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*International Ethics Standards Board for
Accountants®*

IESBA Strategy and Work Plan, 2014-2018

IESBA

International
Ethics Standards
Board for Accountants®

This document was developed and approved by 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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INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA) STRATEGY AND WORK PLAN, 2014-2018

Interim Chair's Statement

1. I am pleased to present the International Ethics Standards Board for Accountants' (IESBA's, the Ethics Board's, or the Board's) Strategy and Work Plan for 2014-2018 (SWP).

The IESBA's Mandate

2. The Ethics Board serves the public interest by setting high-quality ethics standards for professional accountants (PAs) in the form of the *Code of Ethics for Professional Accountants* (the Code), and by facilitating the convergence of international and national ethics standards. The Ethics Board believes that a single set of high-quality ethics standards can enhance the quality and consistency of services provided by PAs throughout the world, thereby contributing to public confidence in the accounting profession. The Ethics Board sets its standards under the oversight of the Public Interest Oversight Board (PIOB), and with the advice of the IESBA Consultative Advisory Group (CAG).

Strategy and Work Plan, 2014-2018

3. This SWP reflects the outcome of a wide public consultation program. The Ethics Board decided to extend its strategy planning cycle from three to five years commencing in 2014, recognizing that it generally takes a minimum of 18 months to develop and finalize a new strategy and work plan in accordance with due process. The Ethics Board believes that this extended strategy period will provide stakeholders with a better understanding of the Ethics Board's medium to longer term priorities.
4. This planning horizon will, however, not preclude the Ethics Board from undertaking further consultations with stakeholders should the need arise, and to make changes to the SWP in response to developments which are of public interest.

Forward Strategy

5. Respondents to the SWP consultation overwhelmingly supported the Ethics Board's forward strategy for 2014-2018 under the following four broad themes:
 - (a) Maintaining a high-quality Code of Ethics for application by PAs globally;
 - (b) Promoting and facilitating the adoption and effective implementation of the Code;
 - (c) Evolving the Code for continued relevance in a changing global environment; and
 - (d) Increasing engagement and cooperation with key stakeholders.
6. In expressing this support, many respondents emphasized a number of elements that the Ethics Board considers are essential in setting its future priorities, including:
 - Proactively engaging with stakeholders to better understand their needs and concerns;
 - Maintaining flexibility in responding to changes in the global environment; and
 - Properly assessing the needs and appropriately weighing the potential costs and benefits in prioritizing standard-setting projects.

7. Respondents had many suggestions on areas which the Ethics Board's should look into. Given its limited resources, the Ethics Board has to make choices. In making those choices, the Ethics Board has endeavored to make appropriate judgments on considerations such as the potential benefits to the public interest of undertaking particular actions, and the relative importance and urgency of particular topics.

Maintaining a High-Quality Code of Ethics for Application by PAs Globally

8. The Ethics Board will prioritize completion of the projects on its current agenda, i.e. Responding to Suspected Non-Compliance with Laws and Regulations (NOCLAR), Structure of the Code, Long Association, Non-Assurance Services, and Part C.
9. The Ethics Board views the Structure of the Code project as especially important. The Ethics Board envisages that this project will lead to a restructured Code that will be clearer and more usable, thereby facilitating more consistent application and better enforcement. The Ethics Board has noted the caution flagged by a number of stakeholders not to underestimate the complexity of this endeavor and the time and resources that may be needed to bring it to a successful conclusion.
10. In addition to the above projects, the Ethics Board plans to consider a project proposal in early 2015 regarding a review of the safeguards in the Code. The Ethics Board has heard of regulatory concerns that many of the safeguards in the Code may not be appropriate or effective. For example, it was suggested that some safeguards merely duplicate existing requirements imposed by the quality control and auditing standards or the existing best practice for situations that do not involve a threat to independence. Concerns have also been expressed that some safeguards may not be commensurate with the potential threats to independence that the Code seeks to mitigate. In addition, as part of discussions on its current Part C project, the Ethics Board has identified a potential need for greater clarity regarding the meaning of a safeguard in the Code.
11. The concept of safeguards is core to the conceptual framework underpinning the Code. For this reason, the Ethics Board will explore undertaking a new work stream in coordination with the Structure of the Code project.

Promoting and Facilitating the Adoption and Effective Implementation of the Code

12. As of March 2014, over 100 jurisdictions have adopted or are in the process of adopting the Code, have based their national ethics standards on the Code, or are working to eliminate differences with the Code.¹ Further, the 25 large networks of accounting firms around the world that comprise the Forum of Firms² have committed to comply with the Code for transnational audits. The Ethics Board intends to pursue sustained outreach efforts to maintain current and promote further adoption of the Code globally. The Ethics Board also recognizes that the manner in which jurisdictions are adopting, using or otherwise aligning their national ethical requirements with the Code may differ due to jurisdictional-specific circumstances.
13. The Ethics Board will continue to engage with members of the regulatory community, such as the International Organization of Securities Commissions (IOSCO) and the International Forum of Independent Audit Regulators (IFIAR). The Ethics Board recognizes the regulatory community's

¹ [Website link to be added]

² See <http://www.ifac.org/about-ifac/forum-firms>.

interest in matters concerning compliance with, and the enforceability of, the Code. The Ethics Board anticipates that its work on restructuring the Code will help to address these concerns.

14. Resources permitting, the Ethics Board will consider commissioning staff publications to raise stakeholders' awareness and understanding of the Code, and to promote its more effective implementation. In addition, the Ethics Board will consider the need for post-implementation reviews addressing selected aspects of specific standards to determine whether these are being effectively implemented.

Evolving the Code for Continued Relevance in a Changing Global Environment

15. Recognizing the global reach and size of collective investment vehicles (CIVs) such as unit trusts and mutual funds, the Ethics Board plans to start exploring in 2016 issues related to CIVs, such as the application of the "related entity" definition in the Code. This topic has been supported as important by a number of stakeholders, including from the regulatory community and CAG member organizations. The Ethics Board will be mindful of the advice from a number of respondents to stay close to principles given the diversity of CIV structures around the world and the complexity of the topic.
16. In response to regulatory input, the Ethics Board intends to explore fee-related matters in 2017, including whether to provide guidance to address undue fee pressure. Appropriate research and analysis will be a prerequisite to determining whether changes to the Code would be warranted or whether it would be more appropriate to commission staff guidance.
17. The Ethics Board also will devote time to discussing matters identified from its Emerging Issues initiative and considering whether specific actions should be prioritized in responding to new issues or developments.

Increasing Engagement and Cooperation with Key Stakeholders

18. The Ethics Board is committed to continuing its outreach efforts, and seeking to extend and deepen its engagement and cooperation with key stakeholders. In this regard, as a leading international standard setter, the Ethics Board recognizes that it is important to engage in dialogue with stakeholders on specific topics or issues that have implications for the global relevance of the Code and the Board's work. In addition, the Ethics Board will speak out more on ethics-related developments that have the potential to lead to greater divergence in standards, and seek to influence debates towards greater international convergence.
19. The Ethics Board also will explore closer interactions with the academic community, recognizing the valuable input this constituency may contribute to the Board's work.

Conclusion

20. On behalf of the Ethics Board, I wish to thank the many people and organizations that have contributed to the development of the SWP. I hope that the resultant direction the Ethics Board is taking will continue to serve, and be seen by our stakeholders to serve, the public interest through the setting of high-quality ethics standards for PAs worldwide.

21. Events and circumstances may necessitate adjustments to the Ethics Board's strategy and work plan. The Ethics Board's SWP will therefore remain dynamic.

Wui San Kwok

Interim IESBA Chair

I. Strategic Themes for 2014–2018

22. The Board's strategic themes reflect its vision over the medium to longer term and assist in guiding the Board's activities over the 2014-2018 strategy period, taking into account the context in which the strategy is set (see Appendix 1). These strategic themes effectively establish the overarching objectives to be served by the Board's planned work streams and other specific actions during the strategy period.
23. The Board recognizes that its SWP is, and must remain, dynamic as the context in which the strategy is set can change rapidly, and new developments may call for a reconsideration of the strategic themes or the actions, priorities and timing that have been identified thereunder to maintain the relevance and responsiveness of the Board's actions. Flexibility is therefore important. Accordingly, the Board is committed to actively monitoring emerging issues or other developments that may have an impact on its strategic direction or work plan, and will make adjustments to its SWP if necessary.
24. The strategic themes that will guide the Board's actions and activities for 2014–2018 are:
 - (a) *Maintaining a high-quality Code of Ethics for application by PAs globally;*
 - (b) *Promoting and facilitating the adoption and effective implementation of the Code;*
 - (c) *Evolving the Code for continued relevance in a changing global environment; and*
 - (d) *Increasing engagement and cooperation with key stakeholders.*

Maintaining a High-Quality Code of Ethics for Application by PAs Globally

25. Setting high-quality ethics standards for PAs in public practice, including auditors, and professional accountants in business (PAIBs) is the essence of the Board's role in the public interest. PAs are involved in a wide variety of roles in practice and in business, and it is important that the Code continues to set a high ethical benchmark for them in any endeavor they choose to pursue in their capacity as PAs.
26. Over the past decade or so, the Board has focused largely on developing robust ethics standards for PAs in public practice, particularly independence standards for audits of financial statements. This will remain a strategic focus for the Board, particularly in support of audit quality. However, the Board also envisions in the medium to longer term a Code that more comprehensively addresses the particular ethical issues PAIBs may face in their roles in business.
27. At the same time, the Board believes it is important to take into account the particular perspectives of the small- and medium-sized practice (SMP)/small- and medium-sized entity (SME) constituency when it sets standards. It therefore plans to liaise closely with the IFAC SMP Committee and seek its input on projects and initiatives of relevance to that constituency.³ More broadly, 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.
28. The Board is committed to continuing to seek to strengthen the Code where appropriate in order for the Code to remain a leading set of ethics standards for the global profession. A particular focus in this regard will be to ensure that the conceptual framework of threats and safeguards that underpins the Code continues to be robust.

³ In October 2013, the Board finalized a statement of liaison principles with the IFAC SMP Committee that will guide their future interactions.

Promoting and Facilitating the Adoption and Effective Implementation of the Code

29. Globally recognized and accepted ethics standards serve the public interest because they establish a common reference point for PAs wherever they are based regarding the high level of ethical conduct expected of them in providing services to their clients or meeting their responsibilities to their employing organizations. Further, common auditor independence standards provide for a consistent understanding among investors, public authorities and others of what it means for an auditor to be independent, thereby leading to increased confidence in auditors' reports.
30. As of March 2014, over 100 jurisdictions have adopted or are in the process of adopting the 2009 and subsequent versions of the Code, have based their national ethics standards on the Code, or are working to eliminate differences with the Code.⁴ In addition, the 25 largest firm networks around the world are required to have their policies and methodologies conform to the Code for transnational audits. These statistics represent a strong endorsement for the Code and its principles-based approach.
31. The Board, however, recognizes the need to promote even greater adoption of the Code around the world. While some jurisdictions have already fully adopted the Code, others have been progressing towards adoption at different speeds for a number of reasons. Chief among those have been capacity issues and fragmented responsibilities for ethics standards at the national level. But importantly, the Board has also heard from stakeholders that the current structure and drafting convention of the Code have been an impediment to more rapid and wider adoption of the Code and its more effective implementation around the world. In addition, regulatory stakeholders have highlighted the need for a strategic focus on the clarity and enforceability of the Code.
32. As the structure and drafting of the Code are matters within the Board's purview, the Board will prioritize steps during the strategy period that the Board expects will lead in the longer term to a Code that is structured and written in a way that will be clearer, hence facilitating better compliance and enforcement.
33. Recognizing the significant changes to strengthen the Code in recent years, a number of stakeholders have encouraged the Board to focus less on issuing new standards and more on outreach to promote the revised Code and raise awareness of its robustness among stakeholders. Given the importance of outreach to stakeholders in support of adoption and implementation, the Board has substantially increased the resources and time devoted to this effort over the past 18 months, and intends to keep this up.

Evolving the Code for Continued Relevance in a Changing Global Environment

34. The Board reaffirms its strong belief that a principles-based Code provides for a robust set of standards that appropriately equips PAs in navigating the ethical landscape in the diverse professional activities they may undertake. Recognizing this, the Board believes it is important for the Code to remain relevant in the continually evolving context in which it is adopted and implemented. In this regard, the Board envisions the changing global environment as directly impacting the Code in two respects:
 - (a) Regulatory developments that may have implications for the nature and extent of services audit firms may provide to their audit clients; and

⁴ [Website link to be added]

- (b) Continuing globalization of capital markets that has led to increasing complexity and opacity in some areas where PAs practice (particularly in the vast field of CIVs), and therefore an increased need for guidance on the application of the fundamental ethics principles.
35. The Board therefore intends to take appropriate action to understand the ethical implications of any regulatory developments internationally and any major shifts or trends in areas of economic activity that rely on the services of PAs. Doing so will enable the Board to preemptively and as necessary evolve the Code to ensure its continued relevance and robustness.

Increasing Engagement and Cooperation with Key Stakeholders

36. The Board greatly values the involvement of its key stakeholders in its standard-setting process. Input from, and the diverse perspectives of, stakeholders strongly contribute to the quality of the Board's standards and result in their greater acceptance. Greater engagement and cooperation with key stakeholders are therefore a long-term strategic goal. This includes engaging in dialogue with stakeholders on specific topics or issues that may have implications for the global relevance of the Code and the Board's work. Accordingly, during the strategy period and beyond, the Board anticipates investing time and resources to forge closer working relationships with key stakeholder groups, including regulators and auditor oversight bodies, national standards setters (NSS), the profession, investors and IFAC member bodies.
37. In addition, the Ethics Board will speak out more on ethics-related developments that have the potential to lead to greater divergence in standards, and seek to influence debates towards greater international convergence
38. The Board also has recognized the importance of evidence-based standard setting, i.e., basing standard-setting activities on appropriate research and evidence of issues to be addressed. The academic community can play a valuable role in this regard through its research activities, which may yield relevant evidential material as an input to the Board's consideration of future standard-setting issues. The Board therefore anticipates developing and strengthening its relationship with this stakeholder group in the medium to longer term.

II. Key Considerations Guiding the Determination of Potential Actions, Priorities and Timing

New Work Streams in 2012

39. The Board closely monitors developments in the regulatory, business, and professional fields to assess whether and how those developments could influence its ongoing SWP. Accordingly, the Board's SWP remains dynamic and is subject to revision as the Board determines appropriate, not only to maintain but also to advance the Board's position as a leader in setting ethics standards for the profession internationally.
40. In response to developments in the environment, the Board agreed in February 2012 to add four new work streams to its current work plan. With the PIOB's knowledge and support, the Board commenced preliminary discussions on these work streams in 2012 and initiated research and stakeholder consultations on them throughout 2012 and 2013. These four work streams are:

- A review of the provisions in the Code that deal with long association of senior personnel (including partner rotation) with an audit client (Long Association);⁵
- A review of the non-assurance services provisions in the Code to ensure that they continue to support a rigorous approach to independence for assurance services (Non-Assurance Services);⁶
- A review of Part C of the Code addressing PAIBs (Review of Part C);⁷ and
- A reconsideration of the structure of the Code with a view to enhancing its usability, thereby facilitating increased adoption and more effective implementation (Structure of the Code).⁸

41. These work streams, now approved projects, will continue into the 2014-2018 strategy period.

Key Factors

42. The determination of actions and their priorities and timing for the 2014–2018 period depend on a number of key factors, including the following:
- The potential benefits to the public interest of undertaking the particular action.
 - The extent to which the particular action will further enhance public trust and confidence in the profession, having regard to the diverse areas in which PAs are involved in both practice and business.
 - The extent to which the particular action will further enhance public trust and confidence in the Code.
 - The degree of urgency in addressing the particular matter, and the potential implications if action is not taken or delayed.
 - The global relevance of the particular matter.
 - The extent to which the particular action will further advance global adoption of the Code and support its effective implementation.

Other Important Factors

Agenda Capacity and Resources Available

43. In determining actions for 2014-2018 and the priorities and timing of these actions, the Board has taken into account the extent of agenda capacity that will open up during the period, and when this is anticipated to occur. The Board also will prioritize completion of projects in progress before undertaking new projects unless circumstances dictate otherwise.
44. Agenda capacity is influenced by a number of considerations, including the following:
- The number of Board meetings per annum and the duration of each meeting (see Key Assumptions below).
 - The availability of staff resources (see Key Assumptions below).

⁵ See <http://www.ifac.org/ethics/projects/long-association-senior-personnel-including-partner-rotation-audit-client>

⁶ See <http://www.ifac.org/ethics/projects/non-assurance-services>

⁷ See <http://www.ifac.org/ethics/projects/review-part-c-code>

⁸ See <http://www.ifac.org/ethics/projects/structure-code>

- The availability of Board resources, and where appropriate, technical advisor and specialist resources, to participate on task forces and working groups.
 - The timing of completion of projects in progress.
 - The need to maintain some spare capacity to address new issues that may arise during the period (see Importance of Flexibility below).
45. As projects in progress are expected to have varying completion dates, agenda capacity will open up at different times throughout the strategy period. However, given the lead time needed for research and, where appropriate, consultation with stakeholders before a formal project is approved, the Board may start a new work stream *before* the final completion of a current project. The illustrative IESBA Work Plan 2014-2018 in Appendix 3 provides an indication of when the Board anticipates taking on new work streams or other activities during the strategy period.
46. The illustrative work plan is subject to change depending on the progress of the Board's projects, work streams and activities, and, as noted in Section I above, the need to respond to external developments.

Due Process

47. The need to adhere to due process is a further important factor that influences the duration and timing of completion of projects. This includes consideration of the need to consult with stakeholders through a public forum or roundtable, or the issuance of a consultation paper where appropriate, which may increase the time it takes to complete a project.

Key Assumptions

48. The following are key assumptions underpinning the proposed SWP:
- For 2014-2018, the Board will meet for three days, four times a year. The agenda will provide for sufficient time to consider matters arising from the Board's Emerging Issues and Outreach initiative.
 - The anticipated Board resources, including staff support, from 2014 will be sufficient to address the identified actions throughout the strategy period. In this regard, excluding the Technical Director, it is assumed that the Board will be supported by three technical staff members during the period, each with capacity to support on average two standard-setting projects (or equivalents). This does not include ad hoc assignments such as outreach support and staff publications that may be allocated to individual staff members. In addition, it is assumed that the Board will continue to benefit from the secondment of a technical staff member from an NSS to work on its Non-Assurance Services project.
 - There will not be a need to re-expose any of the standard-setting proposals (except potentially in the case of the NOCLAR project).⁹
 - Standard-setting projects will follow normal due process. They may take from 24-36 months to complete, depending on their nature and complexity, and the need for research and stakeholder consultation prior to issuance of an exposure draft or consultation paper.

⁹ Formerly called *Responding to a Suspected Illegal Act*

- Detailed work on projects is undertaken by task forces drawn from the Board. Task forces may include technical advisors or external experts.

Importance of Flexibility

49. The Board believes maintaining flexibility in its future SWP is important as it may be necessary to deploy or redirect resources to address a particular issue or undertake a previously unidentified project on an urgent basis in the light of external developments or matters arising from current projects. In this regard, the Board has set aside spare staff capacity to take on at least one additional standard-setting work stream in the strategy period. The Board will decide whether to take on an additional work stream based on a careful analysis of the particular issue. The Board also will be prepared to make adjustments to the relative priorities and timelines of pre-existing commitments where necessary.

III. Planned Actions, Priorities and Timing

50. This section provides an overview of planned actions and related priorities and timing that the Board believes would best serve to fulfill its strategic themes over the 2014–2018 period. Prerequisites to the Board starting a standard-setting project include appropriate research into the issues, a proper needs analysis, and consideration of a formal project proposal.

Overview of 2014–2018 Actions, Priorities and Timing

Maintaining a High-Quality Code of Ethics for Application by PAs Globally

Current Projects

51. The Board will prioritize projects that are on its current work plan and that are expected to continue into the 2014-2018 period, namely NOCLAR, Long Association, Non-Assurance Services, Review of Part C, and Structure of the Code. Appendix 3 provides a tentative indication of the anticipated progress of these projects from 2014 onwards, including the anticipated timing of their completion.

Safeguards in the Code

52. In response to regulatory feedback, the Board plans to undertake a comprehensive review of the safeguards in the Code, particularly in relation to auditor independence. The regulatory concerns revolve around the appropriateness and effectiveness of safeguards throughout the Code, the need to ensure that safeguards are appropriately correlated with threats, and the need to make clear that not every threat can necessarily be addressed by a safeguard. The Board acknowledges that there are a number of practical issues regarding safeguards. In addition, the matter concerns not only the firms that undertake the largest and most complex audits, but also SMPs including sole practitioners.
53. The Board plans to start this new work stream with consideration of a project proposal for approval in Q1 2015.

Audit Quality

54. Ethics standards are an important factor to audit quality. The Board recognizes that in recent years there has been an increased focus on audit quality by the wider stakeholder community, especially in the aftermath of the global financial crisis. In particular, regulators have challenged firms to further enhance audit quality. In addition, a number of major jurisdictions around the world have been pursuing initiatives, including audit reforms, seeking to enhance audit quality. Further, the IESBA has

been represented on a task force of the International Auditing and Assurance Standards Board (IAASB) that developed an international framework for audit quality (Audit Quality Framework), which the IAASB released in early 2014.

55. Given this context, the Board will remain an active participant in the broader audit quality debate internationally. The Board believes any actions it undertakes to strengthen the Code, including with respect to auditor independence, are supportive of audit quality. The Board nevertheless will consider the need for appropriate action to complement any further actions the IAASB may determine to pursue to contribute to improving audit quality.

Promoting and Facilitating the Adoption and Effective Implementation of the Code

Enforceability and Related Matters

56. Feedback from certain regulators and auditor oversight bodies has indicated that enforceability of the Code is a challenging issue, particularly from an inspection perspective. The matter of enforceability is of relevance to the global acceptance of the Code and it is partly linked to the clarity of the Code. As noted in Section I above, the Board plans to specifically address the matter through its Structure of the Code project.
57. Related to the above, the Board is aware of some regulatory skepticism regarding the “threats and safeguard” approach underpinning the conceptual framework in the Code, a matter that also is related to the global acceptance of the Code. The Board firmly believes in the robustness of this approach as it stimulates PAs to think carefully about what their ethical conduct should be in different circumstances.
58. These matters highlight the need for the Board to further engage with regulatory stakeholders internationally and nationally to better understand their concerns while also communicating the Board’s views on these matters to them. Accordingly, the Board plans outreach to regulatory stakeholders as being an ongoing effort throughout the strategy period.

Monitoring and Documenting the Extent of Adoption of the Code

59. Leveraging the work of the IFAC Compliance Advisory Panel regarding IFAC member bodies’ compliance with IFAC’s SMO 4,¹⁰ the Board plans to continue monitoring and documenting the extent of global adoption of the Code.
60. The Board also plans to work closely with IFAC’s Compliance Advisory Panel to explore whether IFAC member bodies could be encouraged to benchmark their national ethics standards against the Code, specifically with a view to identifying any national requirements that are more or less stringent than the Code and understanding why.

Outreach to Stakeholders and Other Activities in Support of Adoption and Implementation

61. The Board will remain committed to a sustained level of outreach activity within its efforts to promote and facilitate the adoption and effective implementation of the Code. The Board believes that it is important that stakeholders around the world are made aware of and understand the robustness of the Code and the vital part it plays in supporting the profession’s role in the global economy. Accordingly, the Board will devote substantial resources and time to pursue an active outreach

¹⁰ See “Strong Base of International Ethics Standards” in Appendix 1.

agenda over the strategy period, taking into account directional input from its Emerging Issues and Outreach initiative (see subsection “Evolving the Code for Continued Relevance in a Changing Global Environment” below).

62. The Board also will be prepared to commission additional staff publications, where necessary and appropriate, in its further efforts to facilitate the adoption and effective implementation of the Code internationally. In particular, the Board will consider commissioning staff publications to raise awareness and enhance understanding of the Code among investors and other stakeholders.

Post-Implementation Feedback

63. Subject to feedback from stakeholders and its Emerging Issues initiative, the Board will consider whether there is a need to gather information from relevant stakeholders such as regulators, firms and those charged with governance regarding how effectively selected aspects of specific standards are being implemented in practice. Such information may be obtained in a number of different ways, such as through surveys and focus group meetings.

Evolving the Code for Continued Relevance in a Changing Global Environment

Collective Investment Vehicles

64. The Board plans to explore as a new work stream the topic of CIVs, given that the global footprint for CIVs such as mutual funds and hedge funds has continued to increase, in terms of not only amounts invested but also the spread of investors in them globally. This specific topic has been flagged or otherwise supported as important by a number of stakeholders, including regulators, as well as a number of CAG member organizations. A focus of the initiative will be to seek a better understanding of the application of the “related entity” definition in the Code to such investment vehicles when firms audit the underlying funds, the sponsor/advisor of the funds, or both.¹¹
65. The Board recognizes that a number of respondents to the Board’s previous strategy consultation did not support a project addressing CIVs given concerns regarding the diversity of management and governance structures for these vehicles around the world, and the difficulty this creates in determining a common approach. However, given the size and reach of the global CIV industry and the fact that regulators have been looking more closely at regulating such vehicles, the Board believes that there is a public interest need for it to focus strategic attention in this area.
66. A prerequisite to any consideration of a project in this area will be appropriate research to fully understand the issues. Accordingly, the Board will proceed cautiously before determining whether changes to the Code would be necessary. The Board anticipates that initial discussion on this new work stream would start in Q1 2016, with consideration of a project proposal in Q2 2016.

¹¹ The definition of a related entity in the Code is based on control and significant influence. This construct does not work well with CIVs such as mutual funds. For example, a Fund (such as a unit trust), its Asset Manager and its Trustee may not have financial interest links, and may therefore not be “related entities” within the definition of a related entity in the Code. In such a case, the question is whether there should be additional guidance on how the definition should be applied in certain common Fund-Asset Manager-Trustee relationships.

Fee-Related Matters

67. The Board plans to explore a number of fee-related matters in response to regulatory feedback with a view to determining whether there is a need for further enhancements to the Code or the commissioning of staff guidance.
68. The Board anticipates that initial discussion could start in Q2 2017.

Emerging Issues Initiative

69. The Board has established a standing committee, the Emerging Issues and Outreach Committee (EIOC), to advise it on whether any actions in response to emerging issues are needed outside of its normal strategic planning process and whether any adjustments should be made to its SWP. The Board anticipates semi-annual discussions on the relevant matters flowing from the initiative throughout the strategy period.
70. One of the matters the EIOC recently highlighted for the Board's consideration pertains to the meaning of a professional accountant's responsibility to act in the public interest. Notwithstanding that the Board has had extensive discussions on the topic in the past, the Board plans to monitor relevant developments through its EIOC with a view to determining the need for additional guidance or other appropriate actions.

Increasing Engagement and Cooperation with Key Stakeholders

71. In support of this strategic theme, the Board plans to undertake the following actions throughout the strategy period:
 - It will seek to extend and deepen its engagement and cooperation with key stakeholders, recognizing that dialogue with, and contributions from, them are an important ingredient to the quality and global acceptance of its standards. In this regard, as a leading international standard setter, the Ethics Board recognizes that it is important to engage in dialogue with stakeholders on specific topics or issues that have implications for the global relevance of the Code and the Board's work. In addition, the Board will continue to prioritize closer working relationships with international and national regulators and auditor oversight bodies such as IOSCO and IFIAR.
 - It will speak out more on ethics-related developments that have the potential to lead to greater divergence in standards, and seek to influence debates towards greater international convergence
 - As part of its ongoing dialogue with the regulatory community, the Board will seek a better understanding of the nature of regulatory concerns regarding the definition of a PIE in the Code, and consider whether there is a need to revisit the definition. IOSCO, in particular, has noted that many jurisdictions do not appear to have the capacity to tailor the definition to their specific national circumstances. In addition, the Basel Committee on Banking Supervision (BCBS) has also suggested that the Board reexamine the definition from the perspective of banks.
 - The Board will also seek to strengthen its working relationship with its NSS liaison group, recognizing the breadth and depth of experience and expertise they bring to the table. In this regard, the Board will explore opportunities to cooperate or collaborate with NSS on initiatives of mutual interest, leveraging the resources at their disposal.

- It will continue to actively liaise with the IAASB, the International Accounting Education Standards Board (IAESB), the Forum of Firms, and the SMP Committee, PAIB Committee and other relevant committees of IFAC in seeking their inputs and perspectives on relevant projects, work streams or initiatives during the strategy period.
72. The Board also plans to explore closer links with the academic community, recognizing the contributions that this stakeholder group can make through its research or other work in informing the Board's standard-setting activities.

Summary of Projects, Work Streams and Activities, and Work Plan 2014–2018

73. Appendix 2 summarizes the projects, work streams and activities the Board plans to undertake during the strategy period and, where appropriate, when each project, work stream or activity is expected to commence and when it is expected to be completed.
74. Appendix 3 sets out an illustrative work plan for the period that shows how the Board intends to conduct its projects, work streams and initiatives.

Context for the Ethics Board's Strategy and Work Plan, 2014-2018

Strong Base of International Ethics Standards

1. Over the past several years, the Board's strategic efforts have been focused on further developing the Code into a robust set of ethics standards for application by PAs globally. These efforts, which included the Independence I¹² and Independence II¹³ projects as well as a drafting conventions project,¹⁴ culminated in the July 2009 release of a revised Code that clarified requirements for all PAs and significantly strengthened the independence requirements for auditors. The revised Code, which became effective on January 1, 2011, maintains the Board's principles-based approach to setting ethics standards, supplemented by detailed requirements where necessary.
2. Since then, the Board's efforts have been focused on fulfilling a number of commitments on its current SWP intended to further strengthen the Code. These efforts led to the release in March 2013 of revised standards addressing the topics of conflicts of interest and a breach of a requirement of the Code. Efforts continue apace in progressing the Board's work in a further area of high public interest need, specifically establishing appropriate standards for the conduct of PAs when they face identified or suspected non-compliance with laws and regulations.¹⁵
3. At the same time, the Board has pursued an active outreach agenda intended to *inter alia* support the adoption¹⁶ of the revised Code around the world. The Board has also focused on developing and further enhancing relationships with international and national regulatory and auditor oversight bodies, and NSS, among other stakeholders. In addition, the Ethics Board staff has released a number of publications commissioned by the Board to support effective implementation of the revised Code.

The External Environment – Key Trends, Influences and Challenges

4. While many jurisdictions have already adopted the 2009 and subsequent versions of the Code, proactive steps are being taken in many other jurisdictions around the world to adopt the revised

¹² The Independence I project led to a number of enhancements to the Code with respect to professional accountants performing assurance engagements, including extension of the independence requirements for audits of listed entities to all public interest entities, and strengthening of a number of provisions related to the provision of non-assurance services to audit clients.

¹³ The Independence II project resulted in further enhancements to the Code, particularly with respect to the provision of internal audit services to audit clients, and further guidance regarding both the relative size of total fees received from an audit client, and contingent fees.

¹⁴ The drafting conventions project led to enhancements to the Code as a result of the Board's adoption of new drafting conventions.

¹⁵ See <http://www.ifac.org/ethics/projects/responding-suspected-illegal-act>

¹⁶ IFAC's SMO 4, *IESBA Code of Ethics for Professional Accountants*, defines adoption as follows:

Adoption is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

Code. This movement is being aided in no small part by the International Federation of Accountants' (IFAC) Statement of Membership Obligation (SMO) 4, which requires IFAC member bodies to take actions to have the Code adopted and implemented in their jurisdictions in accordance with their levels of responsibility for ethics standards. This also represents an acknowledgement of the strong base of ethics standards that the revised Code has established. The Board, however, does not underestimate the challenges of adoption, given the diversity of national legal and regulatory frameworks, fragmented responsibilities for the promulgation of ethics standards at the national level in many jurisdictions, and the need for translation, among other reasons. These challenges emphasize the importance of the Board continuing to focus effort on facilitating adoption and implementation of the Code around the world.

5. A further relevant trend has been the increasing efforts of regulators and auditor oversight bodies at both international and national levels aimed at enhancing audit quality, consistent with their roles to protect the public interest. These efforts have manifested themselves in active policy agendas in a number of major jurisdictions such as the European Union, the US and Canada, seeking to reform the audit market or otherwise enhance audit quality, including through measures to further strengthen auditor independence. Additionally, organizations established to promote collaboration in regulatory activity, such as IFIAR, are focusing effort on better facilitating the sharing of knowledge and practical experiences of independent audit regulatory activity among their members, including with respect to inspections of accounting firms' compliance with ethics standards. Outreach to, and liaison with, the regulatory and auditor oversight community will be particularly important in understanding that community's expectations regarding the Board's standards and activities.
6. Finally, standards are also influenced by developments such as evolving technologies, increasing globalization, lowering of barriers to capital flows, and the continual evolution of financial reporting. These developments may, in particular, directly or indirectly affect the demand for, and nature of, services provided by PAs.

Projects, Work Streams and Activities for 2014-2018

Project/Work Stream/Activity	Expected Start ¹⁷	Expected Completion ¹⁸
Maintaining a high-quality Code of Ethics for application by PAs globally		
<p>Current Projects</p> <p>Responding to Non-Compliance with Laws and Regulations¹⁹</p> <ul style="list-style-type: none"> • <i>Develop appropriate requirements and guidance for professional accountants regarding how to respond in situations where they encounter suspected non-compliance with laws and regulations.</i> 	Commenced Q4 2009	Q1 2016
<p>Long Association</p> <ul style="list-style-type: none"> • <i>Review the long association provisions in Section 290 of the Code to ensure that they continue to provide robust and appropriate safeguards against the familiarity and self-interest threats arising from long association with an audit client.</i> • <i>Issues being considered under this project include:</i> <ul style="list-style-type: none"> ○ <i>How to strengthen the general framework of principles regarding long association;</i> ○ <i>Whether and, if so, to what extent to increase the duration of the cooling-off period from the current two years for rotated key audit partners with respect to audits of PIEs;</i> ○ <i>Permissible activities that may be undertaken by the rotated individual relative to the audit client during cooling-off period;</i> 	Commenced Q4 2012	Q2 2015

¹⁷ Start date represents date project proposal formally approved or expected to be approved, or otherwise the start of Board discussion on the given topic.

¹⁸ The actual completion date may vary depending on the progress of the project or work stream and the need to adhere to due process.

¹⁹ Formerly called *Responding to a Suspected Illegal Act*

Project/Work Stream/Activity	Expected Start ¹⁷	Expected Completion ¹⁸
<ul style="list-style-type: none"> ○ <i>Who should be subject to rotation; and</i> ○ <i>The nature and extent of involvement of those charged with governance in the rotation decision.</i> 		
<p>Non-Assurance Services</p> <ul style="list-style-type: none"> • <i>Review the non-assurance services provisions in Sections 290 and 291 of the Code to ensure that they continue to support a rigorous approach to independence for assurance services, particularly audits of financial statements.</i> • <i>In particular, this work stream will focus on the following topics:</i> <ul style="list-style-type: none"> ○ <i>Additional guidance and clarification of the provisions in Section 290, Independence—Audit and Review Engagements, addressing management responsibilities;</i> ○ <i>Better guidance and clarification of the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements; and</i> ○ <i>A review of the emergency exception provisions in the Code pertaining both to accounting and bookkeeping services, and to taxation services.</i> 	Commenced Q3 2013	Q1 2015
<p>Part C of the Code</p> <ul style="list-style-type: none"> • <i>Undertake a review of Part C of the Code to ensure that its provisions as they apply to PAIBs remain appropriate and are robust.</i> • <i>In particular, this work stream will focus on the following topics:</i> <ul style="list-style-type: none"> ○ <i>Pressure by superiors and others to engage in unethical or illegal acts (Phase I);</i> ○ <i>The responsibility of PAIBs to produce financial reports that are faithful representations of the economics of transactions, and associated matters (Phase I); and</i> ○ <i>Facilitation payments and bribes (Phase II).</i> 	Commenced Q1 2013	Phase I – Q2 2016 Phase II – Q4 2017

Project/Work Stream/Activity	Expected Start ¹⁷	Expected Completion ¹⁸
<p><u>New Work Stream</u></p> <p>Safeguards in the Code</p> <ul style="list-style-type: none"> Review the safeguards throughout the Code from the perspectives of appropriateness and effectiveness, and consider whether changes should be made, including whether additional safeguards should be specified or whether existing safeguards should be removed. 	Commencing Q1 2015	Q1 2017
<p><u>Ongoing Activity</u></p> <p>Audit Quality</p> <ul style="list-style-type: none"> Consider the need for appropriate action to complement any actions the IAASB may undertake to contribute to enhancing audit quality. 	Ongoing	
<p>Promoting and facilitating the adoption and effective implementation of the Code</p>		
<p><u>Current Project</u></p> <p>Structure of the Code</p> <ul style="list-style-type: none"> Review the structure of the Code to improve its clarity and usability, thereby facilitating adoption, effective implementation and enforcement. 	Q2 2014	Q1 2017
<p><u>Ongoing Activities</u></p> <p>Enforceability²⁰ and related matters</p> <ul style="list-style-type: none"> Engage with regulatory stakeholders to better understand their concerns on enforceability and related matters, and to communicate the Board's views on those topics. 	Ongoing	
<p>Continue to monitor and document the extent of global adoption of the Code.</p>	Ongoing	
<p>Pursue active stakeholder outreach agenda.</p>	Ongoing	

²⁰ The topic of enforceability will also be addressed in some respects under the Structure of the Code and Non-Assurance Services work streams.

Project/Work Stream/Activity	Expected Start ¹⁷	Expected Completion ¹⁸
Subject to feedback from stakeholders and the EIOC, consider whether there is a need to gather information from relevant stakeholders such as regulators, firms and those charged with governance regarding how effectively selected aspects of specific standards are being implemented in practice.	Ongoing	
Consider the development of appropriate staff publications in support of adoption and effective implementation of the Code and to raise awareness and understanding of the Code among investors and other stakeholders.	Ongoing	
<i>Evolving the Code for continued relevance in a changing global environment</i>		
<p><u>New Work Stream</u></p> <p>Collective Investment Vehicles</p> <ul style="list-style-type: none"> Review the application of the “related entity” definition in the Code to CIVs when firms audit the underlying funds, the sponsor/advisor of the funds, or both, and consider whether changes are needed or whether further guidance should be developed. 	Commencing Q2 2016	Q2 2018
<p><u>New Activity</u></p> <p>Fee-Related Matters</p> <ul style="list-style-type: none"> Explore fee-related matters raised by the regulatory community and determine whether there is a need for further enhancements to the Code or the commissioning of staff guidance. 	Commencing Q2 2017	Nature of deliverables subject to research and Board discussions
<p><u>Ongoing Activity</u></p> <p>Emerging issues</p> <ul style="list-style-type: none"> Consider emerging issues brought forward by the EIOC and determine appropriate actions. Consider whether there is a need for further Board deliberation on the topic of a professional accountant’s responsibility to act in the public interest. 	Ongoing	

Project/Work Stream/Activity	Expected Start ¹⁷	Expected Completion ¹⁸
<i>Increasing engagement and cooperation with key stakeholders</i>		
<p><u>Ongoing Activities</u></p> <ul style="list-style-type: none"> • Actively liaise with key stakeholders, including international regulators and auditor oversight bodies, NSS, firms (including SMPs), PAIBs and other stakeholders. • Speak out more on ethics-related developments that have the potential to lead to greater divergence in standards, and seek to influence debates towards greater international convergence. • Explore deeper cooperation opportunities with key stakeholders, particularly NSS. • Liaise with the regulatory community, and in particular IOSCO and BCBS, to seek a better understanding of the nature of regulatory concerns regarding the definition of a PIE in the Code and consider whether there is a need to reexamine the definition. • Develop and strengthen links with the academic community 		Ongoing

Illustrative IESBA Work Plan 2014-2018²¹

PROJECTS/OTHER ITEMS	CAG Sept 2014	PIOB mid-Sept 2014	Oct-2014	PIOB Nov 2014	Jan-2015	PIOB Feb/March 2015 ²²	CAG March 2015 ²³	Apr-2015	Jun-2015	PIOB end-June 2015
Responding to Non-Compliance with Laws and Regulations			Second-read re-ED ²⁴		Approve re-ED				Full review	
Long Association					Full review			First read post-ED	Approve final	
Non-Assurance Services			Full review and first read post-ED		Approve final					
Part C – Phase I			Second read		Approve ED				Full review	
Part C – Phase II								Discussion	Discussion	
Structure of the Code			Approve CP		Discussion			Full review of responses to CP	First read ED	
New Work Stream (Safeguards)					Approve project proposal			Issues	Issues	

ED: Exposure draft; CP: Consultation paper

OTHER INITIATIVE	Oct-2014	Jan-2015	Apr-2015	Jun-2015
Emerging Issues and outreach	Discussion		Discussion	

²¹ The actual work plan is subject to change, depending on the progress achieved on the IESBA’s various projects and activities, and external developments. Activities of a regular and an ongoing nature such as stakeholder outreach are not shown. The work plan for the next four quarters is updated quarterly and can be accessed at: <https://www.ifac.org/sites/default/files/uploads/IESBA/IESBA-Project-Timetable.pdf>.

²² The timing of PIOB meetings from 2015 onwards is tentative and to be determined by the PIOB.

²³ The timing of CAG meetings from 2015 onwards is tentative.

²⁴ Subject to the IESBA determining that re-exposure would be necessary

October 2015 – June 2016

PROJECTS/OTHER ITEMS	CAG Sept 2015	PIOB mid-Sept 2015	Oct-2015	PIOB mid-Nov 2015	Jan-2016	PIOB Feb/March 2016	CAG March 2016	Apr-2016	Jun-2016	PIOB end-June 2016
Responding to Non-Compliance with Laws and Regulations			First read post-re-ED		Approve final					
Part C – Phase I			First read post-ED		Second read post-ED			Approve final		
Part C – Phase II								Issues	First read	
Structure of the Code			Second read ED		Approve ED				Full review	
New Work Stream (Safeguards)			First read		Approve ED				Full review	
New Work Stream (CIVs)					Discussion			Approve project proposal	Discussion	

OTHER INITIATIVE	Oct-2015	Jan-2016	Apr-2016	Jun-2016
Emerging Issues and outreach	Discussion		Discussion	

October 2016 – June 2017

PROJECTS/OTHER ITEMS	CAG Sept 2016	PIOB mid-Sept 2016	Oct-2016	PIOB end-Nov 2016	Jan-2017	PIOB Feb/March 2017	CAG March 2017	Apr-2017	June-2017	PIOB end-June 2017
Part C – Phase II			Approve ED					Full review	First read post-ED	
Structure of the Code			First read post-ED		Approve final					
New Work Stream (Safeguards)			First read post-ED		Approve final					
New Work Stream (CIVs)			Issues		First read			Approve ED		
New Activity (Fee-Related Matters)									Discussion	
Strategy and Work Plan 2019-2023			Approve survey					Full review	First read	

OTHER INITIATIVE	Oct-2016	Jan-2017	Apr-2017	Jun-2017
Emerging Issues and outreach	Discussion		Discussion	

October 2017 – June 2018

PROJECTS/OTHER ITEMS	CAG Sept 2017	PIOB mid-Sept 2017	Oct-2017	PIOB end-Nov 2017	Jan-2018	PIOB Feb/March 2018	CAG March 2018	Apr-2018	June-2018	PIOB end-June 2018
Part C of the Code – Phase II			Approve final							
New Work Stream (CIVs)			Full review		First read post-ED			Approve final		
New Activity (Fee-Related Matters)			Discussion		Issues			Issues	Issues	
Strategy and Work Plan 2019-2023			Approve CP					Full review	Approve final	

OTHER INITIATIVE	Oct-2017	Jan-2018	Apr-2018	Jun-2018
Emerging Issues and outreach	Discussion		Discussion	

October 2018

PROJECTS/OTHER ITEMS	CAG Sept 2018	PIOB mid-Sept 2018	Oct-2018	PIOB end-Nov 2018
New Activity (Fee-Related Matters)			Issues	

OTHER INITIATIVE	Oct-2018
Emerging Issues and outreach	Discussion

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