

International Ethics Standards Board for Accountants

Strategic and Operational Plan, 2008-2009



**International Federation
of Accountants**

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This Strategic and Operational Plan 2008-2009 was prepared by the International Ethics Standards Board for Accountants (“IESBA”), an independent standard-setting body within the International Federation of Accountants (IFAC). The IESBA develops and issues in the public interest high-quality ethical standards and other pronouncements for professional accountants for use around the world. It encourages member bodies to adopt high standards of ethics for their members and promotes good ethical practices globally. The IESBA also fosters international debate on ethical issues faced by accountants.

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The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession’s expertise is most relevant.

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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 Ethics 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 objective is aligned with IFAC’s desired outcomes as illustrated in Table 1 below:

Table 1: Alignment of IFAC and IESBA Strategy

IFAC Desired Outcome	IESBA Objective		
	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 complying with 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 CAG 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 is available on the IFAC website, and is normally included as part of the IFAC annual report.

Communication 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

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.

- Holding a national standard setters meeting; and
- Holding a public forum or roundtable as appropriate in four different geographic regions.

In 2008, the IESBA 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 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 projects. The Board therefore, starting in the first quarter of 2009 will 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. The forums or roundtables will also be used to solicit input on the scope and direction of proposed future projects.

5. OPERATIONAL PLAN AND WORK PROGRAM

The IESBA will continue to work on the three projects that it already has in progress.

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 clients, relative size of total fees from an assurance client and independence implications of contingent fees as proposed in the exposure draft issued in July 2007; and
- (iii) 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.

The IESBA intends to complete and approve changes to the Code relating to projects i) and ii) noted above but not to release them as final documents. The IESBA will then expose proposed revisions to the Code to reflect changes resulting from the drafting conventions project. The exposure draft will contain the whole Code with Sections 290 and 291 amended to reflect the output of projects i) and ii) above. After consideration of comments on the application of the drafting conventions, the Code will be issued in final form in the second half of 2008.

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

Following public consultation on this Strategic and Operational Plan, the IESBA has determined that the following three projects will next be addressed as a 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; and
- (iii) 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.

The IESBA, absent any emerging urgent issues, will not initiate any projects addressing independence during the period covered by this strategic and operational plan and will not issue any exposure drafts before mid-2010 on independence matters. The IESBA has determined, based on the comments on the draft strategic plan, that it is appropriate to have a period of stability before proposing additional changes. 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 2008.

Convergence of international and national ethical standards for professional accountants is a high priority of the IESBA. Throughout the period of this strategic and operational plan the IESBA will, in addition to the four regional forums and national standard setters meeting mentioned under “Communication” above, develop and implement a structured approach to convergence with a defined action plan to progress this objective.

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 8-10 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 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 generally ranges from 24-48 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

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

The following is a 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 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 2008. This period of stability will provide member 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 PROJECTS⁶	STATUS	MAR 2007	JUNE 2007	OCT 2007	JAN 2008	APR 2008	JUNE 2008	OCT 2008	DEC 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 and first read of final	Approve pre-drafting final ⁷							

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

⁷ The IESBA will approve changes to independence requirements using the existing drafting conventions adopted in the Code.

CURRENT PROJECTS ⁶	STATUS	MAR 2007	JUNE 2007	OCT 2007	JAN 2008	APR 2008	JUNE 2008	OCT 2008	DEC 2008	FEB 2009	JUN 2009	OCT 2009
Independence 2	Current	Discuss issues /principles	Approve ED		Consider ED comments	Approve pre-drafting final						
Drafting Conventions	Current		Discuss issues /principles	Discuss issues /principles	Discuss issues/principles	Approve ED		Consider ED comments	Approve final			
Accountants in Government	Current							Discuss		Consider feedback	Approval of project proposal	Discuss issues

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 October 15, 2007.

Drafting Conventions

The IESBA will issue an exposure draft in April 2008 proposing changes to the Code to reflect the implications of the new drafting conventions adopted under the Clarity Project by the International Auditing and Assurance Standards Board. It is intended that the exposure draft will show the proposed effect on the output of Independence 1 and 2 as well as on the remainder of the Code.

Accountants in Government

The IESBA will recommence this project which was deferred at the beginning of 2007 in light of other priorities. The IESBA will engage in consultation with interested parties, to

determine how the guidance contained in Parts A, B and C of the Code should apply to professional accountants in government. The feedback from these interested parties will be used to develop the final project proposal.

FUTURE PROJECTS	STATUS	OCT 2007	JAN 2008	APR 2008	JUNE 2008	OCT 2008	DEC 2008	FEB 2009	JUN 2009	OCT 2009
Fraud and illegal acts	Proposed				Discussion			Discussion	Approval of project proposal	
Conflicts of interest	Proposed				Discussion			Approval of project proposal	Discuss issues /principles	First read
Implementation support	Proposed				Discussion	Approval of project proposal	Discussion	Discussion	Discussion	
Convergence	Proposed	Discuss		Approve course of action	Implementation reporting	Implementation reporting	Implementation reporting	Review course of action	Implementation reporting	Review course of action and update as necessary

This chart outlines the activities at the IESBA meetings – If a project is not before the Board for a particular meeting there will still be activity at the Task Force level.

Fraud and illegal acts

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

- The professional accountant discovers a suspected fraudulent or illegal act;

- The professional accountant has reported an alleged fraudulent or illegal act 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 suspected fraudulent or illegal act.

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 information:

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

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 additional 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 address separately professional accountants in practice and professional accountants in business.

Conflicts of interest

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.

Implementation Support

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

Convergence

The IESBA will develop a program and course of action to promote recognition of the IFAC Code. This will include consultation with interested parties, including regulators and national standard setters, to determine the basis on which progress can be made in establishing the Code as a global benchmark. The consultation will include holding four regional forums or roundtables, as appropriate, in each of the Americas, Europe, Africa and Asia/Pacific regions.



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