

## EMERGING ISSUES AND OUTREACH – PROPOSED PROCESSES

### A. Background

1. At the June 2013 meeting, the Board expressed support for the Emerging Issues and Outreach Working Group (WG) to explore and recommend to the Board appropriate processes by which:
  - (a) Emerging issues or international developments of relevance to the Board's work ("emerging issues") may be identified and selected for the Board's consideration; and
  - (b) Outreach opportunities may be identified and selected that would be of strategic importance or otherwise of benefit for the IESBA to pursue.
2. The Board also agreed to the WG's Terms of Reference (ToR) (see the Appendix), and provided useful input to the WG for purposes of developing the processes outlined in the ToR.
3. Pursuant to this remit, the WG has explored a number of matters relating to the establishment of these processes as set out in this paper. Central to the WG's discussions on these matters of process has been the need to aim for a resource-light approach to this initiative, given the existing constraints on the Board's resources.
4. If the Board agrees that the proposed approaches are appropriate, the WG will further consider the relevant matters pertaining to the establishment of a standing working group to take an ongoing role in this initiative. In this regard, the WG anticipates that it would develop draft terms of reference for this standing working group for presentation with its final process proposals for the Board's consideration and approval at the December 2013 meeting.

### B. Emerging Issues

#### WHAT MATTERS SHOULD BE CONSIDERED EMERGING ISSUES?

5. In thinking about establishing a process to identify and filter emerging issues for the Board's consideration, the WG felt it important first and foremost to agree on the matters that would be considered emerging issues in order to better circumscribe the work effort.
6. The WG therefore proposes that an emerging issue be described as any national or international development identified outside of the Board's strategic planning process that is related to, or has a connection with, the Board's remit and may:
  - (a) Have a potential impact on the Board's strategy and work plan;
  - (b) Require Board action or otherwise lead the Board to take specific action, such as leading or participating in a debate at the international level; or
  - (c) Otherwise merit Board attention.

<h4>Matter for Consideration</h4> <ol style="list-style-type: none"> <li>1. Does the Board agree with this description of an emerging issue for purposes of this initiative?</li> </ol>
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WHAT ARE THE WAYS TO EFFECTIVELY IDENTIFY EMERGING ISSUES?

7. The WG believes that a major part of the process will be to screen appropriate sources of information in order to identify emerging issues that may merit consideration by the Board.
8. To establish a systematic approach to doing so, the WG proposes that the following sources of information be included in the screening process, with the indicated level of screening effort and responsibility. In addition, the WG proposes that the screening effort leverage the support of Board members and technical advisors in relation to a number of sources as indicated below.

#	Sources of Information	Type of Effort	Responsibility
<b><i>Relevant Reports and Other Publications</i></b>			
1.	Monthly IFAC Global Regulatory Report	Review	Staff
2.	Summary audit inspection reports (e.g., annual “state of the nation” reports, issued by the International Forum of Independent Audit Regulators (IFIAR), the European Audit Inspection Group (EAIG) and audit oversight bodies from major jurisdictions)	Review	Staff
3.	Ad-hoc reports issued by key stakeholders (e.g., benchmarking reports or updates, etc)	Review	Staff
4.	Compliance Week	Scan	Staff
5.	World Accounting Intelligence (weekly)	Scan	Staff
6.	Monthly International Accounting Bulletin	Scan	Staff
7.	Accounting and business press	Becoming aware	Board representatives <sup>1</sup> and IFAC Communications Department
<b><i>Outreach and Other Meetings</i></b>			
8.	Regulators and audit oversight bodies	Meeting	Board representatives
9.	National standard setters liaison group	Meeting and annual requests for information on national developments	Board representatives

<sup>1</sup> Board representatives include Board members, technical advisors and staff

#	Sources of Information	Type of Effort	Responsibility
10.	Consultative Advisory Group (CAG)	Meeting	Board representatives
11.	Forum of Firms	Meeting	Board representatives
12.	Guest speakers at board meetings	Meeting	Board
13.	Other outreach meetings	Meeting	Board representatives
<b>Other</b>			
14.	Academic research	Becoming aware (including through staff participation in academic conferences)	Board representatives
15.	Liaison with IAASB	Regular interactions	Chair, Deputy Chair and Technical Director
16.	Liaison with IFAC Small and Medium Practices (SMP) Committee, Professional Accountants in Business (PAIB) Committee and Compliance Advisory Panel (CAP)	Regular interactions	Staff
17.	National or jurisdictional developments	Becoming aware	Board representatives

9. In relation to academic research, the WG suggests that staff maintain ongoing contact with the academic community through, for example, participation in the annual meeting of the American Academic Association (AAA). Doing so could also have the benefit of serving outreach purposes.
10. The WG proposes that once emerging issues have been identified by Board members, technical advisors and the IFAC Communications Department, information about these matters (for example, hyperlinks to relevant articles or publications) be simply forwarded to and collected by IESBA staff.

**Matters for Consideration**

2. Do IESBA members agree with the WG proposals above?
3. Bearing in mind the resource-light approach, are there other sources of information that should be considered? If so, what should be the level of effort involved and who should have primary responsibility for screening such sources?

WHAT SHOULD BE THE FILTERING PROCESS?

11. The WG believes that once information about emerging issues has been collected, there would be benefit in the staff categorizing the issues at a high level for review with the standing working group based on the significance of the issues in terms of potential impact on the Board's work.
12. The WG recognizes that applying this filtering process will likely be highly judgmental given that there are no objective criteria by which to judge significance. Nevertheless, the WG believes that developing some guidelines would help facilitate the filtering process. Accordingly, the WG proposes that identified emerging issues be filtered into the following three buckets based on the broad guidelines set out in the table below:
  - (a) For Board consideration;
  - (b) For Board noting; and
  - (c) Other matters.

Bucket	Nature of Bucket	Guidelines
A. For Board consideration	Matters that merit Board discussion and consideration of possible actions	<ul style="list-style-type: none"> <li>• Matter has standard-setting significance, e.g.:                             <ul style="list-style-type: none"> <li>○ Matter appears to suggest a potential weakness, deficiency or gap in the Code</li> <li>○ Matters appears to suggest lack of clarity in one or more existing provisions in the Code</li> <li>○ Matter appears to directly impact current project(s) or could influence direction of current project(s)</li> <li>○ Matter appears to suggest need for potential future standard-setting projects</li> </ul> </li> <li>• Matter appears to be of strategic or otherwise of sufficient importance relative to the development, adoption and implementation of the Code to merit Board consideration</li> <li>• Matter appears to suggest a debate in which, or a topic on which, the Board should have a voice or take a leadership position given its role and remit</li> </ul>
B. For Board noting	Matters for the Board to note but which do not merit	<ul style="list-style-type: none"> <li>• Matter is a new or ongoing development that may have a possible impact on the</li> </ul>

Bucket	Nature of Bucket	Guidelines
	substantive discussion at the Board	Board’s strategy and work plan although not in the immediate future <ul style="list-style-type: none"> <li>• Matter relates to a specific implementation or application of the Code that may merit Board attention but no specific discussion or action at this time</li> </ul>
C. Other matters	Matters that do not merit being brought to the Board’s attention at this time	<ul style="list-style-type: none"> <li>• Matters not falling into the above two buckets but nevertheless of sufficient significance to merit noting by staff for possible future reference</li> </ul>

13. Any emerging issues not falling into the above three buckets would effectively not be further considered.
14. It is not expected that the Planning Committee would be involved in considering and filtering the identified matters prior to Board consideration. However, the Planning Committee may reflect on those matters discussed by the Board with a view to advising the Board of possible courses of action that may be needed.

**Matter for Consideration**

4. IESBA members are asked for views on the proposed filtering process above, including the proposed guidelines.

APPROACH TO, AND TIMING AND FREQUENCY OF, PRESENTATION OF EMERGING ISSUES TO THE BOARD

15. The WG does not expect that there will be a large number of emerging issues that would be identified each quarter but anticipates that there would be at least some. In the light of this, the WG does not expect that it would be necessary for the Board to consider emerging issues more frequently than every other Board meeting (i.e., once every six months), unless the standing working group believes an emerging issue is of such importance as to merit Board consideration at the earliest opportunity.
16. In addition, the WG proposes that as a matter of general practice, Board consideration of emerging issues take place in the Board’s open session, unless the standing working group believes the sensitivity of a particular issue would more appropriately call for a discussion in the executive session. The WG anticipates that the chair of the standing working group would lead the presentation and discussion of the emerging issues at the Board.
17. The amount of agenda time needed may vary depending on the nature and extent of emerging issues that have been identified since the previous presentation but ordinarily will be no more than two hours.
18. Materials used may include, but would not be limited to, slides and hand-outs.

**Matter for Consideration**

5. Do IESBA members agree with the proposed approach to, and timing and frequency of, presentation of emerging issues to the Board?

INVOLVEMENT OF THE CAG

19. One of the roles of the CAG is to provide advice to the Board on its strategy and work plan. This role may include providing comments and perspectives on emerging issues that may affect the Board's strategy and work plan. With the CAG Chair's support, the WG proposes that as a matter of practice the CAG be given the opportunity to consider emerging issues that have been identified for the Board's consideration. As the CAG meets half yearly, the timing of the CAG discussion could be synchronized with the timing of the Board discussion.
20. A discussion of emerging issues with the CAG also may inspire CAG representatives to highlight any emerging issues they may have become aware of that would merit the Board's attention.
21. Subject to the Board's consideration of the proposed process, the WG proposes that the matter of the CAG's involvement in the process be discussed at the March 2014 CAG meeting.

**Matter for Consideration**

6. Do IESBA members agree with the WG's proposals above?

EXPECTED OUTCOMES AND MEASUREMENT OF EFFECTIVENESS

22. The nature and timing of Board actions arising from this initiative will vary with the nature and importance of the matters considered. Such actions may include, for example:
- Possible adjustments to the strategy and work plan, including re-prioritization of existing commitments and addition of new items to the current strategy and work plan.
  - Development of a rapid response to a particular issue, subject to Board consideration of whether there would be a need to establish a rapid response mechanism (while such a mechanism has a direct link to emerging issues, the WG does not consider the development of such a mechanism to be part of its remit).
  - Commissioning of staff publications.
  - Specific actions on current projects or initiatives.
  - Board decision to lead or engage in a specific debate at the international level.
  - Outreach to specific stakeholders to convey Board views on a particular matter.
  - Communications regarding the initiative in the Board's annual report and other communication vehicles.
23. The WG does not believe it should be its or the standing working group's responsibility to assess the effectiveness of this initiative. Instead, the WG proposes that on a biennial basis, the Board reflect on the matter of effectiveness and consider whether improvements can be made to the process. The frequency of such consideration may be reduced as further refinements are made to the process.

24. The WG recognizes that it will be difficult to measure the success of this initiative, given the considerable amount of judgment involved in the process and the fact that outcomes in terms of Board actions will depend entirely on the nature of the emerging issues and the related Board discussions. Accordingly, the WG felt that it would be inappropriate to seek to establish definitive measures of success.
25. Nevertheless, the WG is of the view that it would reflect poorly on the effectiveness of the process if no emerging issues were identified in any given year or that matters were missed that ultimately proved to be significant emerging issues. Leaving these obvious “measures” aside, , the WG believes that some positive outcomes might help the Board judge whether this initiative is achieving its objectives, for example:
- Specific actions initiated by the Board in response to the emerging issues, and the timeliness of such actions.
  - Improved stakeholder perceptions of Board responsiveness, dynamism and relevance, including through positive feedback from stakeholders and increased interest of stakeholder groups such as the IESBA Consultative Advisory Group in emerging issues identified by the Board.
  - Success in generating debate or actions among stakeholders on specific topics.
  - Increased stakeholder awareness of the Board’s work, such as through external requests for Board views on specific emerging issues.

**Matter for Consideration**

7. IESBA members are asked for views on the expected outcomes and measurement of the effectiveness of the initiative, and whether there are other matters that should be considered.

**C. Outreach**

26. The WG does not believe that there would be a need for an overly formalized process with respect to outreach, given that the more important considerations are how to ensure that the Board adopts a proactive approach to outreach and that the outreach effort be a team effort. Nevertheless, the WG felt that the following matters should be considered in seeking some degree of Board consensus regarding the approach to outreach.

**ON WHICH STAKEHOLDERS SHOULD OUTREACH BE FOCUSED?**

27. The WG proposes that outreach be focused on the following key stakeholder groups:
- Regulators and audit oversight bodies, including IOSCO, IFIAR and EAIG
  - Investors
  - Those charged with governance (e.g., International Corporate Governance Network, institutes of directors)
  - National standard setters
  - Firms, including SMPs (e.g., the Forum of Firms and the IFAC SMP Committee)
  - IFAC member bodies

- PAIBs (e.g., through IFAC PAIB Committee, financial executives' institutes)
  - Academia (e.g., through representative bodies such as the American Accounting Association)
  - Regional and international organizations that have a nexus to the Board's work (e.g., the World Bank)
28. It may not be necessary to actively target other stakeholder groups such as the public sector, although opportunities to reach out to these groups will be considered on their individual merits.
29. In addition to consideration of stakeholder groups to target, the WG believes that an important focus of the Board's outreach strategy should be to ensure geographically balanced coverage of the Board's outreach activities given the Board's mandate to set ethics standards for global application. Accordingly, the WG anticipates that the standing working group would periodically reflect on the Board's past outreach efforts and identify specific regions or countries in which there would be benefit in undertaking outreach.
30. The WG anticipates that the standing working group would advise the Board in this regard, including any suggestions as to possible avenues to explore with respect to outreach in specific regions or countries, with the Chair and Technical Director making the final determinations on specific actions having regard to budgetary implications, timing and availability of Board representatives.

**Matter for Consideration**

8. IESBA members are asked for views on the above proposals regarding the focus of outreach activities, and whether there are other matters that should be considered.

IDENTIFYING OUTREACH OPPORTUNITIES, AND INVOLVEMENT OF BOARD MEMBERS AND TECHNICAL ADVISORS

31. Certain outreach activities have become regular fixtures of the Board's outreach strategy by virtue of who the stakeholders are or the stakeholder groups involved. These "confirmed outreach" activities include plenary and other recurring meetings of regulatory stakeholders, recurring regional conferences in which key stakeholder groups participate (e.g., CReCER), annual meetings with key stakeholder groups such as national standard setters, etc. Also, the Board is already able to generate leads for other outreach opportunities and to identify specific forums or media through the IFAC Communications Department and contacts at the Board leadership level.
32. Notwithstanding these, the WG believes that all Board members and technical advisors should be encouraged to proactively identify opportunities for outreach in their jurisdictions. While the IESBA Chair is the primary spokesperson for the Board, the WG believes that all Board members and technical advisors should also be encouraged to be involved in outreach in keeping with the idea of a team effort.
33. In some circumstances, Board members or technical advisors may participate in certain events in a capacity other than as IESBA members or technical advisors. They may find it appropriate, given the context of the event and the audience, to take the opportunity to speak about, or promote, the Board's work. In those circumstances, the WG believes those Board members or technical advisors should feel free to do so. However, to the extent possible, the WG believes they should inform the

IESBA Chair and Technical Director of the relevant activities beforehand for noting and to consider whether specific messages could be conveyed.

34. In other cases, Board members and technical advisors may be invited to speak about the Board and its work in their Board-related capacity. Where the cost of such participation would need to be borne by the Board, the WG proposes that these Board representatives notify the IESBA Chair and Technical Director of the relevant invitations for consideration and timely response. But even if participation costs will be borne by the event organizers, the WG believes that the individual Board members or technical advisors should seek the concurrence of the IESBA Chair and Technical Director regarding the appropriateness of the activity and also to ensure appropriate support, including with respect to the delivery of consistent messages (see further discussion in the subsection immediately following).
35. The WG does not believe it would be necessary or practicable to involve the standing working group in assessing such invitations to speak, especially given the difficulty of convening working group teleconferences at short notice. This would also be consistent with a light-touch approach.
36. In addition to the above, the WG proposes that the Board leverage its liaison relationship with national standard setters (NSS) and its Consultative Advisory Group to identify suitable outreach opportunities in relevant parts of the world or in relevant forums. In this regard, the WG believes the IESBA Chair and Technical Director would be best placed to determine the nature and timing of specific outreach activities to explore with NSS and CAG representatives, taking into account the Board's strategic objectives and other relevant considerations. As an example, in connection with this Board meeting, the IESBA Chair and Technical Director have been liaising with the Australian NSS, the Accounting Professional and Ethical Standards Board (APESB), in arranging meetings for Board representatives with key Australian stakeholders.

**Matter for Consideration**

9. IESBA members are asked for views on the WG's proposals above.

STAFF SUPPORT NEEDED

37. The WG believes staff support for outreach should include:
  - Presentation slides
  - Speaking notes
  - Background information and other briefing materials relevant to the particular event
38. The development of standard presentation slides and, where appropriate, speaking notes would be one way in which to control the delivery of consistent messages by Board representatives when undertaking outreach. These materials could be recycled and fine-tuned as needed for particular events.
39. The WG believes that over time, consideration could be given to developing those messages into general Questions and Answers about the Board and its mission, strategy and work program.

**Matter for Consideration**

10. Do IESBA members agree with the WG's views above, particularly in relation to how the delivery of

consistent messages could be controlled?

#### MEDIA STRATEGY

40. IFAC's Communications Department is currently developing a media strategy for the Board. The WG fully supports the development of such a strategy as it would enable the Board to reach out to the wider public, in addition to its key stakeholder groups.
41. The WG believes that the standing working group should, in due course, review the draft media strategy and, in consultation with the IESBA Chair and Technical Director, provide directional input to the IFAC Communications Department in the development and finalization of this strategy. To minimize the burden on the Board's resources, the WG proposes that the standing working group thereafter maintain only a monitoring role with respect to the implementation of the strategy. In this regard, the WG proposes that the standing working group provide regular updates to the Board with respect to the media strategy and its execution.

#### Matter for Consideration

11. IESBA members are asked whether they agree with the WG's proposals above.

#### REPORTING BACK ON, AND MEASURING THE EFFECTIVENESS OF, OUTREACH

42. The WG proposes that Board representatives who have been involved in outreach activities provide short written reports (say a paragraph or so for each activity) at each Board meeting. These can be sent in advance to staff to collate. To facilitate discussion on the outcomes of the outreach in confidence, the WG proposes that these report-backs be provided in the executive sessions.
43. As with emerging issues, the WG believes it would be difficult to identify definitive measures of success for the Board's outreach strategy, given that much will depend on stakeholders' willingness and ability to engage, and the difficulty in measuring such matters as increased understanding and awareness of the Board's work among stakeholders. Nevertheless, certain outcomes might assist the Board in judging whether it is being effective in its outreach efforts, for example:
  - Increased linkages between stakeholder feedback obtained through outreach to Board projects or initiatives.
  - Increased media exposure.
  - Press reaching out to the Board to a greater extent for views and comment on emerging issues and other topics.
  - Increased adoption of the Code internationally.
44. The WG suggests that the Board reflect on its outreach efforts on an annual basis as a basis for identifying potential improvements to its approach to outreach.

#### Matter for Consideration

12. IESBA members are asked for views on the WG's proposals above.

**D. Resource Implications**

45. The WG expects that most of the staff support needed for this initiative will be dedicated to the Emerging Issues part of this initiative. However, the WG anticipates that some staff support would still be needed on the Outreach part in terms of, for example, maintaining the list of outreach activities and coordination with the standing working group and IFAC's Communications Department.
46. The WG anticipates that up to two staff members may be needed, each allocating 10-15% of his or her time to support the overall initiative on an ongoing basis. The allocation of specific responsibilities at the staff level will be a matter for the staff to determine.
47. To minimize the resource impact, the WG proposes that the standing working group not meet physically but via teleconference. The WG anticipates that there would be a need for the standing group to convene at least once each quarter to consider identified emerging issues and, when appropriate, outreach. Prior to an upcoming Board meeting at which the initiative would be discussed, the standing group likely would need a further teleconference meeting to discuss and finalize the matters it would present to the Board.
48. There are financial implications with respect to outreach. Outreach activities will therefore need to be planned or considered within the constraints of the Board's budget.
49. Apart from the above, the initiative will leverage the contributions and efforts of Board members and technical advisors as appropriate.
50. This initial assessment of resource needs to support the initiative will be reconsidered by the standing working group in due course as more experience is gained with the initiative.

**Matter for Consideration**

13. Does the Board support the allocation of resources as outlined in this paper, and are there other matters that should be considered with respect to resources?

**E. Forward Timeline**

51. Subject to the Board's input, the WG plans to finalize its recommendations with respect to the processes for emerging issues and outreach, including the draft terms of reference for the standing working group, for the Board's consideration and approval at the December 2013 meeting. Implementation would then commence thereafter.

## **Emerging Issues and Outreach Working Group Terms of Reference**

### **Objectives**

1. The objectives of the Working Group are to formulate and recommend to the IESBA processes by which, on an ongoing basis:
  - (a) Emerging issues or international developments of relevance to the Board's work ("emerging issues") may be identified and selected for consideration by the Board; and
  - (b) Outreach opportunities may be identified and selected that would be of strategic importance or otherwise of benefit for the IESBA to pursue.

### **Responsibilities**

2. With respect to emerging issues, the Working Group's responsibilities will be to explore and develop appropriate processes or approaches to:
  - Identify, collect and select, on an ongoing basis, emerging issues for the Board's consideration;
  - Discuss selected emerging issues within the Board, and the timing of such discussions; and
  - Determine who should be involved in the identification and selection of those emerging issues.
3. With respect to outreach, the Working Group's responsibilities will be to explore and develop appropriate processes or approaches to:
  - Identify stakeholders on which to focus outreach, and identify and select opportunities, forums or media for such outreach;
  - Determine how to involve IESBA members in the outreach effort beyond the IESBA chair, and how IESBA representatives may best be supported in undertaking outreach; and
  - Report back on outreach activities to the Board.
4. The Working Group will also explore whether it or another working group should have an ongoing role in this initiative, and how the effectiveness of the initiative with respect to both emerging issues and outreach might be measured.
5. In considering the various matters above, the Working Group will take into account the following:
  - The importance of aiming for cost effective approaches, given the limitations on the Board's budget and staff resources.
  - The role of the Planning Committee in advising the Board on matters of strategy.
  - Opportunities for leveraging existing relationships with stakeholders, such as national standard setters and IFAC member bodies.
  - The role of the IESBA chair as the primary spokesperson for the Board.

- The importance of flexibility to enable adjustments to the processes or approaches to be made as circumstances change and more experience is gained.

**Deliverables**

6. The Working Group will report its recommendations to the IESBA.

**Composition**

7. The Working Group will be chaired by an IESBA member and comprise four additional members.