

**Meeting:** IESBA CAG

**Meeting Location:** Virtual

**Meeting Date:** September 6 & 23, 2022

## Agenda Item

# G

### IESBA Future Strategy (2024 – 2027)

#### Objective of Agenda Item

1. To consider significant comments raised by respondents to the IESBA's [Strategy and Work Plan \(SWP\) 2024-2027 Survey](#) (the Survey)
2. To provide input to the Planning Committee's (PC) initial analysis.

#### Working Group

1. The Working Group comprises members of the IESBA PC:
  - Gabriela Figueiredo Dias, IESBA Chair
  - Caroline Lee, IESBA Deputy Chair
  - Richard Huesken, IESBA Member
  - Jens Poll, IESBA Member

#### *Observer*

- Gaylen Hansen, Chair, IESBA CAG

#### Background

2. The current IESBA [SWP](#), released in April 2019, is for the period between 2019 and 2023.
3. At its November-December 2021 meeting, the IESBA began preliminary discussions on developing its next SWP 2024-2027.
4. The IESBA's due process specifies the issuance of a survey to obtain the broadest possible stakeholder input about issues the IESBA should address in its next strategy period. The responses to the strategy survey will inform the development of a draft SWP consultation paper (CP), which the IESBA will issue for public comment for no less than 60 days. The IESBA will then deliberate the feedback to the consultation paper in formulating its final SWP.
5. At its March 2022 meeting, the IESBA considered a draft strategy survey, taking into account the CAG's input (Refer to the **Appendix** of this paper for a report-back on the March 2022 CAG discussion).
6. In April 2022, the IESBA issued the Survey which was open for public comment until July 7, 2022. A total of 49 responses were received (Refer to Appendix of [IESBA Agenda Item 9-A](#) for a list of the respondents).

7. In September 2022, the IESBA shared views on the key comments received from respondents on the Survey and provided input to the PC for its consideration as it develops the draft consultation paper. The CAG representatives will receive highlights of the IESBA discussions at the CAG meeting on September 23, 2022.

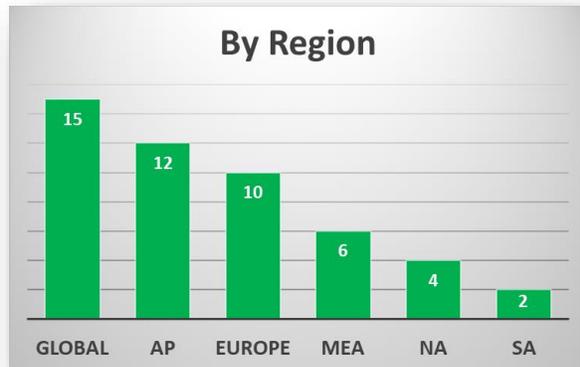
**Overview of Respondents**

8. The IESBA has received a total of 49 responses to the Survey (See Appendix for a list of the respondents). A breakdown of the respondents is as follows

Stakeholder Group	
Monitoring Group (MG) Member	2
Regulator	3
Independent national standard setter (NSS)	2
Professional accountancy organization (PAO)	21
Preparer	1
Firm	9
Individual	5
Other	6
<b>TOTAL</b>	<b>49</b>



Region	
Asia-Pacific	10
Europe	10
Global	18
Middle East & Africa	4
North America	4
South America	3
<b>TOTAL</b>	<b>49</b>

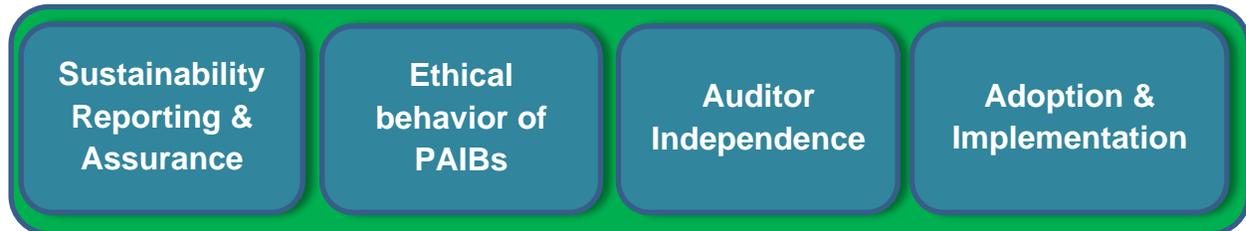


**High-Level Summary of Survey Responses**

Future Strategic Focus Areas

9. Respondents strongly supported the IESBA's proposed strategic focus on standard-setting work in relation to sustainability reporting and assurance in light of the market demand for reliable and comparable sustainability-related information and the pace of regulatory and standards developments across the globe.

10. Respondents also agreed that the IESBA should explore the concept of expanding the scope of the Code to cover sustainability assurance providers other than professional accountants in public practice (PAPPs). Many have pointed out that for a scope enlargement for the Code to be effective, there will be a need for a comprehensive framework of monitoring and enforcement, a system of quality management effectively designed and implemented by the service providers, as well as requirements for professional competence such as those that govern the work of the audit profession.



11. There is general support for the proposed strategic focus on raising the bar of ethical behavior for professional accountants in business (PAIBs). Respondents agreed that PAIBs play a significant role in the financial and non-financial information supply chains, and that it is important that they adhere to a high standard of ethical behavior. Some respondents suggested the IESBA gains a better understanding of the expanding roles of PAIBs in senior roles such as CFOs and assess if the Code sufficiently addresses the ethical challenges they face.
12. Respondents acknowledged that the IESBA has significantly enhanced the International Independence Standards (IIS) in recent years. A number of respondents, including two Monitoring Group (MG) members, supported the proposed strategic focus on strengthening independence standards for audit engagements and have suggested additional potential projects for the SWP. Other respondents recommended that the Board slows down the pace of change in the standards. They suggested instead that the Board focus its resources on post-implementation reviews (PIRs) and research to identify new environmental issues and opportunities for further enhancement.
13. There was strong support from respondents for the proposed strategic focus on promoting timely adoption and effective implementation of the Code. Respondents highlighted the importance of conducting PIRs on key changes to the Code such as those already pre-committed by the IESBA to assess the effectiveness of the revisions as well as to identify potential opportunities for further enhancement.

#### Possible Standard-Setting Projects or Initiatives

14. Of the 10 topics listed in Section C of the Survey as potential standard-setting projects or initiatives for the SWP, the top 5 topics that received the highest overall scores from respondents are:
- Non-authoritative material
  - Definitions and descriptions of terms
  - Breaches of the Code
  - Independence of external experts
  - Matters arising from Quality Management (QM) – related conforming amendments to the Code

15. A number of respondents, including two Monitoring Group members,<sup>1</sup> have also provided other suggested topics for the IESBA's consideration.

#### PC Responses

16. The PC noted the support received for the four potential strategic focus areas, particularly with respect to sustainability.
17. In developing the draft Consultation Paper for the November-December IESBA 2022 meeting, the PC will carefully consider the Board's discussion on the Sustainability Working Group's (SWG) proposals for the way forward on sustainability at the September 2022 meeting. The SWG has taken into account the respondents' feedback to Questions 1-3 of the Survey when developing its proposals. The PC noted that the agreed approach to, and work streams on, Sustainability will impact the resources available for other projects and initiatives in the next strategy period (See **Agenda Item F**).
18. The PC noted some respondents' view that technology developments continue to impact the ethical behavior of PAs and auditor independence. In developing its responses to how the SWP should address technology-related issues, including whether there is a need for standard-setting projects, the PC will take into account the Board's discussion on its Technology Working Group's (TWG) Phase 2 fact-finding report (TWG Report) (See **Agenda Item D**).
19. The PC will also consider the Benchmarking Working Group's (BWG) [Phase 1 report](#) (BWG Report), including any additional feedback from the BWG.
20. With regards to the strategic focus on PAIBs, the PC is of the view that a key focus on the ethical behavior of PAIBs should be on sustainability reporting as this is a new area of responsibility for many PAIBs. The PC also noted some respondents' suggestion that the Board focuses on the expanding role of CFOs and other PAIBs in senior roles and the ethical challenges they may face. In this regard, there will be an opportunity to seek some input from IFAC's PAIB Advisory Group (PAIBAG) through outreach to the PAIBAG at its September 2022 meeting.
21. The PC further noted as the IESBA finalizes its SWP in Q4 2023, it will need to take into consideration the new staffing model as part of the structural and governance reforms for the IESBA and International Auditing and Assurance Standards Board (IAASB) under the MG's July 2020 recommendations, [Strengthening the International Audit and Ethics Standard-Setting System](#) (MG Reform).
22. For more information about the key comments received from respondents and the PC's responses, refer to the [IESBA Agenda Item 9-A – SWP – Summary of Strategy Survey Responses](#) for the September 2022 IESBA meeting.

#### **Timeline**

23. The anticipated timeline for the development of the SWP 2024 – 2027 is as follows:

<b>Milestone</b>	<b>Expected Timing</b>
Discussion of survey responses with CAG	September 2022
Full IESBA review of survey responses	September 2022

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<sup>1</sup> International Forum of Independent Audit Regulators; International Organization of Securities Commissions

<b>Milestone</b>	<b>Expected Timing</b>
First read draft SWP CP	December 2022
IESBA approval of SWP CP	March 2023
Discussion of CP responses and draft SWP with CAG	September 2023
Full IESBA review CP responses and draft SWP	September 2023
IESBA approval final SWP	December 2023
PIOB approval	March 2024
Release of SWP 2024-2027	April 2024

24. The development of the next SWP will be closely coordinated with the International Auditing and Assurance Standards Board (IAASB) under the established framework for coordination between the IESBA and IAASB.

**Matter for CAG Consideration**

25. CAG Representatives are asked to share views on:

- (a) The key comments received on the Survey and the PC's initial analysis in **Agenda Item G-1**

**Material Presented**

*For Discussion*

Agenda Item G-1 IESBA SWP - Presentation

*For Reference*

[IESBA Agenda Item 9-A – SWP – Summary of Strategy Survey Responses](#)

**Report-Back of March 2022 IESBA CAG Discussions**

The table below contains extracts from the draft March 2022 IESBA CAG meeting minutes and how the IESBA Planning Committee (PC) or IESBA has responded to the Representatives' comments.

Matters Raised	Task Force/IESBA Response
PROPOSED STRATEGIC FOCUS ON SUSTAINABILITY	
<p>Mr. Thompson expressed the view that sustainability reporting and assurance will likely be as important as financial reporting and assurance going forward. He also observed that many PAPPs who are not auditors are carrying out ESG assurance activities. With regards to the strategy survey, he queried if the IESBA should focus on the term "sustainability" instead of "ESG." Both Messrs. Thompson and Ishiwata suggested that the survey should pose more questions on the focus on ESG assurance such as an open question about what activities the IESBA should pursue under that focus.</p>	<p>Point noted.</p> <p>Since March 2022, the IESBA has expedited its work relating to sustainability reporting and assurance. Its Sustainability Working Group (SWG) will present a project proposal including various work streams for the IESBA's approval in December 2022.</p>
<p>Ms. Landell-Mills pointed out that the need to link ESG information to financial reporting is an aspect that large institutional investors have been drawing attention to, particularly with respect to climate change. She also noted that more clarity is needed on how such non-financial information should be reported in the financial statements and how it should be audited. With regards to ESG assurance, she noted that it is important to first agree on the governance with respect to ESG reporting, i.e., who the intended recipients of the assurance would be. In this regard, Ms. Blomme expressed the view that the beneficiaries should be expanded from shareholders to stakeholders.</p>	<p>At the March 2022 CAG meeting, Mr. Siong noted that the IESBA will consider whether, within the governance framework of ESG reporting, there is a responsibility to report to the broader community.</p> <p>The question of how non-financial information should be reported is outside the remit of the IESBA.</p>
<p>Ms. Gamboa observed that preparers in multinational companies recognize the need for appropriate assurance standards to complement the development of ESG reporting standards. Referring to the involvement of "boutique firms" in ESG assurance, she also agreed that the IESBA should explore the merit of expanding the scope of</p>	<p>Point noted.</p> <p>The IESBA Strategy Survey (the Survey) have sought views from respondents about the concept of IESBA exploring the concept of expanding the scope of the Code to sustainability assurance</p>

<b>Matters Raised</b>	<b>Task Force/IESBA Response</b>
the Code to assurance providers that are not PAs as this would provide some much-needed consistency in the field.	providers who are not professional accountants (PAs).
Mr. Sobel stressed that there are many different players, such as internal auditors and PAIBs, who can play an important role across the whole ESG reporting and assurance supply chain. He noted that COSO has a project on internal control on sustainability reporting, with guidance expected later this year.	Point noted  At the March 2022 CAG meeting, in agreeing with Mr. Sobel's comment, Mr. Siong added that internal and external experts also play an important role.  The SWG will present a project proposal including the various work streams for approval by the IESBA in December 2022.
Ms. Blomme noted that the EU regulatory developments on ESG assurance aim to level the playing field and allowing to non-PAs to provide such services. This includes measures relating not only to ethics and independence but also to other matters such as the practitioners' qualifications and oversight.	Point noted.  For revisions to expand the scope of the Code to be effectively applied across other professions, some respondents have identified the need for a comprehensive framework that incorporates monitoring, inspection and enforcement, a system of quality management and professional competence.
Mr. Dalkin suggested that independence issues may arise in the circumstances where ESG information prepared by one party is assured by another party from the same firm.	In response, Mr. Siong noted that the IESBA might consider any potential self-review threat issue under those circumstances.
Mr. Pavas expressed the view that ESG reporting and assurance are an important topic in the Latin-American region and suggested that more guidance to the profession would be helpful.	Point noted.  The IESBA will release a staff publication on "greenwashing" in Q4, 2022. The SWG will consider the need for other non-authoritative material as it gathers information through outreaches and research.
<b>OTHER PROPOSED STRATEGIC FOCUS AREAS</b>	
Ms. Landell-Mills noted that auditor independence continues to be of concern from a long-term investor's perspective in the context of ongoing questions about aggressive accounting and audit quality.	Point noted.  The IESBA Planning Committee has considered the CAG comments when finalizing the Survey.

<b>Matters Raised</b>	<b>Task Force/IESBA Response</b>
Ms. Meng and Mr. Norberg suggested that there should be more clarity about how the proposed strategic areas of focus in Section B of the draft strategy survey relate to the list of potential future standard-setting-related initiatives in Section C.	In response, Mr. Siong noted that the IESBA will identify the proposed work streams under each strategic focus area when it develops the SWP consultation paper.
Mr. Norberg suggested that it would be helpful for stakeholders to have an indication of the resources available relative to the range of topics that could be included in the SWP when assessing priorities in responding to the strategy survey.	In response, Mr. Siong noted that strategy survey is intended to give the IESBA a sense of what it should focus on in the SWP and that it will make the necessary determination of what is achievable and how the work streams should be prioritized taking into consideration the available capacity.
Ms. Blomme expressed Accountancy Europe's continual support for the Code and its desire to see more European Union member states fully adopting the Code. She also recommended that the IESBA consider collecting additional information about challenges faced by jurisdictions in adopting the Code and any new revisions.	Point noted.  The IESBA has considered feedback received on the Survey relating to adoption and implementation and will continue to work closely with IFAC on these matters.
With respect to adoption and implementation of the Code, Ms. Blomme remarked that there has been a decreasing focus on A&I in the EU over the years. She was of the view that there would be merit in probing deeper into why A&I is not going as far as desired and what tools might be needed to increase A&I.	
<b>POTENTIAL FUTURE STANDARD-SETTING RELATED INITIATIVES</b>	
Ms. Landell-Mills suggested that an issue that might be considered is transparency about the audit industry's policy outreach, such as lobbying and secondments to regulators. She observed that if firms are pursuing lobbying, investors would be interested in knowing the nature of the lobbying and how this serves the public interest.	Mr. Siong acknowledged the suggestion, noting that it will be considered by the IESBA.
Ms. Landell-Mills also observed that there is a high degree of variation across jurisdictions on the disclosure of key audit matters in the auditor's report. She suggested that there should be a	In response, Mr. Siong noted that issues relating to key audit matters are more appropriately addressed by the IAASB.

<b>Matters Raised</b>	<b>Task Force/IESBA Response</b>
higher bar for disclosure in key audit matters internationally to promote accountability and greater levels of engagement with shareholders.	
Ms. Blomme suggested that the topic on the independence of external experts may be a useful initiative given its connection with ESG reporting and assurance. However, she was of the view that many of the other listed topics do not appear to be worth pursuing. She also mentioned that the recent IESBA pronouncements on non-assurance services (NAS) and Fees are challenging to implement and, therefore, additional guidance material would be helpful.	In response, Mr. Siong noted that IESBA Staff recently released a set of Questions and Answers (Q&A) on the Fees pronouncement.  The NAS FAQs was also released in July 2022.
Mr. Hansen queried if the IESBA intends to further explore the concept of "materiality" in the context of ESG reporting and assurance.	In response, Mr. Siong agreed that it will be an open question for the IESBA to consider in due course.