

## For Reference Only

### IESBA 2014-2016 Strategic Review Survey

The IESBA is conducting a strategic review to develop a new strategy and work plan for the period 2014-2016. It is seeking the views of interested parties at an early stage to identify key issues for discussion during this review.

Please complete this short survey by March 15, 2013. Individual responses to the questionnaire will not be on public record. They will be summarized for discussion purposes. The summary, which may be made public, will not identify the names or organizations of the respondents.

## Part 1: Classification

1. **In which country or jurisdiction is your organization located? \***

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2. ***Please provide the following contact information:***

Your name and job title/role: \_\_\_\_\_

Your email address: \_\_\_\_\_

Your organization's name: \_\_\_\_\_

3. ***From which perspective are you providing this online feedback? \****

- Professional accountant in public practice
- Professional accountant in business
- Professional accountant in government
- Regulator
- Audit oversight body
- User of financial statements other than regulator (e.g., Investor, Audit Committee member, Customer, Creditor/Supplier, Lender, Analyst), please specify: \* \_\_\_\_\_
- Standard setter
- Representative of an IFAC member body
- Academia
- Other, please specify: \_\_\_\_\_

## Part 2: Possible Future Projects

The IESBA recently added the following new work streams to its current work plan:

- A project to 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;
- A project to 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; and
- A review of Part C of the Code.

This part of the survey first seeks your views on possible projects the IESBA should address in the next 3-4 years, and then asks you to indicate the relative priority of these and the following possible future projects:

- Structure of the Code
- Independence requirements for professional accountants not in public practice who perform assurance engagements
- Ethical guidance for professional accountants in public practice providing non-assurance services
- Guidance on the meaning of public interest in the context of the Code
- Reasonable and informed third party test
- Application of the fundamental principle of objectivity when independence is not required
- Preparing accounting records and financial statements for an audit client

***Please rank how important, in your view, these projects are in relation to one another for achieving the IESBA's objective of setting high-quality ethical standards for professional accountants.***

### 2.1 Your Views on Possible Projects

***In addition to the topics listed above, is there any other matter that should be addressed in the Code?*** Please be as specific as possible.

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***How important, relative to the other projects in the above listing, is this proposed other project?***

- Very important
- Important
- Neither important nor unimportant
- Unimportant
- Very unimportant

## 2.2 Structure of the Code

The IESBA has added a work stream (Structure of the Code) to its current strategy and work plan to determine how to increase the visibility of the requirements and prohibitions in the Code, and to clarify who is responsible for meeting them.

The IESBA agreed to set up a working group to explore possible approaches to, and timing of, this work.

***How important, relative to the other projects in this listing, is this work stream on the structure of the Code?***

- Very important
- Important
- Neither important not unimportant
- Unimportant
- Very unimportant

## 2.3 Independence Requirements for Professional Accountants 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 how the independence requirements in Sections 290 and 291 of the Code should apply to professional accountants not in public practice who perform assurance engagements, for example, accountants in government and internal auditors.

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

- Very important
- Important
- Neither important not unimportant
- Unimportant
- Very unimportant

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

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

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

- Very important
- Important
- Neither important not unimportant
- Unimportant
- Very unimportant

**2.5 Guidance on the Meaning of Public Interest in the Context of the Code**

The Code includes various references to the concept of public interest, such as:

- A statement that accepting responsibility to act in the public interest is a distinguishing mark of the accountancy profession; and
- A requirement for professional accountants to comply with the Code in order to serve the public interest.

In responding to the December 2011 Exposure Draft (ED) of proposed changes to the Code addressing conflicts of interest, the International Organization of Securities Commissions (IOSCO) suggested that the IESBA explicitly recognize the concept of “public interest” as a fundamental principle in paragraph 100.5 of the Code, and then detail it in further provisions in the Code.

This project would consider whether the Code should address the notion of “public interest” more explicitly in the Code, particularly whether that concept should be regarded as an additional fundamental ethical principle, and the related implications of doing so.

***How important, relative to the other projects in this listing, is this project on possible guidance on the meaning of “public interest” in the context of the Code?***

- Very important
- Important
- Neither important not unimportant
- Unimportant
- Very unimportant

**2.6 Reasonable and Informed Third-Party Test**

The “reasonable and informed third-party” test appears in several places in the Code. For example, paragraph 7 of Section 100, *Introduction and Fundamental Principles*, states the following:

When a professional accountant identifies threats to compliance with the fundamental principles and, based on an evaluation of those threats, determines that they are not at an acceptable level, the professional accountant shall determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an acceptable level. In making that determination, the professional accountant

shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level by the application of the safeguards, such that compliance with the fundamental principles is not compromised.

Several respondents to the ED addressing conflicts of interest have questioned whether there is sufficient guidance in the Code with respect to the application of this test. This project would consider whether the Code should provide guidance to assist in the application of the test.

***How important, relative to the other projects in this listing, is this project on possible guidance on the application of the reasonable and informed third party test?***

- Very important
- Important
- Neither important nor unimportant
- Unimportant
- Very unimportant

## **2.7 Application of the Fundamental Principle of Objectivity When Independence Is Not Required**

The Code defines the fundamental principle of objectivity as not allowing bias, conflict of interest, or undue influence of others to override professional or business judgments. In addition, the Code contains various provisions addressing objectivity, including Section 120, *Objectivity*, and Section 280, *Objectivity – All Services*.

Some European audit regulators have raised a question as to the meaning of objectivity when independence is not required, particularly in the context of external auditors' use of internal auditors to provide direct assistance on the external audit. The issue has also arisen in the context of compilation engagements.

This project would consider whether the Code should provide guidance regarding the application of the fundamental principle of objectivity when independence is not required.

***How important, relative to the other projects in this listing, is this project on possible guidance on the application of the fundamental principle of objectivity when independence is not required?***

- Very important
- Important
- Neither important nor unimportant
- Unimportant
- Very unimportant

## **2.8 Preparing Accounting Records and Financial Statements for an Audit Client**

Paragraphs 290.171 and 290.173 of the Code provide examples of circumstances in which the rendering of accounting and bookkeeping services to an audit client would be considered to be of a "routine or mechanical nature." This project would consider whether the Code should provide further guidance regarding the provision of these services, including how to determine whether the services are routine and mechanical in nature, the extent to which client management needs to understand the accounting entries and classifications, and related safeguards to address any self-review threat.

***How important, relative to the other projects in this listing, is this project on possible further guidance on preparing accounting records and financial statements for an audit client?***

- Very important
- Important
- Neither important nor unimportant
- Unimportant
- Very unimportant

### Part 3: Adoption and Implementation

The IESBA intends to continue the following ongoing activities in relation to adoption and implementation that are already on its current strategy and work plan:

- Liaise with IFAC Compliance Advisory Panel to gain understanding of the extent of compliance by IFAC member bodies and gain understanding of any barriers to convergence.
- Develop, as necessary, additional materials to support further the adoption and implementation of the Code.
- Monitor the work of the International Auditing and Assurance Standards Board (IAASB) to assess the effectiveness of the implementation of new standards with the aim of developing a process that can be applied with respect to the implementation of the Code.
- Research, with the assistance of representatives of small- and medium-sized practices (SMPs) and small- and medium-sized entities (SMEs), issues of relevance to SMPs and SMEs in complying with the Code.
- Consult, as necessary, with the IFAC Professional Accountancy Organization Development Committee on issues of relevance to developing nations.

***Are there any other activities or initiatives you believe the IESBA should undertake in the area of adoption and implementation?*** Please be as specific as possible.

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## Part 4: Convergence

The IESBA intends to continue the following ongoing activities in relation to convergence that are already in its current strategy and work plan:

- Seeking input on the types of improvements to the Code that regulators and national standard setters (NSS) believe should be made for the Code to gain acceptance and recognition in their jurisdictions.
- Continuing to expand the IESBA's outreach activities to engage various regulators and NSS in dialogue to facilitate its convergence efforts.

In addition to the above, the IESBA has identified the following initiatives it could undertake in the area of convergence.

### 4.1 Disclosure of Compliance with Ethical Requirements in Auditors' Reports

In its June 2012 [Invitation to Comment](#) on its project on improving the auditor's report, the IAASB has suggested that auditors include in their reports a statement of compliance with relevant ethical requirements applicable to financial statement audits, including independence requirements. Given differences in independence requirements across jurisdictions, this initiative would consider the implications of including such a statement in the standard auditor's report. The initiative may require coordination with the IAASB.

***How important, relative to the other initiatives in this section, is this initiative to consider the implications of disclosure of compliance with ethical requirements in auditors' reports?***

- Very important
- Important
- Neither important nor unimportant
- Unimportant
- Very unimportant

### 4.2 Linkage between International Standards on Auditing (ISAs) and the Code

This initiative would consider the linkage between ISAs and the Code with respect to:

- Whether a statement of compliance with the ISAs can be made by auditors in their reports without the auditors having also complied with relevant ethical requirements (including those pertaining to independence) that are not less stringent than those stated in the Code; and
- If so, whether this linkage should be better clarified.

Note: Some have suggested a perceived ambiguity arising from the guidance in paragraph A14 of ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, which states: "The auditor is subject to relevant ethical requirements, [which] ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants'



*Code of Ethics for Professional Accountants (IESBA Code) related to an audit of financial statements together with national requirements that are more restrictive.”*

***How important, relative to the other initiatives in this section, is this initiative to consider the linkage between ISAs and the Code?***

- Very important
- Important
- Neither important not unimportant
- Unimportant
- Very unimportant

#### **4.3 Any Other Initiatives**

***Is there any other initiative you believe the IESBA should undertake in the area of convergence?***

Please be as specific as possible.

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***How important, relative to the other initiatives in this section, is this proposed other initiative?***

Very important

- Important
- Neither important not unimportant
- Unimportant
- Very unimportant

## Part 5: Any Other Matters

***Are there any other issues you feel the IESBA should consider as it develops its strategy and work program for 2014-2016? Please be as specific as possible.***

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[Submit button]

Thank you for taking our survey. Your response is very important to us.