

## IESBA ADDS ADDITIONAL WORKSTREAMS TO ITS STRATEGY AND WORK PLAN

The International Ethics Standards Board for Accountants (IESBA) has added additional workstreams to its Strategy and Work Plan for 2012. The IESBA will determine what its position is on certain measures being considered by the European Commission, the US Public Company Accounting Oversight Board (PCAOB), and regulators in other major jurisdictions to strengthen the independence of auditors. It also will determine whether accounting irregularities at various companies reveal ethical implications for professional accountants in business.

The additional workstreams are consistent with the IESBA's remit as an international standard setter of ethics requirements for the accounting profession globally. They are also consistent with the IESBA's objective of international convergence between national ethical requirements and those contained in the IESBA's *Code of Ethics for Professional Accountants* (the Code). These additional workstreams may necessitate the IESBA revising the timelines for its other projects.

The IESBA's convergence objective does not mean that the IESBA will be seeking to align key provisions in the Code with decisions that may be reached in other jurisdictions, and these additional workstreams are not being undertaken with that intention. The scope of the IESBA's convergence objective includes considering matters of significance that bear directly or indirectly on positions it has taken in the Code.

Whatever its position on the measures under consideration by the European Commission, the PCAOB, and others, the IESBA will support its conclusions with a well-thought-out rationale that fully explains the reasons for supporting or rejecting such measures. Depending upon the positions reached, the IESBA may add to its 2012 standard-setting agenda, which may result in proposed revisions to the Code.

### Additional Workstreams

*Rotation*—The IESBA will consider the arguments for and against a firm rotation requirement in the Code. Depending on its position, the board will also consider whether the position on partner rotation set out in the Code remains appropriate, including whether the requirement to rotate off the audit engagement after serving seven years as a key audit partner and observe a two-year time-out period continues to be appropriate. The IESBA expects to begin discussions in June 2012. At its February 2012 meeting, the board agreed that its analysis should be guided by an overarching objective of improving audit quality.

*Non-assurance services*—The IESBA will consider whether the Code should include additional restrictions on auditors providing non-assurance services to their audit clients and whether the use of materiality as the basis for prohibiting certain non-assurance services remains appropriate. If materiality continues to be appropriate, the IESBA will consider whether the Code should contain guidance for applying it. If certain non-assurance services will continue to be permitted, the IESBA might also consider whether they should be subject to pre-approval by those charged with governance, restricted in size in relation to the audit fee, or publicly disclosed. The IESBA expects to begin discussions in the last quarter of 2012.

*Structure of the Code*—The IESBA will determine how to increase the visibility of the requirements and prohibitions in the Code and clarify who is responsible for meeting them. Discussions are expected to begin in June 2012.

*Part C of the Code*—The IESBA will determine whether recent accounting irregularities reveal ethical implications for professional accountants in business which indicate that additional guidance should be provided for professional accountants in business either through strengthening Part C of the Code or through vehicles such as case studies. Discussions are expected to begin in June 2012. The discussions will help inform the IESBA's Strategy and Work Plan for 2013 and beyond.

## **Rationale for the Additional Workstreams**

Last year the European Commission proposed significant changes to its auditor independence requirements, principally *mandatory firm rotation* and significant restrictions on *non-assurance services* by auditors to their audit clients. In a concept release last year, the US Public Company Accounting Oversight Board began a dialogue on whether mandatory firm rotation is a way to improve auditor objectivity and independence and skepticism. The IESBA is aware of other countries that are considering these measures.

The IESBA recognizes that by undertaking to determine its position on mandatory firm rotation, more extensive prohibitions on the provision of non-assurance services, and other measures being debated today that have independence implications, it will not be leading the debate on these topics. However, in order for the IESBA to properly exercise its authority as a global standard setter of ethics standards for accountants, the board has determined that it needs to set out its position on these matters. This will also enable IFAC member bodies and others who have adopted the Code to look to the IESBA in determining whether their codes should be revised in light of these activities and, if so, how.

The IESBA has also received feedback from various users of the Code that improvements to the structure and format of the Code are needed—particularly increased visibility of the prohibitions and requirements and greater clarity about who is responsible for meeting its requirements. The board believes these refinements will enhance the Code's usefulness, understandability, and enforceability, which in turn can contribute to the success of its convergence objective.

In addition, the IESBA believes it is important to understand the facts involved in various corporate accounting irregularities. This will enable the board to assess their ethical implications and determine whether the Code should be strengthened or other guidance is appropriate to promote greater protection of the public interest by professional accountants in business.

This document was prepared by the Staff of the [International Ethics Standards Board for Accountants](#) (IESBA).

The IESBA is an independent standard-setting board that develops and issues high-quality ethical standards and other pronouncements for professional accountants worldwide. Through its activities, the IESBA develops the *Code of Ethics for Professional Accountants*, which establishes ethical requirements for professional accountants.

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, including auditor independence requirements, through the development of a robust, internationally appropriate code of ethics.

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