## Section 6 – Ethics

### Question 55

<table>
<thead>
<tr>
<th>Type of professional covered</th>
<th>Name of applicable legal authority</th>
<th>Date of last amendment (e.g., MM/YYYY 06/2001)</th>
<th>Name of body responsible for setting ethics standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Accountants in Public Practice</td>
<td>Auditor independence – Companies Act 1989. Other - none</td>
<td>1989(^1) (relates to date of legislative change; the ethics codes of the accountancy bodies are amended annually)</td>
<td>Institute of Chartered Accountants in England &amp; Wales (ICAEW) Institute of Chartered Accountants of Scotland (ICAS) Institute of Chartered Accountants in Ireland (ICAI)(^2) Association of Chartered Certified Accountants (ACCA)</td>
</tr>
<tr>
<td>Professional Accountants in Business</td>
<td>none</td>
<td>n/a</td>
<td>As above plus Chartered Institute of Management Accountants (CIMA)</td>
</tr>
<tr>
<td>Professional Accountants in the Public Sector</td>
<td>None</td>
<td>n/a</td>
<td>As above plus Chartered Institute of Public Finance and Accountancy (CIPFA)</td>
</tr>
</tbody>
</table>

\(^1\) To be amended late 2004/early 2005 to require compliance with auditor independence standards issued by the Auditing Practices Board (APB)

\(^2\) Any further details on ICAI codes are dealt with in a separate response from ICAI re Republic of Ireland, though it also covers Northern Ireland.
Institute of Chartered Accountants of England and Wales (ICAEW)
Attachment to “Assessment of the Regulatory and Standard-Setting Framework”

**Question 56**

<table>
<thead>
<tr>
<th>Name of body responsible for setting ethics standards (as indicated in Q55)</th>
<th>Nature of body</th>
<th>Name of standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>APB</td>
<td>Independent regulator: part of the Financial Reporting Council (FRC)</td>
<td>Ethical standards for Auditors&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>ICAEW</td>
<td>Member-owned accountancy body</td>
<td>Guide to Professional Ethics</td>
</tr>
<tr>
<td>ICAS</td>
<td>Member-owned accountancy body</td>
<td>Guide to Professional Ethics</td>
</tr>
<tr>
<td>CIMA</td>
<td>Member-owned accountancy body</td>
<td>Ethical Guidelines</td>
</tr>
<tr>
<td>CIPFA</td>
<td>Member-owned accountancy body</td>
<td>Standard of Professional Practice on Ethics</td>
</tr>
<tr>
<td>ACCA</td>
<td>Member-owned accountancy body</td>
<td>Rules of Professional Conduct</td>
</tr>
</tbody>
</table>

With respect to each professional body or standard-setting body responsible for setting ethics standards (as indicated in Q55), please answer the following questions. Attach additional pages for each body if necessary.

**Question 57**

How many voting members does the standard-setting body have?

The APB, is a subsidiary of the FRC. The constitution permits 15 members. There are currently 13. The members are appointed by the FRC to represent a wide range of stakeholders: auditors may be included, but no more than 40% of the total number.

For the member-owned accountancy bodies, the ultimate authorities are their Councils, all of the members of which are elected regionally by the members of the body, co-opted as, for example, the Chairmen of committees, or ex-officio, as holders of senior non-executive positions (which are voted on by Council). These have the following numbers of members:

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<sup>3</sup>To supersede auditor independence requirements of the accountancy bodies in late 2004/early 2005.
Institute of Chartered Accountants of England and Wales (ICAEW)
Attachment to “Assessment of the Regulatory and Standard-Setting Framework”

ICAEW - Constitution permits up to 85 elected members, up to 20 co-opted members, and up to 15 members ex-officio. At present there are 93 members.

ICAS - Has 3 office-bearers, 23 elected members, up to 6 co-opted members and 2 public interest (‘lay’) members.

CIMA – Up to 54 members in total -38 elected,12 co-opted,4 ex-officio. At present there are 52 members.

ACCA - Council has 36 members, all of whom are elected by the membership as a whole. There are no co-opted or ex-officio positions.

CIPFA - 40 members in total - 4 ex-officio, 21 elected, 7 regional representatives and 8 co-options.

Question 58

Are the members of the standard-setting body involved on a voluntary basis or employed by the standard-setting body?

All members of the Auditing Practices Board are involved on a voluntary basis except for the Executive Director who is an employee.

For the accountancy bodies the members are voluntary.

Question 59

What are the criteria considered in selecting members of the standard-setting body (e.g., best person for the job, sector of the profession, private and public members, academic, geographical representation, etc.)?

More detail about appointments to the FRC (which is involved in selection of membership to the APB) is available at www.frc.org.uk.

For appointments for the accountancy bodies see Question 60.

Question 60

Who appoints these members (e.g., member body, government, user, regulator, etc.)?

More detail about appointments to the FRC (which is involved in selection of membership to the APB) is available at www.frc.org.uk.

ICAEW - Constitution permits elected members to serve for up to 4 terms of 4 years, co-opted members to serve for no more than 4 years at a time, and ex-officio members to serve while they hold office (holders of the position of president typically hold office for a total period of three years, leading up to and including one year as president).
ICAS - A member of the Council, whether elected, co-opted or appointed as a public interest member, will serve for 3 years, but may also have a second term of the same period.

CIMA - Elected members can serve up to 3 years at a time but can be re-elected with no limit on the number of terms, co-opted members up to 2 years, can be co-opted a further 2 times so making a total of 6 years, but can be co-opted again after a period off Council of at least 1 year. Ex officio members hold office for 4 years.

CIPFA - 30 member positions are subject to annual elections with no restriction on length of service; 9 positions are subject to annual appointment; one position (Past President) is ex-officio for one year.

ACCA - Members serve for three year terms, after which they can offer themselves for re-election for a further three year term. There is currently no constitutional limit to the length of service of a Council Member, although Council has agreed guidance suggesting that the limit should be nine years (or twelve years in the case of an Officer reaching that position at the end of the nine year period).

**Question 61**

What is the term of appointment for members?

The APB, as part of the FRC, has recently been reconstituted and the length of service is under discussion

ICAEW - Constitution permits elected members to serve for up to 4 terms of 4 years, co-opted members to serve for no more than 4 years at a time, and ex-officio members to serve while they hold office (holders of the position of president typically hold office for a total period of three years, leading up to and including one year as president).

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**Question 62**

For how many years has the standard-setting body been in existence?

The accountancy bodies have been in existence for many years: in several cases since the 19th century. The APB was constituted in 1991, to replace the APC, but has been reconstituted in 2004, under the FRC (it was previously under a different independent oversight body). It assumes responsibility for ethical standards (and then only auditor independence) from late 2004/early 2005.

**Question 63**

Please indicate the budget of the standard-setting body for the last fiscal year.

The budget of the FRC, including all of its functions (setting of accounting, auditing and auditor independence standards, oversight of the accountancy professions, self-regulatory functions, monitoring of the audits of listed entities, investigating public-interest complaints and complaints about non-compliance with accounting standards) is approximately £10,300,000 for 2004 (US$ 8,451,407.41 at 1.791 = £1)

The budgets for the accountancy bodies are irrelevant as they undertake many functions besides ethical standard setting, and the latter constitutes only a small part of the overall function.

**Question 64**

To what entity is the standard-setting body accountable?

The standard setting function of the APB is not directly accountable, other than to its board (see above). However, the POBA is charged with ensuring that the other FRC boards (including the APB) are functioning in accordance with their general remit, and an annual report is produced.

The ethical standard setting functions of the accountancy bodies are subject to oversight by the Public Oversight Board for Accountancy (POBA) (another element of the FRC) to ensure they are in the public interest.
Question 65

Describe the due process followed by the standard-setting body. Please include explanations of the following:

a. public exposure of standards

The accountancy bodies are not required to issue their ethical standards for public consultation but most do, where there are significant policy issues (ACCA does not).

The APB has undertaken publicly that it will issue any draft standard for public consultation.

b. accessibility of meetings (i.e., public or private)

Neither the accountancy bodies’ ethics committees nor the APB hold public meetings. However:
ICAEW & ACCA - The Council meetings are in public unless there are specific issues requiring private meetings.
ICAS- The Ethics Committee has two public interest members and though meetings of its Council are in camera, there are two public interest members of it.
CIMA –Council meet in private.
CIPFA - Council and Boards meet in private

The APB publishes agendas and minutes for its board meetings.

c. approval process for final standards (i.e., majority required to approve final standards)

Majority voting applies.

d. other relevant due process activities

The accountancy bodies that register statutory auditors submit an annual report to the UK government which considers, inter-alia, any relevant ethical developments.
Question 66

Approximately how many days per year does the standard-setting body meet in full session (including teleconferences)?

Varies as required. The accountancy bodies’ ethics committees typically meet 2-4 times a year with intervening written soundings. The Councils meet 5-12 times annually.
Institute of Chartered Accountants of England and Wales (ICAEW)
Attachment to “Assessment of the Regulatory and Standard-Setting Framework”

Section 8 – Public Sector Accounting Standards

Question 82

<table>
<thead>
<tr>
<th>Type of entity</th>
<th>Name of legal authority</th>
<th>Date of last amendment (eg MM/YYYY)</th>
<th>Name of body responsibility for setting public sector accounting standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory authority/agency</td>
<td>Government Resources &amp; Accounts Act 2000</td>
<td>RAM/ Accounts Directions (various and revised and re-issued annually)</td>
<td>Dependent upon whether inside or outside departmental boundary. Those inside the departmental boundary are governed by the RAM. Those outside the departmental boundary are governed by Accounts Directions issued by individual government departments subject to approval of HM Treasury.</td>
</tr>
<tr>
<td>Type of entity</td>
<td>Name of legal authority</td>
<td>Date of last amendment (eg MM/YYYY 06/2001)</td>
<td>Name of body responsibility for setting public sector accounting standard</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------</td>
<td>---------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>State government</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Type of entity</td>
<td>Name of legal authority</td>
<td>Date of last amendment (eg MM/YYYY 06/2001)</td>
<td>Name of body responsibility for setting public sector accounting standard</td>
</tr>
<tr>
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<td>------------------------------------------------------------------</td>
</tr>
<tr>
<td>Local government</td>
<td>Local Government and Housing Act 1989 (section 66)/ Accounts &amp; Audit Regulations 2003 (England &amp; Wales). Local Government in Scotland Act 2003 (Scotland). Both statutes require local authorities to follow “proper accounting practices” in compilation of annual financial statements. This is taken to be compliance with Code of Practice on Local Authority Accounting in the United Kingdom (Local Authority Statement of Recommended Practice (SORP))</td>
<td>Current version of Accounts and Audit Regulations (England) was laid before Parliament in 2003. Welsh version currently out for consultation. Code of Practice on Local Authority Accounting in the United Kingdom (Local Authority SORP) was last revised in 2003. A further revision is expected to be approved by ASB in June 2004.</td>
<td>CIPFA/LASAAC Joint Committee (Joint Committee of Chartered Institute of Public Finance &amp; Accountancy and Local Authority (Scotland) Accounts Advisory Committee under auspices of UK Accounting Standards Board</td>
</tr>
<tr>
<td>Type of entity</td>
<td>Name of legal authority</td>
<td>Date of last amendment (eg MM/YYYY 06/2001)</td>
<td>Name of body responsibility for setting public sector accounting standard</td>
</tr>
<tr>
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<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Other (please describe) National Health Service</td>
<td>NHS Act 1977 (Section 98)</td>
<td>Accounts Directions revised and issued annually by Department of Health (England &amp; Wales)/ Scottish Executive (Scotland)</td>
<td>Department of Health/Scottish Executive (subject to approval of Treasury). Manual for NHS trusts is now subject to oversight of Financial Reporting Advisory Board</td>
</tr>
<tr>
<td>Other (please describe) Devolved administrations</td>
<td>Scotland: Scotland Act 1998; Public Finance &amp; Accountability (Scotland) Act 2000; Northern Ireland: Northern Ireland Act 1998; Government Resources &amp; Accounts Act (Northern Ireland) 2001. this statute requires use of GAAP as adapted -own RAM developed with use of FRAB as the body they are required to consult. Wales: within UK departmental framework, under Govt of Wales Act 1998</td>
<td>Varies</td>
<td>Statutory framework requires use of UK GAAP as adapted. RAM is adopted with certain minor changes and consultation with Financial Reporting Advisory Board</td>
</tr>
</tbody>
</table>