APB ISSUES PROPOSED ETHICAL STANDARDS FOR AUDITORS

The Auditing Practices Board (APB) is issuing for public comment five Exposure Drafts of proposed Ethical Standards (ESs) on the integrity, objectivity and independence of auditors.

The Standards will establish basic principles and essential procedures with which auditors will be required to comply in any audit of financial statements. When finalised, these Standards will replace the existing guidance for auditors, issued by the auditors’ professional bodies. The five proposed standards cover:

- integrity, objectivity and independence
- financial, business, employment and personal relationships
- long association with the audit engagement
- fees, economic dependence, remuneration and evaluation policies, litigation, gifts and hospitality
- non-audit services provided to audit clients

Important new features include the roles of the audit firm’s ‘ethics partner’, the requirement for an ‘independent partner’ where the audit client is a listed company or other public interest entity, and the interaction with the Code of Corporate Governance.
APB Chairman, Richard Fleck, said:

‘One of the Auditing Practices Board’s primary objectives has been to develop Ethical Standards that are rigorous, complete and likely to be effective in practice. To achieve this, APB has taken account of international developments, including the EC Recommendation on the independence of statutory auditors and the requirements of the IFAC Code of Ethics for Professional Accountants. However, this has not precluded us from proposing more stringent requirements, where this is in the public interest and practicable.

‘Determining what is in the public interest in this area is a challenging and highly judgemental process. In this consultation exercise, APB wants to receive comments from as many individuals and entities as possible, not only from auditors but from all those who have an interest in financial reporting. By making sure we take account of their views we can be confident that the standards we develop have broad support.’

To assist readers to understand the context for its proposals and the main features of the Exposure Drafts, APB has produced an accompanying Consultation Paper, which:

- provides background information on relevant regulatory and other developments,
- outlines the key elements in APB’s approach,
- highlights the significant issues in relation to the Exposure Drafts, especially in the complex area of the provision of non-audit services to audit clients, and
- identifies a number of key questions on which views are invited.

The closing date for comments is 1 March 2004. APB would prefer to receive letters of comment in electronic form: these may be sent by e-mail to grant-apb@accountancyfoundation.com.
Alternatively, letters of comment may be sent to:

Jon Grant
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*Printed copies of the Consultation Paper and Exposure Drafts may be purchased from Croner.CCH Group Ltd (telephone 0870 777 2966), price £10.00, post-free. The document may also be found in the Publications and Reports (Exposure Drafts) section of this website.*

Further information:
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Notes to Editors

The Auditing Practices Board Limited and the APB

1 The Auditing Practices Board Limited was originally established as having responsibility within the United Kingdom for setting standards and guidance for auditing, with the objective of enhancing public confidence in the audit process and the quality and relevance of audit services in the public interest. More recently, following the UK Government’s ‘Review of the Regulatory Regime of the Accountancy Profession’ (see Note 3), the remit of the Auditing Practices Board...
Limited has been extended to include responsibility for setting standards for auditors’ integrity, objectivity and independence.

2 The Auditing Practices Board Limited discharges its responsibilities through a Board (the APB) comprising individuals who are eligible for appointment as company auditors, and those who are not so eligible. Those who are eligible for appointment as company auditors may not exceed 40% of the APB by number.

Review of the Regulatory Regime of the Accountancy Profession

3 On 29 January 2003 the Secretary of State for Trade and Industry published a report entitled ‘Review of the Regulatory Regime of the Accountancy Profession’. One of its recommendations was:

‘That the Auditing Practices Board should take over the professional bodies’ responsibilities for setting standards for independence, objectivity and integrity for auditors. Responsibility for setting all other ethical standards should remain within the professional bodies...’

4 The Auditing Practices Board Limited is currently a constituent body of the Accountancy Foundation. Following the UK Government’s recent ‘Review of the Regulatory Regime of the Accountancy Profession’, the Financial Reporting Council will assume the functions of the Accountancy Foundation.
NOTICE TO READERS

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