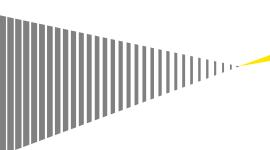
IESBA 2018 Update

23 June 2018





Ethics

A man without ethics is a wild beast loosed upon this world (Albert Camus)

Ethics is knowing the difference between that you have a right to do and what is right to do (Potter Stewart)

Trust has two dimensions: competence and integrity. We will forgive mistakes of competence. Mistakes of integrity are harder to overcome (Simon Sinek)



Context

- Ethics a central issue in post-crisis world
- Expectations of ethical behavior heightened
- ► IESBA Code bedrock of public trust in global accountancy profession
 - Underpinned by strong IESBA public interest commitment
- Several projects aimed at raising quality of the Code by disturbing the status quo:
 - In areas where ethical practice needs to be elevated
 - To respond effectively to new ethical challenges



Agenda

- About IESBA
- Projects and Initiatives
 - NOCLAR
 - Long Association
 - Structure of the Code
 - Safeguards
 - Professional Skepticism
 - Other Improvements
- Future strategy



Global Adoption of IESBA Code

- Adopted, used as basis for national ethical requirements, or converged in 100+ countries (Data as of March 2014)
- Translated in 36+ languages, including all major UN languages





NOCLAR





NOCLAR Standard

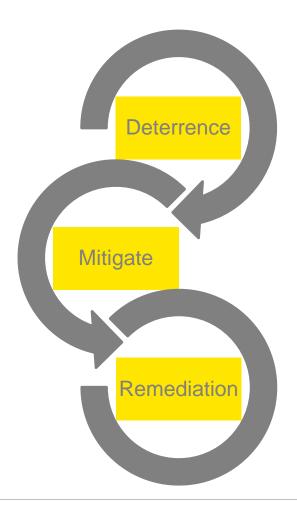


- Major contribution to the public interest
 - ► Effective July 15, 2017
- Provides a framework to guide all professional accountants (PAs) in deciding how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR



NOCLAR Response Framework

- Comply with fundamental principles of integrity and professional behavior
- Through alerting management/those charged with governance, seek to:
 - Enable them to rectify, remediate or mitigate consequences of NOCLAR; or
 - Deter commission of NOCLAR
- Take such further action as may be appropriate in the public interest





NOCLAR Response Framework - Auditors

- Auditors need to understand the legal and regulatory framework they are reporting under.
- Upon becoming aware of actual or suspected NOCLAR, establish what legal or regulatory obligations are triggered
- Raise the matter with TCGW
- Fulfil professional responsibilities



Auditors – Assessing Response of Management/TCWG

- Assess appropriateness of response
 - Response timely?
 - Matter adequately investigated?
 - Action taken to rectify, remediate or mitigate consequences?
 - Action taken to stop NOCLAR or mitigate risk of re-occurrence?
 - NOCLAR disclosed to appropriate authority?
- Determine if further action needed in public interest nature and extent will depend on various factors, e.g.
 - Legal and regulatory framework
 - Urgency and pervasiveness of the matter
 - Credible evidence of substantial harm to stakeholders?



Courses of action - Auditor

- Courses of further action include:
 - Disclose to appropriate authority (<u>even if not required by law or regulation</u>)
 - Withdraw from engagement and client relationship (where permitted by law or regulation
- When to disclose to the appropriate authority?
 - Disclosure to appropriate authority depends in particular on nature and extent of actual/potential harm to stakeholders
 - Decision depends also on factors such as:
 - Whether there is an appropriate authority to intake and follow up on the information
 - Availability of legal protection
 - Existence of actual or potential threats to physical safety of PA or others



NOCLAR Response Framework - PAIB

- Raise the matter with TCGW
- Comply with applicable laws and regulations
- Have the consequences of the confirmed or suspected NOCLAR rectified, remediated or mitigated
- Reduce the likelihood of reoccurrence
- Seek to deter the commission if it has not happened already
- Consideration should also be given to communicating the NOCLAR to the external auditors

PAIB – Assessing Response of Senior accountant's superiors /TCWG

- Assess appropriateness of response
 - Response timely?
 - Matter adequately investigated?
 - Action taken to rectify, remediate or mitigate consequences?
 - Action taken to stop NOCLAR or mitigate risk of re-occurrence?
 - NOCLAR disclosed to appropriate authority?
- Determine if further action needed in public interest nature and extent will depend on various factors, e.g.
 - Legal and regulatory framework
 - Urgency and pervasiveness of the matter
 - Credibility of the senior accountant's superior/TCWG as it relates to integrity
 - Will the NOCLAR reoccur?
 - Credible evidence of substantial harm to stakeholders?



Courses of action - PAIB

- Courses of further action include:
 - Disclose to appropriate authority (<u>even if not required by law or regulation</u>)
 - Informing the management of the parent entity if the company is part of a group
 - Resignation
- When to disclose to the appropriate authority?
 - Disclosure to appropriate authority depends in particular on nature and extent of actual/potential harm to stakeholders
 - Engaged in bribery
 - Listed entity
 - Regulated entity
 - Harmful products being sold to general public
 - Tax evasion



Long Association





Key changes

Pre-2018	Post-2017
7-year time-on: all KAPs	No change
2-year cooling-off: all KAPs	5-year cooling-off: EP
	3-year cooling-off: EQCR
	2-year cooling-off: all other KAPs

Way forward

- Revised provisions effective for audits of f/s for periods ≥ 15 Dec 2018; restructured version to be issued with restructured Code
- IESBA Staff Q&As issued May 2017
- IESBA commitment to post-implementation review in next strategy period:
 - Take into account relevant legal and regulatory developments (including mandatory firm rotation)
 - Review experience of application of revised provisions in practice



RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

This Questions and Answers (QIA) publication is issued by the Salt of the International Eliza-Quardent Bland for Accountant's ISSBAP, it is retrieved to assist national standards settler. IFAC implement the primarion in Section 25 of the ISBA Code of Finise for Professional Accountant's (the Code) addressing PAC responsibility to repared to new complance with laws and regulations (DOCARAP. The ISBAR search ISSDAEAB proconcerning in Ay 2016.

This publication is designed to highlight, illustrate or explain aspects of the new NOCLAR-related provisions in the Code, and thereby assist in their proper application. The purpose of these provisions is to promote a response to NOCLAR in the public interest.

The Q&As in Section II of this publication are directed to auditors. While Section III includes Q&A: I where these might be relevant to their particular circumstances

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A related IESBA Staff QRA publication. Reoponding to Non-Compilance with Laws and Regulations — Professional Accountant in Business covers the NOCLAR provisions in Section 300° of the Code applicable to ordersional accountants in business (PABS).



RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS Professional Accountants in Business

This Questions and Answers (Q&A) publication is issued by the Staff of the International Etrics Standards Board for Accountants[®] (IESBA[®]), It is intended to assist national standards setters, IFAC member bodies and professional accountants (PAs) in public practice (including firms) as they adopt and implement the provisions in Section 360° of the IESBA Code of Ethics for Professional Accountants (the Code) addressing PAs' responsibility to respond to non-compliance with laws and requinoCLAR). The IESBA issued its NOCLAR pronouncement in July 2016.

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A related IESBA Staff Q&A publication, Responding to Non-Compliance with Laine and Regulations — Professional Accountants in Public Practice covers the NOCLAR provisions in Section 225° of the Code as these apply to professional accountants in public practice.



Section 300, Responding to Non-Compliance with Laws and Regulations.

References to the Code in this publication are to the Code extent as of the date of this publication. The Code can be acc.

Section 225. Responding to Non-Compliance with Laws and Regulations.

Towards restructured IESBA Code





Restructured IESBA Code

- New title to emphasize key features: International Code of Ethics for Professional Accountants (including International Independence Standards)
- New Guide to the Code
- More self-contained sections
- Care taken to avoid any inadvertent changes in meaning or any weakening of the Code
- Increased prominence of fundamental principles and conceptual framework



Restructured IESBA Code

International Code of Ethics for Professional Accountants (including International Independence Standards)

Part 1

COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK (ALL PROFESSIONAL ACCOUNTANTS - SECTIONS 100 TO 199)

PART 2

PROFESSIONAL ACCOUNTANTS IN BUSINESS

(Sections 200 to 299)

PART 2 IS ALSO APPLICABLE TO PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE WHEN PERFORMING PROFESSIONAL ACTIVITIES PURSUANT TO THEIR EMPLOYMENT, CONTRACTOR OR OWNERSHIP RELATIONSHIP WITH THE FIRM)

PART 3

PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

(Sections 300 to 399)

INTERNATIONAL INDEPENDENCE STANDARDS

(PARTS 4A AND 4B)

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

(SECTIONS 400 TO 899)

PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS
OTHER THAN AUDIT AND REVIEW ENGAGEMENTS
(SECTIONS 900 TO 999)

GLOSSARY (ALL PROFESSIONAL ACCOUNTANTS)

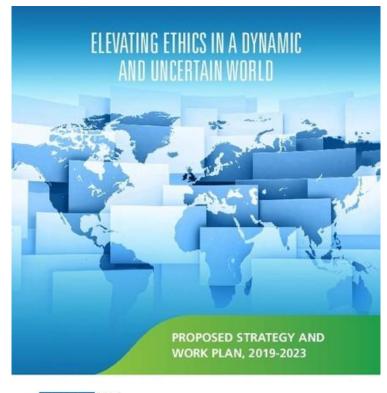
Future plans for IESBA





2019 - 20123 Strategy & Work Plan

- Comments invited on consultation paper Elevating Ethics in a Dynamic and Uncertain World
 - Deadline: July 16, 2018
- Global roundtables to obtain stakeholder input on two significant public interest topics: nonassurance services and professional skepticism







Questions?

