

July 7, 2023

International Ethics Standards Board for Accountants (“**IESBA**”)

Via online submission: <https://www.ethicsboard.org/publications/iesba-strategy-and-work-plan-2024-2027-consultation-paper>

Dear Sirs/Mesdames:

**Re: Consultation Paper – Proposed IESBA Strategy and Work Plan, 2024 – 2027**

Thank you for the opportunity to comment on the above-noted Strategy and Work Plan (the “**SWP**”) for 2024-2027.

We commend the IESBA’s commitment to develop timely and fit-for-purpose ethics and independence standards that guide ethical behaviour and play an important part in safeguarding public trust in the profession. However, we are sensitive to the rapid pace of change to the IESBA Code (the “**Code**”) over the past few years which has made global adoption of these changes challenging for standard setters. We also recommend that changes to the Code continue to follow a principles-based approach rather than being overly prescriptive to ensure the Code maintains its broad applicability to the 130 jurisdictions who have adopted it or use it. Further, we encourage the IESBA to remain cognizant that a “one-size-fits-all” approach may not be suitable for different types of entities across all jurisdictions, such as public companies that operate in the mid-market, smaller private companies and Indigenous communities. When developing standards, the IESBA should allow for a tailored approach based on a specific jurisdiction’s environment so that new standards are fit-for-purpose and effectively adopted.

Overall, with a few exceptions, we support the IESBA’s SWP and concur that it focuses on the key priorities most relevant to the profession. We strongly support the IESBA prioritizing the development of *Sustainability Reporting and Assurance* standards, which is an area undergoing considerable evolution, as well as the focus on the *Use of Experts* project given the interconnectedness of these topics. However, we question whether the project on *Collective Investment Vehicles, Pension Funds and Investment Company Complex* warrants such a high priority given other projects which may have more significance to Professional Accountants (“**PAs**”) and given the diversity in structure, governance, size and regulatory environment of such entities jurisdiction-by-jurisdiction. Finally, as described further below, we believe there are topics in the SWP (i.e., *Role of CFOs and Other Senior PAIBs* and *Audit Firm-Audit Client Relationship*) that may be better addressed through the development of non-authoritative guidance or other resources rather than inclusion in the Code.

We provide our responses below to certain of the IESBA’s specific questions related to the SWP.

## **1. Do you agree with the IESBA's *Proposed Strategic Drivers*?**

The IESBA has identified a number of strategic drivers which may impact its vision over the next four years and has grouped these into two broad categories – Environmental and Operational.

Overall, we agree with the proposed strategic drivers in the SWP. As indicated in our response to the IESBA Strategy Survey conducted in 2022, we are pleased to see that the IESBA has placed an elevated level of importance to developing standards in the *Sustainability* area. As a firm that services mid-market and smaller public company clients in a variety of sectors, including Canada's diverse energy and agricultural sectors, we have experienced first-hand the increasing demand for sustainability reporting by investors and other stakeholders. We support the development of sustainability reporting and assurance standards that include the development of relevant ethical and independence requirements which we feel is in the public interest.

When developing standards, in particular sustainability standards, global operability is also important to us. We support the continued coordination of IESBA and IAASB projects so that new standards are consistent and interoperable including the use of similar terms and definitions.

Further, we agree that the development of standards not only has an impact on the role of PAs in Public Practice (“**PAPPs**”) but Professional Accountants in Business (“**PAIBs**”). PAIBs should be held to a comparable level of ethical standards as PAPPs related to the preparation of information subject to assurance. That said, we are concerned that adding various additional prescriptive rules specific to PAIBs will make the Code unwieldy. We believe that the Fundamental Principles and Conceptual Framework already in existence provide an appropriate starting point to measure the ethical behaviour of PAIBs. Therefore, we recommend the development of non-authoritative guidance or other resources to help guide PAIBs with compliance with the Code. Generally, it is important for the IESBA to provide guidance and develop a wide range of resources to support all PAs in the adoption and effective implementation of standard changes.

Finally, we have concerns about the pace of changes to the Code which is challenging for global standard setters keep abreast of the changes and ensure their respective Codes/Rules align. A period of “relative calm” should be considered to allow global standard setters to catch up and conform with recently approved IESBA standards. Future changes should also follow a principles-based approach. The IESBA's goal of further increasing global adoption of the Code and supporting its effective implementation can be achieved more effectively if the Code is not overly prescriptive and allows the various jurisdictions to interpret and adopt the general principles within the standards, as appropriate, based on their own laws, regulations, and economic environment.

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

We agree with IESBA's four strategic themes.

Enhancing trust in sustainability reporting and assurance will be facilitated when all service providers are required to comply with the same ethical and independence standards. This promotes better quality, comparability, and consistency of services between service providers

and supports the public in placing the same level of reliance on an assurance report regardless of service provider. In addition, the area of sustainability reporting and assurance is a key talent attractor. Requiring the application of consistent ethical standards across all service providers in this area ensures a level playing field. However, to be successful, there must be the ability for ethics regulatory bodies to enforce and regulate non-PA service providers in this area. Further work will be needed to develop a compliance and inspection regime to ensure a consistent regulatory framework is applied to all service providers.

While we believe the Code can continue to be strengthened in areas beyond sustainability reporting and assurance, we highlight again that the IESBA should be mindful of the pace of change to standards and the capacity of global standard setters to adopt Code changes within their respective jurisdictions.

We fully support that standards should be globally operable and applaud the IESBA's planned efforts in expanding its outreach with other standard setting bodies to influence and encourage the adoption and implementation of the IESBA standards.

**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.**

Table B contains six potential work streams. We provide our feedback on each below:

**a) *Role of the CFO and Other Senior PAIBs***

In light of the rapid and significant environmental and operational drivers, we concur that the role of the CFO and Senior PAIBs is continuously evolving and expanding. Nevertheless, we believe that for this topic, many of the issues of relevance to PAIBs can be addressed through the development of guidance and other non-authoritative resources and not necessarily through Code enhancements. Furthermore, we note that the role of the CFO and Senior PAIBs may vary by jurisdiction, thus, further supporting the reason for non-authoritative guidance versus enhancements to the Code. Therefore, we believe this topic is of lower importance relative to the other topics being considered.

**b) *Business Relationships***

We support efforts to better define the scope and extent of “business relationships.” As firms continue to explore opportunities to work collaboratively with other organizations to develop tools, techniques and services to support their clients’ business needs,. Given the potential significance of these business relationships, we view this topic as being of medium importance.

In assessing whether a close business relationship may create threats of self interest and intimidation, the current Code considers materiality of the financial interest and significance of the business relationship. In assessing whether these criteria should be modified, we support the IESBA's intention to perform more in-depth research into current and emerging business arrangements, including IT-related business relationships as these relationships are growing across Firms. In principle, we support retaining these criteria when assessing threats to independence. We believe that

eliminating these criteria would inappropriately broaden the extent of prohibited services. Throughout the Code, the Application Material refers to the need to assess the materiality and/or significance of any activity, interest or relationship in determining whether an independence threat is at an acceptable level. Therefore, we believe that removing these criteria would make this rule inconsistent with the remainder of the Code.

**c) *Audit Firm – Audit Client Relationship***

While we acknowledge the rationale for why IESBA wants to examine the “audit firm-audit client” relationship and whether the Code continues to be fit-for-purpose, we believe this is an area of low importance relative to the other topics being considered. The extant Code remains fully functional, and efforts expended on this topic would not provide significant benefit to stakeholders. In addition, we believe that the scope of the Business Relationships project can be expanded to ensure it addresses the concerns brought forward as part of the IESBA’s Fees project.

In the short to medium term, our view is that this topic can be addressed through additional guidance and thought leadership articles.

**d) *Definition and Descriptions of Terms***

We believe that ensuring the terms used in the Code are consistent with the terms used within the IAASB standards is of medium to high importance. Current differences in terminology between the Code and IAASB standards create confusion ; as such, aligning the terminology would improve the interoperability of the two groups of standards.

We support reviewing how certain terms are currently defined in the Code. However, we encourage the IESBA to be cautious when refining definitions as there could be a significant impact on Firms. For example, broadening the *Audit Team* definition to include any individual who “may be in a position to influence” the conduct or outcome of the audit vs. limiting to those who “directly influence” may have practical implications on Firms as there may be many different team members who “may” have varying degrees of influence on the outcome of the audit which would be scoped into the new definition. For example, we are unclear whether a partner in the same industry group as the lead engagement partner would be scoped into the new definition as they may be asked about best practice for the industry despite not specifically being involved in the review of the lead engagement partner’s work. Similarly, expanding the *Engagement Period* definition to beyond the date the audit report is issued could limit a Firm’s ability to perform non-assurance services for a previous assurance client, despite assurance services no longer being actively performed for the client. We believe it would be overly restrictive to require Firms to remain independent following release of their assurance engagement report when the client has decided to change auditors due to the possibility that matters may come to the former auditor’s attention after issuance of the assurance report. We consider the occurrence of such situations to be rare and often beyond the control of the Firm.

**e) Custody of Data**

The information age presents new ethical challenges and complexities for PAs. Given the fast pace of technological change and the exponential growth of data are expected to continue, we believe that this topic is of medium to high importance and would recommend making *Custody of Data* a higher priority work stream.

As noted by the Technology Working Group Phase 2 Report, PAPPs and PAIBs are often in possession of their client's and employer's, respectively, digital data. We believe it would be beneficial for the IESBA to develop guidance for PAPPs and PAIBs to clarify how a PA may use employer/client data in providing new value-added services to their employer/client while maintaining compliance with the rules of confidentiality. For example, there is significant value in the ability of a client to benchmark their financial metrics to others in the same industry on an anonymized aggregated basis.

**f) Communication with those charged with governance ("TCWG")**

We believe that there already exists in the Code sufficient requirements and guidance relating to communication with TCWG. We believe this topic of relatively low importance relative to the other topics being considered.

This may be a topic where a principles-based approach may be more appropriate than a rules-based approach given the difficulty in identifying all instances which may require communication with TCWG.

**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.**

In Table A, the IESBA has included *Collective Investment Vehicles (CIVs), Pension Funds and Investment Company Complexes* and has acknowledged the complexity of the arrangements or structures and the degree of variation across jurisdictions and that further research is needed to better understand these structures.

While we support conducting further research on this topic, given the many other topics that are being considered, this may be a work stream that the IESBA might consider extending or deferring to a later date to provide capacity for topics in Table B of more relative importance (see our comments above on topics of medium to high importance).

**5. Are there any other topics that 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 topics.**

We would recommend the development of further non-authoritative guidance with respect to acting as a witness as part of the litigation support services rules, including the differences

between a witness of fact vs. an expert witness and examples of when the advocacy threat would be at an unacceptable level.

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We appreciate the opportunity to provide feedback on the SWP and look forward to reviewing the IESBA's deliberations and responses to comments received. We would be pleased to offer our assistance to the IESBA in further exploring the issues raised in our response or in finding alternative solutions.

Yours truly,

**MNP LLP**

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Leader, Ethics and Independence