

## Proposed strategy and work plan, 2014-2018

A consultation issued by the International Ethics Standards Board for Accountants

Comments from ACCA to the International Ethics Standards Board for Accountants

February 2014

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 162,000 members and 428,000 students in 173 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 89 offices and centres and 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

ACCA works in the public interest, assuring that its members are appropriately regulated for the work they carry out, and promoting principles-based approaches to regulation. We actively seek to enhance the public value of accounting in society through international research and we take a progressive stance on global issues to ensure accountancy as a profession continues to grow in reputation and influence.

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ACCA welcomes the opportunity to comment on the proposals issued by the International Ethics Standards Board for Accountants.

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## GENERAL COMMENTS

We welcome the proposed strategy. Appropriate focus on outcomes would suggest that IESBA and its stakeholders should strive for heightened standards of ethical behaviour, and all planned activities should be evaluated in terms of how they contribute to this objective. Seeking global convergence of high ethical standards sends a clear message concerning IESBA's belief that it is reasonable to expect consistent ethical standards globally.

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## SPECIFIC ISSUES

**(a) Do you support the four work streams the Board added to its SWP in 2012, ie Long Association, Non-Assurance Services, Review of Part C, and Structure of the Code? If not, please explain why.**

We support the four work streams as set out in paragraph 21 of the consultation paper. In particular, we see the review of Part C of the Code as somewhat overdue, and would encourage a thorough review to determine what aspects of Parts A and B may be mapped across to relate to professional accountants in business. Taxation, for example, is an area in which a professional must retain the objectivity required of a professional. However, in the case of a professional accountant in business, this is particularly difficult, due to the degree of control exercised by the employer over the employee.

A competing challenge concerns the length of the Code. Therefore, the review of Part C goes hand-in-hand with the restructuring of the Code. There should be appropriate balance between Parts A, B and C, although the principles in Part A should be seen to be paramount.

Appropriate balance will also ensure that the issues sometimes faced by the professional accountant in business are given due consideration and importance. Notably, the position of the professional accountant in business is often a solitary one (in comparison to the support available to the accountant within a practising firm), and help is needed when faced with competing pressures and obligations.

A review of the structure of the Code might also include an attempt to improve the clarity of the language used. ACCA advocates the use of plain English and clear, concise sentences.

Above all, the review of the structure of the Code must focus on the outcomes of enhanced engagement with the Code and higher standards of ethical behaviour. Therefore, we believe that to improve the structure of the Code is the most important work stream of IESBA currently. While we acknowledge the extent of this challenge, we believe that success will reap dividends, as an enhanced structure will inform other projects.

**(b) Are the strategic themes identified for the period 2014-2018 appropriate? If not, please explain why.**

ACCA considers the strategic themes identified to be appropriate, and that they complement each other. Promoting and achieving ethical behaviour is paramount, but increased engagement is a crucial part of that, and the ultimate objective is supported by having a high-quality Code, which has enduring relevance, but is able to evolve in a changing environment.

We applaud the clearer focus on professional accountants in business, and recognition of the particular perspectives of the SMP/SME constituency. This extends beyond the area of standard-setting, to include accessibility of the Code, and making it relevant to all those to whom we look for effective implementation. In this context, we also support the proportionate approach stated – that ‘the Board will be sensitive to balancing the burden of change to the Code and the likely benefit to the public interest of pursuing such change’.

Adoption of the Code and its effective implementation are two very different objectives. The former is measured by the actions of standard-setters; the latter by the actions of professional accountants. We urge caution with regard to the intention to ‘[base] standard-setting activities on appropriate research and evidence of issues to be addressed’. When attending to specific issues, IESBA should be aware of the danger of reacting to such evidence at a cost to the broader principles.

**(c) Are the actions identified with respect to each strategic theme, and their relative prioritizations, appropriate? If not, please explain why.**

ACCA believes that the actions identified are appropriate, and the detail within the proposed Strategy and Work Plan appears to indicate a measured approach to implementation of those actions.

Harmonisation and convergence are supported by efforts to identify and promote globally acceptable ethical principles. Therefore, principles must be the focus of IESBA’s outcomes-focused activities. While we acknowledge the value of common auditor independence standards – which enhance clarity

among stakeholders, as well as standards themselves – these are not entirely principles-based. In the interests of clarity, such independence standards should be distinct from the rest of the Code.

We welcome the proposed review of independence safeguards within the Code. However, as this is intended as guidance to address ‘a number of practical issues’, we believe that it is best presented in explanatory material outside of the Code itself.

**(d) Are there any actions not included in the proposed SWP that you believe the Board should consider for the 2014-2018 period? If so, please explain why, and indicate which actions identified in proposed SWP should be displaced (ie deferred or eliminated).**

We invite the board to consider the ethical issues arising from tax avoidance, which is the subject of discussion around the world. Specifically, guidance on ethics concerning advice on avoidance schemes would be of great value to professional accountants globally.

As such a project would result in guidance outside of the Code itself, it should not complicate the restructuring of the Code nor the review of Part C. We would not necessarily expect any actions identified in the proposed SWP to be displaced by the development of such guidance.

