

International Ethics Standards Board for Accountants

Strategic and Operational Plan, 2008-2009



International Federation
of Accountants

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INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

STRATEGIC AND OPERATIONAL PLAN 2008-2009

The purpose of this plan is to set the direction and priorities for activities of the International Standards Board for Accountants (IESBA)¹ for the two year period from January 2008 to December 2009.

1. BACKGROUND

International Federation of Accountants (IFAC)

IFAC² is the worldwide organization for the accountancy profession. IFAC's mission, as set out in its constitution, is "to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of international economies by establishing and promoting adherence to high quality professional standards, furthering international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant."

IFAC's strategic plan identifies desired outcomes that IFAC aims to influence or have a direct impact on through the delivery of its services. These are:

- Improved audit practices;
- Improved financial management practices;
- Strong professional accountancy institutions around the globe;
- Strong ethical culture within individual professional accountants;
- Convergence to high quality international standards; and
- Confidence in international standards.

In pursuit of these outcomes, the IFAC Board has established the IESBA to function as an independent standard-setting body under the auspices of IFAC and subject to the oversight of the Public Interest Oversight Board (PIOB)³.

International Ethics Standards Board for Accountants (IESBA)

As an independent standard setting body under the auspices of IFAC, the IESBA develops and issues, in the public interest and under its own authority, high quality ethical standards and other pronouncements for professional accountants for use around the world.

In addition, the IESBA promotes good ethical practices and fosters international debate on ethical issues faced by professional accountants.

The IESBA's Consultative Advisory Group (CAG)⁴ provides input to and assists the IESBA in the achievement of its objectives by providing advice on the IESBA's agenda, priorities and projects.

¹ More information on the IESBA is available at www.ifac.org/ethics

² More information on IFAC is available at www.ifac.org

³ More information on the PIOB can be found at www.ipiob.org

⁴ More information on the CAG is available at www.ifac.org/Ethics/About.php#ConsultativeAdvisoryGroup

2. IESBA OBJECTIVE

The IESBA has established its Terms of Reference, approved by the IFAC Board and the PIOB. The objective of the IESBA is

“To serve the public interest by setting high quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, thereby enhancing the quality and consistency of services provided by professional accountants.”

The IESBA also promotes good ethical practices and fosters international debate on ethical issues faced by professional accountants thus assisting in furthering IFAC’s strategic objective of speaking out on public interest issues relating to ethics.

The IESBA’s objectives ~~are~~is aligned with IFAC’s desired outcomes as illustrated in Table 1 below:

Table 1: Alignment of IFAC and IESBA Strategy

	IESBA Objective		
IFAC Desired Outcome	Establish standards and other statements	Facilitating convergence of international and national ethical standards	Promoting good ethical practices and fostering international debate
Improved audit practices	Direct impact	Direct impact	Influence
Improved financial management practices	Direct impact	Direct impact	Influence
Strong professional accountancy institutions around the globe	Direct impact	Direct impact	Influence
Strong ethical culture within individual professional accountants	Direct impact	Direct impact	Influence
Convergence to high quality international standards	Influence	Direct impact	Influence
Confidence in international standards	Direct impact	Direct impact	Influence

In fulfilling the above objective, the IESBA develops and issues the following:

- a) *The Code of Ethics for Professional Accountants* which establishes a principles-based standard of professional ethics for professional accountants and provides a conceptual framework for applying these principles. No member body of IFAC or firm issuing reports in accordance with International Auditing and Assurance Standards is allowed to apply less stringent standards than those stated in the Code. However, if a member body or firm is prohibited by law or regulation from complying with certain parts of the Code they should comply with all other parts of the Code;
- b) *Code of Ethics Interpretations* which assist in the application of the Code;
- c) The IESBA also publishes other pronouncements on ethics related matters, thereby advancing public understanding of the ethical requirements of professional accountants.

The last two revisions to *The Code of Ethics for Professional Accountants* were:

- In July 2005 the Code was revised to establish a conceptual framework for all accountants to ensure compliance with five fundamental principles of professional ethics: integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Under the framework, all professional accountants are required to identify threats to these fundamental principles and, if there are threats, apply safeguards to ensure that the principles are not compromised. The framework applies to all professional accountants, those in public practice and those in business and industry; and
- In July 2006 the IESBA revised the definition of network firm contained in the Code.

3. DEVELOPMENT OF IESBA PRONOUNCEMENTS

In developing its pronouncements, the IESBA consults with its CAG⁵ and obtains advice on the IESBA's agenda, work plan, including project priorities and technical advice on projects. The IESBA also consults, when appropriate, with other IFAC Boards and Committees.

Meeting agenda papers are published on the IFAC website and draft minutes are published after each meeting. All IESBA meetings are open to the public.

Draft proposed changes to the Code are exposed for public comment for a minimum of 90 days. Each exposure draft is accompanied by an explanatory memorandum which provide background to, and an explanation of, proposed changes contained in the exposure draft and specific areas on which the IESBA is seeking comment. The IESBA deliberates significant matters raised in the comment letters received before approving final changes to the Code for publication⁵. With each change to the Code, the IESBA issues a separate document containing the basis for conclusion with respect to comments received on the exposure draft.

4. COMMUNICATION

In addition to reporting periodically to the PIOB and to the CAG, the IESBA reports publicly on its work program, activities and progress made in achieving its objectives each year. This report will be made available on the IFAC website, and is normally included as part of the IFAC annual report.

Communications with regulators, standard setters, leaders of the accountancy organizations, members of the profession and other stakeholders is essential to enabling the IESBA's objective of facilitating the convergence of international and national ethical standards.

The IESBA will undertake specific communication activities, in order to better achieve its objectives in the period 2008-2009, including:

- A communications plan for IESBA pronouncements; and
- Issuing consultation papers in order to solicit views on matters under consideration; and
- Holding a national standard setters meeting; and
- Holding a public forum or roundtable as appropriate in four different geographic regions.

⁵ More information on the due process followed by the IESBA in the development of IESBA pronouncements is available at www.ifac.org/Ethics/About.php#PublicInterest.

In 2008, the IESBA ~~intends to will~~ issue revisions to the Code of Ethics for Professional Accountants. These revisions will reflect modifications to independence requirements for assurance engagements and the revised drafting conventions of the clarity project (See Appendix 1 for descriptions of these projects). The IESBA ~~plans to will~~ undertake significant consultation, to gain an understanding of the steps which would be necessary to facilitate the convergence of international and national ethical standards and achieve greater global acceptance of the Code.

The IESBA held a forum in Brussels in October 2005 to seek feedback on implementation of the Code and to solicit input on the Board's project on independence. The Board found this forum very useful and the feedback received was carefully considered in the development of the Board's independence project. The Board therefore, starting in the third quarter of 2008 ~~intends will to~~ hold four additional forums or roundtables, as appropriate, in each of the Americas, Europe, Africa and Asia/Pacific regions to promote the revised Code and seek input on the steps which would be necessary to facilitate the convergence of international and national ethical standards and achieve greater global acceptance of the Code. These forums or roundtables may also be used to solicit input on the scope and direction of proposed future projects.

5. OPERATIONAL PLAN AND WORK PROGRAM

The IESBA ~~intends to will~~ complete ~~three four~~ projects that it already has in progress. ~~These are~~In 2008 it will issue final pronouncements addressing:

- i) Revisions to the independence requirements contained in the Code as proposed in the exposure draft issued in December 2006 proposing revisions to existing Section 290 Independence – Audit and Review Engagements and proposing new Section 291 Independence – Other Assurance Engagements;
- ii) Additional revisions to independence requirements as appropriate after consideration of the existing guidance related to the provision of internal audit services to audit client, ~~economic dependence on an~~relative size of fees from an assurance client and independence implications of contingent fees; and
- ~~iii) Clarification on how the guidance in Parts A, B and C applies to accountants in government~~iv) Consideration of the implications on the Code of the new drafting conventions adopted by the Clarity Project by the International Auditing and Assurance Standards Board.

~~In addition, the IESBA will consider the implications on the Code of the new drafting conventions adopted by the Clarity Project by the International Auditing and Assurance Standards Board.~~

As can be seen from the ~~draft~~ Work Program contained in ~~the A~~Appendix 1 of the proposed Strategic and Operational Plan, these three projects are scheduled to be completed ~~at various dates~~ in 2008 and will be approved in final form and simultaneously released.

The IESBA will also complete its project providing clarification of how the guidance in Parts A, B and C applies to accountants in government.

~~In March 2007, the IESBA sought the views of interested parties on matters which should be considered by the IESBA in developing this proposed~~Following public consultation on this Strategic and Operational Plan, the. ~~The~~ IESBA has ~~considered this input in~~

~~determining~~determined that the following ~~which~~ four projects ~~it should~~will next ~~be~~addressed as a ~~high~~ priority. These are:

- i) Fraud and illegal acts – Providing practical guidance related to ethical issues faced by professional accountants in business and professional practice when encountering fraud or illegal acts;
- ii) Conflicts of interest – Providing additional guidance related to conflicts of interest which might be faced by a professional accountant;
- iii) Independence – ~~Considering whether to supplement independence guidance contained in the Code on matters such as~~Absent any emerging. Issues the IESBA will not initiate any projects addressing independence during the period covered by this strategic and operational plan.:
 - ~~independence implications of legal protection clauses such as auditor indemnification and limitations on auditor liability;~~
 - ~~application of the independence requirements to audit clients that are mutual funds or other collective investment vehicles;~~
 - ~~additional guidance on the communication of independence matters to those charged with governance;~~
 - ~~independence considerations related to providing actuarial services to an audit client;~~
 - ~~guidance related to the standards against which independence would be judged in engagements to perform agreed upon procedures and engagements to compile financial statements; and~~
 - ~~independence considerations of trustee holdings of financial interests in an audit client by the firm or members of the firm; and~~
- iv) Implementation support – Developing material to facilitate implementation of the Code including Section 290 for small and medium size practices.

More information on the above projects is provided in the appendix to this Strategic and Operational Plan.

~~Several respondents to the survey stated that C~~onvergence of international and national ethical standards for professional accountants should be a~~will be given a high priority of the IESBA.~~ The IESBA will be consulting on this matter through the period covered by the Strategic and Operational Plan, including through the four regional forums and national standard setters meeting mentioned under “Communication” above.

The IESBA, absent any emerging urgent issues, will not issue any exposure drafts before mid 2010. The IESBA has determined, based on the comment on the draft strategic plan, that it is appropriate to have a period of stability before proposing additional changes to the Code. Such a period of stability will provide time for member bodies of IFAC and firms to effectively implement the proposed changes that will be issued in mid 2008. The IESBA, therefore, plans not to issue any exposure drafts, absent any emerging urgent issues, before mid 2010. This will provide a period of stability of approximately four years before any new changes to the Code are effective.

Key Factors

In developing and issuing revisions to and interpretations of the Code the IESBA follows rigorous and robust due process and working procedures which includes consultation with stakeholders around the world.

- The IESBA meets for 2-3 days, 3-4 times per year (generally for a total of ~~86~~-10 days per year);
- The amount of meeting time needed to discuss a project varies significantly depending upon the scope of the project and the stage of its development. For example, the proposed revisions to independence requirements issued in December 2006 were extensive and necessitated the majority of IESBA meeting time during 2006. Conversely, the revisions to the definition of network firm were less extensive and required 1 to 5 hours of meeting time at each meeting ~~it~~the project was discussed.;
- Time is needed between meetings for Task Forces to develop material for consideration by the full IESBA;
- Under the IESBA due process the exposure period for proposed revisions to the Code is a minimum of 90 days. In the case of a major revision, the IESBA considers whether a longer period is appropriate. The IESBA is also mindful of the need of some jurisdictions to translate an ED before providing input from that particular jurisdiction.
- Total lapsed time required for completion of a project ranges from ~~182-326~~ months, not including any period for re-exposure that might be necessary, and depends on the status of the complexity and scope of the project and whether it is a standard or an interpretation.

These factors have been taken into consideration in developing the Draft Work Program contained in Appendix 1.

APPENDIX 4

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
DRAFT WORK PROGRAM, 2007-2009

The following is a ~~draft~~-work program/outline project timetable for the IESBA for the period 2007-2009. The work plan assumes that there will be no need to re-expose any of the projects.

The IESBA has considered the relative priorities and importance of its potential projects and other activities, as outlined in the ~~draft~~ strategic plan for the period 2007-2009, to determine which specific projects and activities will form part of its proposed work program for the period. The IESBA has also been mindful of the desire to have a period of stability after the Independence and Drafting Conventions revisions are issued in mid 2008. This period of stability will provide members bodies and firms time to implement the changes. The IESBA has, therefore, developed its work plan to provide for such a period of stability.

CURRENT PROJECTS ⁶	STATUS	MAR 2007	JUNE 2007	OCT 2007	JAN 2008	APR 2008	JUNE 2008	OCT 2008	FEB 2009	JUN 2009	OCT 2009
Strategic Plan	Current		Approve ED	Approve Final		Discuss 2009 Work Program		Approve 2009 Work Program			
Independence 1	Current		Consider ED comments	Consider ED comments	First read of final	<u>Approve final</u>	<u>Approve final</u>				
Independence 2	Current	Discuss issues /principles	Approve ED		Consider ED comments and first read of final	<u>Approve final</u>	<u>Approve final</u>				
Drafting Conventions	Current		Discuss issues /principles	Approve ED		<u>Consider ED comments and first</u>	<u>Approve final</u>				

⁶ A description of each project is contained on the next page.

CURRENT PROJECTS ⁶	STATUS	MAR 2007	JUNE 2007	OCT 2007	JAN 2008	APR 2008	JUNE 2008	OCT 2008	FEB 2009	JUN 2009	OCT 2009
						read of final Approval ve final					
Accountants in Government	Current						Discuss	Discuss	Consider feedback	Approval of project proposal	Discuss

Independence 1

The IESBA issued an exposure draft in December 2006 proposing changes to enhance the independence, and therefore the objectivity, of professional accountants performing assurance engagements. The exposure comment period ended on April 30, 2007.

Independence 2

The IESBA approved an exposure draft at its June 2007 meeting proposing amendments to address three further independence issues: provision of internal audit services to audit clients; guidance related to the relative size of total fees received from an audit client and guidance related to contingent fees. The exposure comment period ended on September 15, 2007.

Drafting Conventions

The IESBA issued an exposure draft in October 2007 proposing changes to the Code to reflect will consider the implications for the Code of the new drafting conventions adopted under the Clarity Project by the International Auditing and Assurance Standards Board. The exposure comment period ends on February 15, 2008.

Accountants in Government

The IESBA will, in consultation with interested parties, clarify how the guidance contained in Parts A, B and C of the Code applies to professional accountant in government. The feedback from these interested parties will be used to develop the final project proposal.

FUTURE PROJECTS	STATUS	MAR 2007	JUNE 2007	OCT 2007	JAN 2008	APR 2008	JUNE 2008	OCT 2008	FEB 2009	JUN 2009	OCT 2009
Fraud and illegal acts	Proposed						Approval of project proposal	Discussion	Discussion	Discuss issues /principles First read	Approval of project proposal Approved
Conflicts of interest	Proposed						Approval of project proposal	Approval of project proposal Discuss issues /principles	Discuss issues /principles	Discuss issues /principles First read	First read Approved
Independence	Proposed							Approval of project proposal	Discuss issues /principles	Discussion	First read
Implementation support	Proposed						Discussion	Discussion	Discussion	Discussion	
To be determined											

Fraud and illegal acts

~~Providing practical guidance related to ethical issues faced by professional accountants in business and professional practice when encountering fraud or illegal acts.~~ The Code, in Section 140, contains general guidance for all professional accountants regarding disclosure of confidential information. The Code provides for three circumstances where professional accountants are required, or may be required, to disclose confidential:

- Disclosure is permitted by law and is authorized by the client or the employer
- Disclosure is required by law
- There is a professional duty or right to disclosure when not prohibited by law.

Professional accountants in public practice and business may encounter situations including:

- The professional accountant discovers a fraudulent or illegal act;
- The professional accountant has reported a fraudulent or illegal acts but no action has been taken, or the action is inadequate; and
- Another individual within the organization has informed the professional accountant about the existence of a fraudulent or illegal act.

A detailed project proposal will be developed that will outline which parts of the subject matter should be addressed in a global Code of Ethics. This project timetable will indicate whether it is appropriate to develop any guidance for professional accountants in practice at the same time as developing guidance for professional accountants in business or whether, because of the differing legal and other issues, it is more efficient to separately address professional accountants in practice and professional accountants in business.

Conflicts of interest

~~Providing additional guidance related to conflicts of interest which might be faced by a professional accountant.~~The Code, in Section 220 contains general guidance for professional accountants in practice who face conflicts of interest. The Code provides that the professional accountant should take reasonable steps to identify circumstances that could pose a conflict of interest, evaluate the significance of the threat and apply safeguards to address the threat. The Code provides examples of safeguards the professional accountant should ordinarily apply and others that should be considered.

The project will consider whether additional ethical guidance can be provided for professional accountants in public practice who face conflicts of interest.

A detailed project proposal will be developed addressing the scope and timetable of the project. The project proposal will consider such matters as:

- Providing additional guidance on the types of conflicts that could be encountered;
- Providing additional guidance on the institutional mechanisms that can safeguard confidential information and assist in managing conflicts of interest; and
- Developing a process which accountants in practice could follow to identify and address conflicts of interest or potential conflicts of interest.

Independence

The IESBA will consult at the regional forums/roundtables and the national standards setters meetings to obtain input on priorities such as application to audit clients that are mutual funds or other collective investment vehicles; provision of actuarial services to an audit client, trustee holdings of financial interests in an audit client and guidance related to the standards against which independence would be judged in engagements to perform agreed-upon procedures and engagements to compile financial statements. Considering whether to supplement independence guidance contained in the Code on matters such as:

- ~~independence implications of legal protection clauses such as auditor indemnification and limitations on auditor liability;~~
- ~~application of the independence requirements to audit clients that are mutual funds or other collective investment vehicles;~~
- ~~additional guidance on the communication of independence matters to those charged with governance;~~
- ~~independence considerations related to providing actuarial services to an audit client;~~
- ~~guidance related to the standards against which independence would be judged in engagements to perform agreed-upon procedures and engagements to compile financial statements; and~~
- ~~independence considerations of trustee holdings of financial interests in an audit client by the firm or members of the firm.~~

Implementation Support

Developing material to facilitate implementation of the Code including Section 290 for small and medium size practices



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