

**DATE:** September 7, 2010  
**TO:** Ethics Consultative Advisory Group  
**FROM:** Ken Dakdduk, Chair IESBA  
**SUBJECT:** Report from the IESBA

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## **Introduction**

This report summarizes the activities of the IESBA since the last Ethics CAG meeting in March 2010. The report also provides an update on each of the working projects of the IESBA.

## **Meetings**

The IESBA met in Paris, France on June 23-24, 2010. The dates and locations of future IESBA meetings are as follows:

- November 2-3, 2010 (Singapore, Singapore)
- February 7-9, 2010 (New Delhi, India)
- June 15-17, 2010 (TBD, Europe)
- October 17-19, (New York, United States)

## **Strategy and Work Plan 2010-2012**

The exposure draft of the IESBA Strategy and Work Plan 2010-2012 was issued for comment in late March 2010 with a comment period ending on June 15, 2010. The IESBA received 37 comment letters on the draft plan.

The Strategy and Work Plan is addressed in CAG Agenda Item D.

## **Conflicts of Interest**

At its October 2009 meeting, the IESBA approved the project proposal to develop additional guidance for professional accountants when dealing with conflicts of interests. The project will address matters such as:

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

The Task Force met in March and May 2010. At its June 2010 meeting, the IESBA considered a Task Force report containing a proposed definition of a conflict of interest. The IESBA asked the Task force to consider how a definition might be linked to the public interest and to consider how any additional guidance on conflicts of interest would intersect with the existing guidance in the Code dealing with ethical conflicts, recognizing that the two types of conflicts are different. The Task Force next meets at the end of September to consider the input provided by the IESBA. The IESBA will consider another report from the Task Force at its November 2010 meeting.

## **Responding to Fraud and Illegal Acts**

At its October 2009 meeting, the IESBA discussed a draft project proposal to develop additional guidance for professional accountants when responding to fraud and illegal acts. The CAG discussed this project proposal at its March 2010 meeting. The Task Force met in July 2010 to consider input on this project provided by CAG members and have revised the project proposal. The Task Force meets again at the beginning of October and the IESBA will consider a Task Report on the project at its November 2010 meeting.

The draft project proposal is addressed in CAG Agenda Item C.

## **Internal Audit**

The IESBA has been closely following the IAASB project to revise ISA 610 *Using the Work of Internal Audit* and an IESBA member is a correspondent member of the Task Force. The IAASB issued an exposure draft in July 2010, the comment period ends on November 15, 2010.

## **Reviews and Compilations**

The IESBA has been closely following the IAASB project to revise International Standard on Review Engagements 2400 *Engagements to Review Financial Statements* and International Standard on Related Services 4410 *Engagements to Compile Financial Statements*. An IESBA member is a correspondent member of the Task Force.

The IESBA discussed the progress of the IAASB project at its June meeting.

## **Impact Analysis**

The IESBA concluded, at its October 2009 meeting, that it would be useful for the two project task forces (Conflicts of Interest and Responding to Fraud and Illegal Acts) to perform an impact analysis so that a process for performing such an analysis can be developed and refined as necessary for efficient ongoing application.

The *Conflicts of Interest* Task Force discussed impact analysis at its first meeting in March 2010.

## **Implementation and Adoption**

The IESBA staff has issued some materials to support implementation and adoption of the Code. A series of staff questions and answers regarding the Code are now under development and it is expected that these staff Q&As will be issued in October 2010.

The subject of adoption and implementation is addressed in the Strategy and Work Plan in CAG Agenda Item D.

## **Convergence**

The IESBA understands that a key step in furthering its objective in this area will be to liaise with national standard setters and regulators to identify and understand their perspectives on convergence and to obtain their views on how the Code can be the catalyst to achieve greater convergence.

As a first step in pursuing its convergence objective, at its June 2010 meeting, the IESBA discussed a first draft of a document that isolates the independence provisions of the Code that an auditor of a public interest entity would be required to comply with. The purpose of the document is to facilitate a benchmarking exercise to help the IESBA determine how key provisions in the Code compare to those of other jurisdictions. The Board will consider the results of that comparison to determine whether it should readdress a Code provision for the purpose of reducing or eliminating a difference between that provision and the comparable provision of other jurisdictions.

This subject is addressed in the Strategy and Work Plan in CAG Agenda Item D.

Ken Dakdduk