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submitted electronically through the IESBA website

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**Re: Consultation Paper of April 2023: Proposed IESBA Strategy and Work Plan, 2024-2027 – Towards a More Sustainable Future: Advancing the Centrality of Ethics**

Dear Gabriela,

We would like to thank you for the opportunity to provide the IESBA with our comments on the “Consultation Paper of April 2023: Proposed IESBA Strategy and Work Plan, 2024 – 2027”, hereinafter referred to as “the Consultation Paper”.

In Appendix 1 to this letter, we respond to the individual questions posed in the Explanatory Memorandum of the Consultation Paper. We have a few general issues that we would like to address in this letter below.

The IDW supports the IESBA taking the initiative in addressing ethical aspects associated with emerging developments in sustainability reporting and related assurance. However, because many jurisdictions are at the start of their sustainability reporting journey, and the IESBA is tasked with developing ethical requirements at a global level, we suggest the IESBA address the entire sustainability related eco-system of the profession. In particular, we would support the IESBA including consideration of all those involved in the *preparation* of publicly reported sustainability information. The quality, including the integrity, of the preparation of publicly reported sustainability information is a key public interest issue in the absence of legally required assurance

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engagements. As the IESBA is aware, assurance on sustainability-related information is currently not required in many parts of the world. We therefore would like to propose to the IESBA not to focus its work in this area solely on assurance at this point in time.

We also support the IESBA taking stock of the nature and extent to which the IESBA Code is adopted or implemented worldwide before taking on further new projects. Both gathering information as to which versions of the Code are being applied in which jurisdictions and assessing whether the aims of changes made are being achieved (post-implementation reviews, PIRs) will be invaluable in determining future initiatives to foster global acceptance and uptake of the Code and identifying where revisions to the Code or implementation support should be targeted. PIRs and such a stock-take would also help determine whether in fact further changes to the Code are desirable, which would also assist the IESBA in seeking a stable platform, which the IESBA acknowledges many have called for following a period of unprecedented pace of change. This has recently been challenging for auditors in particular.

The IESBA has completed phase one of its benchmarking exercise (with the US SEC/PCAOB independence framework for auditors). On this basis alone, it seems impossible to achieve a global balance in drafting Table B. A preference seems to be given to issues identified from a single jurisdiction which appears to be – if the impression is correct – unfortunate. We would like to ask the IESBA to complete its benchmarking exercise and then reflect the findings in terms of determining the relative urgency of potential new projects.

Finally, we note that paragraph 54 of the Consultation Paper refers to an anticipated revision of the due process to optimize efficiency. In the absence of further insights as to possible impact on capacity, we have not taken this factor into account in providing our responses.

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We would be pleased to provide you with further information if you have any additional questions about our response and would be pleased to be able to discuss our views with you.

Yours truly,



Melanie Sack  
Deputy CEO  
Executive Director



Sebastian Kuck  
Director European Affairs

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## Appendix 1:

### Responses to the Questions Posed in the Request for Comments of the Explanatory Memorandum

#### Responses to the Request for Comment

#### **Strategic Drivers, Themes and Action**

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

Subject to our comments below, the IDW agrees with the proposed strategic drivers.

#### *Additional Strategic Driver – Attractiveness of the Profession*

The IDW would like to suggest the IESBA take into consideration the needs of young professionals as a further strategic driver. Ultimately it falls to audit firms and regional professional bodies to explain the role of the profession to potential young professionals and thus ensure their impression of the profession means that it is attractive to them. However, the IESBA Code plays a double and partly contradictory role. On the one hand, the IESBA Code serves to demonstrate to young professionals the high ethical standards and responsibilities to which members of the accountancy and auditing profession shall adhere. On the other hand, the IESBA Code can appear as overly complex, bureaucratic, and thus intimidating.

#### *Environmental drivers – Rapidly Growing Market and Public Demand for Sustainability Information and Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures*

Paragraph 8 notes the demand for sustainability related information that is reliable and comparable. The IDW supports this and, based upon our understanding, agrees that these are the two key characteristics being asked for by stakeholders from the investor community.

We acknowledge that jurisdictional requirements for reported information to be subject to assurance will play a key role in fostering reliable and comparable sustainability information. However, given the fact that many jurisdictions are at the start of a sustainability-reporting journey, we suggest the IESBA look at the role of all players within the broader reporting eco-system – not just assurance service providers, but also those who prepare the reporting.

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In the context of developing the IESBA Code further, this involves that information that is being prepared is reliable and comparable in the first place, i.e., irrespective of whether it is subject to assurance.

We note that paragraph 15 alludes to the roles of “others” in the context of preparing and reporting on sustainability information in the context of greenwashing. Individuals who are not PAIBs but have key roles within an Audit Committee (AC) ought to perform their duties in an ethical manner. One way to address this might be for all CFOs to take on an ethical responsibility to put in place a Code of Conduct for all such “other” staff under their responsibility to mirror the relevant aspects of the IESBA Code applicable to PAIBs.

We note that the IESBA’s new project on experts involves consideration of aspects, such as independent assurance on sustainability reporting, and believe this should go beyond this to also encompass experts involved in preparation, when they play a significant role.

*Operational Drivers – The Imperatives of Quality and Global Acceptance of the IESBA’s Standards*

Although we understand that the IESBA as a global standard setter needs to reach out to all those currently providing assurance services in relation to sustainability information, we question the method of referring solely to the current situation in a single jurisdiction (footnote 8 in paragraph 22) in support of the IESBA’s rationale for so doing. This risks to give an unbalanced picture and is not globally representative. Other publicly available relevant material pertaining to the current assurance landscape globally (e.g., IOSCO and IFAC) ought also to be provided as a reference in this context.

*Operational Drivers – Global Operability of the IESBA’s Standards*

The IDW welcomes the consideration of the global operability of the IESBA’s standards. In this regard, we do not believe the focus of paragraphs 23 to 25 should be primarily on coordination with other standard setters. Global operability is only achievable when those who are expected to adhere to the Code and its supporting Standards actually do so. Consequently, the focus should be on actual adherence to the Code in practice.

Thus, a key issue that needs to be reflected in the section on global operability of the IESBA’s standards is the capacity for all professional accountants to adhere to the IESBA Code and its Standards. Stakeholders have increasingly expressed concerns at the pace of change as a significant issue in this context. If they have difficulties in keeping up with the pace of change the aims of the Code risks to fail. We note that not only SMPs have such difficulties. Other than

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the very few large, well-resourced professional oversight, regulatory and disciplinary bodies, most such bodies have such difficulties as well. This is a key issue the IESBA might want to look at sufficiently broadly in this strategy and work plan consultation, as we outline in more detail below.

*Operational Drivers – Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation*

We note that in paragraph 27 the IESBA acknowledges calls to temper the pace of change and focus on non-authoritative material to assist users understanding and foster consistent application.

The IDW made similar remarks to the IAASB in its recent letter on the IAASB's Proposed Strategy and Work Plan for 2024-2027. The IDW points out that there needs to be some recognition that both auditors, and audit oversight authorities and regulators, require time and resources to appropriately deal with fundamental changes in standards. This is why seeking stable platforms for longer periods of time is important. The ability of the largest and most well-resourced audit firms, audit oversight authorities and audit regulators should not represent the benchmark for the time needed to deal with changes in standards. There is a public good in having standards represent a stable platform over time rather than being subjected to continual fundamental change, which engenders both increased implementation costs and the risks of inappropriate implementation compared to when major changes are required in stages over longer periods of time. This issue is connected to the robustness of standards over time – that is, standards should be written in a principles-based manner so that they stand the test of time and are less subject to disruption.

In our view, these points apply equally to the IESBA Code.

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

Subject to our comments below, the IDW agrees with the proposed strategic themes and proposed strategic actions.

*Enhancing Trust in Sustainability Reporting and Assurance*

The IDW agrees with this strategic theme. However, many jurisdictions are at the start of a sustainability reporting journey. We therefore suggest that the IESBA establishes ethical standards for both preparation and assurance.

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*Strengthening the Code for Responding in Other Ways in Areas Beyond Sustainability Reporting and Assurance*

Prior to strengthening the Code's requirements, a post-implementation review (PIR) of the existing requirements as well as a root cause analysis of potential shortcomings seems necessary. Determining the need to strengthen requirements cannot be based solely on "calls" from the regulatory community but should be determined on an evidential basis. Failures to adhere to the Code may need a specific approach (e.g., clarification or additional guidance); strengthened requirements may only be called for where there is an indication of a gap in the Code that actually causes ethical or independence (in fact, not appearance) problems in practice. Strengthening a requirement does not necessarily make the Code better and more effective. In this context, the IDW would like to stress again the benefits of a principles-based approach rather than a rules-based approach for the effectiveness of the IESBA Code.

That said, in regard to disruptive technology we do see an urgency in the area of artificial intelligence.

*Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's Standards*

The IDW welcomes this theme, especially with regard to investors and those charged with governance. It is important that the Code is widely accepted on the basis that its application results in a high quality of ethical behavior that is effective and practicable in application.

We also would like to ask the IESBA to consider more fully the impact of its initiatives on smaller and medium-sized firms. Interaction with this stakeholder group and acknowledgement of their views is essential if the Code is to achieve its aims globally.

*Widening the Influence of the IESBA's Standards Through a Continued Focus on Adoption and Implementation*

The Code can only ever be as successful as its effective global application. For the IESBA's continued reputation as a global standard setter it will be essential for the IESBA to establish where non-current versions of the Code are used and to identify any issues impacting application or a proper understanding and application of specific provisions by individual PAs and firms who are subject thereto. The IESBA should also determine why the Code is not adopted or implemented in certain jurisdictions. Thus, the ongoing and planned PIRs envisaged under the fourth strategic theme are essential.



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We note that the issue of root cause analysis is not discussed. Nevertheless, in our view an evidence-based approach to new topics is needed to establish the appropriate course of action. Additional requirements may be needed if a gap in the Code or an insufficiently stringent provision is established as having led to failures, whereas guidance should be developed to address breaches of the Code that are due to misunderstanding or misinterpretation.

In paragraphs 26 and 27 the IESBA notes the three discrete issues of 1) not all jurisdictions having adopted the Code; 2) not all of those who have are using the latest version of the Code; and 3) some stakeholders having – in view of the frequency of changes to the Code – called on the IESBA to a) temper the pace of standard setting and b) focus on developing non-authoritative material to assist users in understanding the new provisions and applying them consistently.

On this basis we are fully supportive of the performance of a stock-take to establish which versions of the Code are being applied in which jurisdictions, the development of implementation support and conducting PIRs (see paragraph 43 bullets 2, 4 and 5).

A stock-take would also be extremely important in allowing the IESBA and its various stakeholders to determine the capacity for changes to be implemented in practice. The development of implementation support would help ensure understandability and consistent application of the Code. PIRs would inform the IESBA and its stakeholders as to whether the aims of key changes are being achieved. However, in line with our comments as to increasingly stringent rules, we would like to ask the IESBA to use PIRs to assess not only the need for further enhancements, but potentially also the need for other forms of modification such as simplification.

It is our understanding that the IESBA acknowledges that the third issue is in part compounded by multiple and often significantly challenging changes impacting professional accountants in their jurisdictions - i.e., the IESBA cannot view its own changes in a vacuum in considering the volume and pace of change. Although we support the statement at the end of paragraph 27 recognizing that effective implementation of the IESBA's standards is a matter of strategic importance, we believe that the fourth proposed strategic theme should refer to *enhancing* the focus on adoption and implementation rather than continuing it in the form used in the past.



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### Proposed Work Plan for 2024 – 2027

3. *Do you support the IESBA considering the topics set out in Table B as potential work streams (see pp. 22 – 24)?*

The IDW supports overall the potential workstreams under consideration in Table B. As regards the “role of CFOs and Other Senior PAIBs”, as discussed above, the IDW would suggest the IESBA enlarge the scope and look at the entire corporate ecosystem within a reporting entity (i.e., corporate reporting, corporate governance), as corporate failure is usually the result of shortcomings throughout the different actors not just CFOs and other senior PAIBs. It seems to us that the Code should be changed only if evidence points to compliance with the Code led to audit failure. If non-compliance with the Code led to audit failure, then the Code is not in need of revision.

4. *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.*

Given our comments on the proposed strategic actions supporting “Widening the Influence of the IESBA’s Standards Through a Continued Focus on Adoption and Implementation”, the IDW is of the opinion that special emphasis should be put on the PIRs and root cause analyses in Tables A and C.

5. *Are there any topics the IESBA should consider as potential new work stream? 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).*

The IDW does not propose any additional work stream.

### Additional information

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?*

Overall, our experience has been that cooperation between the IESBA and the IAASB has greatly improved compared to previous years. However, we believe that greater cooperation is needed in circumstances when one Board addresses

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definitions that are set forth in the requirements of the other Board. Given the impact of changing definitions, we believe it is not sufficient for staff alone to be informed about contemplated changes. To prevent a project from moving along with unintended consequences for the other Board, once a task force has identified that it intends to consider changing or creating definitions that are common to both Boards, then both Boards should be informed of such considerations within the same meeting quarter so that potential impacts can be discussed at an early stage.

In addition, there needs to be a clearer delineation between the responsibilities of both Boards. For example, while the competence of a professional accountant is an issue covered by ethical principles, the work effort related to considering the competence of experts whose work is being used by practitioners is a quality management and engagement performance issue. Each Board may have different terminology (e.g., the use of words in CUSP), but it needs to be clear in which Board's remit the item is. Another example is reporting by practitioners to third parties, including the public, where the IAASB and the IESBA need to coordinate closely, in particular prior to the IESBA considering such reporting responsibilities for practitioners. The Boards need to properly delineate their respective remits and ensure that one Board does not encroach upon the remit of another. To this effect, draft project proposals from each Board should be made available to the other prior to approval so that the other Board can ascertain whether the remit of the project proposal aligns with the remit of the respective Boards.

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?*

The IDW does not have further comments.