

# IFAC Updates Code of Ethics

The International Ethics Standards Board for Accountants (IESBA) is updating its Code of Ethics to provide more guidance for professional accountants in business.

One of the missions of the International Federation of Accountants® (IFAC®), a “global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies,” is to contribute to the development of global high-quality standards and guidance in various areas of accounting. The IFAC group that performs this task in the area of ethics is the International Ethics Standards Board for Accountants® (IESBA®).

The IESBA’s mission is to set “high-quality ethics standards for professional accountants” and work toward convergence of global and national standards. According to IESBA’s 2013 Annual Report, *Reinforcing Trust in the Profession*, issued November 19, 2014, this mission contributes “to public confidence in the accounting profession.” The report’s publication was delayed following the passing of IESBA Chair Jörgen Holmquist in March 2014, thus it

includes developments and actions from both 2013 and 2014.

In his introduction to the report, Wui San Kwok, interim chair of the IESBA, writes, “Ethics is the foundation on which public trust in the accounting profession is built.” Consequently, the most important IESBA strategy to continue to reinforce public trust is to promote the recognition and widespread adoption of the *IESBA Code of Ethics for Professional Accountants* throughout the world. Outreach to stakeholders continues to be an important activity that is undertaken by Board members and IESBA staff. To ensure that the Code remains relevant in the face of new developments in the accounting world, the Board established an Emerging Issues and Outreach Committee.

## Final and Potential Changes to the Code

In March 2013, the IESBA published *Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interest*, a final pronouncement that provides more comprehensive guidance of situations that could possibly involve a conflict of interest. This revision to the Code, which became effective July 1, 2014, is

equally applicable to professional accountants in business and in public practice. It’s helpful in identifying, evaluating, and managing circumstances that might involve conflicts of interest.

Perhaps the most controversial and challenging topic facing the Board is determining the best way to provide guidance on whether professional accountants should overturn their ethical responsibility to confidentiality when faced with circumstances that can be considered noncompliance with laws and regulations. To address this issue, the Board published an exposure draft, *Responding to a Suspected Illegal Act*, in 2012. The draft resulted in more than 70 comment letters, so the IESBA sponsored three global roundtables of stakeholders in 2014. In its January 2015 meeting, the Board approved the key objectives for accountants in its new Proposed Response Framework.

On a related topic, on May 20, 2014, the IESBA published an exposure draft that deals with the ethical ramifications of independent auditors providing nonassurance services to audit clients. Fifty-nine comment letters were received in response. The exposure draft, *Proposed Changes to Certain*



*Provisions of the Code Addressing Non-Assurance Services for Audit Clients*, covers only certain portions of the Code relating to this subject, namely clarifying management's responsibilities. IMA's Committee on Ethics issued a comment letter advocating significant revisions to the exposure draft, including expanding its scope to cover more aspects of providing nonassurance services to audit clients. At its January meeting, the Board unanimously approved updates relating to the withdrawal of emergency acceptance provisions, management responsibilities, and clarifications about how to prepare accounting records using mechanical services.

## Implementing the Code Worldwide

IFAC includes more than 175 member organizations in 130 countries, encompassing 2.5 million accountants in public practice, education, government service, industry, and commerce. With a group that broad and varied, an IESBA working group was tasked to determine ways to improve the usability of the Code, thereby facilitating its adoption, effective implementation, and consistent application around the world.

The working group recommended clarifying and simplifying the language contained in the Code, highlighting actual requirements for compliance, and developing an electronic Code. In October 2014, the Board requested comments from stakeholders on possible approaches to the Code that could improve its clarity and usability by revising its structure.

IMA's Committee on Ethics plans to respond to this request. Then in December 2014, the Board launched a Web-based version of the Code designed to provide enhanced access and greater ease of use and navigation.

The Board also has chosen to focus considerable attention on Part C of the Code, which applies specifically to professional accountants in business (PAIB). Phase I of this project consists of an exposure draft, *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles*. (Phase II will deal with inducements.) The proposed changes in Phase I include:

- ◆ “Fuller and more explicit guidance regarding PAIBs' responsibilities when presenting information;
- ◆ Strengthened guidance on how a PAIB can disassociate from misleading information;
- ◆ An expanded description of pressure that may lead to a breach of the fundamental principles in the Code together with practical examples to illustrate different kinds of situa-

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tions in which such pressure may arise; and

- ◆ New guidance to assist PAIBs in identifying and responding to pressure that could result in a breach of the fundamental principles.”

IESBA Technical Director Ken Siong says, “The development of this enhanced guidance reflects a rebalancing of the board's focus to be more inclusive of PAIBs, a very large and important part of the accountancy profession.” IMA's Committee on Ethics plans to submit advocacy comments concerning both phases.

Since 2013, IMA has been a full member of IFAC and is one of only two organizations in the group based in the United States. IMA members must comply with the *IMA Statement of Ethical Professional Practice*, which the Committee on Ethics is tasked to assure its contents continue to be no less stringent than those in the IESBA's Code. **SF**

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