

7 July 2023

Mr. Geoff Kwan  
Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 5th Avenue  
New York, New York 10017  
USA

## Re: Proposed IESBA Strategy and Work Plan, 2024 -2027

Dear Mr. Kwan,

BDO International Limited<sup>1</sup> (BDO) is pleased to have the opportunity to comment on the International Ethics Standards Board for Accountants' (IESBA or Board) Consultation Paper (CP) in respect of the *Proposed IESBA Strategy and Work Plan (SWP), 2024 -2027* (the CP).

Overall, BDO is supportive of the proposed SWP and we have presented our responses to each of the specific questions below.

### Responses to Specific Questions

#### *Strategic Drivers, Themes and Actions*

##### Question 1

Do you agree with the IESBA's Proposed Strategic Drivers?

1. BDO agrees with the IESBA's Proposed Strategic Drivers, as outlined in our response to the [IESBA Strategy Survey 2022](#), extracts of which are included below.

#### **Rapidly growing market and demand for sustainability information**

2. BDO believes that standard-setting action relating to the developments in sustainability reporting and assurance should be a key priority for the IESBA.
3. Ethical guidance for individuals preparing sustainability reports from a management's perspective, is critical to achieving high-quality, globally consistent sustainability reports.
4. There is an urgent need for guidance on how to apply the International Independence Standards (IIS) as it relates to sustainability assurance services, as the demand for these services are increasing, thus exposing the profession if the independence standards are not consistently applied.

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5. BDO agrees that the IESBA should develop profession-agnostic standards (including independence) to support sustainability assurance and that the IESBA should investigate what authority is required to bring other professions under its umbrella, whether this will be possible and how other service providers will be bound to the requirements of the IESBA Code.
6. It is important for the IESBA to continue working closely with the International Auditing and Assurance Standards Board (IAASB) and the International Sustainability Standards Board (ISSB) in developing ethics standards for sustainability reporting and assurance.

### **Corporate failures, trust crisis and expanding roles of Professional Accountants in Business (PAIBs)**

7. BDO agrees that the roles of PAIBs are expanding but believes that the IESBA Code currently provides sufficient guidance to PAIBs. We, however, question whether PAIBs understand the authority of the IESBA Code within their organisation or have sufficient knowledge of the provisions of the IESBA Code and how it applies to their roles within their organisation.
8. BDO believes that Professional Accountancy Organisations' (PAOs) responsibility regarding the monitoring and disciplining of PAIBs should be emphasised through the publication of non-authoritative material.
9. BDO is of the view that the current IIS provisions contained in the IESBA Code are sufficient to address current independence challenges facing the audit profession.

### **Global operability of the IESBA Code**

10. Illustrative examples (in Non-Authoritative Material (NAM)) of different situations add value, aid understanding, and ultimately result in more consistent application of the IESBA Code's requirements around the globe.
11. Post-implementation reviews (PIR) provide valuable insight into areas where clarity is required in terms of practical application of the IESBA Code, ultimately resulting in enhancing the global operability of the IESBA Code.

### **Global acceptance, adoption and effective implementation of the IESBA Code**

12. BDO believes that the IESBA should devote strategic focus on standard-setting activities, IFAC should focus on promoting timely adoption of the IESBA Code and that local regulatory bodies should focus on effective implementation of the IESBA Code.

#### **Question 2**

#### **Do you agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions?**

13. BDO agrees with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions, as outlined in our response to the [IESBA Strategy Survey 2022](#).

### **Enhancing trust in sustainability reporting and assurance**

14. BDO agrees that it is important to endeavour to obtain the support or endorsement of its new standards addressing sustainability reporting and assurance from global

regulators and oversight bodies and other key jurisdictional bodies.

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

15. BDO agrees that the IESBA should focus on progressing and completing ongoing and new projects in a timely manner in the interest of establishing a global approach to emerging matters.
16. BDO agrees that the IESBA should continue to monitor and respond to developments on technology, sustainability as well as emerging issues or developments outside of sustainability and technology.

### **Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards**

17. BDO agrees with all the strategic actions highlighted in the CP, particularly that the IESBA should proactively engage with a broad range of stakeholders, including assurance providers independent of the accountancy profession to seek their input to the IESBA's development of profession-agnostic standards for sustainability assurance.

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

18. BDO agrees that it is important to engage in outreach around the world to raise awareness of the importance of ethics to the proper functioning and sustainability of financial markets and economies, and to promote further adoption of the IESBA Code.

#### *Proposed Work Plan for 2024 - 2027*

##### **Question 3**

Do you support the IESBA considering the topics set out in Table B as potential work streams? 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.

19. BDO supports the IESBA considering the topics set out in Table B as potential workstreams, with some reservations regarding the project relating to the “audit firm-audit client” relationship, as outlined in our response to the [IESBA Strategy Survey 2022](#), extracts of which are included below.

### **Role of Chief Financial Officers (CFOs) and other senior PAIBs**

20. BDO questions whether PAIBs **understand** the authority of the IESBA Code within their organisations or have sufficient knowledge of the provisions of the IESBA Code and how it applies to their roles within their organisations.
21. BDO believes that PAIBs have a key role to play in the financial reporting ecosystem in protecting the public interest and that NAM regarding how PAIBs should address familiarity threats in the context of their work for employing organizations will raise the ethical bar for PAIBs.
22. BDO suggests that the ethical leadership responsibility of PAIBs as addressed through the Role and Mindset provisions in the Code, should be emphasised through detailed guidance by IESBA in the form of NAM. This could include more ethics guidance/ directives for PAIBs in directorship roles.

23. BDO encourages the IESBA to action projects that reduce the disparity between the ethical expectations of Professional Accountants in Public Practice (PAPPs) and PAIBs, specifically focused on the role of PAIBs in protecting the public interest.

#### **Business relationships**

24. BDO believes that the inclusion of a definition for the term “*business relationship*” in the IESBA Code should be a priority for the IESBA due to the growing number of activities involving the auditor or auditing company with different business relationships and the limited guidance and other resources available on this topic.
25. In addition to including a definition for the term “*business relationship*”, BDO suggests that the IESBA provide more guidance and clarity on this matter through the issuance of NAM such as FAQ’s and examples.
26. BDO is of the view that the current IIS provisions contained in the IESBA Code are sufficient to address the current independence challenges pertaining to business relationships.

#### **Audit firm - audit client relationship**

27. BDO agrees that the IESBA should explore whether it continues to remain appropriate for the IESBA Code to use the term "audit client" as opposed to the "audited entity" or "entity subject to audit" as this recognises that the ultimate beneficial client is not the entity itself but the entity's owners or shareholders.
28. BDO is of the view that the current IIS provisions contained in the IESBA Code are sufficient to address the current independence challenges pertaining to the inherent risk related to the audit client payer model.

#### **Definitions and descriptions of terms**

29. BDO supports the alignment of definitions of the terms used in the IESBA Code with the corresponding IAASB definitions.
30. In addition to considering defining “*business relationship*”, BDO recommends that the IESBA also considers defining “*advice and recommendations*”.

#### **Custody of data**

31. The concept of “*custody/hosting*” is undefined and therefore open to interpretation. The term “*data*” is also undefined and broad in scope. BDO recommends that the IESBA defines these as part of its proposed project.
32. When investigating the ethical implications of a PA’s custody of financial or non-financial data, BDO recommends that the IESBA considers the specific type of data being hosted, the method of hosting and the purpose of hosting the data.

#### **Communication with those charged with governance**

33. BDO agrees that there is merit in adding new provisions relating to “communication with those charged with governance” in Section 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PA’s

compliance with the fundamental principles, and, where applicable, independence requirements because this further enforces the joint responsibility of auditors and TCWG to comply with the fundamental principles.

#### Question 4

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

34. BDO agrees with the timelines proposed for the ongoing, potential, and pre-committed work streams. With the pivotal role that the IESBA Code plays in relation to reporting and assurance of sustainability information, it is important for the IESBA to continue to align their sustainability projects with the timing of the projects of the International Sustainability Standards Board and the International Auditing and Assurance Standard Board.

#### Question 5

**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, and the needs and interests that would be served by undertaking work on such topic(s).**

35. As indicated in our response to question 3, BDO believes that the current IIS provisions contained in the IESBA Code are sufficient to address the current independence challenges pertaining to the inherent risk related to the audit client payer model. We therefore believe that addressing cryptocurrency and breaches of the IESBA Code are more important than addressing the inherent risks relating to the “audit firm-audit client” relationship.

#### Cryptocurrency

36. Cryptocurrency is an emerging issue that firms are currently faced with. Dealing in/with cryptocurrency requires ethical considerations to be front of mind. Furthermore, the independence considerations relating to cryptocurrency and which provisions of the IIS apply when assessing threats relating to firms holding cryptocurrency in an audit client are areas where guidance from the IESBA will be beneficial. BDO believes that the IESBA should consider whether standard-setting activities are needed to address this or whether non-authoritative material illustrating how the current principles contained in IESBA Code apply to cryptocurrency will provide sufficient clarity.

#### Breaches of the IESBA Code

37. BDO believes that the professional accountant’s response to a breach of the fundamental principles should be more clearly defined, particularly as it relates to disclosure requirements when the breaches occur and steps available when the professional accountant is unable to end a service.

## *Additional Information*

### **Question 6**

**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?**

38. We agree that close coordination with the IAASB (and most especially in respect of Strategy and Work Plan coordination) is important to ensure consistency in approach, aligning timelines and consideration of the implications arising from new or revised standards being issued. Coordination should also extend to the notification and planned release of implementation guidance especially in areas of overlap or where both standards-setting boards are working on joint projects. Although the original Monitoring Group reform to have one standard setting board has not been implemented, there is an opportunity to have closer alignment, cooperation, and work activity (potentially through direct engagement or membership of Task Forces) from each of the respective IESBA and IAASB standard-setting boards. This could enable the assurance considerations to be deliberated by specific Task Forces throughout each project.

### **Question 7**

**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?**

39. BDO has no further comments.

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We appreciate the opportunity to comment on the consultation paper. We hope that our comments and suggestions will be helpful to you in your deliberations and development of future recommendations.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,

BDO International Limited



Basile Dura  
Secretary