

International Ethics Standards Board for Accountants

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Overview

- Overview of Ethics Convergence
- Convergence of Independence Standards
- IESBA's Action Plan

Overview of Ethics Convergence

- Convergence of *auditor independence* standards.
- Other aspects largely converged; IESBA's standards adopted by 158 member bodies.
 - IFAC's Statements of Membership Obligations require standards applied to be no less stringent.
 - Unless compliance is prohibited by national law or regulations.

Overview of Ethics Convergence

- Responsibility for auditor regulation moved from member bodies to statutory regulators:
 - Regulation of the conduct of audits i.e. auditing standards.
 - Regulation of auditor independence i.e. standards addressing non-audit services, partner rotation, financial interests etc.
- The independence standards address same topics but differences in the detail

Convergence of Independence Standards – Challenges

- Inconsistent understanding among auditors, investors, preparers, and regulators.
- Complexity of detail leading to higher risk of minor violations.
- Higher costs to auditors, preparers, and regulators.
- Somewhat reduced auditor choice.

Convergence of Independence Standards – Progress

- IESBA plans to issue fully revised and clarified independence standards in June 2009.
- Benchmark for convergence; produced under governance model similar to IAASB.
 - Similar constitution, member composition, due process.
- If ISAs receive endorsement by IOSCO/EC, IESBA's independence standards should follow.

Convergence of Independence Standards – Other Considerations

- Changes to national law and regulations will take time and pose challenges.
- Start by encouraging regulators to:
 - Consider the IESBA Code when setting national requirements.
 - Accept extra territorial application based on IESBA's independence requirements.
- Encourage regulators' endorsement over time.

Convergence Action Plan

- Convergence toolkit and resources.
- Comparison of IESBA's independence standards with various national requirements.
- National Standard Setters meeting.
- Liaison with Compliance Advisory Panel, EC, IOSCO and others.
- Other promotion opportunities.