

An exclusive interview with **Mr. Jörgen Holmquist**

**Chairman, International Ethics Standards
Board for Accountants (IESBA) of
International Federation of Accountants (IFAC)**

Tell us something about yourself, your career, experiences and your mission as IESBA Chairman.

I am not an accountant by background. However, although I have never worked as an accountant, I have actually worked a lot with accountants. Prior to becoming the first independent chair of IESBA, I was the director general, DG Internal Market and Services, at the European Commission (EC). While at the EC, I had the opportunity to work with accounting standard setters and many others on the European Union's response to the global financial crisis. Before joining the European Commission, I served as the Budget Director in the Swedish Ministry of Finance for several years.

As chair of the IESBA, I am very much looking forward to moving forward the critical projects on the board's agenda. In addition to the technical agenda, increasing our outreach and engagement with key stakeholders is very important to me. I'd like to strengthen our engagement with the investor community, including institutional investors, but my main outreach will be with the regulators and the profession. I would like to hear from regulators about their concerns, and since I am not an accountant, I will listen carefully to the views and concerns of the profession itself.

What is the existing role of IESBA in setting international ethical standards for professional accountants?

The IESBA is an independent standard-setting board that develops and issues, in the public interest, the Code of Ethics for Professional Accountants (the IESBA Code or the Code), which establishes ethical requirements for professional accountants worldwide. The structures and processes that support the operations of the IESBA are facilitated by the International Federation of Accountants (IFAC). The 145 member organizations of IFAC are required to apply ethical standards that are at least as stringent as those stated in the IESBA Code. In addition, the members of the Forum of Firms, which is an association of 23 international networks of accounting firms that perform transnational audits, have made a commitment to have their policies and methodologies conform to the IESBA Code and national codes of ethics.

The activities of the IESBA are overseen by the Public Interest Oversight Board (PIOB).

Does accounting require ethical knowledge and skills? Please elaborate.

The particular ethical requirements vary from jurisdiction to jurisdiction; however, I feel that an accountant will be more successful if he or she has knowledge and awareness of the potential ethical issues that can arise in his or her day-to-day work and how to deal with them. The professional accountant has a responsibility to act in the public interest. And, as such, those who commit violations of ethical standards not only hurt those directly involved but also the reputation of the entire profession. It is in the best interests of all professional



A public member of the International Ethics Standards Board (IESBA) since 2011, Jörgen Holmquist became the first independent chair of the IESBA in September 2012.

Mr. Jörgen Holmquist was elected ECGI Chairman in June 2012. He is a former Director General for the Single Market and Financial Markets in the European Commission and a former Budget Director in the Swedish Ministry of Finance.

Mr. Holmquist currently serves in a senior advisory role for international public affairs consultancy Interel. Prior to this, he served as director general, DG Internal Market and Services, European Commission, from 2007 to 2010. Before joining the European Commission in 1997, he served in the Swedish Ministry of Finance for twenty years, seven of them in Washington DC.

Mr. Holmquist holds degrees in economics and mathematics from the University of Stockholm, Sweden, is the chair of the European Corporate Governance Institute, and a Fellow of the Weatherhead Center at Harvard University.

accountants, as members of a highly regarded and trusted profession, to follow the ethical requirements of their particular jurisdictions.

Do you believe that an Accountant can never succeed in his field if he ignores ethics?

See above

The recent scandals of Enron, World com, etc. took place due mainly to the fact that they compromised on ethical factors. Do you agree with this?

Ethics certainly played a role. However, I think it would be oversimplifying what happened to say that those scandals were caused mainly by a failure of the professional accountants involved to comply with ethical standards. To fully identify the causes would require a deep understanding of the particular facts and circumstances and the complexities of what occurred. Much of what we know comes from media reports. At the same time, there is no doubt that those cases have hurt the standing of the profession in many jurisdictions.

Furthermore, I would like to distinguish between legal and ethical issues. Scandals usually become headlines because of suspected illegal activity but acting illegally is of course very unethical. The IESBA recently issued an Exposure Draft (ED), Responding to a Suspected Illegal Act, which deals with a professional accountant's response when he or she has encountered a suspected illegal act. The IESBA will be considering responses to the ED at its March 2013 meeting. The IESBA also has an initiative to review Part C of the Code, which addresses ethical requirements for professional accountants in business. A code of ethics which contains robust and appropriate provisions will help reduce the incidence of accounting scandals. And, it will also contribute to upholding the good reputation that the profession has and, generally speaking, deserves.

How can ethical standards help professional accountants in enhancing the quality and consistency of their services?

I think that high-quality, international ethical standards are the key here. Global standards establish a recognized benchmark for consistent ethical behavior by professional accountants in public practice and in business in serving their clients or employers, respectively. Clients and employers are rightly entitled to expect that professional accountants will act with integrity and objectivity, exhibit appropriate competence, due care, and professional behavior, and abide by the duty of confidentiality in carrying out their roles and responsibilities. Ethical standards can help professional accountants understand and meet their clients' and employers' expectations and therefore better serve them.

Have the initiatives taken so far by the IESBA facilitated the convergence of ethical standards worldwide and in strengthening public confidence in the global accounting profession?

Achieving convergence remains one of the objectives of the IESBA. It is, however, more difficult to achieve convergence in ethical standards than in auditing standards because the local traditions, both legal and cultural, matter more in the area of ethics than in the technical area of auditing standards or the accounting standards for that matter. But my ambition is that the IESBA establishes ethical standards that have such credibility that they will be more generally applied, and that where you have legislation that is different, the

legislation will still be very much inspired by the IESBA Code.

Having said that, one of the current initiatives of the IESBA is to look at possible changes to the Code to enhance its readability, understandability, and accessibility, thereby making it easier to adopt and implement. We have established a working group that will be exploring options in this area.

I don't think we can measure the impact on public confidence; however, I believe that ethical standards are key to fostering and maintaining trust in the accounting profession.

The Code of Ethics for Professional Accountants is the major authoritative pronouncement of the IESBA. Could you share with us the status of application and compliance of this Code by IFAC member bodies?

All of the 145 member organizations of IFAC are required to apply ethical standards that are at least as stringent as those stated in the IESBA Code.

What are some specific threats a professional accountant faces in the present day environment and how can he act to meet these threats in accordance with the IFAC ethical standards and Code?

The IESBA Code is built on a Conceptual Framework, which is based on a threats and safeguards approach. Threats may be created by a broad range of relationships and circumstances. The IESBA Code identifies five categories of threat:

- o Self-interest
- o Self-review
- o Advocacy
- o Familiarity
- o Intimidation

The Code provides many examples of threats that professional accountants may encounter in practice. It also provides helpful guidance regarding safeguards that professional accountants may apply to eliminate those threats or reduce them to an acceptable level.

Do you agree with the concept that "ethics can never be taught; it is something inherent?"

I think most people have a personal code of conduct that they follow and it's probably determined by how they were brought up, the morals and beliefs that were instilled in them from a young age, etc. I feel that ethical conduct is part of a person's moral upbringing, so yes, part of it is inherent. However, the Code sets out the fundamental principles, a Conceptual Framework, and specific prohibitions. All professional accountants must be aware of the parts of the Code or their member body's Code that are relevant to their work, which will be of help to them when they are facing issues that are ethical in nature.

What message you would like to give to the professional accountants in Pakistan?

The strength of the profession in Pakistan has grown considerably thanks to the education and leadership provided by the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan). This is very good. I also hope, of course, that the professional accountants in Pakistan will take the time to inform themselves of both the IESBA Code and the ethics code issued by the ICMA Pakistan.

The interview ended with a vote of thanks to Mr. Jörgen Holmquist, Chairman, International Ethics Standards Board for Accountants (IESBA) a distinguished professional who spared his valuable time and gave his candid views exclusively for this journal. – Editor