-20 countries, attended.

2014 HIGHLIGHTS

The IESBA successfully hosted three global roundtables on NOCLAR in Hong Kong, Brussels, and Washington, DC, in May, June, and July, respectively. Over 160 senior-level participants from a wide range of stakeholder groups representing 27 jurisdictions, including 13 G-20 countries, attended.

In October, the board considered the feedback received from the roundtables. The board continued its deliberation of a proposed way forward in early 2015 and approved a new ED in the second quarter of 2015.

Improving the Structure of the Code

In April, the board considered the final report and recommendations of the working group charged with advising the board on ways to improve the usability of the Code, thereby facilitating its adoption, effective implementation, and consistent application. On the basis of the working group’s research and recommendations, the board approved a project to restructure the Code.
In November, the board issued a Consultation Paper, *Improving the Structure of the Code of Ethics for Professional Accountants*, to seek views from stakeholders on approaches that could be taken to improve the clarity and usability of the Code by revising its structure. Among the various matters on which the board consulted stakeholders are:

- Enhancing the visibility of the requirements in the Code, and more clearly distinguishing them from guidance;
- Reorganizing the content of the Code, including rebranding the Code, or parts thereof, as international standards;
- Identifying responsibility for compliance with the Code in particular circumstances; and
- Simplifying the wording of the Code so that it can be more readily understood.

The Consultation Paper also included samples of how restructured sections of the Code might be presented.

The board considered the responses to the Consultation Paper in the second quarter of 2015. The board intends for the restructuring of the Code through reorganizing its content, simplifying its wording, and enhancing the visibility of its requirements, among other matters, to lead to clarity, which will promote consistency in application, facilitate its enforcement, and further its adoption globally—key public interest objectives.

As a related initiative, the board launched in December a *web-based version of the Code* to provide enhanced access to, and greater ease of use and navigation of, the Code. As the restructuring project progresses, the board will explore further ways to leverage the capabilities afforded by advances in technology in making the Code more accessible and usable, including enhanced research, link, and filter functionalities.

**Non-Assurance Services**

Pursuant to the findings from a survey of 26 jurisdictions, including the G-20, and feedback from the regulatory community regarding specific issues, the board determined that it would be in the public interest to undertake this project to achieve three key objectives:

- To eliminate ambiguity in the provisions addressing management responsibility and, in particular, to address the perceived issue of management “rubber stamping” the results of NAS provided by the auditor;
- To provide better guidance and clarification regarding the concept of “routine or mechanical” as it pertains to the provision of accounting and bookkeeping services to audit clients that are not public interest entities (PIEs); and
- To address regulatory concerns regarding the risk of misuse or abuse of the emergency exception provisions in the Code pertaining to bookkeeping and taxation services provided to PIE audit clients.
In May, the board issued the ED, *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*. Among other matters, the ED proposed robust enhancements to how the Code addresses the concept of management responsibility, including through the introduction of prerequisites to ensure that the auditor will satisfy itself that client management will make all judgments and decisions that are the responsibility of management any time the auditor provides NAS to an audit client. The ED also proposed the removal of the emergency exception provisions noted above. The Board believes that these proposals will further enhance the robustness of the Code in those important areas.

In October, the board considered the significant comments received on the ED and provided direction to the Task Force in refining the proposals. The board considered the revised proposals in early 2015 and issued them as a final pronouncement in April 2015.

**Long Association**

The board determined that this project serves the public interest as long association of firm personnel on an audit engagement with an audit client can adversely impact objectivity and professional skepticism—important contributors to audit quality. The board acknowledged that a perception issue exists with respect to the current long association provisions in the Code, particularly as the length of time an individual may serve a PIE audit client in a key audit partner (KAP) role may be 14 out of a total of 16 years. The board therefore felt it important, and in the public interest, to consider whether the provisions remain appropriate for addressing the threats created by long association.

In August, the board issued the ED, *Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client*. Among the key proposals were:

- A strengthening of the general provisions that apply to all audit engagements regarding the threats created by long association;
- With respect to partner rotation, an increase in the mandatory cooling-off period for the engagement partner on the audit of a PIE;
- A strengthening of the restrictions concerning the type of activities that can be undertaken by any former KAP during the cooling-off period; and
- A requirement for the engagement team to obtain the concurrence of those charged with governance with respect to the application of certain exception paragraphs relating to the partner rotation requirement.

The ED also contained related changes to the provisions of the Code dealing with other assurance engagements. The development of the proposals required careful weighing of the benefits in terms of continued public confidence in the external audit against considerations of audit quality, practicality, and global operability. The board began considering the responses to the ED in early 2015.

**2014 HIGHLIGHTS**

In May, the IESBA issued for exposure robust enhancements pertaining to certain non-assurance services provisions in the Code.
Review of Part C of the Code

Following research to identify the most pressing ethical issues professional accountants in business (PAIBs) face, the board determined that it would be in the public interest to review Part C of the Code to address:

- The responsibility of PAIBs to prepare or present information honestly and in a manner that is not false or misleading, or reckless or negligent;
- The issue of pressure by superiors and others to breach the fundamental principles; and
- Inducements.

In November, the board issued an ED on the first two topics as part of the first phase of the project: Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles.

Among the key proposals were:

- Fuller and more explicit guidance regarding PAIBs’ responsibilities when presenting information;
- Strengthened guidance on how a PAIB can disassociate from misleading information;
- An expanded description of pressure that may lead to a breach of the fundamental principles in the Code together with practical examples to illustrate different kinds of situations in which such pressure may arise; and
- New guidance to assist PAIBs in identifying and responding to pressure that could result in a breach of the fundamental principles.

The ED also contained a number of related changes to other areas within Part C.

The board believes that the proposals will help better guide PAIBs according to the fundamental ethical principles as they pursue their varied roles within their organizations. They will, in particular, help PAIBs better understand what their options are when they encounter pressure to act unethically. The board began considering the significant comments received on the ED in mid-2015.

2014 HIGHLIGHTS

In November, the IESBA issued for exposure proposed changes to the sections of the Code pertaining to PAIBs. The ED included new guidance for PAIBs when facing pressure that could lead to a breach of the fundamental principles.

The board has also begun considering the topic of inducements under the second phase of the project, a particularly challenging area for PAIBs, especially in the context of an international code of ethics and for organizations operating across jurisdictional and cultural boundaries.
EMERGING ISSUES

At the end of 2013, the board established its Emerging Issues and Outreach Committee (EIOC) to advise it in relation to emerging issues and on its strategy for outreach. The EIOC’s remit follows directly from the board’s strategic commitments to monitor and be more responsive to emerging issues of potential significance to its strategy and work plan, and to strengthen engagement with stakeholders. During 2014, the board considered a number of national and regional developments identified by the EIOC as well as a broad outline of a strategy for outreach.

In light of the EIOC’s work, the board resolved to develop a deeper understanding of the key differences between the Code and national ethical requirements in the G-20 countries and major financial centers. In this regard, a series of presentations to the board regarding the context for ethics standard setting and national ethical requirements in these countries and financial centers has been planned for 2015. The board envisages that this effort will assist it in identifying potential areas within the Code where there may be a need for further improvement.

STAKEHOLDER ENGAGEMENT AND OUTREACH

In 2014, the board delivered on its continued commitment to engaging with international, regional and national regulatory and audit oversight bodies to discuss regulatory and standard-setting developments.

Notable highlights include meetings with the European Commission, the International Organization of Securities Commissions’ Committee 1 and its Auditing Subcommittee, the Basel Committee on Banking Supervision, and the International Forum of Independent Audit Regulators (IFIAR). These engagements enabled the board to strengthen its relationships with regulatory stakeholders through dialogue on matters of mutual interest and to listen to regulatory perspectives on topics on the board’s agenda.

At the same time, the board reached out to various parts of the profession throughout the year, including firms, IFAC member bodies, and the IFAC Small and Medium Practices (SMP) Committee. These engagements provided opportunities to listen to the profession’s main concerns and challenges relative to adoption and implementation of the Code, to discuss some of the important projects on the board’s agenda, and to exchange views on significant developments of relevance to the profession.

Additionally, the board successfully held its annual meeting with its national standards setters liaison group, a group of the most active ethics standard setters around the world and an important stakeholder for the board. Among other matters, the national standard setters shared updates and perspectives on national developments of international relevance, and provided valuable input on the various projects on the board’s agenda.

Further, pursuant to its strategic commitment to collaborate with the International Organization of Supreme Audit Institutions (INTOSAI) to facilitate the development of ethics standards in the public sector globally, the board designated a representative to participate in INTOSAI’s project to revise its code of ethics, ISSAI 30. Initial work on the project started in the latter part of the year, and an ED of the revised ISSAI 30 is anticipated toward the end of 2015. The Chair of the INTOSAI Working Group has expressed appreciation for the
strength of the IESBA’s participation in this initiative.

Throughout 2014, the board also devoted significant outreach effort to raising awareness of the Code and the board’s work to diverse constituencies around the world, including through international, regional, and national conventions, seminars, and workshops.

For more information regarding the board’s outreach activities during the year, see “Communicating with Stakeholders” on pages 17-19.

OVERSIGHT AND ADVICE

The PIOB attended and observed all of the IESBA and IESBA Consultative Advisory Group (CAG) meetings in 2014. The board greatly values oversight of its standard-setting processes by the PIOB and has particularly appreciated the independent public interest perspectives that PIOB members have shared at these meetings during the year. The board believes that through the PIOB’s oversight of due process, the PIOB plays an integral role in ensuring that the Code achieves global recognition and acceptance. For this reason, the board will continue to work closely with the PIOB throughout 2015.

The CAG, under the leadership of Chair, Kristian Koktvedgaard, continues to provide invaluable input on the board’s various projects and initiatives. Further details on the CAG’s activities during the year are set out in the “Report of the Chair of the IESBA Consultative Advisory Group” on page 20.

APPOINTMENTS

In September, the board welcomed the appointment of its new independent Chairman Stavros Thomadakis for a three-year term from January 1, 2015. The board also welcomed the appointment of Richard Fleck as a new public member for a three-year term from January 1, 2015.

The board was pleased to note the following reappointments:

- Wui San Kwok as Deputy Chair for 2015;
- Helene Agéll, Gary Hannaford, Chishala Kateka, and Stefano Marchese for three-year terms from January 1, 2015; and
- Brian Caswell, Claire Ighodaro, and Reyaz Mihular for two-year terms from January 1, 2015.

ACKNOWLEDGEMENTS

I would like to pay my personal tribute to the late Chair Jörgen Holmquist for his strong leadership and principled vision for the board, and whose legacy will not be forgotten. I join incoming Chairman Stavros Thomadakis in expressing my sincere thanks to Deputy Chair Wui San Kwok for selflessly answering the call to take on the role of Interim Chair from April and for discharging the duties and responsibilities of the position admirably; and to former Executive Director Jim Sylph, for all his guidance, wisdom, and encouragement over the years. I also would like to pay tribute to the outstanding collective effort and dedication of board members in achieving the significant volume of output for the year, and to express my appreciation to all the technical advisors, official observers, and all those who contributed to the work of the board in 2014. I am also grateful to my staff team, whose continued dedication and support have played an important part in the board’s accomplishments for the year.

Ken Siong
Technical Director
# INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

January 1, 2014 to December 31, 2014

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<td>James Gaa</td>
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<td>Caroline Gardner</td>
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<td>Kate Spargo</td>
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<td>Atsushi Kato</td>
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<td>Gary Hannaford</td>
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<td>Claire Ighodaro</td>
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<td>Chishala Kateka</td>
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<td>Brian Caswell</td>
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<td>Peter Hughes</td>
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<td>Colleen Dunning</td>
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<td>Wui San Kwok, Deputy Chair* and Interim Chair^</td>
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<td>Stefano Marchese</td>
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<td>Marisa Orbea</td>
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<td>Sylvie Soulier</td>
<td>2016</td>
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<td>Helouise Burger^</td>
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<td>Donald Thomson*</td>
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<td>Wen Zhang</td>
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<td>Alden Leung</td>
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**IESBA STAFF**

James M. Sylph, Executive Director, Professional Standards and External Relations^  
James Gunn, Managing Director, Professional Standards^  
Ken Siong, Technical Director  
Louisa Stevens, Senior Technical Manager^  
Kaushal Gandhi, Technical Manager  
Elizabeth Higgs, Technical Manager^  
Chris Jackson, Technical Manager^  
PIOB OBSERVERS

Eddy Wymeersch, Chair  
Chandu Bhave, Member  
Claudia Deodati, Oversight Advisor

**OBSERVERS**

Juan Maria Arteagoitia, European Commission  
Kristian Koekvedgaard, IESBA CAG Chair**  
Hiroyuki Dairaku, Japanese Financial Services Agency^  
Yoshihiko Tamiya, Japanese Financial Services Agency^  

* Member of the IESBA Planning Committee  
** Observer to the IESBA Planning Committee  
^ Partial year
### REGULATORS AND AUDIT OVERSIGHT BODIES

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### PREPARERS, INVESTORS, GOVERNANCE ORGANIZATIONS, AND OTHERS

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### STANDARD SETTERS

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### IFAC MEMBER BODIES

- Meeting with the Donor Funding and Consultancy Manager and the Assistant Director of Global Development, Association of Accounting Technicians, New York, USA
- Ethics Seminar, The Bahamas Institute of Chartered Accountants, Nassau, the Bahamas
- Meeting with the President, Chief Executive, and other members of the leadership team of the Hong Kong Institute of Certified Public Accountants (HKICPA), Hong Kong
- Meeting with HKICPA Council members, Hong Kong
- Meeting with HKICPA Ethics Committee, Hong Kong
- Meeting with HKICPA Small and Medium Practices (SMP)/PAIB Leadership Panel, Hong Kong
- HKICPA Seminar, Hong Kong
- The Institute of Chartered Accountants in Malawi’s conference, “Launch of the Institute and International Conference on Professional Ethics and Public Sector Accounting,” Malawi
- The Institute of Singapore Chartered Accountants’ Singapore Accountancy Convention 2014 and Ethics Forum, Singapore
- Meeting with the Senior Executive, Standards, South African Institute of Chartered Accountants, New York, USA
- Interview for October 2014 edition of *CPA Ireland* magazine
- Interview for May 2014 edition of HKICPA’s *A Plus* magazine, “Decoding the Code”
- Interview for the journal of the Institute of Singapore Chartered Accountants
- Video interview, Institute of Singapore Chartered Accountants, Singapore

### GOVERNMENTS AND PUBLIC SECTOR ORGANIZATIONS

- Meeting with the Chairman and the Chief Executive, New Zealand External Reporting Board, New York, USA
- World Bank Centre for Financial Reporting Reform “Ministerial Conference 2014,” Vienna, Austria

### ACCOUNTING FIRMS

- Meeting with KPMG Leadership, London, UK
- Meeting with PwC leadership, London, UK
- Forum of Firms meetings, London, UK, and New York, USA
## ACADEMIC AND RESEARCH ORGANIZATIONS

Meeting with the Chair of the Auditing Standards Committee, American Accounting Association (AAA) Auditing Section, and the incoming Chair of the AAA Auditing Section, Atlanta, USA

Meeting with the leadership of the Public Interest Section of the AAA, Atlanta, USA

Meeting with the outgoing President of the AAA International Accounting Section, Atlanta, USA

Meetings with the President of the European Accounting Association, Atlanta, USA, and Tallinn, Estonia

## REGIONAL AND INTERNATIONAL ORGANIZATIONS AND EVENTS


Non-compliance with Laws and Regulations Roundtables, Hong Kong SAR; Brussels, Belgium; and Washington DC, USA

Meeting with the CEO, Pan African Federation of Accountants, Johannesburg, South Africa

World Congress of Accountants, Rome, Italy

## OTHER OUTREACH AND RELATED ACTIVITIES


Update on IESBA activities at the December 2014 IAASB meeting, New York, USA

Meeting with the IFAC SMP Committee, Rome, Italy

Meeting with the Secretary General and Deputy Secretary General of the Accounting and Auditing Organization for Islamic Financial Institutions, New York, USA

Meeting with the Trustee/Treasurer and Director, Business Integrity Programme, Transparency International UK, London, UK

Interview for October 2014 edition of Accounting Today

Interview for October 2014 edition of The Bottom Line

Interview for October 2014 edition of Global Accountant magazine

Interview for November 2014 edition of Public Finance International newsletter
In 2014, the work of the IESBA Consultative Advisory Group (CAG) was impacted by both the ambitious work program of the IESBA and the fact that the late Chair Jörgen Holmquist sadly and unexpectedly passed away at the end of March. The IESBA continued its work under the direction of Wui San Kwok, who stepped in as interim Chair to lead the work of the board in the spirit of Mr. Holmquist. On behalf of the CAG, I would like to pay tribute to Jörgen Holmquist, who demonstrated a passion for the work of the IESBA in the public interest and with whom the CAG was privileged to have engaged during his time as Chair of the board.

OBJECTIVES

The objectives of the IESBA CAG and the representatives of its member organizations are to provide both technical advice on the IESBA’s projects, as well as strategic advice on its agenda, work program, and priorities.

The CAG comprises member organizations that are interested in the development and maintenance of high-quality international ethics standards for professional accountants. To the extent practicable, membership includes a balance of geographical representation and among regulators, investors, those charged with governance, international organizations, users, and preparers. See page 23 for a full list of members.

The CAG does not need to reach consensus. Actually, the strength of the CAG is in the breadth of views represented on it. This results in debate and dialogue, and the range of views enriches the advice the CAG is able to give to the IESBA. During the year, the diversity of the composition of the CAG has been strengthened by the addition of the Brazilian Development Bank and the Islamic Financial Services Board. This effort to strengthen the representation of the CAG continues to be a high priority as it is through the richness of the representation that the CAG finds its strength and serves the public interest.
KEY HIGHLIGHTS FOR 2014

In 2014, the IESBA CAG met twice in person—in March and September. It had three conference calls—in April, June, and November. During this time, the CAG was able to advise the board on all the projects on its technical agenda. All the projects were presented by the Task Force Chairs, which enabled the CAG to provide constructive advice to the board.

There was also participation of some CAG member organizations in each of the three roundtables on the project addressing professional accountants’ response to non-compliance with laws and regulations (NOCLAR). In addition, representatives of CAG member organizations participated in the Public Interest Oversight Board’s Public Interest Workshop in September.

NON-COMPLIANCE WITH LAWS AND REGULATIONS

The IESBA CAG devoted a significant amount of time to the NOCLAR project in 2014. The CAG supported the decision of the board to conduct three global roundtables in order to gain further insights into the issues from the stakeholder community. I personally attended all three roundtables. I, together with fellow CAG representatives participating in specific roundtables, found the process to be very informative and important to the discussions we later had with the CAG, especially around the issue of escalation of an identified or suspected NOCLAR and the potential external reporting of such a matter to an appropriate authority. In particular, the roundtables shed light on the different consequences of reporting identified or suspected NOCLAR given the differing legal environments around the world. The CAG continued to make the public interest an important focal point in its discussions, and the progress made by the board on drafting a revised Exposure Draft (ED), with the appropriate response and the right incentives, is promising.
OTHER PROJECTS

During 2014, the CAG reaffirmed its support for the strategic themes in the now adopted strategy and work plan for 2014–2018 and once more highlighted the importance of adoption and implementation of the Code of Ethics for Professional Accountants (the Code). The acceptance and relevance of the Code is very important to the members of the CAG. This comes through not only in the CAG’s call for communications that can be readily understood by, for instance, investors and other users as a vehicle to achieve this acceptance, but also in the CAG’s discussions around the project to restructure the Code. Improving the structure of the Code, highlighting the requirements, and clarifying the application material, should enhance its understandability to the benefit of professional accountants using the Code, regulators enforcing the Code, national standards setters adopting the Code, and others using the Code.

Maintaining a Code that is relevant and understandable is also one of the reasons for the CAG’s strong support for the Part C project. That professional accountants in business (PAIBs) (including accountants working in the public sector and academia) have a robust and up-to-date Code ranks highly in the public interest. The CAG agreed with the board that it is important to look into the topics of pressure, facilitation payments, and the responsibility of PAIBs to produce financial reports that are faithful representations of the economics of transactions. However, the diversity and the experience of the CAG also highlighted some of the complexities that the board will be facing with this project.

Another critical area of focus for the CAG is the robustness of the independence requirements in the Code. As such, it supported the board going beyond its project on non-assurance services to undertake a more thorough look into the clarity, appropriateness, and effectiveness of the safeguards in the Code. The CAG also debated the issues regarding long association at a number of meetings and advised the board on its ED.

CONCLUSION

The CAG has been able to provide valuable advice to the board during 2014, bringing to bear a number of perspectives on the board’s projects and agenda. The public interest continued to be a focal point of the CAG’s discussions, especially when the topics became complicated. Ethics discussions are often inherently difficult due to the jurisdictional variances, which is why I am ever grateful to the volunteers who have generously lent their time and expertise to serving on the CAG, enriching our discussions and ensuring the public interest is served.

During the year, a number of CAG representatives rotated off. I would like to take this opportunity to extend my gratitude and appreciation for the dedication and time they invested in the CAG and, more importantly, to the standard-setting process. While we will miss both their collegiality and contributions, we welcome and look forward to benefiting from the addition of new CAG member organizations and their representatives.

Kristian Koktvedgaard
Chair, IESBA CAG
## Consultative Advisory Group Member Organizations and Observers

### Member Organizations

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<th>Organization</th>
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<tr>
<td>Asian Financial Executives Institutes</td>
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<td>Associação Brasileira de Instituições Financeiras de Desenvolvimento</td>
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<td>Basel Committee on Banking Supervision</td>
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<td>BUSINESSEUROPE</td>
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<td>CFA Institute</td>
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<td>European Commission</td>
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<td>European Federation of Accountants and Auditors for SMEs</td>
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<td>European Federation of Financial Executives Institutes</td>
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<td>Financial Reporting Council, United Kingdom</td>
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<td>Fédération des Experts Comptables Européens</td>
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<td>Gulf States Regulatory Authorities</td>
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<td>Institute of Internal Auditors</td>
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<td>International Association of Insurance Supervisors</td>
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<td>International Corporate Governance Network</td>
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<td>International Organization of Securities Commissions</td>
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<td>International Organization of Supreme Audit Institutions</td>
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<td>Islamic Financial Services Board</td>
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<td>National Association of State Boards of Accountancy</td>
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<td>North American Financial Executives Institutes</td>
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<td>Organisation for Economic Cooperation and Development</td>
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<td>Sri Lanka Accounting and Auditing Standards Monitoring Board</td>
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<td>World Bank</td>
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<td>World Federation of Exchanges</td>
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### Observers

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<tr>
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<td>Public Company Accounting Oversight Board, United States</td>
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Those interested in following specific projects are encouraged to monitor their status by visiting the IESBA’s website, in particular, the Projects and Meetings pages. The IESBA also publishes podcast summaries of its meetings shortly after each meeting. In addition, the IESBA website includes a project timetable, updated quarterly, that lists current projects and initiatives and the upcoming board meetings at which they are expected to be discussed. Stay in touch by subscribing to the IESBA eNews (log-in or register) and following us on Twitter (@Ethics_Board).