

Basis for Conclusions: IESBA Strategic and Operating Plan, 2008-2009

*Prepared by the Staff of the International Ethics Standards Board for
Accountants*



**International Federation
of Accountants**

October 2007

Basis for Conclusions

IESBA Strategic and Operating Plan 2008-2009

This Basis for Conclusions for the IESBA Strategic and Operating Plan has been prepared by staff of the International Ethics Standards Board for Accountants (“IESBA”). It does not form part of the IESBA Strategic and Operating Plan.

Background

1. The IESBA Strategic and Operating Plan, 2008-2009 was developed with input a survey conducted by the IESBA. In March 2007, an online survey was posted on the IFAC website, publicized in the IFAC news and sent directly to interested parties. The survey was sent to: current and past IESBA members and technical advisors; IESBA CAG members; to other IFAC board/committees and technical advisors; IFAC member bodies; regulatory and oversight organizations; attendees at the 2005 IESBA forum held in Brussels and all respondents to IESBA exposure drafts issued in 2006 and 2006. 127 responses were received providing a range of views on the IESBA’s current and future strategic direction.
2. The IESBA issued an exposure draft of the IESBA Strategic and Operating Plan, 2008-2009 (“ED Plan”) in July 2007, with a comment deadline of August 30, 2007. The IESBA received 23 comment letters from a variety of respondents, including regulators, IFAC member bodies, and firms. In addition, the IESBA Consultative Advisory Group commented on the draft IESBA Strategic Plan 2008-2009.

Issues Raised on Exposure

3. The most significant issues raised by respondents in their submissions to the IESBA related to:
 - Period of stability;
 - Communications;
 - Principles approach;
 - Convergence; and
 - Project priorities.

Period of Stability

4. A number of respondents to ED Plan expressed the view that, after the completion of the exiting projects on independence and the implications of the IAASB drafting conventions on the Code, there should be a period of stability. During this period of stability there should be no changes-amendments to the independence requirements contained in to the Code. Respondents were of the view that such a period of stability would provide time for member bodies and firm to assimilate and implement the changes from the independence and drafting conventions projects.

5. In response the IESBA has amended the Strategic and Operating Plan, 2008-2009 to indicate that, absent any emerging urgent issues, the IESBA will not issue initiate any projects on independence during the period of the Strategic and Operating Plan and will not issue any exposure drafts on the subject before mid 2010. This will provide a period of stability of approximately ~~four~~ five years before any new changes to the independence requirements in the Code ~~are~~ would be effective.

Communications

6. A number of respondents to the ED Plan expressed support for the proposal to hold four regional forums or roundtables 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. The ED Plan proposed that the first of these forums or roundtables take place in third quarter of 2008. One respondent expressed the view that the IESBA should consider holding a forum or roundtable in February or March 2008 to finalize the Independence provisions. The IESBA is of the view that it would not be appropriate to hold a forum or roundtable at that time because the purpose is to promote the new revised Code and seek input on convergence.
7. One respondent noted that the forums and roundtables could be used to provide advanced notice on the future projects of IESBA. In response the IESBA has amended the Strategic and Operating Plan, 2008-2009 to indicate that the forums or roundtables may also be used to solicit input on the scope and direction of proposed future projects.

Principles Approach

8. A number of respondents to the ED Plan expressed concern that the Code seems to be moving away from a principles-based approach to a regime that is more rules-based. In response the IESBA is of the view that there is no conflict between a principles-based approach and absolute restrictions or prohibitions, provided that such restrictions or prohibitions flow directly from the application of the principles.

Convergence

9. A number of respondents to the ED Plan expressed strong support for any steps the IESBA could take to facilitate the convergence of international and national ethical standards. One respondent expressed the view that convergence should be treated as a separate project of the IESBA. The IESBA is of the view that convergence should not be treated as a separate project because it is an overarching objective which can, potentially, touch every project of the IESBA. The IESBA will, however, develop and implement a structured approach to convergence with a defined action plan to progress this objective.
10. One respondent recommended that more emphasis be placed on using the survey of non-audit services that was issued by the International Organization of Securities Commissions. ~~It~~

~~response the~~The IESBA is of the view that the survey ~~can~~will be used in discussion at the four regional forums or roundtables and also at the National Standard Setters meeting to facilitate the discussion on convergence.

Project Priorities

11. A number of respondents to the ED Plan commented on the priority of existing projects. One respondent noted that it would be beneficial if the results of the two independence projects were issued simultaneously. In response the IESBA has amended the Strategic and Operating Plan, 2008-2009 to show the simultaneous release of the changes to the Code resulting from the two independence projects and the project addressing the drafting conventions adopted by the IAASB Clarity project.
12. A number of respondents to the ED Plan commented on the priority of the proposed projects. Respondents commented that it would be helpful if the project descriptions were expanded. In response the IESBA has amended the Strategic and Operating Plan, 2008-2009 to provide further detail on each of the proposed projects.
13. The comments received on the proposed independence matters were very diverse and there was no clear consensus on which of the proposed topics should be addressed as a priority matter or whether they should be addressed at all. In response the IESBA has amended the Strategic and Operating Plan, 2008-2009 to state that, absent any urgent emergency issues, the IESBA will not initiate any new independence projects during the period of the strategic plan. In addition, the IESBA will consult at the regional forums/roundtable and national standard setters meeting to obtain input on the priorities of possible future independence projects.
14. A number of respondents to the ED Plan commented on the proposed project of implementation support. While all those respondents were supportive of the project, one respondent expressed the view that the implementation support should be broader than independence and should address accountants in business and one respondent stated that the recently issued Code was effective from June 2006 and therefore implementation support should be commenced earlier than proposed in the work plan. The IESBA is of the view that the most pressing need for support is in the area of independence and therefore this should be the priority. In addition, it is of the view that the IESBA should focus on issuing the proposed revisions and then address implementation support. It is not, therefore, recommending any changes to this area.

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