

Survey Results & Analysis

Part 1: Classification

From which perspective are you providing this online feedback?

| Response | Count | Percent |
|---|--------------|----------------|
| Professional Accountant in Public Practice | 28 | 27.7% |
| Professional Accountant in Business | 4 | 4.0% |
| User of Financial Statements (e.g., Investor, Customer, Creditor / Supplier, Lender, Analyst) | 1 | 1.0% |
| Standard Setter | 2 | 2.0% |
| Regulator | 8 | 8.0% |
| IFAC Member Body | 41 | 40.5% |
| Other | 35 | 16.8% |
| Total | 101 | 100% |

Part 2: IFAC Code of Ethics for Professional Accountants Implementation Support

At its April 2009 meeting, the IESBA approved revisions to the IFAC Code of Ethics for Professional Accountants (the Code). The IESBA expects the revised Code to be published early in Q3 2009, after the Public Interest Oversight Board has confirmed that due process was followed in its development.

The IESBA plans to develop and issue a toolkit to assist member bodies and firms to implement the revised Code. This toolkit will include:

- *Slide-deck with speaking notes outlining the changes to the Code;*
- *Template to assist member bodies and firms analyze differences between the requirements in their jurisdiction and the Code; and*
- *Comparison of the revised Code to the previous Code.*

Is there other material which you think would be of assistance? Please be as specific as possible as to the nature and content of the material:

Comments

Many respondents either stated that no additional material was necessary or expressed the view that the items noted should be sufficient to support implementation of the Code.

Some respondents expressed the view that case studies and or examples of application of the Code would be useful support materials. Some illustrative comments:

- Providing some case studies on difficult areas to demonstrate the thinking and approach required to implement the code;
- Case studies showing how individuals are expected to react to ethical dilemmas.

Reference was made to the case studies developed by the Institute of Chartered Accountants of Scotland, which can be viewed at

<http://www.icas.org.uk/site/cms/contentviewarticle.asp?article=5480>

Some respondents stated that the IESBA should develop material to provide assistance for application and implementation of the Code in an SMP environment. A suggestion was also made to develop sample of audit documentation templates e.g. "Independence declarations by audit staff and others", that assist the firm in evidencing they have met the "ethics" audit documentation requirements for an audit or assurance engagement.

A few respondents stated that the IESBA should develop a short paper explaining the benefits of convergence.

Several respondents noted that there should now be a pause in the development of any further independence standards.

A few respondents noted that as accountants implement the Code, there may be the need for the IESBA to develop Frequently Asked Questions.

Other suggestions included:

- Undertaking forums/roundtables with regulators, NSS and member bodies;
- Conducting a seminar which could cover a day or 2 on the reason or intent of the revised code;
- Webcast seminars to be used in presentations to the professional staff and executive teams; and
- There needs to be some material that explains or reconciles the notion that the assurance professional must be independent but yet the standards allow an assurance professional to use direct reporting, which may entail the direct measurement of the subject matter.

Part 3: IESBA Possible Future Projects

Part 3 asks you to indicate the priority of possible future projects for IESBA:

The IESBA has identified two projects which it believes are a top priority. These projects are Conflicts of Interest and Ethical Guidance for Professional Accountants when Encountering Fraud or Illegal Acts. Both of these projects are discussed below.

The IESBA considered whether to develop guidance in the Code on the standards against which independence would be judged in engagements to perform agreed-upon procedures and engagements to compile financial statements. The International Auditing and Assurance Standards Board has started a project addressing Reviews and Compilation Engagements. The IESBA plans to monitor the progress of that project before embarking on its own project to address the independence issues associated with compilation engagements.

The IESBA is seeking your confirmation of the priority of the two projects and your input on other future projects which should be addressed in the next 3-4 years. The following list includes the identified priority projects and other potential projects which could be carried out.

Please rank how important, in your view, the following projects are for achieving IESBA's objective of setting high quality ethical standards for professional accountants.

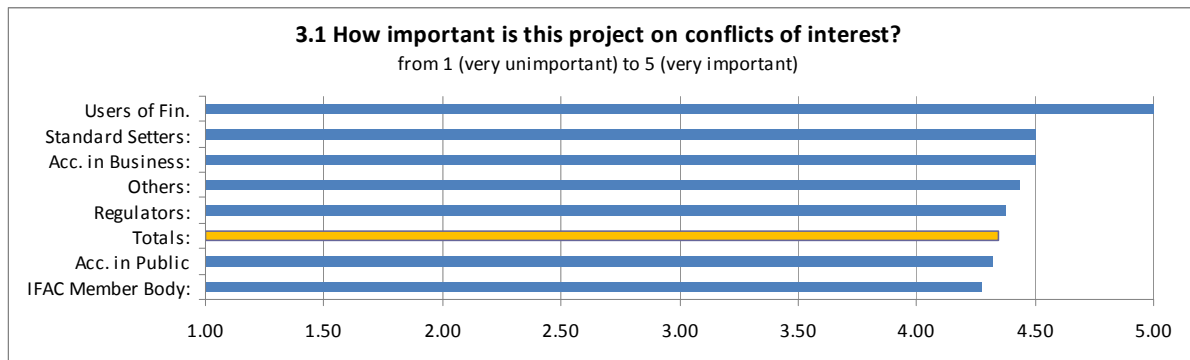
3.1 Conflicts of Interest

The Code, in Section 220 and Section 310, contains general guidance for professional accountants in practice and professional accountants in business who face conflicts of interest. The Code provides examples of conflicts and examples of safeguards to be applied when facing a conflict. The project would consider whether to expand the guidance in this area. It would consider matters such as:

- *Providing additional guidance on the types of conflicts that could be encountered;*
- *Providing additional guidance on the institutional mechanisms that can safeguard confidential information and assist in managing conflicts of interest; and-*
- *Developing a process which accountants could follow to identify and address conflicts of interest or potential conflicts of interest.*

How important (relative to the other projects in this listing) is this project on conflicts of interest?

| Response | Count | Percent |
|-----------------------------------|-------|---------|
| very important | 45 | 45.5% |
| important | 46 | 46.5% |
| neither important nor unimportant | 6 | 6.1% |
| unimportant | 1 | 1.0% |
| very unimportant | 1 | 1.0% |



| Average score categorized by type of respondent (5=very important and 1=very unimportant) | |
|---|-------------|
| IFAC Member Body: | 4.28 |
| Acc. in Public Practice: | 4.32 |
| Total: | 4.34 |
| Regulators: | 4.38 |
| Others: | 4.44 |
| Acc. in Business: | 4.50 |
| Standard Setters: | 4.50 |
| Users of Fin. Statements: | 5.00 |

Comments

- In our view the nature of the guidance, and its value, will vary between the different categories of accountants: In relation to auditors we think that guidance that helps audit practitioners distinguish between conflicts of interest and independence may be helpful as the two concerns are sometimes confused. Conflicts of interest are more likely to be encountered by non-auditor professional accountants in practice and guidance on conflicts of interest is likely to be of greater value to them than to auditors. Such guidance could either be provided on a standalone basis or, in time, integrated into standards and guidance for professional accountants in public practice providing non-assurance services; and
- Regarding the conflicts of interest project ... it is important to recognize the difference between the types of conflict generally encountered by PAIBs and those encountered by professional accountants in practice. For PAIBs the key issue is not professional independence, but instead is sometimes how to reconcile the interests of the organisation with the public interest.

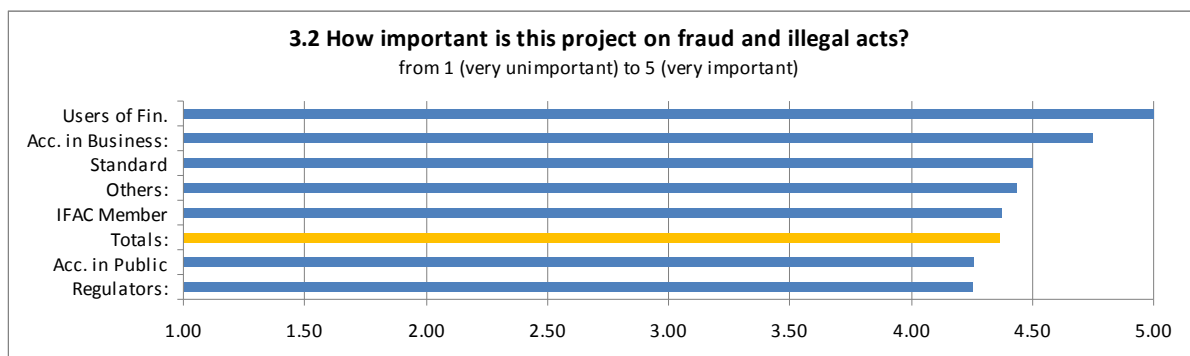
3.2 Fraud and Illegal Acts

The Code, in Section 140, contains general guidance for all professional accountants regarding disclosure of confidential information. The Code provides for three circumstances where professional accountants are required, or may be required, to disclose confidential information:

- *Disclosure is permitted by law and is authorized by the client or the employer;- Disclosure is required by law; and-*
- *There is a professional duty or right to disclosure when not prohibited by law. Professional accountants in public practice and business may encounter situations including:*
 - *The professional accountant discovers a suspected fraudulent or illegal act;*
 - *The professional accountant has reported an alleged fraudulent or illegal act but no action has been taken, or the action is inadequate; and*
 - *Another individual within the organization has informed the professional accountant about the existence of a suspected fraudulent or illegal act. The project would consider whether a global Code of Ethics should provide additional guidance for accountants when encountering fraud or illegal acts.*

How important (relative to the other projects in this listing) is this project on fraud and illegal acts?

| Response | Count | Percent |
|-----------------------------------|-------|---------|
| very important | 49 | 50.0% |
| important | 40 | 40.8% |
| neither important nor unimportant | 6 | 6.1% |
| unimportant | 2 | 2.0% |
| very unimportant | 1 | 1.0% |



| Average score categorized by type of respondent (5=very important and 1=very unimportant) | |
|---|-------------|
| Regulators: | 4.25 |
| Acc. in Public Practice: | 4.26 |
| Total: | 4.37 |
| IFAC Member Body: | 4.38 |
| Others: | 4.44 |
| Standard Setters: | 4.50 |
| Acc. in Business: | 4.75 |
| Users of Fin. Statements: | 5.00 |

Comments

While the majority of respondents were supportive of the project, with 90% of respondents rating it as either very important or important, some respondents expressed concern. The following comments are illustrative of this concern:

- I don't believe the topic related to fraud and illegal acts can be dealt with in the ambit of this code. This is not because I think it is unimportant as flagged in the survey, but it is better dealt with in the ambit of the country specific laws and regulations;
- Reporting fraud related issues is an important public interest related matter but what can be expected of accountants will be strongly influence by legal requirements - dealing with this on an international basis will be hampered by differences in national law and regulations. In relation to the different categories of accountants: o In relation to auditors ISAs 240 and 250 set out auditor responsibilities in this area – we doubt whether more can, or need, be provided at a global level. Some guidance for non-auditor practitioners is however likely to be helpful;
- The project on fraud and illegal acts should be broadened, in the case of PAIBs, to cover disclosures e.g., where the employer is acting contrary to the public interest – some of the activities that contributed to the financial crisis may be good examples. The question of information disclosure versus preservation of confidentiality is a matter of concern for PAIBs. Currently, there is limited guidance on discretionary disclosures or “whistle-blowing”. The project on conflicts of interest should also address specific PAIB issues. The situations of PAIBs who may be proprietors, or directors, or employees at all levels in the hierarchy, can be very different and the practical issues they face will often not be the same. Some practical guidance relating to the different types of situation will be helpful;
- If this project is to be undertaken we would encourage IESBA not to limit it to a narrow definition of fraud. Considering reporting responsibilities in relation to ‘aggressive earnings management’ may also be worthwhile. While this may, or may not, constitute fraud it is a very real issue for some accountants in business;
- the project should cover how professional accountants should respond to unethical and/or illegal acts that are not perpetrated by an individual for his or her own profit,

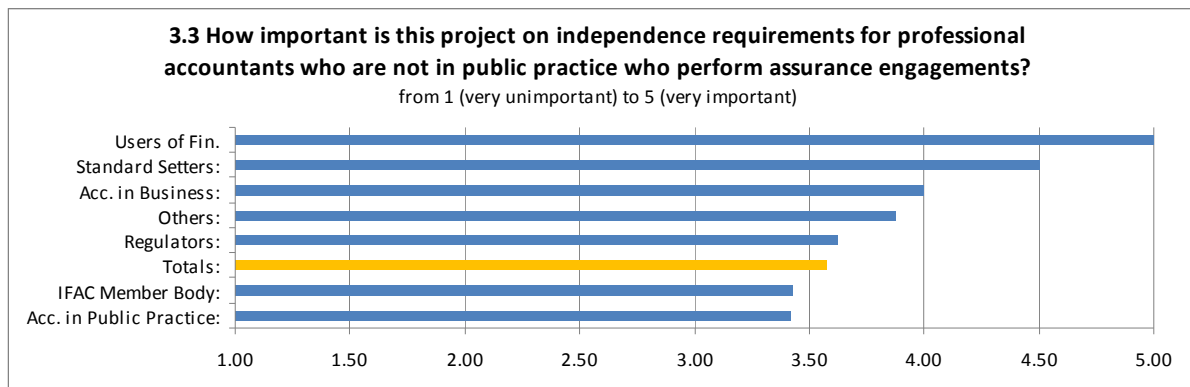
- but which are perpetrated for the ‘benefit’ of the company, for example to give the impression of improved organisational performance. Guidance on the obligations for professional accountants in business to blow the whistle on unethical or illegal business practices they encounter, such as bribery, would also be beneficial. and
- We are in favour of the projects looking at fraud and illegal acts and conflicts of interest, but do not believe that the intended outcomes of these projects should necessarily be changes to the code of ethics itself

3.3 Independence Requirements for Professional Accountants who are not in Public Practice who Perform Assurance Engagements

Sections 290 and 291 of the Code address independence requirements for assurance engagements. The sections apply to professional accountant in public practice. The project would address independence requirements for other professional accountants that perform assurance engagements such as accountants in government and internal auditors.

How important (relative to the other projects in this listing) is this project on independence requirements for professional accountants who are not in public practice who perform assurance engagements?

| Response | Count | Percent |
|-----------------------------------|-------|---------|
| very important | 23 | 23.7% |
| important | 29 | 29.9% |
| neither important nor unimportant | 28 | 28.9% |
| unimportant | 15 | 15.5% |
| very unimportant | 2 | 2.1% |



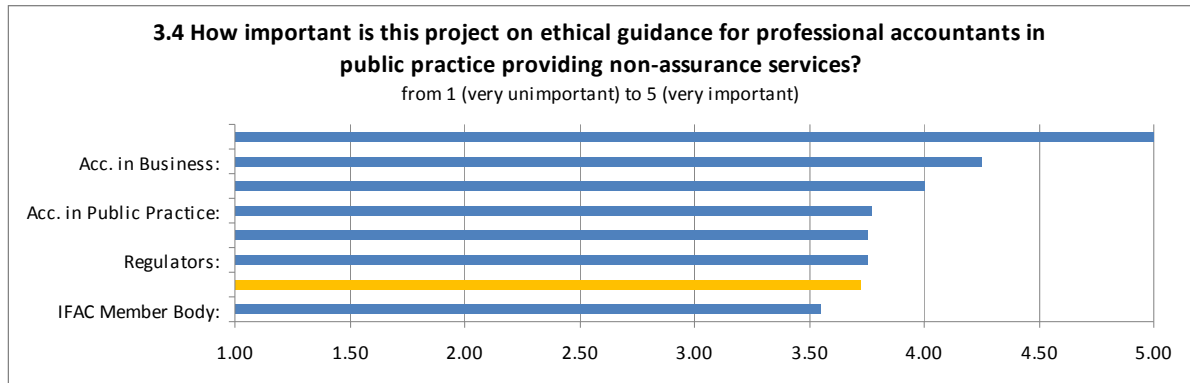
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|---|-------------|
| Average score categorized by type of respondent (5=very important and 1=very unimportant) | |
| Acc. in Public Practice: | 3.42 |
| IFAC Member Body: | 3.43 |
| Total: | 3.58 |
| Regulators: | 3.63 |
| Others: | 3.88 |
| Acc. in Business: | 4.00 |
| Standard Setters: | 4.50 |
| Users of Fin. Statements: | 5.00 |

3.4 Ethical Guidance for Professional Accountants in Public Practice Providing Non-Assurance Services

Part B of the Code addresses all professional services provided by professional accountants in practice. The project would address additional ethical guidance for professional accountants in public practice that provide non-assurance services such as financial advisory services, taxation services and actuarial advisory services.

How important (relative to the other projects in this listing) is this project on ethical guidance for professional accountants in public practice providing non-assurance services?

| Response | Count | Percent |
|-----------------------------------|-------|---------|
| very important | 25 | 25.8% |
| important | 38 | 39.2% |
| neither important nor unimportant | 18 | 18.6% |
| unimportant | 14 | 14.4% |
| very unimportant | 2 | 2.1% |



| | |
|---|-------------|
| Average score categorized by type of respondent (5=very important and 1=very unimportant) | |
| IFAC Member Body: | 3.55 |
| Total: | 3.72 |
| Regulators: | 3.75 |
| Others: | 3.75 |
| Acc. in Public Practice: | 3.77 |
| Users of Fin. Statements: | 4.00 |
| Acc. in Business: | 4.25 |
| Standard Setters: | 5.00 |

Comments

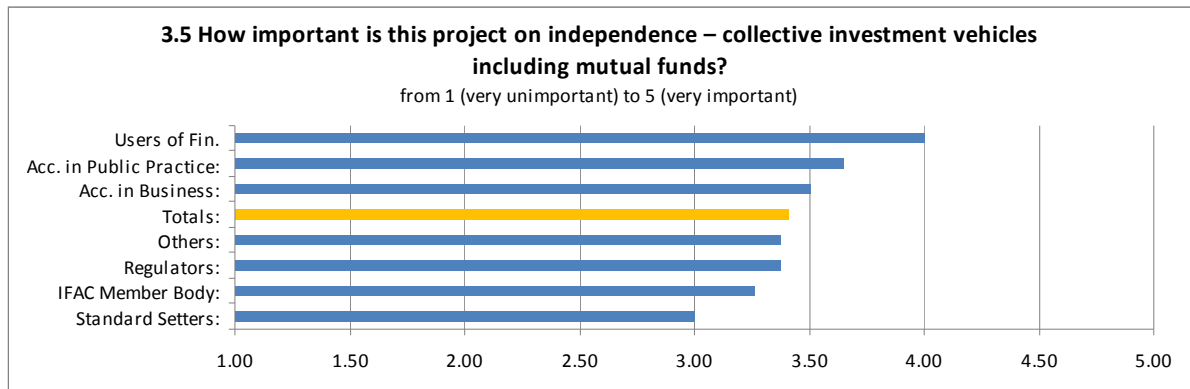
- Ethical guidance for Accountants in public practice who provide Forensic Accounting Services and Insolvency Services. Another area would be financial planning services as the global financial crisis has shown that the commission based structure that is prevalent in this industry has created a sales driven culture which is not in the public's best interest. We note that the three areas noted above has generated significant interest, particularly with the global financial crisis; and
- We strongly support the suggestion that IESBA develop additional guidance for professional accountants in public practice on services such as tax services, actuarial services and financial advisory services. Given the magnitude of fees generated from tax services, and known challenges relating to tax planning advice, perhaps this would be the project to start with.

3.5 Independence – Collective investment vehicles including mutual funds

Develop guidance in the Code on the application of the related entity definition in the audits of collective investment vehicles including mutual funds.

How important (relative to the other projects in this listing) is this project on independence – collective investment vehicles including mutual funds?

| Response | Count | Percent |
|-----------------------------------|-------|---------|
| very important | 15 | 15.8% |
| important | 31 | 32.6% |
| neither important nor unimportant | 31 | 32.6% |
| unimportant | 14 | 14.7% |
| very unimportant | 4 | 4.2% |



Average score categorized by type of respondent (5=very important and 1=very unimportant)

| | |
|---------------------------|-------------|
| Standard Setters: | 3.00 |
| IFAC Member Body: | 3.26 |
| Regulators: | 3.38 |
| Others: | 3.38 |
| Total: | 3.41 |
| Acc. in Business: | 3.50 |
| Acc. in Public Practice: | 3.65 |
| Users of Fin. Statements: | 4.00 |

Comments

- There are different categories of mutual funds – in some jurisdictions holders of mutual funds can in effect vote at a shareholders' meeting. The different categories of funds would need to be considered by the project;
- Having just completed the new Code, we believe that the IESBA should focus on promoting the new Code as a set of independence rules that regulators and national standard setters can converge on. Further work on Part B of the Code could cause delay in adoption of the Code by national standard setters (NSS). While a project on collective investment vehicles would affect Part B, it is guidance which address a subject not currently addressed by the Code. In addition, the current financial crisis has resulted in an increased focus of regulators on the asset management industry and, in particular, unregistered funds (hedge funds and PE funds). At the current time, the only industry specific independence guidance which exists is the US independence guidance on ICCs. We believe it would be timely for the IESBA to address collective investment vehicles.

3.6 Other projects for Part B of the Code

In light of the IESBA's identified priorities and possible other projects described above, are there any other matters that should be addressed in Part B of the Code? (please describe in detail)

Comments

Several respondents noted that there should be more discussion on integrity – these comments are discussed below under Part 4.

Many respondents expressed the view that there should be a period of stability before any further independence standards were issued to allow time for adoption and implementation.

A few respondents noted that the IESBA should consider independence requirements for compilation engagements.

Several other respondents suggested additional topics for Part B. There was, however, no consensus as to any projects that should be started.

3.7 Other projects for Part C of the Code

In light of the IESBA's identified priorities and possible other projects described above, are there any other matters that should be addressed in Part C of the Code? (please describe in detail)

Comments

Several respondents stated that the IESBA should review part C of the Code. While these respondents did not suggest any specific projects there was recognition that Part C of the Code had not been reviewed or updated for some time. Illustrative comments:

- However, the IESBA should continue to assess Part C for areas of improvement with member bodies. Ethics for accountants in business is important to the integrity of financial reporting and, accordingly, should continue to be a focus for the IESBA.
- There is a difference from ... [accountants] in practice, as PAIBs are likely to be in a direct line management relationship with the source of the pressure, and the implications of resisting pressure may be more substantial eg loss of employment. This is not to suggest, of course, that there should be any dilution of ethical standards, but the Code, or associated guidance might recognise this;
- The application of ethical requirements to professional accountants in business, and in particular, the ethical requirements in relation to professional accountants in business involved in the preparation of historical financial information could use some additional requirements and guidance;

3.8 Any other projects

Are there any other matters that should be addressed in the Code? It would be helpful if you could be as specific as possible.

Comments

Some respondents suggested that IESBA consider whether the structure of the Code might be a barrier to convergence. These comments are discussed under Part 5 below.

Part 4: Other IESBA Initiatives

Part 4 asks you to indicate other matters that should be a priority for IESBA:

The IESBA's objective, as established in its Terms of Reference, includes the promotion of good ethical practices and fostering international debate on ethical issues faced by professional accountants thus assisting in furthering IFAC's strategic objective of speaking out on public interest issues relating to ethics.

Do you believe the IESBA should undertake any initiatives in this area such as, for example, developing thought pieces on matters such as integrity? If so, please describe the activities you believe the IESBA should undertake it would be helpful if you could be as specific as possible.

Comments

Several respondents stated that it would be useful for the IESBA to issue a thought piece on integrity. Several referenced the ICAEW document and the pending FEE document. Illustrative comments were:

- Thought pieces raising issues for debate/discussion would be helpful and a catalyst for thoughtful dialogue;
- Thought pieces' whilst not necessarily having the power of Standards or Ethical Requirements would be a useful input into the profession's ethical debate. In addition, I'd ask that IESBA consider looking at integrity and potentially also consider

- scepticism (a requirement for all accountants) and how this is useful when determining ethical scenarios;
- A discussion on integrity could be very helpful, particularly where it can mean different things in different cultures;
 - This type of direction, combined with the intent to focus current attention on materials that will assist with implementation is a positive switch in focus. A period of not less than two years should be spent on this shift in priority, rather than the development of additional material in the Code in order that member bodies are provided opportunity to educate their memberships and allow appropriate period of time for these new requirements to be properly understood;
 - It would be useful for additional material to be developed to enable users of the Code to gain a greater understanding of what is meant by the term "integrity". We are currently aware that FEE is likely to publish something in this area.

Some respondents stated that IESBA should not issue such thought pieces. Illustrative comments were:

- It may not be a good idea for IESBA to get involved with such thought pieces. These issues are often affected and influenced by local customs, traditions, religion, etc. and thought pieces that try to address such issues may be perceived negatively, possibly "Euro- centric" & "Western";
- IESBA should concentrate on the dissemination of the International Code of Ethics, on lobbying IOSCO and convincing the main standard setters such as the EU Commission, the Chinese administration or the US PCAOB to adopt the Code; and
- IESBA should focus on timely completion of projects.
- The IESBA should seek to establish a mechanism to respond on a timely basis to urgent and emerging issues without the need to complete the full due process appropriate for the Code itself. This would be more beneficial than developing thought pieces which may be of only academic interest, unless they are responding directly to topical matters.

Part 5: Finalizing the Survey

Are there any other issues you feel the IESBA should consider as it develops its next Strategic Plan?

Comments

Several respondents emphasized the need for a pause in new standards on independence to provide firms and member bodies time to implement the revised Code.

Several respondents emphasized the need for the IESBA to consider the implications of the Code in an SME/SMP environment and one suggested that the IESBA consider the merits of the EC's "think small first" proposals and how they might work for Ethics.

In particular, do you have any comments and suggestions as to how the IESBA can best ensure it serves the public interest?

Comments

Several respondents stated that IESBA should focus on promoting the Code and furthering its objective of international convergence. Illustrative comments included:

- We believe that IESBA's top priority over the coming 2-3 years should be driving harmonization of national independence rules around the IESBA Code. However, we understand that there are barriers to such harmonization and that, while supporting the work of the IESBA, many regulators and NSS in some of the key jurisdictions may be unwilling to adopt the Code as is. Accordingly, as a first step, we believe that the IESBA should engage with regulators and NSS in the 10-15 most strategically important jurisdictions and understand the barriers that exist to the adoption in these jurisdictions of the Code as promulgated. If an agreement can be reached with these regulators / NSS, then other jurisdictions will follow, if they have not already done so;
- We recommend that the Board works closely with the IFAC Compliance Advisory Panel to seek comprehensive and timely adoption of the revised Code by all members bodies ... Finally we encourage the Board not to amend the Code (other than as resulting from the projects above), and particularly Sections 290 and 291, for at least 2 or 3 years (other than for any currently unanticipated issue of urgency) to create a period of stability and allow member bodies and firms time to adopt and implement the revised code without further change;
- The role of regulators and NSS is critical to obtaining widespread acceptance of the Ethics Code. Accordingly, the IESBA should periodically re-assess whether the way it works with regulators and NSS can be improved;
- Discussions should be held with regulators/national standard setters to encourage adoption of the auditor independence provisions in the Code or failing that, gradual convergence of national standards towards those in section 290/291. Should these discussions reveal impediments to the adoption of the Code because of the structure/language or specific requirements of the Code, then a future project may involve restructuring the Code to make it more acceptable to national standard setters;
- IFAC currently does not offer any real or practical means to consult with anyone authoritative on interpretive questions about application of the code. If the Code is to be where jurisdictions converge toward, we believe regulators will want there to be a consultation resource and capability. If this is to ultimately remain with individual sovereign regulators then there needs to be a body of such regulators that provides FAQ's or other interpretive guidance so there can be consistency of application of the code. This should be one of the items of discussion with the 10-15 top regulators as discussed above. There also needs to be a mechanism in place in IFAC which addresses emerging issues and, we understand that the IESBA plans to implement such a mechanism.