

International Ethics Standards Board for Accountants

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IESBA Update

NASBA 104th Annual Meeting

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Agenda

- Overview of the IESBA
- Standard setting projects
 - Violations (breaches) of the Code
 - Responding to suspected illegal acts
 - Dealing with conflicts of interest
- Research project
 - Small and medium-sized practitioners and small and medium-sized entities

IESBA Overview

- 18 members
 - 9 practitioners; 9 non-practitioners (including 3 public members)
 - UK (4), Canada (3), Australia (3), one each from France, Belgium, Germany, Singapore, Kenya, Italy, Sweden, U.S.
- Observers = regulators and public interest representatives

IESBA Overview

- Recently issued
 - 2009 Revised Code of Ethics (Effective 1/1/11)
 - Various implementation tools on website
 - Summary of changes to the Code; Q&As
- AICPA considering IESBA Code as part of its codification/convergence project
 - Numerous states' rules similar to the AICPA's

Violations

- Objective
 - Reconsider provisions that address inadvertent violations of the Code
 - If such provisions are needed
 - Reduce risk that such provisions might encourage less compliance with the Code
 - Provide a more rigorous framework that promotes more consistent behavior

Violations – Tentative Decisions

- Framework is needed
- Should apply only to independence violations
 - General principles-based guidance for others
- Impact of violation must be assessed
- Violation should be discussed with
 - Relevant regulator, if required
 - Those charged with governance
- Documentation

Suspected Illegal Acts

- Objective
 - Provide guidance for situations when accountant should exercise a duty or right to disclose confidential information
 - Determine whether accountant should have a responsibility to disclose outside of the organization
 - If so, under what circumstances?

Suspected Illegal Acts – Tentative Decisions

- Accountants in public practice
 - If suspicion justified, follow applicable law (if any)
 - Otherwise, discuss with management
 - If appropriate action not taken, discuss with TCWG
 - If actions of TCWG are not appropriate, determine whether to resign
 - If in the public interest, disclose to appropriate authority acts that directly or indirectly affect financial reporting and are in the expertise of the accountant
 - Reasonable and informed third party test

Suspected Illegal Acts – Tentative Decisions

- Accountants in business
 - Use a similar approach
 - Report to a superior; if appropriate actions not taken
 - Escalate through ranks of management
 - TCWG or auditor
 - If response not appropriate, determine whether to resign
 - Disclose to appropriate authority if it is in the public interest to do so and employer has not disclosed

Suspected Illegal Acts – Tentative Decisions

- Unethical acts
 - Behavior that is legal but does not adhere to moral principles
 - Board will not require accountants to breach confidentiality and disclose unethical acts outside of the client or employer

Conflicts of Interest

- Objective
 - Assist accountants in identifying/addressing conflicts
 - Define or describe “conflict of interest”; provide examples
 - Whether views of a reasonable and informed third party are relevant in identifying or safeguarding a conflict
 - Situations in which consent cannot be obtained because of confidentiality restrictions
 - Whether undue influence situations should be addressed under conflicts of interest

Conflicts of Interest – Tentative Decisions

- Describe “conflicts of interest” (COI)
- Take reasonable steps to identify COI
 - Use a reasonable and informed third party test
- Apply safeguards when appropriate
 - Typically consent of the parties
 - If consent cannot be obtained, must be no advocacy, info cannot be used to detriment of client, satisfy reasonable/informed third party test

Conflicts of Interest – Tentative Decisions

- Accountants in business
 - Similar revisions
 - Description of a COI and examples
 - Requirement to be alert to COIs
 - Consider reasonable and informed third party perspective
 - Evaluate significance and apply safeguards

SMP/SME Project

- Objective
 - Identify/understand unique and challenging issues in complying with the Code
 - Accountants in small/medium-sized firms
 - Accountants in small and medium sized entities
 - Determine what the IESBA could do to provide assistance

SMP/SME Project

- Preliminary issues identified
 - Knowledge and understanding of the Code
 - Clarity on the use of appropriate safeguards
 - Safeguards for sole practitioners/smaller SMPs
 - Network firm guidance
 - Guidance in providing non-assurance services
 - Input into the standard setting process

Discussion