

Hilde Blomme
Director of Practice Regulation
FEE
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5th February 2010

Dear Hilde,

Integrity in Professional Ethics – A Discussion Paper

EGIAN welcomes the opportunity to comment on the above Discussion Paper. EGIAN's membership is made up of 21 global organisations which offer audit, accounting and business advisory services. The combined turnover of our members is approximately US\$ 34 billion. In this response we set out our views and would be very pleased to discuss them in more detail with you if that would be helpful.

The comments set out below on behalf of EGIAN have been written by a small "work group" and have been agreed by all members. They do not necessarily represent all the views of any single firm, some of whom will respond individually.

Ethics in our profession is an important topic, and merits renewed attention following the financial crisis of the last eighteen months, along with some of the subsequent reactions which have occurred and comments made widely in the media.

It may also be appropriate to consider the subject of "ethics" during the period when the revised IFAC Ethics Code will be debated by firms and standard setters.

That being said, our view is that the public interest is now best served by adoption of the Code, and for firms which comprise our membership, promotion of the Code assists in maintaining audit quality and minimising costs by reducing variations in ethical standards between countries.

In our view "thought pieces" such as this FEE paper and publications by, for example, the ICAEW, over the last few years concerning integrity, are most useful within firms in reinforcing leadership focus on integrity and ethics, and in facilitating discussion on ethical behaviour in a training and development environment at a time when variations of standards deemed appropriate continues to vary between countries.

Dealing with your specific questions:

1. For firms, integrity means being honest and truthful, straightforward in all dealings, and acknowledging `good citizenship` and `upright` behaviour in a manner to recognise both public interest and client interest before the interests of the firm or individual partners or staff members.

2. We agree that integrity is a primary condition for ethical behaviour, and as such may be seen as the core principle. However we are content that `integrity` seems to be tacitly acknowledged as ~~the~~ such, as the first and fundamental principle by its positioning in the Code, but also with there being four other fundamental principles set out. For the reasons set out above, whilst it may be interesting to debate whether the principle of integrity is at a different level of importance from the others, we think such a debate be best conducted in a manner to avoid the risk that standard setters in different jurisdictions seek to vary the Code by introducing different detailed interpretations of the principle.

3. Self interest would seem to be the most evident recent threat to ethical behaviour, with repeated reiteration of `they still don't get it` applied to a number of constituencies. Whilst accountants have not been encompassed within such recent criticisms, it highlights the fragility of reputation. Accordingly, focus on training and continuing education on ethics and ethical behaviour is welcomed, and we would stress the importance of its introduction at a very early stage of training to be an accountant.

We are concerned that the threat of intimidation may also become an emerging risk in the current economic climate.

4. Whilst it seems reasonable to expect that self-interest and intimidation may respond to financial hardship and economic pressures, we are not aware of empirical evidence to that effect.

5. EGIAN members include many firms who are members of the Forum of Firms and whose membership obligations therefore include adoption of the Code. Other EGIAN member firms also take seriously their commitment to integrity and other ethical principles, albeit that the practical implementation of standards may be more variable, ranging from universal full adoption of the Code to local adoption of local codes of ethics.

As set out above, adoption of the Code by national standard setters would consistently raise the bar to an acceptable level for all. We would urge that the more that can be done with this objective by IFAC, FEE, member bodies and firms, the better will public interest be served.

6/7. See 2. above.

8. An appreciation of public interest and the reasons for its importance are essential to understanding and appropriate application of ethical standards and to adherence to ethical behaviour. The extent to which this is innate, is a consequence of `upbringing`, or can be learned in professional training, and the inter-relationship between these aspects, is less certain; as is the relationship between professional ethical behaviour and ethical behaviour, however perceived, in other aspects of an accountant's life.

The requirement to adhere to principles, as opposed to rules, renders disciplinary processes harder to impose unless proscribed activities have been in evidence. However difficulties in disciplinary process should not be a reason for changing the ethical approach encompassed by the Code.

9. The Code reflects an expectation of the profession as a whole and the standard of integrity of all individuals therein. It should therefore at least assist in appropriate disciplinary processes.

10. As indicated above, we would encourage discussion of integrity but believe this takes best place at present within an educational environment rather than within ethical codes adopted by individual national standard setters.

It may be appropriate to ask the International Ethics Standards Board for Accountants to consider further discussion of integrity within their Code at some future point in time when the Code is further revised, thereby promoting consistent international adoption.

11. Personal integrity of course is important in accountants and no doubt contributes to professional integrity. Perceptions of what is appropriate do however vary quite considerably between jurisdictions. This topic would seem therefore best left to the disciplinary processes of individual member bodies, perhaps assisted by comparative benchmarking. Apart a few likely matters such as basic financial honesty, it may be difficult to identify more generally which aspects of personal integrity merit disciplinary action.

12/13. The characteristics set out appear appropriate and comprehensive, and probably reflect an appropriate order of importance.

It may be helpful to consider further explanation of public interest considerations and the extent to which expectations of the profession and those of regulators may evolve at different speeds. Expectations as to obligations to report fraud for instance are likely to come under consideration shortly by IESBA, and FEE and its member bodies could contribute to views of public interest in that context.

14. We would agree with the indicators set out.

Other factors that may be for consideration could include respect for human dignity (e.g. re bullying, drug abuse, diversity issues), loyalty to an organization and diligence in business conduct.

15/16. We agree it is desirable for an organisation to have a code of conduct to document its ethical values. Whilst the extent of that documentation will vary depending upon the size of the organisation, its existence even in the smallest of entities helps reinforce values and provides tangible support for any disciplinary process. The development of such a code in itself contributes to ethical behaviour through recognition of the importance of the topic and from `tone at the top`.

It is critical that such values are seen to emanate from and be consistently espoused by the most senior levels of an organisation.

Thereafter it is desirable for there to be a nominated member of senior management or an ethical conduct committee, identified with maintenance of the code, with its application and monitoring, and to provide an initial point of contact for ethical issues which arise in real day to day situations. Such an individual or committee may also be the contact point for appropriate whistle-blowing` where unethical or unlawful conduct is suspected.

17 .The expectation set out in the requirement of the Code appears appropriate and reasonable. Further guidance could be helpful through a `thought-piece` mechanism, rather than seeking for the Code to be more detailed, given the range of situations in which it is to be applied. Such further guidance may also assist those who regulate auditors in developing more consistent interpretations of the principles of the Code.

EGIAN's members are all operating globally and as such we would like to emphasise how important it will be for rules and /or standards on "ethics" to be adopted on a global basis for them to have the required level of credibility with stakeholders and the public at large.

We would be pleased to discuss our comments further or to participate as appropriate in any follow up envisaged.

Yours faithfully,

Andrew Brown, Chairman