



IESBA - International Ethics Standards Board for Accountants  
529 Fifth Avenue  
New York 10017  
USA

7 July 2023

**Re: Comments relating to Proposed IESBA Strategy and Work Plan, 2024-2027**

Dear Mrs. Figueiredo Dias,

1. The CEAOB (Committee of European Auditing Oversight Bodies) appreciates the opportunity to comment on the IESBA consultation paper (CP) on “Proposed IESBA Strategy and Work Plan, 2024-2027” issued in April 2023. As the organisation representing the audit regulators of the European Union (EU) and the European Economic Area (EEA), the CEAOB encourages and supports continuing improvement of professional standards for the audit profession.
2. The content of this letter has been prepared by the International Auditing Standards Subgroup and adopted by the CEAOB. The comments raised in the letter reflect matters agreed within the CEAOB. It is not intended, however, to include all comments that might be provided by the individual regulators that are members of the CEAOB and their respective jurisdictions.
3. As audit regulators, the CEAOB members’ mandates encompass oversight of the independence and the other ethical rules that apply to statutory auditors, based on the requirements applicable in their respective jurisdictions.
4. The IESBA Code of Ethics (“Code”) is used in several European jurisdictions, but not all of them. The CEAOB clearly sees a benefit in enhancing the Code, as it constitutes a basis for benchmarks at international level. Moreover, a number of international audit firms and networks have voluntarily committed to complying with the Code.

**General comments**

*Clarity and enforceability*

5. The CEAOB consistently encourages IESBA to enhance the quality, clarity and enforceability of the Code, even though existing legal ethical rules or provisions in force at the national level in EU and EEA members states will continue to supersede those of the Code.
6. The CEAOB continues to believe that the Code should be clear and enforceable and allow for audits to be performed on a consistent basis. The Code should incorporate provisions required to ensure appropriate and consistent auditor behaviour: this means



that the IESBA should include clear ethical principles along with clear requirements, to promote better ethical behaviour and outcomes.

*Engagement with regulators and a wide range of stakeholders*

7. The CEAOB welcomes IESBA's recognition of the need to work closely with regulators and oversight bodies, and encourages the IESBA to consider enforcement challenges and perspectives when drafting its standards, (ref. par. 21 CP). Addressing needs for clarity and challenges faced by enforcement authorities in their duty to sanction inappropriate behaviour will indeed be key to increasing the acceptance and use of the standards.
8. The CEAOB welcomes initiatives to reach out to a wide range of stakeholders even outside the accounting profession. In particular, new audiences like external assurance service providers on sustainability reporting should be added to IESBA's targets. The CEAOB also welcomes further involvement of investors and those charged with governance (ref. par. 42 CP) as the CEAOB is of the view that involving those communities will be pivotal to understand their specific needs and challenges.
9. Another key factor that has been acknowledged by the IESBA is that assurance engagements are already being performed by providers who are independent of the audit profession. The CEAOB emphasizes that understanding the ethical frameworks those assurance providers use in their work and getting their input on the IESBA's standards for sustainability will be a matter of utmost importance in promoting their globally accepted application.
10. In addition, it is unclear to the CEAOB, from the CP, which actions will be undertaken by the IESBA to promote the use, by other assurance services providers outside the accounting profession of the IESBA pronouncement related to sustainability reporting and/or associated assurance.

*Coordination with other standards setters*

11. The CEAOB supports the coordination efforts among standard-setting organisations relevant to auditing. Of particular importance is IESBA's objective to align the Code with the international standards of the International Auditing and Assurance Standards Board (IAASB) to promote consistency and interoperability. Coordination of timetables will be of most relevance, especially on sustainability, to implement provisions related to assurance on sustainability reporting.
12. Reaching out not only to assurance services providers but also to professional standards setters or bodies issuing professional guides and standards might also be beneficial to facilitate further use of the IESBA pronouncements on ethics for sustainability assurance by this new audience.
13. The CEAOB stresses however that the applicable sustainability reporting standards applicable according to European Union law will be those adopted by the European Commission, following EFRAG advice. The International Sustainability Standards Board (ISSB) pronouncements will not be the only basis for sustainability reporting standards worldwide. Thus, while ISSB–IESBA coordination activities are welcome, the CEAOB encourages the IESBA not only to take into consideration in its work the standards developed by the ISSB, but also work by other relevant standards setters in the field of sustainability reporting, especially the work of EFRAG on European Sustainability Reporting Standards (ESRS), to incorporate ESRS specificities (ref. par. 42 CP).



### *Global acceptance and European expectations*

14. The CEAOB warns the IESBA regarding the risks associated with the objective of achieving global acceptance of the Code. This acceptance should not lead the IESBA to work based on a lowest common denominator approach to maximize acceptance. The CEAOB stresses the importance of enhancing and strengthening the international independence standards to meet the public interest worldwide, including European public expectations and European legal requirements (ref. par. 33 CP).
15. Despite some stakeholders' call for the IESBA to temper the pace of standard-setting and request to focus more on developing non-authoritative material (to assist users in understanding the new provisions and applying them consistently), the CEAOB cautions the IESBA against replacing amendments to the Code by the issuance of non-authoritative material. Such non-authoritative material does not have the same enforceability for regulators and can thus never replace clear and robust standards/Code.

### **Comments on the proposed work plan**

#### *Assurance on sustainability statements*

16. The CEAOB first strongly supports the IESBA project aimed at developing ethical provisions that should be applied for assurance engagements on sustainability information, not only by the traditional IESBA audience of auditors, but also by other assurance services providers. European law requires sustainability assurance providers to adhere to ethical principles equivalent to those that apply to statutory auditors in their performance of the audit. Strengthening ethical provisions for the use of experts is also an area which will become crucial for sustainability reporting assurance and deserves the IESBA's examination.
17. In this project, one of the critical factors for European adoption will be the coverage of the European legal requirements set by the Corporate Sustainability Reporting Directive (CSRD) for auditors and other assurance services providers, on the one hand, and the consistency with the provisions of the ESRS on the other hand (*as mentioned also in par. 13 of this letter*).
18. The CEAOB also warns the IESBA against the risk of weakening the current provisions of the Code applicable to auditors. The CEAOB would support the adoption of ambitious provisions in the IESBA Code, for the purpose of adapting the Code for use by non-accountants. The IESBA project on sustainability should lead to provisions for them which are equivalent to those applicable to accountants, and should in no way undermine the current provisions already applicable to auditors for audit engagements on financial statements.
19. Regarding the need to adhere to the set deadline for delivery, the CEAOB reminds the IESBA that, according to the CSRD, assurance reports will be due on 2024 year end sustainability statements and that ethical provisions will also need to be in force then to secure the engagements. Time management will be critical to deliver the standards on time (*see also comment on coordination with IAASB, par. 11 of this letter*).
20. The "Summary Illustrative IESBA Work Plan 2024-2027" in appendix 3 of the CP indicates that, for sustainability, no further milestones are planned beyond 2024, except for the rollout of the revisions to the Code at the start of 2025. The CEAOB would expect further work may need to be done in the upcoming years and questions whether the need to continue developing the Code further for sustainability assurance has been properly reflected in the work plan.



### *Other projects*

21. Based on the limited description of the other projects proposals provided in the CP, the CEAOB has not identified in the consultation any proposals that would be judged as clearly irrelevant.
22. However, the project on Collective Investment Vehicles does not appear to merit the same level of short term priority as sustainability assurance, in the European context. Given its strategic focus in the area of regulation, the CEAOB is most interested in projects that would enhance the provisions applicable to auditors or other assurance services providers.
23. The CEAOB will continue to support the actions taken by the IESBA to monitor emerging (technology) developments, like for instance the developments in artificial intelligence techniques and tools, which may impact the behaviour and the work of auditors and may deserve specific coverage by ethics requirements.
24. On the Non Assurance Services post implementation review project (see par. 92 CP), the CEAOB would also highlight remaining concerns with respect to whether the “threat and safeguards” approach set out in the Code provides sufficient guidance for auditors to apply it properly. The CEAOB encourages the IESBA to assess whether the “threats and safeguards” approach in the Code should be supplemented with strict prohibitions of certain non assurance services for PIE auditors as provided for in the EU Audit Regulation in particular.

Please do not hesitate to contact me or the Chair of the CEAOB International Auditing Standards Sub-group should you have any questions on the content of this letter.

Yours faithfully,

Patrick Parent  
Chairman