



June 23, 2023

International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, NY 10017

Re: *Proposed Strategy and Work Plan 2024-2027*

Dear Members of IESBA:

The AICPA Professional Ethics Executive Committee (PEEC) respectfully submits the following comments to IESBA on its *Proposed Strategy and Work Plan 2024-2027 consultation paper* (the SWP).

The AICPA is the world's largest member association representing the CPA profession, with 431,000+ members in 130 countries and territories, representing many areas of practice, including business and industry, public practice, government, education, and consulting.

The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, nonprofit organizations, and federal, state, and local governments; provides educational materials to its members; develops and grades the Uniform CPA Examination; monitors and enforces compliance with the profession's technical and ethical standards; offers specialized credentials; builds the pipeline of future talent; and drives professional competency development to advance the vitality, relevance and quality of the profession.

Through PEEC, the AICPA devotes significant resources to ethics activities, including evaluating existing standards, proposing new standards, and interpreting and enforcing those standards.

PEEC has the following comments regarding the SWP.

[Strategic Drivers, Themes and Actions](#)

Do you agree with the IESBA's Proposed Strategic Drivers (see pp.9–13)?

We agree with the proposed strategic driver to further increase global adoption of the IESBA Code (code) and support its effective implementation. The significant volume of ethics, accounting and auditing standard setting, however, not only affects the timeframe in which member bodies can converge but also the professional accountant's ability to implement the standards after convergence. In that regard, we encourage IESBA to continue considering these factors when determining the prioritization of new projects, along with whether the code is fit for purpose and whether simply providing professional accountants (PAs) with guidance on how to apply the code in evolving circumstances could achieve the project objective.

Additionally, when deciding upon effective dates for code changes, IESBA should consider the volume of projects, the due process that some organizations must follow to converge, and the time needed for PAs to implement the changes after convergence. Accelerated implementation of new guidance could lead to a high risk of noncompliance and/or inconsistent application by PAs.

Do you agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions (see pp.13–18)?

We agree with IESBA's strategic theme to widen the influence of IESBA's standards through a continued focus on adoption and implementation. The standard setting process continues even after a standard is issued. In that regard, we strongly believe IESBA has a critical leadership role to fill in supporting the effective adoption and implementation of its standards. As such, we encourage IESBA to look beyond its current focus on standard-setting and consider thought leadership pieces or other nonauthoritative material (NAM) to further global operability and effective implementation of the code.

A period of stability is necessary given the numerous code amendments over recent years, some of which are not yet effective. Organizations and firms are expending significant effort to implement the numerous revisions to the code, and additional effort is required to ensure that the standards were implemented properly.

We therefore encourage that future standard-setting efforts be guided by the outcomes of post-implementation reviews, research, and enhanced collaboration. Prioritizing post-implementation reviews of previous significant code changes will allow IESBA to determine whether the objectives of the many revised standards over the last few years have been met and whether additional implementation guidance in particular areas is needed to further global operability and effective implementation. Research that supports IESBA's proposals would enhance credibility and facilitate implementation.

It also would be beneficial for IESBA to enhance collaboration with national standard-setters and other key stakeholders. By collaborating at various stages,¹ IESBA could leverage the expertise and insights of stakeholders to refine scopes, identify potential challenges, and develop more effective standards. It is also crucial for IESBA to seek input from key stakeholders beyond the responses received through comment letters on proposed standards. Though comment letters provide valuable feedback, they may not capture the full range of perspectives or address all potential implications of the proposed standards.

[Proposed Work Plan for 2024-2027](#)

¹ Such as when projects are initially being scoped out and during post-implementation reviews.

Do you support the IESBA considering the topics set out in Table B as potential work streams (see pp.22-24)? If so, please also share your views on any specific issues or questions you believe the IESBA should consider under these topics. If not, please explain your reasons.

Role of CFOs and Other Senior PAIBs

We encourage IESBA to consider thought leadership pieces or other NAM that would be helpful to explain ethical leadership responsibilities of senior professional accountants in business (PAIBs) which were addressed under recent projects, such as Role and Mindset and Technology. NAM would assist users in understanding the new provisions and applying them consistently and would help leaders build an ethical culture into their organizations.

Business Relationships

We agree that this topic needs to be studied, and PEEC plans to undertake a project to evaluate the evolving landscape of business relationships in the near term.

If IESBA proceeds with developing a definition of business relationships, we believe the provisions should allow for scalability and use of professional judgement.

We support the revision of Section 520 if IESBA determines that Section 520 does not sufficiently address the independence issues that may arise from the different types of business relationships. To achieve global operability, it is critical that the standards remain scalable and principles-based. Therefore, we recommend that IESBA develop principles-based guidance, focusing the requirements on those relationships that are most likely to create significant threats to independence. Certain regulators allow specific business relationships that are conducted on market terms, established at arm's length, and are in the ordinary course of business because these relationships do not typically pose a threat to independence. For instance, the U.S. SEC permits purchasing goods or services from a client at normal commercial terms when these goods or services will be consumed by the firm. We encourage IESBA to consider the importance of permitting arm's length transactions to avoid unintended adverse effects on firms and that IESBA not develop guidance that is more restrictive than the SEC's.

Section 520 contains the independence standards for business relationships. We do not believe that the proposal to eliminate the materiality and significance criteria from Section 511 on loans and guarantees is in-scope for a project on business relationships and therefore, recommend excluding it from the SWP. Loans and guarantees have been treated as financial relationships by regulatory bodies, such as the U.S. SEC.

Audit Firm – Audit Client Relationship

The SWP does not clearly describe the substantive concern that IESBA has identified, which would call for a change from the term "audit client" to "audit entity" in the independence

standards. The term “audit client” is neither ambiguous nor confusing, even though the entity whose financial statements will be audited has owners, shareholders, and management.

We are concerned that the IESBA work stream would have direct and indirect effect on the well-established legal relationships and expectations that exist between auditors, their clients, and others to whom the auditor may have liability, particularly in the United States. Without more clear direction, this work stream could have many unintended consequences, including creating confusion for users of financial statements and audit reports.

We would be pleased to arrange a meeting with IESBA to discuss the legal relationships in the United States to assist with any further consideration of this work stream.

Definitions and Descriptions of Terms

We support IESBA and the IAASB engaging in a coordinated effort to review and harmonize existing definitions and descriptions of terms, where appropriate.

PEEC does not recommend defining “employee” to include those that act in a capacity of an employee at a client. PEEC removed the concept of acting in a capacity of an employee from the AICPA code to minimize confusion on permitted non-assurance services. If IESBA proceeds with defining “employee,” it will be critically important to ensure the definition is scalable, especially for clients that are not overseen by security regulators.

Communication With Those Charged With Governance (TCWG)

IESBA enhanced the requirements related to communication with TCWG as a result of IESBA’s Non-assurance services and Fees projects. We believe the code provides sufficient guidance addressing such communication.

Do you believe the IESBA should accelerate or defer any particular ongoing, potential or pre-committed work stream(s) set out in Tables A, B and C? Please explain your reasons.

We recommend IESBA postpone the Custody of Data project until IESBA conducts the post-implementation review of the technology-related revisions. This will allow for evidence-based decisions about topics of focus where there is a need to make real and impactful improvements.

Are there other topics the IESBA should consider as potential new work streams? If so, please indicate whether these topics are more important than the topics identified in Table B (see pp.22-24), and the needs and interests that would be served by undertaking work on such topic(s).

We have not identified any other potential work streams.

[Additional Information](#)

The IESBA's proposed Strategy and Work Plan emphasizes the importance of close coordination with its sister Board, the IAASB. Do you have views or suggestions as to how coordination between the IESBA and IAASB could be enhanced to better serve the public interest?

We support strengthening the coordination with the IAASB to leverage better collective actions in the public interest. We also encourage having joint IESBA and IAASB sessions during national standard-setters meetings.

Do you have comments on any other matters addressed in this Consultation Paper or any significant matters not covered that you believe the IESBA should consider in finalizing the SWP 2024-2027?

Collective Investment Vehicles (CIVs), Pension Funds and Investment Company Complexes (ICC)

We support IESBA reviewing CIVs, ICCs, and pension plans to ensure that the independence provisions and the application of the "related entity" definition in the code remain fit for purpose with respect to these arrangements. We commend IESBA for exercising caution before determining the need for revisions to the code given the complexity of these arrangements or structures and the degree of variation across jurisdictions. We would be pleased to arrange a meeting with the staff of the [Employee Benefit Plan Audit Quality Center](#) of the AICPA to assist with your understanding of pension plans in the United States.

Sustainability and Use of Experts

In our [response](#) to *The IESBA Strategy Survey 2022*, we expressed our concerns about IESBA expanding the code to assurance providers other than professional accountants in public practice. We continue to believe that developing a profession-agnostic code will lead to erosion of public protection, weakening of standards, and diminished enforcement relating to the profession itself. IESBA should prioritize developing guidance for PAs rather than other professions that may want to use IESBA's code. IESBA was created with a focus on the accounting profession and should maintain that focus by prioritizing the accounting profession over others.

As part of IESBA's collaboration with the IAASB, we encourage IESBA to consider observations raised through the IAASB's SWP process about profession-agnostic standards, including those raised by the [AICPA Auditing Standards Board](#).

We thank you for the opportunity to present our views on the SWP. As IESBA considers the observations and recommendations included in this letter, we welcome the opportunity for dialogue. If you have any questions regarding the comments in this letter, please contact the Chair of PEEC, Anna Dourdourekas, at anna.dourdourekas@us.gt.com or the AICPA's Director – Professional Ethics, Toni T. Lee-Andrews, at toni.leeandrews@aicpa-cima.com.

Sincerely,

Anna P. Dourdourekas

Anna Dourdourekas, CPA
Chair, Professional Ethics Executive Committee

cc: Toni Lee-Andrews, CPA, PFS, CGMA, Director – Professional Ethics