

IESBA

response to re-Exposure Draft on NOCLAR

2015

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Dear IESBA

CIPFA is pleased to present its comments to the Board, and we I hope that these are a helpful contribution to the Committee's considerations in this area.

Yours faithfully

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Summary

The Chartered Institute of Public Finance and Accountancy (CIPFA) welcomes the opportunity to comment on the draft, which we believe is a useful addition to the guidance in the IESBA Code. We are a little disappointed that the proposals do not go further towards placing a clear responsibility on accountants – particularly PAIBs - to disclose NOCLAR to the relevant authorities. However, we recognise that the proposed rules and guidance have to cover many different kinds of corporate and legal circumstances, and the lengthiness and complexity of the Board's discussions to date illustrate the problems inherent in finding a common solution.

We believe that the proposed guidance goes some way towards supporting professional accountants in these circumstances, but the terms are weaker than they might be. For example, paragraph 70 talks of the senior professional accountant ensuring the provision of safeguards "to the extent to which (he) is in a position to do so." By definition, a senior PAIB should be in such a position, and the inclusion of this phrase gives the wrong flavour to the guidance – it almost seems to indicate an opt out.

We are content that the resulting Code would not place a sweeping requirement on accountants to make disclosures, but is more concerned with "permitting" them to override their responsibilities in terms of confidentiality to clients or employers. It is of course an essential minimum that this permission exists, as otherwise accountancy bodies will themselves be in dilemmas about whether to take disciplinary action. The circumstances in which the override applies are however somewhat restricted. Referring for example to paragraph 23, we feel that there are many instances where non compliance other than relating to professional activities is nonetheless capable of bringing the individual accountant and the profession in general into disrepute - serious physical assaults for example.

Turning to the specific question of applicability to PAIBs in the public sector, we remind the Board that under IFAC definitions, the term PAIB includes auditors working in national audit bodies. The principles behind the proposals relating to auditors will apply to a certain extent, although it seems likely that in many jurisdictions, disclosure to governments/Parliaments would represent a normal part of an audit assignment, and that there should be fewer circumstances where a conflict between confidentiality and public interest would apply. The principles perhaps apply more widely to "true" PAIBs in public service, but again public sector bodies tend to be subject to a wide range of different regulatory and statutory frameworks, where the provisions of the code will be overridden.