

IESBA SWP 2024 – 2027

Full Analysis of Feedback to Consultation Paper
and PC Proposals

CAG meeting – September 2023

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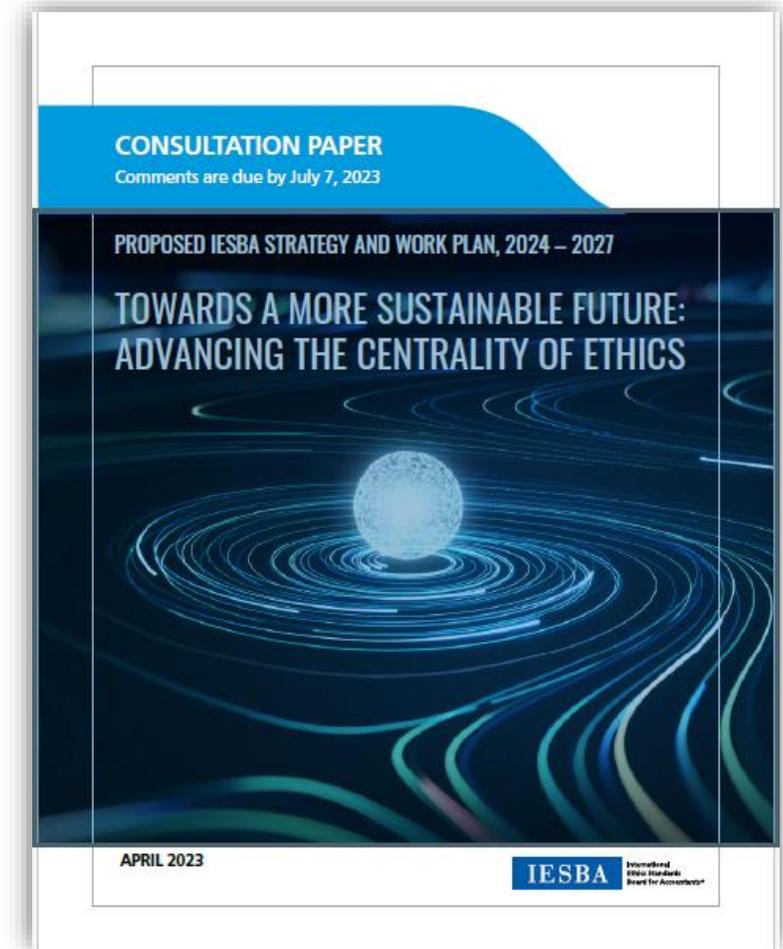


Objective

- Consider significant comments raised on IESBA's SWP 2024 – 2027 Consultation Paper
- Provide feedback on the IESBA Planning Committee's views and proposals including changes to the draft SWP

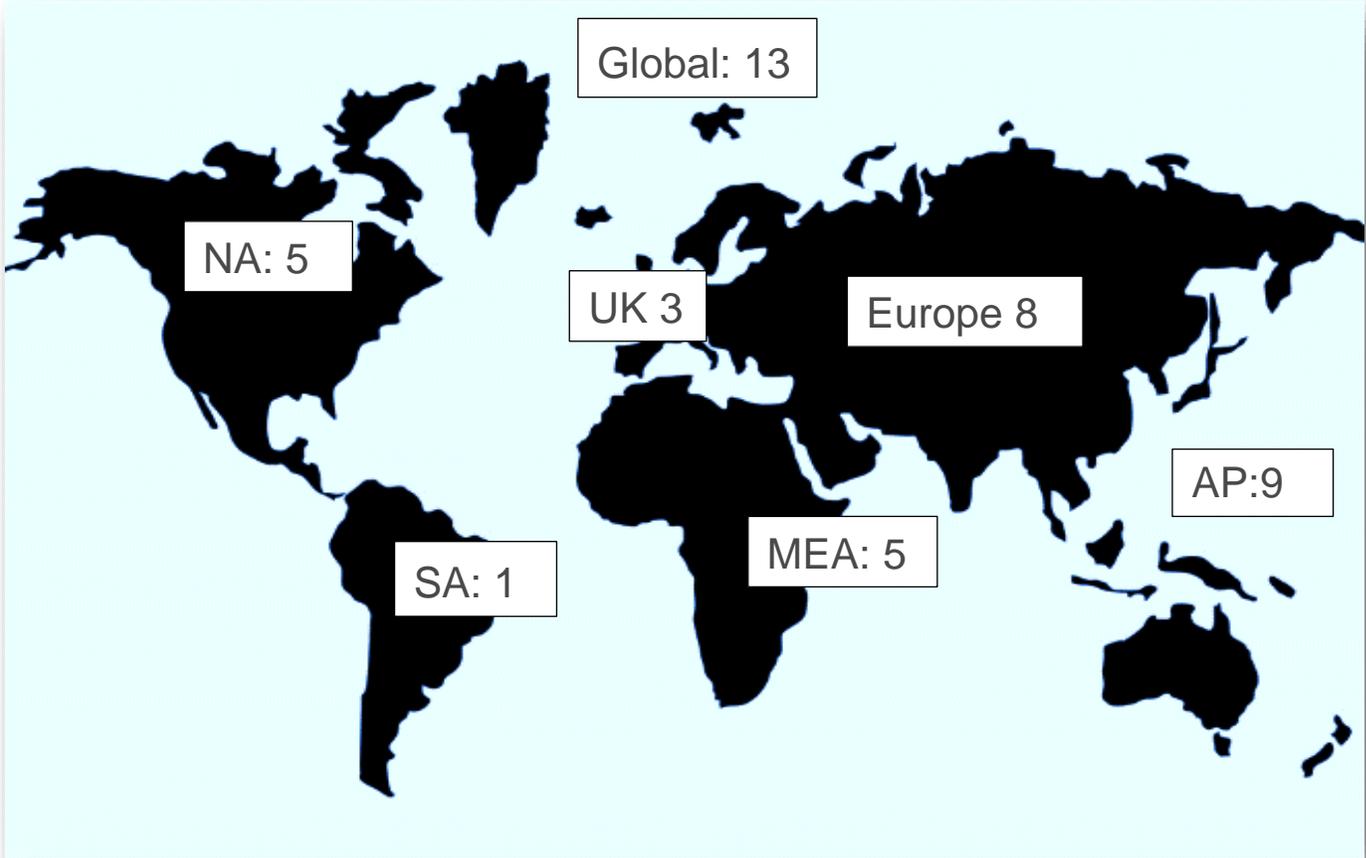
IESBA Strategy and Work Plan 2024-2027

- In April 2023, IESBA released its Consultation Paper (CP), [Proposed IESBA Strategy and Work Plan 2024-2027: Towards a More Sustainable Future: Advancing the Centrality of Ethics.](#)
- The CP has two key components:
 - Proposed strategy: Vision, strategic drivers, themes, and actions, and
 - Proposed work plan: Ongoing and pre-committed projects/ work streams and potential new topics.
- The comment period closed on July 7th, 2023



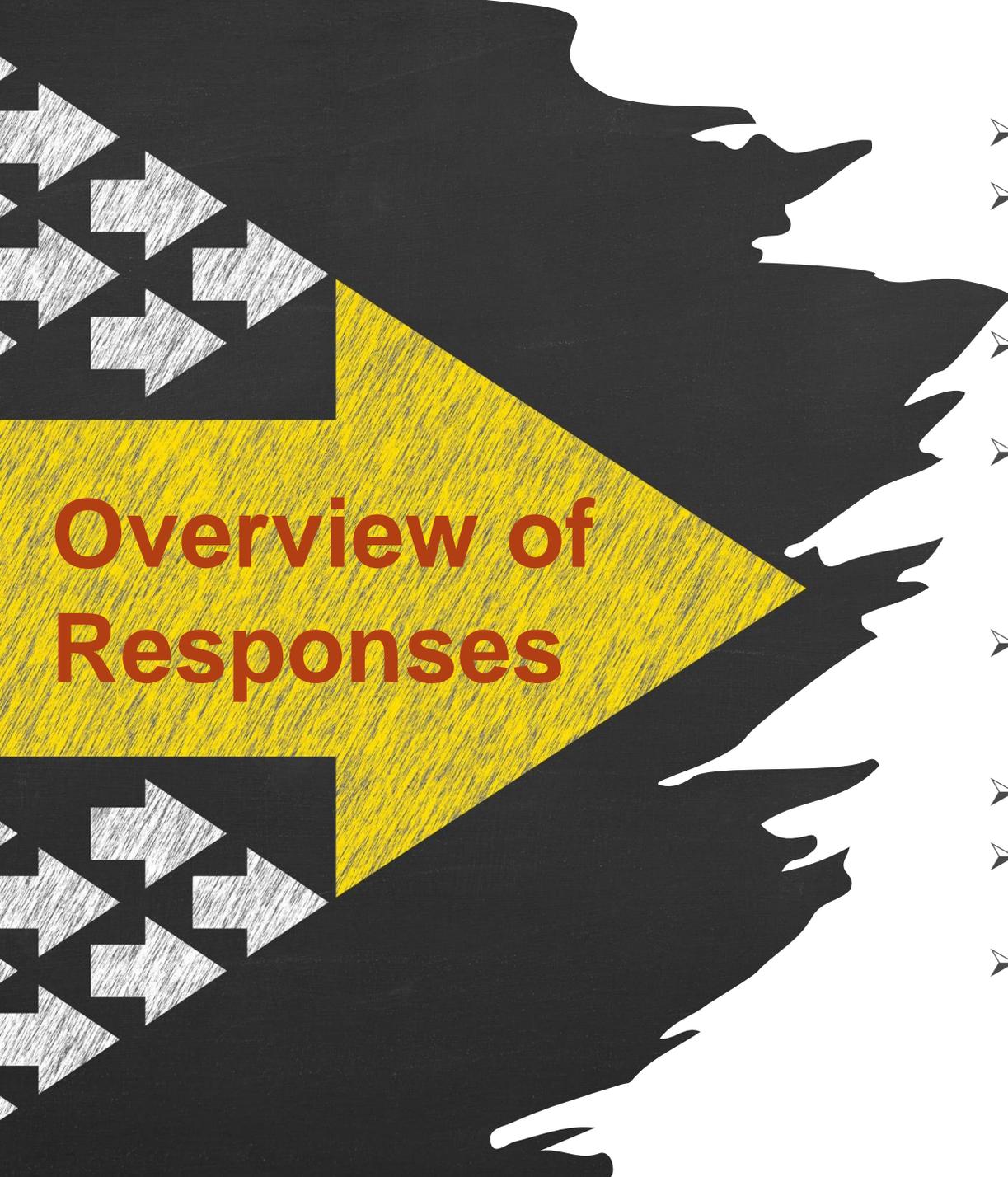
Overview of Respondents

Geographical Area



Stakeholder Group

Monitoring Group (MG) member	2
Regulator	4
Independent national standard setter (NSS)	2
Professional accountancy organization (PAO)	22
Firm	10
Individual	1
Other	3
TOTAL	44



Overview of Responses

- General support for proposed strategy and work plan
- Strong support for IESBA to focus on developing ethics and independence standards for sustainability reporting and assurance
- All preparers of sustainability information should adhere to a high standards of ethical behavior
- MG members asked IESBA to keep identifying new and emerging issues and pursue projects to strengthen Code for audit engagements but some called for a period of stability to focus on adoption and implementation
- In light of recent high-profile ethical lapses in audit firms, IESBA is urged to consider the issue of firm culture and governance
- Recognition of the continual impact of technology
- Use of PIRs seen as an important tool to assess need for further enhancements and other forms of modifications
- Recognition of importance of stakeholder engagement and coordination with other standard setters.



Strategic Drivers, Themes and Actions



IEBSA Vision

Draft IESBA Vision

To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Respondents Feedback

IESBA did not seek input from respondents but received some expressed support with some minor comments

PC Proposal

No change to the draft vision

Strategic Drivers



Environmental Drivers

- Rapidly growing market demand for Sustainability info
- The expanding roles of professional accountants in business
- Trust crisis and other repercussions from recurring high-profile corporate failures
- Ongoing impact of technological transformations

Operational Drivers

- Heightened stakeholder expectations for greater timeliness
- The imperatives of quality and global acceptance of the IESBA's standards
- Global operability of the IESBA's standards
- Further increasing global adoption of the Code and supporting its effective implementation

Strategic Drivers



Feedback: MG Members

- Broadly supportive of strategic drivers and themes
- Supportive of focus on sustainability but it should not be at expense of processing other IESBA ethics and independence projects
- Recent corporate failures and ethical lapses in audit firm reinforce importance of IESBA's work and demonstrate need for IESBA to intensify efforts on enhancing the quality and clarity of Code

Feedback: Other Respondents

- Generally supportive of proposed strategic drivers
- Rapidly Growing Market Demand for Sustainability Info**
- Non-PAIBs should also perform duties in ethical manner
 - Close coordination with IAASB is important
 - The critical need for guidance material
 - Use of Experts project should also address experts involved in preparation of sustainability information

The Expanding Role of PA in Business

- Queried if PAIBs have sufficient knowledge of the Code
- Highlighted PAO's important role to monitor compliance to promote accountability
- The need to consider stakeholder expectations of whether all CFOs would be held to the same standard

Strategic Drivers



Feedback: Other Respondents

Trust Crises and Other Repercussions from Recurring High-Profile Corporate Failures

- MG members highlighted importance for IESBA to enhance quality and clarity of Code in light of recent corporate failures and ethical lapses in audit firm
- Enhancing corporate behavior and trust in boards and audit committees within organizations is important

Ongoing Impact of Technological Transformations

- Important to keep up with the pace of change
- Need a clear strategy for monitoring and addressing emerging ethical issues related to disruptive technologies

Imperatives of Quality, Global Acceptance and Global Operability of the IESBA's Standards

- Highlighted usefulness of PIRs and illustrative examples in NAM
- The importance to allow time for changes to the Code to become embedded

Strategic Drivers



Feedback: Other Respondents

Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation and Heightened Stakeholder Expectations for Greater Timeliness

- IESBA should dedicate significant focus on facilitating global adoption
- Observed significant volume of change in accounting, auditing and ethics standards - need to balance timely standard-setting with stability for implementation
- Important to understand reasons for not fully adopting the Code and to take steps to encourage greater adoption

Firm Culture and Governance

- Recent events with PAPPs acting unethically have raised concerns about whether they acted with integrity or in the public interest
- Several of these events have resulted in government inquiries and cast doubt on whether the professional and ethical standards are fit for purpose effective and appropriately monitored and enforced
- Several respondents raised this as a potential work stream to focus on the validity and effectiveness of the Code on matters relating to firm leadership and culture.

Other Proposed Strategic Drivers

- Challenges in attracting and retaining talents and promoting the Code as positive distinguishing attributes of the profession
- Generational differences which may impact ethical considerations

Planning Committee Views and Proposals

Trust Crises and Other Repercussions from Recurring High-Profile Corporate Failures

Firm culture and governance

- High-profile ethical breaches have cast a negative light on the accountancy profession and undermined the public trust in it.
- The acts of individual PAs also raise broader questions about the right firm culture, governance and tone at the top to drive ethical behaviour consistently across all their professional activities.
- Firm culture also impacts attraction and retention of talents
- The extant Code highlights importance of ethical organizational culture and role of leadership
- Acknowledging importance of issue, recently released [statement](#) reminding PAs of their ethical obligations under the IESBA Code
- Global Accounting Alliance (GAA) also issued [statement](#) in August 2023, highlighting the profession's responsibility to act in the public interest and as well as reinforcing the importance of the Code
- **Proposes** to include this matter as part of strategic driver and theme, and add a work stream on the topic of *"Firm Culture and Governance"*



Strategic Drivers

Planning Committee Views and Proposals

Adoption and implementation of the Code

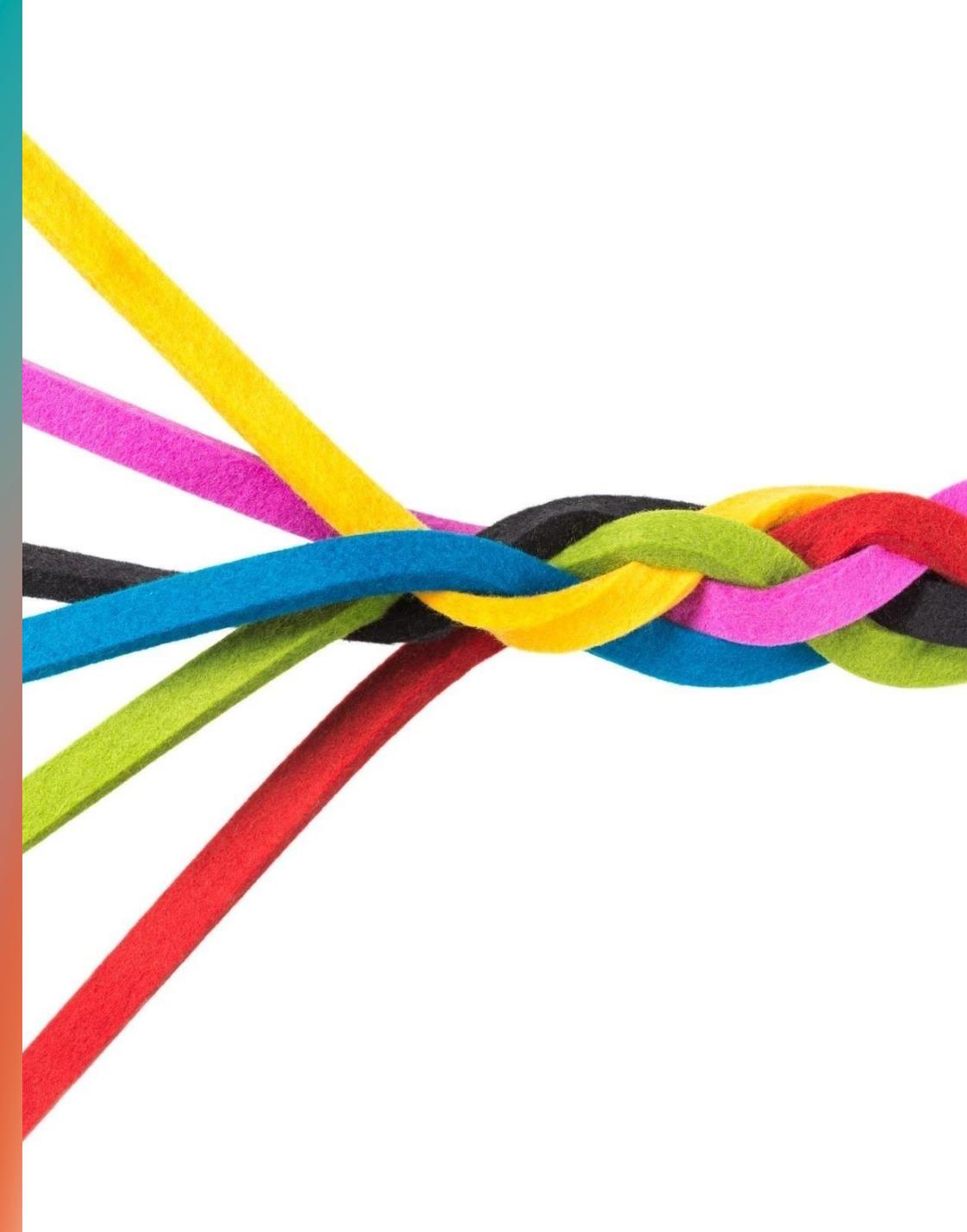
- IESBA will continue to dedicate strategic focus on outreaches and seek collaborative opportunities with NSS, IFAC and PAOs to promote further global adoption of the Code
- Acknowledge concerns about volume and pace of change but not appropriate to commit to moratorium on new standards-setting projects
- Agreed that it is beneficial to understand why jurisdictions have not or delayed in adopting the Code

Other

- Noted some respondents' views that all preparers should adhere to a high standard of ethical behavior
 - This is a broader strategic matter that requires careful consideration and extensive stakeholders engagement
 - Proposes that IESBA continues to explore these opportunities in next strategy period
- Agreed with monitoring ethical impact of technology and importance of consistency with jurisdictional standard



Strategic Drivers



Strategic Themes

- Enhancing trust in sustainability reporting and assurance
- Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
- Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards
- Widening the influence of the IESBA's standards through a continued focus on adoption and implementation

Strategic Themes



Feedback: MG Members

- Supported Sustainability project as top priority
- IESBA to monitor and evaluate ethics rules or provisions in force at national level as input for possible future enhancements
- IESBA will remain committed to completing projects within expected time frame, without impeding quality
- Continue to focus on ongoing and timely identification of new and emerging issues
- Pursue projects to strengthen Code for audit engagements
- Expand benchmarking projects to other jurisdictions to identify gaps in Code

Feedback: Other Respondents

- Generally supportive of proposed strategic themes

Enhancing trust in sustainability reporting and assurance

- Agreed to being top priority
- Profession-agnostic standards not to be developed at expense of needs of PAs to understand and adopt the Code; also a few respondents queried the enforceability of the profession-agnostic standards on non-PAs
- Highlighted importance of and resource needed for stakeholders engagement as well as coordination with IAASB
- Avoid apparent “certification” that will diminish public perception of Code
- Need to also have ethics standards for good corporate governance

Strategic Themes

Feedback: Other Respondents

Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance

- Encouraged to place importance on ethical challenges from disruptive technologies
- Balance activities between strengthening the Code and widening its influence
- Highlighted importance of evidence-based approach including research and outcomes of PIRs
- Recent ethical lapses by large accounting firms raised questions of profession's standing as ethical, independent, and acting in the public interest

Further enhancing the diversity of stakeholders perspectives and the global operability and acceptance of the IESBA's standards

- Acknowledge importance of coordination with IAASB and other standards setters; and collaborate with stakeholders beyond the comment letter process
- Provide more clarity on actions to promote use of sustainability reporting and assurance standards

Widening the influence of the IESBA's standards through continued focus on adoption and implementation

- Focus on promoting full and timely adoption and effective implementation of the Code
- Promote benefit of globally aligned and consistent standards on independence
- Include non-PAs in Board and TF membership as well as consultation in early stage

Other

- Consider sustainability approach for other professional activities eg tax planning
- Reduce pace of change but use period of stability to promote the Code

Planning Committee Views and Proposals

- Comments relating to Sustainability project has been referred to TFs for their consideration
- IESBA only launches standard-setting projects after having established a sufficient evidential basis for them
- IESBA will continue to promote Benchmarking Phase 1 results and consider feedback before taking on future phases given resources needed
- IESBA will remain flexible, agile and retain capacity to respond to emerging ethical matters
- IESBA will continue to develop NAM to assist with adoption, operability and effective implementation
- Continue to collaborate with IAASB and other standard-setting bodies on matters of mutual interest as well as IFAC



Strategic Themes

CAG Representatives are asked to share views on:

- Significant comments from respondents' and PC's responses on IESBA's proposed Strategy 2024-2027 (Strategic drivers and themes)



Proposed Work Plan for 2024 - 2027



Strategic Work Plan

Ongoing projects and work streams

(Table A Consultation paper)



Ongoing	Pre-commitment	Potential
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On-going Projects and Work Streams	Anticipated Status Q1 2024
Sustainability <ul style="list-style-type: none"> • Work stream 1 – Independence • Work stream 2 – Ethics 	Exposure draft
Use of Experts	Exposure draft
CIV/Pension Funds/ Investment Company Complexes	Information gathering
PIR – NOCLAR	Information gathering

Strategic Work Plan

Ongoing projects and work streams

(Table A Consultation paper)



Ongoing

Pre-commitment

Potential

MG members

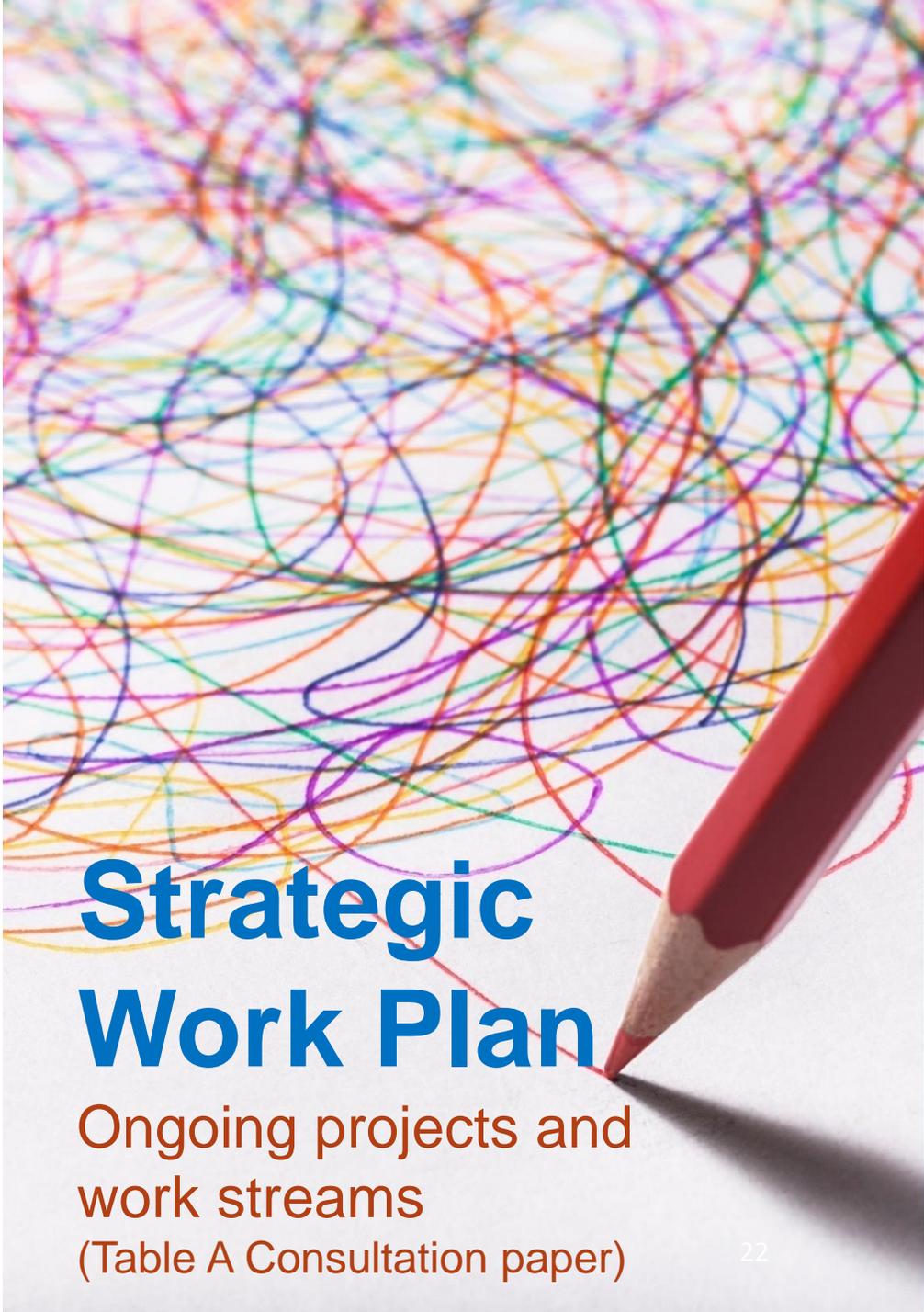
- Supportive of ongoing projects and work streams
- Sustainability-related standards should be equivalent to those for audits
- Supportive of Boards strategic decision on a phased approach to standard setting related to sustainability reporting
- IESBA to remain flexible to address new and emerging public interest issues identified during Sustainability Project.
- IESBA to retain its ability to be agile in resource allocations to address emerging public interest issues
- Collaborate with IAASB to address topics of mutual interest

Other Respondents

- General support for ongoing projects and work streams
- Suggestion to defer topic “CIV, pension fund and investment company” until the completion of PIE PIR due to degree of diversity for these types of entities between jurisdictions
- Suggestion to defer consultation period for Use of Experts project to allow respondents so not dilute respondents’ focus on sustainability project
- General support for NOCLAR PIR

PC Views and proposals

- IESBA will remain flexible and agile to respond to matters arising from Sustainability Project
- *Use of Expert* proceed as planned given importance and its interconnection with the Sustainability Project
- *CIV, Pension Funds and Investment Company* should not be postponed given IESBA's undertaking when finalizing PIE provisions. IESBA will conduct necessary research and proceed cautiously



Strategic Work Plan

Ongoing projects and
work streams
(Table A Consultation paper)

Strategic Work Plan

Pre-committed work streams
(Table C Consultation paper)

Ongoing

Pre-commitment

Potential

Pre-committed Work Streams	Anticipated Demand on Resources
PIR – Long Association Phase 2	Medium
PIR – Restructured Code	Medium
PIR – NAS and Fees	High
PIR – Definitions of PIE	Medium

Strategic Work Plan

Pre-committed work streams (Table C Consultation paper)

Ongoing

Pre-commitment

Potential

Monitoring Group Members

- Supportive of pre-committed work streams
- Include details of timeline for projects and PIRs
- PIR and development of NAM critical to timely adoption of new and revised standards across jurisdictions
- Consider accelerating PIR for NAS and Fees, and Sustainability

Other Respondents

- Generally supportive of pre-committed work streams with concerns regarding the impact on the rate and pace of change on the Code
- Prioritize PIR for restructured Code due to potential impact adoption
- Consider to accelerate PIR for NAS and Fees
- Consider running all PIRs simultaneously
- Consider including PIR for Technology
- Sufficient time to be provided between effective dates and PIR
- Longer transition periods to adopt revised standards
- Consider accelerate PIRs before taking on proposed work streams in Table B

Strategic Work Plan

Pre-committed work streams
(Table C Consultation paper)

PC Views and Proposals

- All pre-committed work streams to be included in the SWP
- Priorities of PIR to be considered in Q4 2024 when SWP is updated
- Not accelerate PIR for
 - ❖ Sustainability, however, will continue to monitor and assess the need to address other sustainability-related matters outside the scope of the project
 - ❖ NAS and Fees to allow sufficient time for implementation
 - ❖ Technology given revisions will only become effective December 2024
- PC acknowledge concerns about volume and pace of change of the IIS, IESBA has committed to take steps to:
 - ❖ Take a balanced approach to future work plan (mixture of work streams of different priority and complexity)
 - ❖ Longer comment periods on ED and extended effective dates as appropriate
 - ❖ Pursue earlier engagement with stakeholders to identify specific implementation issues
- Current standard-setting process already allow for accelerated timeline as needed
- IESBA will continue to develop NAM to support adoption and effective implementation

CAG Representatives are asked to share views on respondents' significant comments and PC's responses on:

- Ongoing and pre-committed work streams for 2024-2027

Strategic Work Plan

Potential Work Streams

(Table B Consultation Paper)



Ongoing

Pre-commitment

Potential

Potential Work Streams Under Consideration	Anticipated Demand on Resources
Role of CFOs and Other Senior PAIBs	High
Business Relationships	High
Audit Firm – Audit Client Relationship	Medium
Definitions and Descriptions of Terms	Medium
Custody of Data	Medium
Communication with Those Charged with Governance	Low

Strategic Work Plan

Potential Work Streams

(Table B Consultation Paper)



Ongoing

Pre-commitment

Potential

Monitoring Group members

- Supportive of topics and suggest prioritizing
 - ❖ Audit firm – audit client relationship
 - ❖ Business relationships
 - ❖ Definitions and descriptions of Terms
- IESBA to consider whether close business relationships, and loans and guarantees should be prohibited irrespective of materiality or significance
- Consider adding expedited process when nature of project can be completed through proper due process in a more accelerated timeline
- Timely and accurate translation important to facilitate consistent understanding, adoption and implementation of the Code

Other Respondents

- General support from other respondents
- Some respondents:
 - Queried if the potential work streams in Table B addressed urgent stakeholder needs and suggested NAMs might be sufficient
 - Urged IESBA to focus on Sustainability and other current projects/PIRs before considering need for other standard-setting work

Strategic Work Plan

Potential Work Streams

(Table B Consultation Paper)

Ongoing

Pre-commitment

Potential

Other Respondents

Role of the CFO and other senior PAIBs

- Support received for topic
- IESBA encouraged to:
 - Emphasize importance of an ethical culture in companies
 - Enlarge scope to include entire corporate ecosystem within a reporting entity;
 - Engage with policy makers and regulators as not all CFOs are PAIBs
 - Determine impact on excessive reliance on technology

Business Relationships

- Mixed views received on topic
- Suggestions not to remove “materiality/significance” exception as suggested by MG member. Also query if loans and guarantees should be included as part of work stream
- Recommend to consider this topic in conjunction with “Audit firm- Audit Client Relationship”
- Include definition for the term “business relationships”
- IESBA encouraged to think beyond technology to all strategic commercial relationships

Strategic Work Plan

Potential Work Streams

(Table B Consultation Paper)



Ongoing

Pre-commitment

Potential

Other Respondents

Audit firm – audit client relationship

- Mixed views received on proposed topic
- MG member suggested IESBA to reconsider definition of “network firm”
- Matters raised by other respondents for IESBA consideration include:
 - Whether it is still appropriate to use the term “audit client”
 - Would it be more effective to prioritize promoting existing provisions that address self-interest threats rather than focus on a term
 - Guidance should recognize SME environment
- Some suggested guidance material instead

Definitions and Descriptions of Terms

- Strong support received to align terms with those in IAASB standards
- Specific terms were highlighted for consideration
- One respondent discouraged project indicating threshold for action should be whether there are differences causing problems / questions / inconsistencies.

Custody of data

- General support received for topic with suggested areas of focus
- Some considered only low priority

Strategic Work Plan

Potential Work Streams

(Table B Consultation Paper)

Ongoing

Pre-commitment

Potential

Other Respondents

Communication with TCWG

- General support received for topic
- Suggestion to develop appropriate guidance for PAs and non-PAs
- Principle based approach given difficulty in identifying all instances that require such communication
- Some queried if work stream is needed with guidance material more beneficial; also a view that provisions on communication with TCWG already enhanced as a result of NAS and Fees project

Planning Committee Views and Proposals

Strategic Work Plan

Potential work streams
(Table B Consultation Paper)

- PC proposes that the potential topics in Table B to be included in the SWP with following priority:

Projects / Initiatives	Priority
Role of CFOs and other senior PAIBs	Higher priority
Business Relationships	
Audit firms – audit client relationships	
Definitions and Descriptions of Terms	
Custody of data	Lower priority
Communication with TCWG	

- IESBA will consider the work streams' priorities in Q4 2024 during review on progress
- Work streams will not automatically result in standard-setting projects
- IESBA to remain flexible and agile to address urgent or unexpected issues



Planning Committee Views and Proposals

The Role of CFO's and other senior PAIB

- Noted respondents' view that the increasing demand for sustainability reporting creates need for high ethical standards not only for PAIBs but also for other preparers of corporate reporting information
- PC proposes that the work stream focuses on PAIBs
- Whilst agrees that it is in the public interest for all professionals to be subject to the same high ethical standards
 - PC of the view that this is a significant strategic matter for the Board's careful consideration and proposes that the IESBA continues to gather more information

Business relationships

- Benchmarking project identified materiality as key difference with US SEC independence rules on such business and financial relationships

Audit firm-audit client relationship

- PC notes support to explore the term "audit client"
- IESBA would examine broadly the "audit firm- audit client" relationship and whether Code provide a framework to address potential ethical impact arising from client relationship



Planning Committee Views and Proposals

Definitions and description of terms

- Acknowledged respondents' feedback on importance of alignment between IESBA and IAASB terms and definitions
- Work stream would require collaboration between two Boards
- Staff to perform initial analysis

Custody of data

- PC considered topic to be low priority and proposes TWG to conduct initial research and information gathering
- PC proposes that the TWG to also consider PA's ethical responsibilities regarding data governance

Communication with TCWG

- PC considered topic to be low priority
- The topic has been considered by projects given IESBA's focus on transparency; both NAS and Fees projects have included new provisions on communication with TCWG
- New provisions also being considered under IESBA's Tax Planning and Use of Experts projects





Strategic Work Plan

Suggested new topics

Ongoing

Pre-commitment

Potential

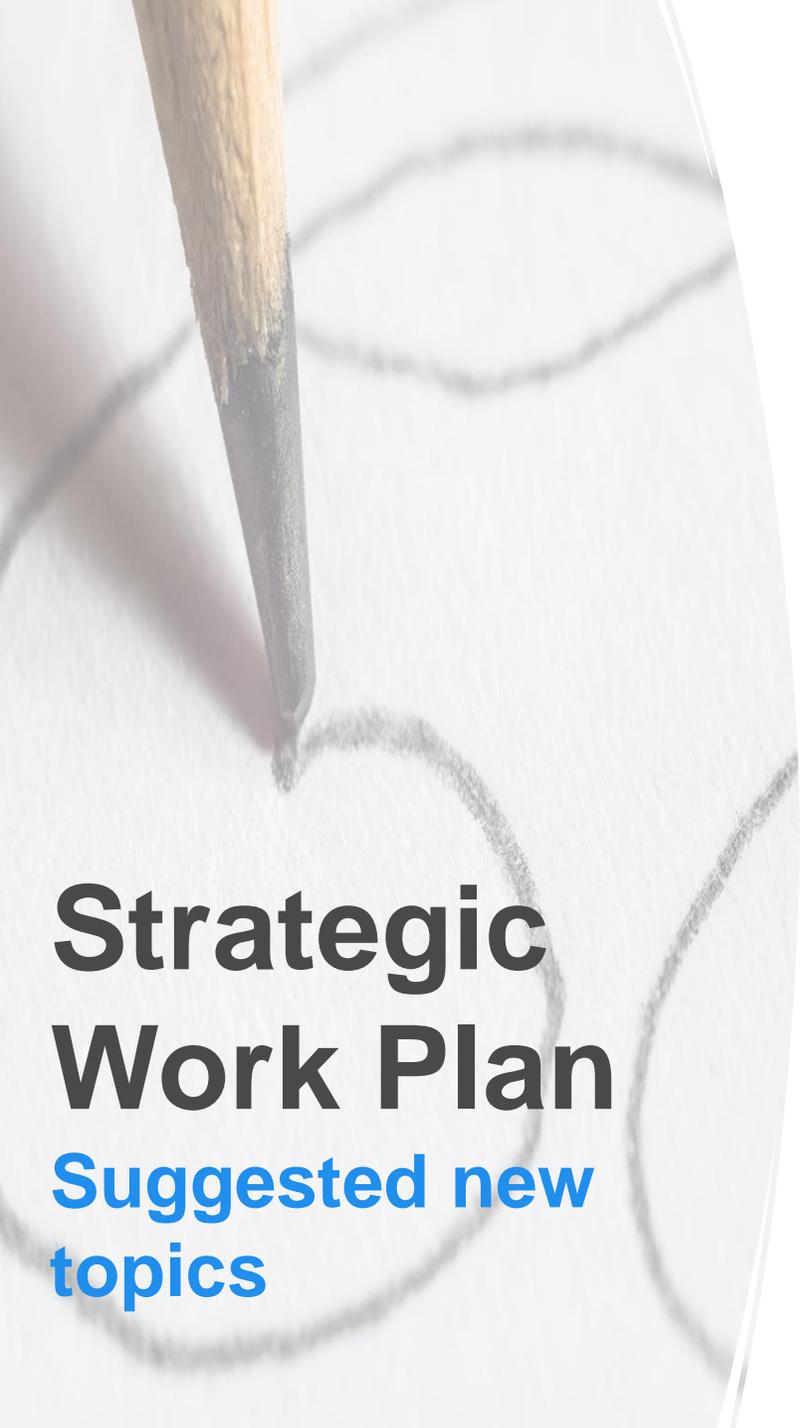
Monitoring Group members

- Timely and accurate translation important to facilitate consistent understanding, adoption and implementation
- IESBA to develop a process as part of PIR to address translation issues that were identified subsequent to finalizing a translated version.

Other Respondents

Firm culture and governance

- In light of recent events involving PAs in firms acting unethically, several respondents raised the topic of “firm culture and governance” as a potential work stream to determine if such ethical lapses should be addressed by strengthening the Code
- Coordination with IAASB to consider thought leadership or guidance material which emphasizes the firm leadership requirements in the Code and ISQM 1
- IESBA to consider the broader ethical issues that could arise due to insufficient monitoring and enforcement of the Code relating to the provision of NAS



Strategic Work Plan

Suggested new topics

Ongoing

Pre-commitment

Potential

Other Respondents

Technology

- IESBA to provide clearer strategy for monitoring and addressing emerging ethical issues relating to disruptive technologies
- Potential NAM could be considered include transparency and explainable AI and data used in AI training

Other Suggested Topics

- A number of potential topics/ activities were suggested by respondents, including:
 - Mandatory audit firm rotation, audit only firms and joint audits
 - Project to simplify, enhance understandability and decrease the overall length of the Code
 - Define clearly a PAs response to a breach to the fundamental principles, particular as it relates to disclosure
 - Additional part to the Code relating to PAs in the public sector

Planning Committee Views and Proposals

Firm culture and governance

- As mentioned, these recent incidents can potentially cause serious damages to the reputation of the firms and profession. They can impact public perception of the profession's ability to act in the public interest, damaging public trust in the quality of PA's work and faith in integrity of financial and non-financial information prepared
- PC strongly recommends including a new work stream on firm culture and governance, under which IESBA will:
 - ❖ Review extant provisions on organizational and firm culture in Part 1, 2 and 3 of the Code
 - ❖ Research and analysis to establish whether there is sufficient basis to strengthen the Code and / or issue NAM to highlight the importance of leadership and governance in firms to reinforce a robust ethical culture of ethical behavior across all firm activities and services
- Coordination with the IAASB is important due to the requirements of ISQM 1 on *Governance and Leadership* quality component
- Useful platform to promote the Code and importance of ethics in firms to a broader community
- Demand will be high given the amount of research anticipated



Planning Committee Views and Proposals

Other Suggestions

- PC does not propose to add any more work streams to the Work Plan 2024-2027.
 - TWG will continue to monitor the transformation effects of technological advancements and keep IESBA updated
 - The process of managing translations rests with IFAC
 - IESBA continue to seek feedback from respondents regarding any translation issues and project task forces continue to adhere to the Structure drafting conventions for clarity and understandability
 - Through the EIOC the IESBA will continue to monitor key trends and developments that impact ethical behavior of PAs and auditor independence



CAG Representatives are asked to share views on respondents' significant comments and PC's responses to:

- Potential new topics in Table B of the CP
- Suggested new work streams by respondents



Coordination with IAASB



IAASB-IESBA Coordination

Monitoring Group members

- Collaborate on issues of mutual interest such as the use of consistent definitions and terminology for respective sustainability projects
- Broaden coordination efforts to beyond the IAASB, to IASB and ISSB

Other Respondents

- Continue to collaborate on issues of mutual interest with the use of definitions of descriptions and terms as a potential project
- Broaden coordination efforts beyond IAASB to other international standard setters
- Consider systematic process to coordination with improved ways of work



Planning Committee Views and Proposals

- Welcomed the acknowledgement on importance of coordination
- Since 2018 coordination been operating under an established framework that sets out general principles, criteria and other key considerations
- The two Boards place greater focus on identifying matter of mutual interest a the initial information-gathering stage and will coordinate more closely at the operational level.
- Recommend the two Boards consider how best to coordinate more closely regarding timetables, release dates and effective dates.
- In September 2023, the two Boards will have a joint plenary session to share views on coordination for the next strategy period

Next Steps



Review Feedback

Approve SWP

PIOB Approval

Updated SWP



Questions / Comments



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