

## Report-Back of March 2023 IESBA CAG Discussion

The table below contains extracts from the draft March 2023 IESBA CAG meeting minutes and how the PC or IESBA has responded to the Representatives' comments.

Matters Raised	IESBA PC/IESBA Response
PROPOSED VISION	
<p>Noting the reference to the “sustainability of financial markets” in the draft vision, Mr. Norberg queried if other stakeholders outside the financial markets are covered by the draft vision as they also rely on sustainability information. In this regard, Mr. Thompson suggested that “economies worldwide” would capture stakeholders such as small- and medium-sized enterprises (SMEs).</p>	<p>Point accepted.</p> <p>The draft vision in the CP was updated to include the wording “economies worldwide”.</p>
<p>Ms. Manabat and Messrs. Greene and Orth queried how the IESBA's standards could be made available to, and adopted by, those outside the accountancy profession, and what their buy-in would be.</p>	<p>Point noted.</p> <p>At the meeting, Messrs. Siong and Kwan noted that attaining buy-in is a strategic objective that is being pursued as part of Work Stream 1 of the Sustainability project and that the IESBA will continue to engage with regulators on the issue of enforcement. Ms. Dias further clarified that the IESBA's decision to develop profession-agnostic standards for sustainability assurance is based on the significant number of practitioners already in the field who are not professional accountants (PAs), and that the regulatory call is for the IESBA to develop standards for sustainability assurance that are profession-agnostic. She added that it is outside the IESBA's remit to monitor compliance with the standards and to enforce them. However, the IESBA owes a duty to the public interest to make the standards available to all sustainability assurance practitioners.</p>
<p>With regards to the phrase “...ethics, including independence, standards...”, Mr. Sobel queried if it is necessary to include “independence” as all aspects of ethics are critical. Ms. Riggs and Mr. Hansen suggested that as the IESBA develops profession-agnostic standards, it might be clearer</p>	<p>Point considered.</p> <p>Under the Code, ethics standards include the auditor's independence requirements.</p>

Matters Raised	IESBA PC/IESBA Response
<p>if the phrase is restated as “ethics and independence standards”.</p>	
<p>Mr. Sobel observed that the use of the word “sustainability” in the reference to the “sustainability of financial markets and economies worldwide” should not give the perception that it is only limited to sustainability reporting and assurance.</p>	<p>Point considered.</p> <p>The proposed vision was revised to also include sustainability of organizations; further the PC noted that the term “sustainability” is used in the IESBA’s vision in the widest sense and not only with respect to ESG but also the sustainability of our economies in the long term.</p>
<p>Mr. Thompson noted that the word “proper” in the reference to “proper functioning of financial markets and economies” may not be well understood in other languages. He suggested using the term “more effective.” He also suggested that the reference to public trust be followed by “confidence in” to reinforce the point that public trust will result in public confidence.</p>	<p>Point considered.</p> <p>The PC did not consider it necessary to revise the draft vision as suggested, noting in particular that:</p> <ul style="list-style-type: none"> <li>• The word “proper” is the most appropriate term in this instance as it better encompasses the concept of ethics (i.e., the right way of functioning).</li> <li>• The word “confidence” is implied when there is public trust. In order to keep the vision succinct, the additional word is not necessary.</li> </ul>
<p>Mr. Orth expressed the view that the proposed vision, whilst sensible, seems ambitious and wondered if the IESBA will have the necessary resources to achieve it. He also agreed with the IESBA’s focus on sustainability going forward given that the IESBA has already completed a number of key auditor independence projects in the recent past.</p>	<p>At the meeting, Mr. Kwan clarified that auditor independence will continue to be a strategic focus for the IESBA’s future SWP given continuing regulatory concern to strengthen auditor independence.</p>
<p>Mr. Dalkin observed that the use of technology is crossing over multiple ethics issues and suggested that the IESBA consider including technology in its vision.</p>	<p>Point considered.</p> <p>Whilst acknowledging the pervasive impact of technology, the PC did not consider it necessary to include technology in its draft vision as the impact of technology is more appropriately highlighted in the proposed strategic drivers, themes and actions.</p>
<p>Mr. Hansen suggested removing the phrase “in the production, reporting and assurance” to improve the clarity of the vision.</p>	<p>Point accepted.</p> <p>The draft vision in the CP was updated as suggested.</p>

Matters Raised	IESBA PC/IESBA Response
PROPOSED STRATEGIC DRIVERS, THEMES AND ACTIONS	
<p>With regards to the strategic driver of “Rapidly Growing Market Demand for Sustainability,” Mr. Cela suggested that this driver should also include reference to the societal demand for sustainability information and that he would like to understand the impact on SMEs.</p>	<p>Pointed accepted.</p> <p>The strategic driver was revised as “Rapidly Growing Market and Public Demand for Sustainability Information”.</p>
<p>Mr. Cela also suggested that the proposed strategy should include the concept of proportionality which is important to the application of the Code to SMPs and in the context of SMEs.</p>	<p>Point accepted.</p> <p>As highlighted in the CP, the IESBA will also continue to engage with SMPs to guide its considerations of proportionality in developing the standards, among other matters of relevance to the SMP community.</p>
<p>With regards to the strategic driver of “Heightened Stakeholder Expectations for Greater Timeliness,” Mr. Sobel noted the importance of timely identification of topics or issues. He also observed the potential challenge of the IESBA demonstrating agility given the need to follow due process.</p>	<p>At the meeting, Mr. Kwan noted that adhering to due process does take time in order to ensure that the standards developed are robust. He added that, in some instances, the appropriate response to addressing ethics issues may not be revisions to the Code but the development of non-authoritative guidance or other resources.</p>
<p>Given the importance of addressing the expanding role of PAs in business (PAIBs) as a strategic theme, Mr. Norberg suggested that the IESBA consider how to achieve more buy-in in strengthening ethical expectations in this area, noting that PAs working in organizations are not required to comply with the Code in some jurisdictions. He added that the principles of the Code would also be important for non-PAs. Mr. Hansen supported the focus on PAIBs, observing that fraud often begins on the preparer side or among those with key decision-making authority.</p>	<p>At the meeting Mr. Kwan noted that the IESBA, amongst other matters, will continue to liaise with IFAC’s PAIB Advisory Group.</p>
<p>Mr. Hansen suggested that, in light of the proposed vision, the proposed strategic themes should more clearly indicate the Board’s continuing focus on addressing issues relating to auditor’s independence.</p>	<p>Point noted.</p> <p>The PC noted that the SWP is sufficiently clear that the IESBA continues to place a strong focus on auditor’s independence.</p>

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<p>Mr. Yurdakul suggested that the proposed vision and strategic themes should emphasize the IESBA's mission to serve the public interest.</p>	<p>Point considered.</p> <p>The PC noted that the IESBA's mission is included in the description of IESBA in the CP and does not consider further reference necessary. The IESBA's mission will also be included in the SWP.</p>
<p>Ms. Meng expressed her support for the IESBA to conduct post-implementation reviews of newly issued standards.</p>	<p>Point noted.</p>
<p>Mr. Dalkin noted that given the impact of technology and its correlation with independence issues, the proposed strategic themes should more explicitly highlight the Board's focus on technology. Similarly, Ms. Gamboa also asked the Board to consider adding the use of technology as a separate strategic theme, observing the increasing use of artificial intelligence in financial reporting.</p>	<p>At the meeting, Mr. Kwan reaffirmed the IESBA's continuing commitment to monitoring the impact of technology on the profession. He also pointed out that the IESBA had recently completed its Technology project and that some of the topics addressed in that project took into account the findings and recommendations from the Technology Working Group's Phase 2 Report.</p>
<p><b>PROPOSED PROJECTS AND WORK STREAMS</b></p>	
<p>Mr. Hansen queried if the benchmarking report published in 2022 would be kept evergreen with the standard-setting developments from the IESBA, US Securities and Exchange Commission (SEC) and the PCAOB.</p>	<p>At the meeting Mr. Siong confirmed that the IESBA will update its findings as appropriate.</p>
<p>Mr. Ishiwata expressed the view that the Sustainability project is of the highest priority. He noted that unforeseen issues might require IESBA action and therefore some buffer should be provided in the work plan. He further encouraged the IESBA to maintain flexibility in its work plan and determine its work streams based on priorities.</p>	<p>At the meeting Mr. Kwan reminded the CAG that the IESBA has committed to remain flexible and agile in re-prioritizing its work plan as needed.</p>
<p>Mr. Ishiwata emphasized the importance of PIRs and suggested that the Sustainability and Engagement Teams – Group Audits projects be added to the proposed list of PIRs in the work plan.</p>	<p>At the meeting Mr. Kwan clarified that it would be too early to conduct these PIRs during the next SWP.</p>
<p>Ms. Blomme encouraged the IESBA to work closely with the IAASB on the Sustainability project, taking in account that in the European Union (EU), the IESBA's proposed ethics and</p>	<p>Points noted.</p> <p>IESBA will continue to work closely with IAASB on the sustainability project as well as its stakeholders</p>

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<p>independence standards for sustainability assurance will become applicable through the IAASB’s proposed International Standard on Sustainability assurance (ISSA) 5000.<sup>1</sup> Ms. Blomme also observed an increase in the demand for assurance on reporting in the wider technology and IT sphere. She also indicated that Table C seemed ambitious. Finally, Ms. Blomme expressed support for the work streams in Table A, especially independence considerations with respect to pension funds from an EU perspective.</p>	<p>across the globe.</p> <p>The IESBA will consider the feedback received on the potential new topics listed in the CP at its September 2023 meeting.</p>
<p>Ms. McGeachy-Colby encouraged the IESBA to be cognizant of the pace of change so that jurisdictions can keep up with the adoption and implementation of these changes, particularly for the smaller professional accountancy bodies (PAOs).</p>	<p>Point noted.</p> <p>The IESBA acknowledged these concerns by stakeholders. As highlighted in the CP, the capacity of the market to assimilate new or revised IESBA standards is an important factor amongst others that the IESBA considers in determining the number and prioritization of its standard-setting projects and in setting effective dates for final standards.</p>

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<sup>1</sup> Proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements*