

International Ethics Standards Board for Accountants

Strategy and Work Plan, 2010–2012



**International Federation
of Accountants**

REQUEST FOR COMMENTS

The International Ethics Standards Board for Accountants (IESBA) approved the release of this exposure draft of the IESBA's proposed Strategy and Work Plan for the period 2010–2012 on March 23, 2010. The IESBA's proposed Strategy and Work Plan may be modified in light of comments received before being issued in final form. Comments are requested by **June 15, 2010**.

Respondents are asked to submit their comments **electronically** through the IFAC website (www.ifac.org), using the "Submit a Comment" link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this new feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website. Although IFAC prefers that comments be submitted electronically, e-mail may continue to be sent to edcomments@ifac.org. Comments can also be faxed to the attention of the IESBA Deputy Director at +1 (212) 286-9570, or mailed to:

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International Ethics Standards Board for Accountants
International Federation of Accountants
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New York, New York 10017 USA

Copies of this exposure draft may be downloaded free-of-charge from the IFAC website at <http://www.ifac.org>.

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**EXPLANATORY MEMORANDUM ON THE
PROPOSED IESBA STRATEGY AND WORK PLAN 2010–2012**

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EXPLANATORY MEMORANDUM

Introduction

This memorandum provides some background to, and an explanation of, the exposure draft of the IESBA's proposed Strategy and Work Plan for the period 2010–2012, released for public comment in March 2010.

The IESBA's current plan, issued in March 2008, set the direction and priorities for the activities of the IESBA to December 2009. The IESBA has developed a new Strategy and Work Plan and seeks comments on its proposed strategic direction and intended projects and activities for the period 2010–2012.

Background

The International Federation of Accountants (IFAC) is the worldwide organization for the accountancy profession. IFAC's mission, as set out in its constitution, is "to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of international economies by establishing and promoting adherence to high quality professional standards, furthering international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant."

The IESBA develops ethical standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IESBA, and the IESBA's Consultative Advisory Group (CAG), which provides public interest input into the IESBA's activities, in particular its development of the Code of Ethics for Professional Accountants (the "Code"). In addition, the IESBA promotes good ethical practices and fosters international debate on ethical issues faced by professional accountants.

Content of Proposed Strategy and Work Plan

The proposed Strategy and Work Plan outlines how the IESBA intends to achieve its objective to serve the public interest, as set out in its Terms of Reference. The IESBA does this by setting high quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards. This enhances the quality and consistency of services provided by professional accountants throughout the world and strengthens public confidence in the global accounting profession.

Completion of Current Work Plan

Under its proposed strategy, the IESBA intends to complete two projects that were indicated as a high priority in its previous work plan. Work on those projects was postponed to allow the IESBA to complete the revisions to the Code resulting from its Independence and Drafting Conventions projects. The two projects are:

- *Conflicts of Interest* – The IESBA will reconsider the nature and extent of the guidance in the Code on conflicts of interest and revise Sections 220 and 310 as appropriate; and

- *Responding to Fraud or Illegal Acts* – The IESBA will reconsider the nature and extent of the guidance in the Code on how professional accountants should respond in situations where they encounter a suspected fraud or illegal act and revise the Code as appropriate.

In addition, throughout the period, the IESBA will continue to consider whether additional materials would assist in the adoption and implementation of the revised Code that was issued by the IESBA in July 2009.

Proposed Future Work Plan

In confirming the priority of its current work plan and in considering new projects and activities, the IESBA sought the views of interested parties on matters that it should consider in the next few years. The IESBA issued a survey to key stakeholders, which was also posted on the IFAC's web site, and consulted with members of its CAG. The IESBA has considered this input in prioritizing future projects. The proposed work plan is contained in Appendix 2 to the Strategy and Work Plan.

Guide for Commentators

The IESBA would like to receive comments on all matters related to its proposed Strategy and Work Plan for the period 2010–2012. Comments should refer to specific sections of the proposed Strategy and Work Plan, include the reasons for the comments, and, where a change is thought to be needed, make explicit suggestions for proposed changes. The IESBA would also like to hear from respondents who agree with the proposed Strategy and Work Plan.

Request for Specific Comment

1. Are the IESBA's priorities for the years 2010–2012 appropriate? If not, why not and how should the priorities be amended?
2. Are the standard setting projects that will be undertaken for the years 2010–2012 appropriate? If not, why not and which projects should be added or deleted and why?
3. Are there any specific initiatives that the IESBA should undertake to promote or assist in adoption and implementation of the Code? If so, please be as specific as possible.
4. Are there any specific initiatives that the IESBA should undertake in relation to the needs of professional accountants in SMP and SME environments and those in developing nations? If so, please be as specific as possible.

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS PROPOSED STRATEGY AND WORK PLAN 2010–2012

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Chair's Statement

I am pleased to present the proposed Strategy and Work Plan for 2010–2012 of the International Ethics Standards Board for Accountants (IESBA).

Vision

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 independence requirements, through the development of a robust, internationally appropriate code of ethics. Such a code can enhance the quality and consistency of services provided by professional accountants, which is in the public interest.

There are compelling reasons for facilitating the convergence of international and national ethical standards and, in particular, auditor independence requirements. High quality ethical standards for the accounting profession contribute to enhanced audit quality, which is vital to building and sustaining vibrant capital markets that the public will continue to have confidence in. Convergence to a single set of ethical standards, particularly independence requirements, can enhance the efficiency of the global capital markets by promoting a common understanding of what it means to be independent and making it easier for market participants to select audit service providers.

Our strategy is to build on the strong base established by the revised Code issued in July 2009, significantly increase our efforts to promote the benefits of convergence to a single set of high quality ethical standards, including independence requirements, and engage in an active dialogue with key stakeholders of the IESBA to understand their perspectives on convergence and on how the Code can be the catalyst to achieve this objective.

The Strategy and Work Plan set out in this document reflect the outcome of consultations that have contributed significantly to establishing the priorities of the IESBA over the next few years.

Strategy

Pursuant to its 2008–2009 work plan, the IESBA devoted a significant amount of time and resources to clarifying the requirements of the Code. That included making changes to various provisions in the Code to improve their understandability and application, including the application of the Code's conceptual framework, and strengthening the Code's independence requirements. The IESBA believes the changes it made to the Code in 2009 have resulted in a more robust Code that increases the protection of the public interest. The IESBA's strategy for 2010–2012 is to continue to advance the protections afforded by the Code, further its adoption and implementation, and facilitate convergence of international and national ethical standards.

The IESBA's stated objective as set out in its Terms of Reference¹ confirms that its primary role is that of a standard setter. Consultations, including through the survey of key stakeholders, have confirmed the IESBA's view that it should be active in providing adoption and implementation support materials and should actively further its objective of convergence.

¹ The Terms of Reference can be accessed at <http://www.ifac.org/Ethics/>.

Accordingly, the proposed Strategy and Work Plan for 2010–2012 focuses on:

- Development of standards;
- Adoption and implementation of the Code; and
- Communications.

Development of Standards

To maintain a robust Code that not only remains relevant but continues to be the key to achieving convergence of international and national standards on ethics and independence, the IESBA plans to provide additional guidance for professional accountants when dealing with conflicts of interest and responding to fraud and illegal acts. The IESBA also plans to address the scope of the related entity definition in relation to the independence requirements in an audit of collective investment vehicles, including mutual funds.

Adoption and Implementation

The IESBA plans to continue to assess what additional material or activities would be useful to support those who are adopting and implementing the Code. Providing this additional assistance should increase adoption and implementation efforts by member bodies. The IESBA has already issued some materials to support adoption and implementation. The IESBA plans to monitor adoption and implementation of the Code by member bodies with the view to understanding and assisting member bodies to address the challenges they face in that process.

Convergence

To further its objective of facilitating convergence of international and national ethical standards, including independence requirements, the IESBA plans to maintain regular contact with key stakeholders, including national standard setters and regulators. The IESBA believes that open and transparent sharing of information with its stakeholders and careful consideration of their feedback are critical to gaining further acceptance and adoption of the Code. The IESBA's communication activities reflect this belief.

Communications

The IESBA will continue to communicate its activities to its constituents in a manner that ensures the transparency of its processes and its decisions. During the period of this Strategy and Work Plan an increased focus of our communications initiatives will be directed at facilitating global acceptance and adoption of the Code.

Conclusion

On behalf of the IESBA, and the previous Chair, Richard George, I would like to thank all those who contributed to the successful development of the revised Code that the IESBA released in July 2009. It is important that the Strategy and Work Plan for 2010–2012 build on the improvements made to this Code and that the IESBA work to further its global acceptance and adoption.

I hope that the direction of our work will be seen as responding to the feedback that we have received, and to the public interest, which continues to be our overriding concern. Of course, events and circumstances may require us to amend our plan, and for this reason it will be kept under constant review.

Ken Dakdduk, IESBA Chair

Strategy

The proposed Strategy and Work Plan will set the direction and priorities for activities of the International Ethics Standards Board for Accountants (IESBA)² for the three-year period 2010–2012. It considers the overall strategy of IFAC (see Appendix 3) and the IESBA's objective as established in the IESBA's Terms of Reference. It responds to the developments in the environment in which professional accountants provide services and for which standards for professional ethics including auditor independence are established. The projects and activities also assist the IESBA in facilitating convergence of international and national ethical standards, including independence requirements. The proposed Strategy and Work Plan is underpinned by the IESBA's communication initiatives.

The IESBA recognizes that adjustment to the proposed Strategy and Work Plan may be necessary to address urgent issues, including issues raised by the IESBA's Consultative Advisory Group (CAG) or the Public Interest Oversight Board. The proposed Strategy and Work Plan contemplates adjustments if any such matters arise.

This section sets out the IESBA's strategic focus for 2010–2012. The next section contains the planned work plan to implement the IESBA's strategy.

Development of Standards

In 2009, the IESBA completed its revisions to the Code to clarify the requirements for all professional accountants. It also significantly strengthened the independence requirements for auditors. These revisions, developed under public oversight, have created a robust Code that has been re-drafted in a manner to promote consistent application.

In the next few years, the IESBA intends to strengthen the Code further by providing additional ethical guidance for professional accountants when dealing with conflicts of interest and responding to fraud and illegal acts. The IESBA also plans to address the scope of the related entity definition in relation to the independence requirements in an audit of collective investment vehicles, including mutual funds.

The IESBA intends to develop and implement an impact analysis process. The process will provide a systematic and structured approach to obtaining information about the potential impact on key stakeholders of proposed changes to the Code. The process is continuous throughout a project and the information will be included in exposure drafts and bases for conclusions.

Adoption and Implementation

The revised Code was issued in July 2009, with an effective date of January 1, 2011. To allow member bodies and firms an appropriate period of time to implement the revisions, the IESBA plans to provide a period of stability during which no new independence requirements will be developed and take effect. The IESBA, therefore, plans to provide a period of at least two years after the effective date of the revised Code during which no new independence requirements will become effective, unless there is an urgent need to respond to new or unforeseen circumstances.

² More information on the IESBA is available at www.ifac.org/ethics.

The IESBA recognizes that the effective adoption and implementation of the Code by IFAC member bodies is an important part of achieving international and national convergence of ethics and independence standards. The issuance of the revised Code was, therefore, followed by the issuance of materials to support adoption and implementation of the Code³. These materials include: PowerPoint presentations that can be used to explain the content of the Code; comparisons with the existing Code; a template that can assist individuals in understanding how the provisions in a particular jurisdiction compare to the Code, and an overview of the independence requirements in the Code. The IESBA will continue to assess what additional material or activities would be useful to support further the adoption and implementation of the Code.

Under the IFAC Statements of Membership Obligations, a member body of IFAC is required to apply no less stringent standards than those stated in the Code, unless prohibited by law or regulation from complying with certain parts of the Code, in which case it should comply with all other parts of the Code⁴. The IFAC Compliance Advisory Panel⁵ (CAP) oversees the implementation and operation of the IFAC Member Body Compliance program. The IESBA plans to liaise closely with the CAP to understand the nature and extent of member body implementation of the Code with a goal of identifying, understanding, and helping member bodies address significant challenges to further adoption of the Code. The IESBA also plans to work closely with the IFAC Small and Medium Practices Committee⁶ and the IFAC Developing Nations Committee⁷ in this regard.

The IESBA will monitor the work of the International Auditing and Assurance Standards Board's project to develop a process for assessing the effectiveness of the implementation of new standards. The goal is for the IESBA to develop a similar process that can be applied to the implementation of the Code. The intention is that this would become a standing part of the IESBA's process of continuous improvement of its Code.

The IESBA's activities with regard to adoption and implementation and convergence are highlighted in the work plan but, being ongoing in nature, are not allocated to specific time periods. The work plan provides for periodic reports to the IESBA in this regard.

Convergence

High quality ethical standards for the accounting profession are vital to building and sustaining vibrant capital markets. Further convergence to a single set of independence standards will enhance the efficiency of the global capital markets. Common auditor independence standards would provide a consistent understanding among investors, public authorities, and others of the independence of auditors and what it means to be independent. This would lead to increased

³ The adoption and implementation support materials, which are non-authoritative and issued for information purposes, are available at <http://www.ifac.org/Ethics/Resources.php#implementation-and-adoption>.

⁴ Statement of Membership Obligations 4 paragraph 4.

⁵ <http://www.ifac.org/Compliance/>

⁶ More information on the IFAC Small and Medium Practices Committee is available at <http://www.ifac.org/SMP/>

⁷ More information on the IFAC Developing Nations Committee is available at <http://www.ifac.org/DevelopingNations/>

confidence in auditors' reports, which is an essential element of the effective functioning of the capital markets and significantly contributes to public confidence in those markets. It also could increase choices for market participants when selecting audit service providers.

In seeking to promote convergence of independence requirements, the IESBA recognizes that many regulators and other authorities are required to exercise their authority in relation to auditor independence. In addition, changes to existing national laws and regulations are often time consuming to effect. Accordingly, during the period of this strategic plan the IESBA will liaise closely 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. In particular, the IESBA will be seeking input on:

- (a) Whether in a group audit situation, where the national independence standards in the jurisdiction of the parent auditor contain requirements that are more stringent than those contained in the Code, the parent auditor would accept foreign auditors of foreign subsidiaries complying with the independence requirements in Code; and
- (b) The types of improvements to the Code that standard setters and regulators believe should be made for the Code to gain acceptance and recognition in their jurisdictions. The IESBA will consider input it has received from stakeholders, such as, for example, the need to more clearly identify the independence provisions in the Code related to public interest entities. Accordingly, it will prepare a document identifying those provisions to be used in discussions with national standard setters and regulators.

Communications

The IESBA's communication initiatives are aimed at keeping stakeholders informed of its activities and promoting the adoption and implementation of the Code. They also assist the IESBA in understanding developments in the environment in which professional accountants provide services, and concerns about the requirements in the Code and their implementation.

The IESBA issues press releases and eNews communications that report on its work plan, activities, and progress in achieving its objectives. It further promotes its activities and publications through the IESBA website, <http://www.ifac.org/Ethics/>, and by way of presentations.

The IESBA's planned communication activities are highlighted in the work plan but, being ongoing in nature, are not allocated to specific time periods. The work plan provides for periodic reports to the IESBA by its task forces that are leading the planned projects.

Work Plan 2010–2012

The IESBA has considered the relative priorities and importance of its activities for the period 2010–2012 and has determined a work plan for that period. In developing this work plan, the IESBA conducted a formal survey of key stakeholders to obtain their views about issues that they believe should be addressed in the immediate future. The work plan is based on the IESBA's current working procedures, level of activity, and resources. The work plan is subject to periodic revision and changes by the IESBA. A new project is subject to the IESBA's approval of a project proposal that confirms that it is appropriate to commence the project, taking into account the effective and efficient utilization of resources, the likely output of the project, and its timescale. In the future, this decision will also be informed by an assessment of the impact of a proposed revision to the Code.

The IESBA plans to continue work on the two projects that it commenced in late 2009:

- *Conflicts of Interest* – The IESBA will consider whether to expand the guidance in the Code on conflicts of interest.
- *Responding to Fraud or Illegal Acts* – The IESBA will provide additional guidance for professional accountants on how to respond in situations where they encounter a suspected fraud or illegal act.

The Work Plan 2008–2009 contained a project to determine how the guidance in Parts A, B, and C of the Code should apply to professional accountants in government. The project was deferred at the beginning of 2007 in light of other priorities.

Respondents to the survey ranked three other projects as priority projects:

- *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 accountants in public practice. The project would consider whether guidance is needed on the independence requirements that should apply to other professional accountants who perform assurance engagements, such as accountants in government and internal auditors.
- *Ethical Guidance for Professional Accountants in Public Practice Providing Non-Assurance Services* – Part B of the Code addresses professional services provided by professional accountants in public practice to assurance clients. The project would consider whether additional ethical guidance is needed for professional accountants in public practice who provide non-assurance services, such as financial advisory services, taxation services, and actuarial advisory services, to non-assurance clients.
- *Independence – Application of the Related Entity Concept in Audits of Collective Investment Vehicles* – This project would consider which entities should be considered to be a related entity of a collective investment vehicle, including a mutual fund, and whether the existing definition of "related entity" should be revised when applied to collective investment vehicles.

The IESBA considered the views expressed in relation to these projects and concluded that of these three projects, it is appropriate to commence the project addressing the application of the related entity concept in audits of collective investment vehicles. The IESBA believes that while the Code

does not contain guidance that is specifically tailored to the situations that would be covered by the other two projects, the guidance it does contain, combined with the application of professional judgment, is sufficient to enable professional accountants to address those situations.

Collective investment vehicles are commonly used structures. The IESBA understands that the existing related entity definition may not work well with these entities because, for example, a fund manager does not control the collective investment vehicle in the same way that an individual who owns a majority of the equity of a corporation controls that corporation.

Appendix 1, IESBA Projects and Activities 2010–2012, shows the projects and activities to be undertaken and the quarter in which each activity or project will commence. Appendix 2, IESBA Work Plan 2010–2012, provides a more detailed description of each project and reflects how the IESBA intends to conduct its projects.

Key Factors

The following key factors have been considered in developing the IESBA's work plan for the period 2010–2012:

- The IESBA meets for 2–3 days, 3–4 times per year (generally for a total of 6–10 days per year);
- The amount of meeting time needed to discuss a project varies significantly depending upon the scope of the project and the stage of its development;
- Time is needed between meetings for Task Forces to study the key issues and develop recommendations for consideration by the IESBA;
- The IESBA may hold a public forum or roundtable, or issue a consultation paper, to solicit views on a matter under consideration. The IESBA may also determine that it is appropriate to conduct a field test of the application of a proposal;
- Under the IESBA's due process, the exposure period for proposed revisions to the Code is a minimum of 90 days. In the case of a major or significant revision, the IESBA considers whether a longer period is appropriate. In deciding on the appropriate exposure period, the IESBA is mindful of the need of some jurisdictions to translate an exposure draft before providing input from that particular jurisdiction.
- Total lapsed time required for completion of a project ranges from 18–48 months, not including any period for re-exposure that might be necessary, and depends on the complexity and scope of the project and its output.

Appendix 1**IESBA Projects and Activities 2010–2012**

PROJECTS AND ACTIVITIES	COMMENCING
DEVELOPMENT OF STANDARDS	
Conflicts of Interest	Added to agenda in Q4 2009
Responding to Fraud and Illegal Acts	Q2 2010
Independence – Application of the related entity concept in audits of collective investment vehicles	Q1 2011
ADOPTION AND IMPLEMENTATION GUIDANCE	
<ul style="list-style-type: none"> Determine how to implement any proposals that IFAC might adopt for the analysis of the impact of proposed revisions to the Code (impact analysis) 	Commenced Q4 2009
<ul style="list-style-type: none"> Liaise with IFAC Compliance Advisory Panel to gain understanding of extent of compliance by member bodies and gain understanding of any barriers to convergence 	Ongoing
<ul style="list-style-type: none"> Develop, as necessary, additional materials to support further the adoption and implementation of the Code 	Ongoing
<ul style="list-style-type: none"> Monitor the work of the International Auditing and Assurance Standards Board's project to develop a process for assessing the effectiveness of the implementation of new standards with the aim of developing a process that can be applied to the implementation of the Code 	Ongoing
<ul style="list-style-type: none"> Consult, as necessary, with the IFAC Small and Medium Practices Committee on issues of relevance to small and medium sized entities 	Ongoing
<ul style="list-style-type: none"> Consult, as necessary, with the IFAC Developing Nations Committee on issues of relevance to developing nations 	Ongoing

PROJECTS AND ACTIVITIES	COMMENCING
CONVERGENCE	
<ul style="list-style-type: none"> Active discussion with national standard setters and regulators to identify and address matters important to achieving convergence of international and national ethical standards, including the types of improvements to the Code that would facilitate its acceptance in certain jurisdictions and whether the Code could be used as a benchmark for independence requirements for foreign auditors. 	Ongoing
COMMUNICATION	
<ul style="list-style-type: none"> Publish with each revision to the Code a short note of key changes introduced 	Ongoing
<ul style="list-style-type: none"> Issue a press release, communicating the issue of each proposed or final revision to the Code and any other major activity of the IESBA; 	Ongoing
<ul style="list-style-type: none"> Issue IESBA eNews communications 	Ongoing
<ul style="list-style-type: none"> Promote activities of the IESBA through the IESBA website (this includes agenda material, meeting highlights and minutes, exposure drafts and related comment letter, final revisions to the Code and bases for conclusions) 	Ongoing

Appendix 2

IESBA Work Plan 2010–2012⁸

ACTIVITIES	STATUS	Q1 2010	Q2 2010	Q4 2010	Q1 2011	Q2 2011	Q4 2011	Q1 2012	Q2 2012	Q4 2012
Adoption and implementation	On going	✓	✓	✓	✓	✓	✓	✓	✓	✓
Convergence	On going	✓	✓	✓	✓	✓	✓	✓	✓	✓
CURRENT PROJECTS	STATUS	Q1 2010	Q2 2010	Q4 2010	Q1 2011	Q2 2011	Q4 2011	Q1 2012	Q2 2012	Q4 2012
Strategic Plan	Current		Approve ED	Approve Final	Discuss 2012 Work Plan		Approve 2012 Work Plan		Issue ED for 2013–2014	Approve 2013–2014 Work Plan
Conflicts of Interest ⁹	Current		Discussion	Issues paper	ED first read	Approve ED	Discussion	Consider ED comments and first read of final	Approve final	
Responding to Fraud and Illegal; Acts ¹⁰	Current		Approve project proposal	Discussion	Issues paper	ED first read	Approve ED	Discussion	Consider ED comments and first read of final	Approve final
Independence – application of related entity concept in audits of collective investment vehicles	New				Approve project proposal	Discussion	Issues Paper	ED first read	Approve ED	Discussion

⁸ The work plan assumes that there will be no need to re-expose any of the projects.

⁹ Project proposal approved Q4 2009

¹⁰ Timing subject to approval of project plan

Conflicts of Interest	<p>The project, which was approved in Q4 2009, will consider whether to expand the guidance in the Code on conflicts of interest and will address matters such as:</p> <ul style="list-style-type: none"> • 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 managing conflicts of interest; and • Developing a process that accountants could follow to identify and address conflicts of interest or potential conflicts of interest.
Responding to Fraud and Illegal Acts	<p>A professional accountant in public practice or business may encounter situations including:</p> <ul style="list-style-type: none"> • The professional accountant suspects that a fraudulent or illegal act has occurred; • 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. <p>Section 140 contains general guidance for all professional accountants regarding disclosure of confidential information. It identifies three circumstances where professional accountants are required, or may be required, to disclose confidential information:</p> <ul style="list-style-type: none"> • 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 disclose when not prohibited by law. <p>The Code does not contain any guidance on when there is a professional duty or right to disclose confidential information when not prohibited by law. The goal of the project is to provide additional guidance for professional accountants on how to respond in situations where they encounter a suspected fraud or illegal act.</p>

<p>Independence – Application of related entity concept in audits of collective investment vehicles</p>	<p>The Code requires an auditor to be independent of certain related entities of an audit client. The definition of a related entity is based on control and significant influence (for example, an entity is a related entity of an audit client if the client has control over that entity). This construct does not work well with collective investment vehicles, including mutual funds. For example, while a fund manager may determine the types of instruments in which the vehicle invests, the manager does not “control” the vehicle in the same way that an individual who owns a majority of the equity of a corporation controls that corporation. The project will consider which entities should be considered to be a related entity of such investment vehicles.</p>
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Appendix 3

Alignment of IFAC and IESBA Strategy

The Strategic Plan¹¹ of the International Federation of Accountants (IFAC) identifies four themes reflecting the strategic direction of IFAC for the period 2009–2012.

Strategic Theme 1: Be recognized as the international standard setter in areas of auditing and assurance, education, ethics and governmental financial reporting

The IESBA's Strategy and Work Plan 2010–2012 will continue to focus on the development and maintenance of high quality ethical standards, including independence standards, for professional accountants. By adhering to due process activities and ensuring widely held public consultation, the IESBA will have a direct impact on the confidence of the public in the standard setting activities of IFAC's standard setting bodies.

Strategic Theme 2: Actively support the adoption of, and assist in the implementation of, international standards

The IESBA's Strategy and Work Plan 2010–2012 contains several activities that support the adoption of and implementation of the Code. Specifically the IESBA will actively engage with national standard setters and regulators to identify and address matters that they believe are important for the Code to serve as the catalyst for achieving convergence of international and national ethical and independence standards.

Strategic Theme 3: Continually enhance the relevance of the profession

The IESBA's Strategy and Work Plan 2010–2012 contributes to the development of the global profession by seeking to further convergence to a single set of high quality ethical standards, including independence standards, for professional accountants.

Strategic Theme 4: Be an influential voice for the global accountancy profession

The IESBA's Strategy and Work Plan 2010–2012 includes outreach activities with stakeholders, including IFAC member bodies, with a goal of continuous improvement of the Code so that it can accommodate changing conditions as needed.

¹¹ International Federation of Accountants Strategic Plan for the period 2009–2012, available at <http://www.ifac.org/About/StrategicPlan.php>.



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