ETHICS:
AT HOME AND ABROAD

2010 Annual Meeting
Ethics & Strategic Professional Issues Committee
October 27, 2010 – San Antonio, Texas
Gaylen R. Hansen
ETHICS

- Comparing AICPA, IFAC Codes
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- Nonattest Services: Quiz Yourself on Common Scenarios
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- Research Looks at Workplace Behavior
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ETHICS & STRATEGIC PROFESSIONAL ISSUES COMMITTEE
Monitor and evaluate the issues of AICPA's PEEC, to harmonize ethics standards of state boards with other regulatory bodies. To promote the development & adoption of UAA ethics provisions uniformly among the states, and to share with state boards emerging ethics and other professional issues.
Ethics & Strategic Professional Issues Committee

- Kent Bailey (OR)
- Steven Corbeille (WI)
- Bobby Creech (SC)
- Rick David (MI)
- Andy DuBoff (NJ)
- Gary Fleming (AZ)
- Gary Forte (SC)
- Mike Fritz (OH)
- Gaylen Hansen (CO)
- Raymond Johnson (OR)
- Kurt Kofford (CO)
- Jeff Leiserowitz (KS)
- Pat McCarthy (LA)
- Marianne Mickelson (IA)
- Larry Nunn (IN)
- Rona Shor (NY)
- Carla Sledge (MI)
- Cecil Wood (MO)
2009-2010 Activities

Two Non-Authoritative Discussion Papers

- **Uniform Definition of Independence**
  - Proposes uniform definition
  - Cooperate with others to promote uniform standards

- **Audit Fees and Engagement Profitability**
  - Standards should consider fee and profitability issues
  - Encourage use of threats & safeguards approach
  - Enhance peer review and quality control standards
2010-2011 Committee Focus
So Many Possibilities, So Little Time 😞

- What is the “Public Interest”? 
- What is “Audit Quality”? 
- What after the Blue Ribbon Panel Report? 
- Monitor anything “International” 
- Support NASBA involvement 
  - AICPA ethics committee (PEEC) 
  - PCAOB Standing Advisory Group 
  - IFAC audit & ethics boards
AICPA PROFESSIONAL ETHICS EXECUTIVE COMMITTEE (PEEC)
AICPA Professional Ethics Executive Committee (PEEC)

- 21 members, 2 NASBA reps
- Maintains the AICPA Code of Conduct
- Promulgates ethics interpretations & rulings
  - Network firms, effective July 1, 2011
- Investigations, enforcement and discipline of AICPA members
Codification Project Update

- Project to reformat and enhance the AICPA Code is moving into next phase:
  - Topical organization; simpler & more intuitive
  - Consistent drafting conventions
  - Conceptual framework approach (threats & safeguards), where appropriate

- PEEC committed to retaining same high ethical standards in today’s Code.
Codification:
State Board Outreach Initiatives

- PEEC formed a State Board Advisory Group to serve as a sounding board and pilot test draft content in 2011 (prior to exposure)
- Work with AICPA State Regulation/Legislation Staff to educate state board & society reps via newsletters, email, etc.
- NASBA “Quick Poll” to determine impact change will have on boards
PEEC – Other Priority Projects

- Immediate family participation in benefit plans
- Confidential client information
- Client affiliates
- Establishing or maintaining internal control (will amend ET 101-3 on nonattest services)
PEEC Priority Projects (cont.)

- Restricted use reports for other attestation services (SSAE – ET 101-11)
- Conflicts of interest
- Recognize international code of conduct
  - Group audits
  - Network firms
PEEC Non-Enforcement Policy

Group Audits

PEEC will not take enforcement action against a member who is a member of a group engagement team in cases where a foreign component auditor involved in the group audit is not in compliance with the AICPA Code of Conduct provided the foreign component auditor at a minimum is in compliance with the IESBA Code and the members of the group engagement team are in compliance with the AICPA Code of Conduct.

Adopted August 20, 2010 (as redacted - see http://www.aicpa.org/InterestAreas/ProfessionalEthics/Resources/EthicsEnforcement/Pages/Non-Enfor.aspx)
PEEC Non-Enforcement Policy

Network Firms

PEEC will not take enforcement action against a member who is a member of a network firm in cases where another firm within that network that is located outside the United States is not in compliance with the AICPA Code provided the foreign network firm at a minimum is in compliance with the IESBA Code.

Adopted August 20, 2010 (as redacted - see http://www.aicpa.org/InterestAreas/ProfessionalEthics/Resources/EthicsEnforcement/Pages/Non-Enfor.aspx)
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)
Int’l Federation of Accountants (IFAC)
U.S. Members

- Full Member – AICPA
- Affiliate Members
  - Information Systems Audit and Control Association (ISACA)
  - Institute of Internal Auditors
  - NASBA
Int’l Federation of Accountants (IFAC)
Affiliate Membership

- Non-voting
- Participate in committees, e.g. Consultative Advisory Groups (CAG), National Standard Setters
- Right to floor and observation
- Support development & implementation of IFAC “Statements of Member Obligations” (SMO)
Member bodies should not apply less stringent standards than those stated in the IFAC Code of Ethics.
IFAC Ethics Board (IESBA)

Status Report

- Revised Code of Ethics, effective Jan 2011
- Priority projects
  - Conflicts of interest
  - Responding to fraud and illegal acts
  - Collective investment vehicles (mutual funds)
  - Inadvertent violations
  - Adoption and implementation
  - Small-Medium Size Practices / Entities (SMP / SME)
Ethics: State Board Relevance?

- Adequacy of current ethics requirements?
- Informed about emerging ethical standards?
  - Will your rules need to be updated when AICPA Codification project is completed?
- Does your board participate in the dialogue?
Questions... or Answers?