

**DATE:** February 20, 2010  
**TO:** Ethics Consultative Advisory Group  
**FROM:** Ken Dakdduk, Chair IESBA  
**SUBJECT:** Report from the IESBA

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## Introduction

This report summarizes the activities of the IESBA since the last Ethics CAG meeting in September 2009. The report also provides an update on each of the working projects of IESBA.

## Meeting and Board Composition Update

The IESBA met in Tokyo, Japan on October 19-20, 2009 and in New York, USA, on February 17-18, 2010. The IESBA will meet twice more in 2010, on June 23-24, in Paris, France and October 25-27, in Beijing, China.

Eight new members joined the IESBA on January 1, 2010:

Name	Nominated by	Country	Category
Caroline Gardner	CIPFA <sup>1</sup>	UK	Non-practitioner
Brain Walsh	CCAB <sup>2</sup>	UK	Non-practitioner
Marisa Orbea	TAC	Australia	Practitioner
Peter Hughes	TAC	UK	Practitioner
Wui San Kwok	TAC	Singapore	Practitioner
Don Thomson	TAC	Canada	Practitioner
James Gaa	CGA Canada <sup>3</sup>	Canada	Public Member
Kate Spargo	N/A	Australia	Public Member

## Strategy and Work Plan 2010-2012

The IESBA discussed a draft of its Strategy and Work Plan 2010-2012 at its October and February meetings. The IESBA will hold a conference call after the March CAG meeting to discuss any significant changes to the plan resulting from input from CAG members and to approve the plan for exposure.

The IESBA plans to discuss comments received on exposure with the CAG at its September 2010 meeting. The IESBA intends to approve the plan at its October meeting.

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<sup>1</sup> The Chartered Institute of Public Finance and Accounting

<sup>2</sup> The Consultative Committee of Accountancy Bodies

<sup>3</sup> Certified General Accountants Canada

The PIOB will consider the due process followed in the development of the plan at its December 2010 meeting. The plan will be released after the PIOB has confirmed that due process was followed.

The Strategy and Work Plan is addressed in CAG Agenda Item D.

### **Conflicts of Interest**

At its October 2009 meeting, the IESBA approved the project proposal to develop additional guidance for professional accountants when dealing with conflicts of interests. The project will address matters such as:

- Providing a definition of a conflict of interest;
- Providing additional guidance on the types of conflicts that could be encountered;
- Providing additional guidance on the mechanisms that can safeguard confidential information and assist in the managing of conflicts of interest; and
- Developing a process that accountants could follow to identify and address conflicts of interest or potential conflicts of interest.

The Task Force will hold its first meeting in March 2010, and the IESBA will consider a Task Force report on the project at its June 2010 meeting.

### **Responding to Fraud and Illegal Acts**

At its October 2009 meeting, the IESBA discussed a draft project proposal to develop additional guidance for professional accountants when responding to fraud and illegal acts. At its June 2010 meeting, the IESBA will consider input on this project provided by CAG members and will approve the project proposal. The Task Force will commence work on the project after the June meeting and the IESBA will consider a Task Report on the project at its October 2010 meeting.

The draft project proposal is addressed in CAG Agenda Item C.

### **Internal Audit**

The IESBA has been closely following the IAASB project to revise ISA 610 *Using the Work of Internal Audit* and an IESBA member is a correspondent member of the Task Force. The IESBA discussed the IAASB proposals at its October and February meetings. The IESBA considered whether any clarification to the Code was necessary resulting from the expansion of the scope of ISA 610 to address the direct assistance provided by internal auditors. The IESBA was of the view that no clarification was necessary.

This subject is addressed in CAG Agenda Item E.

## **Reviews and Compilations**

The IESBA has been closely following the IAASB project to revise ISRE 2400 *Engagements to Review Financial Statements* and ISRS 4410 *Engagements to Compile Financial Statements*. An IESBA member is a correspondent member of the Task Force.

The IESBA discussed the progress of the IAASB project at its October and February meetings.

## **Impact Analysis**

At its October 2010 meeting, the IESBA discussed impact analysis. The IESBA discussed a retrospective pilot testing prepared by the Planning Committee. The pilot testing focused on the partner rotation provisions of the revised Code. The IESBA concluded that, because of the significant challenges associated with implementing the impact analysis process, it would be useful for the two project task forces (Conflicts of Interest and Responding to Fraud and Illegal Acts) to perform such an analysis so that the process can be refined as necessary for efficient ongoing application. The *Conflicts of Interest* Task Force will discuss impact analysis at its first meeting in March 2010.

## **Implementation and Adoption**

At its October and February meetings, the IESBA devoted significant time to the topic of implementation and adoption. It received presentations from three IFAC Committees that have significant interest in this area: the Small and Medium Practices Committee, the Developing Nations Committee, and the Compliance Advisory Panel.

The IESBA staff has already issued some materials to support implementation and adoption of the Code. The IESBA plans to monitor adoption and implementation of the Code by member bodies to understand and assist member bodies in addressing the challenges they face in that process.

This subject is addressed in the Strategy and Work Plan in CAG Agenda Item D.

## **Convergence**

The IESBA also devoted significant time at its October and February meetings to convergence of national codes with the IESBA Code. The IESBA understands that a key step in furthering its objective in this area will be to liaise with national standard setters and regulators to identify and understand their perspectives on convergence and to obtain their views on how the Code can be the catalyst to achieve greater convergence. The Planning Committee is developing a detailed convergence action plan, which will be discussed at its June 2010 meeting.

As a first step in pursuing its convergence objective, the IESBA is planning to analyze the independence provisions of the Code that an auditor of a public interest entity would be required to comply with by creating a standalone visual of those provisions. Accordingly, it will prepare a document isolating those provisions, which will be used in discussions with national standard setters and regulators.

This subject is addressed in the Strategy and Work Plan in CAG Agenda Item D.

Ken Dakdduk