



Ken Siong
Senior Project Director
International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
New York 10017

[Submitted via IESBA website]

7 July 2023

Dear Mr Siong,

Re: Proposed IESBA Strategy and Work Plan 2024-2027

We¹ appreciate and thank you for the opportunity to comment on the IESBA's Proposed Strategy and Work Plan 2024-2027 ("SWP").

Overall, we commend the Board on a well thought through and comprehensive document which will serve as a good basis for the Board's continued endeavours and focus over the next few years.

This is a critical period over the next couple of years in terms of the development of ethical and independence standards for sustainability reporting and assurance thereon and we fully support the Board in prioritising this aspect of its work and in dedicating key resources to this. Coordination with the IAASB will be particularly important to ensure consistency and to avoid any gaps or implementation challenges.

We also agree that Ethics is an increasingly important first line of defence in ensuring high quality corporate reporting (financial and sustainability) and the Board's initiatives in this area are important.

We have provided some comments in response to the questions asked in the Consultation document in the appendix.

¹ This response is being filed on behalf of PricewaterhouseCoopers International Limited (PwCIL). References to "PwC", "we" and "our" refer to PwCIL and its global network of member firms, each of which is a separate and independent legal entity.

*PricewaterhouseCoopers International Limited
1 Embankment Place
London WC2N 6RH
T: +44 (0)20 7583 5000 / F: +44 (0)20 7822 4652*

*PricewaterhouseCoopers International Limited is registered in England number 3590073.
Registered Office: 1 Embankment Place, London WC2N 6RH.*



Contact

We would be happy to discuss our views with you. If you have any questions regarding this letter, please contact me at samuel.l.burke@pwc.com.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sam", written in a cursive style.

Sam Burke
Global Independence Leader



Appendix

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

We concur with the strategic drivers, both environmental and operational. With regard to the former we observe the following:

- An emerging and expanding role of non-professional accountants (“non-PAs”) in corporate reporting and we therefore encourage the Board to do whatever it is able to do to promote equivalent ethical standards for non-PAs. The Board recognises that ethics is a first line of defence in ensuring high quality corporate reporting (financial and sustainability). Ethical behaviour is vital for both preparers and assurance providers, and goes to the heart of the culture in both the preparer and assurance provider organisations. It would be very useful to reflect this language in the SWP, as it underpins the work of IESBA in the public interest. Convergence of ethical standards across similar professions and others in the reporting ecosystem is clearly desirable and in the public interest.

In addition, we note the following additional environmental drivers that can present further opportunities and challenges to IESBA achieving its vision of the strategy period.

- An increasing awareness that it is getting harder to attract and retain the right talent within the audit profession; this is a public interest issue. We encourage the Board to take appropriate steps to help promote its ethical principles and present these as positive distinguishing attributes expected of a professional accountant and high quality talent, supporting the attractiveness of the profession.
- Increasing geopolitical volatility: this is a significant macro factor that businesses are faced with and which can have ethical implications.
- Generational differences can impact ethical considerations - young people today have different expectations of professional work; the Board should remain mindful as to whether its current ethical frameworks are and remain “fit for purpose”
- Increased ethical issues posed by Artificial Intelligence and other new disruptive technologies. We are aware that the Board is keenly aware of this and is focusing attention on this, and we believe that heightened reference to this in the SWP seems warranted.

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

We concur with the proposed themes and actions, including the near term focus on developing ethical and independence standards for sustainability reporting and assurance given the increasing stakeholder focus on this (theme 1).

That work effort will inevitably consume considerable time and resources, which will have an impact on the ability to pursue other initiatives. Our comments on other potential areas of focus reflect this. The IESBA has finite resources and we recommend that it focuses on those areas of real strategic importance where it can make a real impact and help set appropriate ethical and independence standards for professional accountants (“PAs”), and to promote ethical standards for non-PAs.

In relation to theme 2 (“Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance”) we comment as follows:



- We recommend that the Board's focus should be on maintaining and enhancing the "relevance" of the Code, rather than further "strengthening" it (as the latter suggests that the Code is not sufficiently robust today).
- The pace of continued change in the International Independence Standards ("IIS") places significant burden on member bodies and firms to implement revised standards. We support the recent changes that have been made to the IIS and believe that the Board has established a robust set of independence standards that support audit and assurance quality. We do not see a clear need to continue to make further changes to the IIS, unless significant new concerns emerge and recommend that a period with a stable platform would now be appropriate. Rather than considering yet further changes to the IIS we recommend that the Board focuses its efforts, as needed, on developing guidance to help PAs implement the Code and IIS.
- Furthermore, changes to the Code might result in further divergence of standards around the world. This does not help PAs and may not be in the public interest, due to the increased complexity of compliance and the different impacts on a global corporate and, as such, we encourage the Board to monitor any such developments and to focus on achieving greater convergence, other than when law or regulation necessitates jurisdictional differences. Discussions with key jurisdictional regulators might help to minimise any divergence.
- We have previously expressed a concern that the continued changes to the Code and IIS risks leaving member bodies behind if they are unable or perhaps unwilling to adopt new Standards. Member bodies and other standard setters have to go through their own local due process (involving other stakeholders such as State Boards) and unless the Board takes them on the journey together there is a growing risk of fragmentation. There is a risk of decreasing adoption of the Code making the work of the Board less, rather than more, relevant. More stringent requirements can be left to local regulators based on their circumstances.
- We agree that it is important to maintain the Code and the IIS in the light of the fast pace of change in the use of and reliance on technology.

Themes 3 and 4: these both play into the sustainability space - if the aspiration is to have non-PAs adopt the code or equivalent for sustainability reporting, then these themes are building blocks to achieve this objective and we concur with the focus on these activities. We call on the board to recognise any potential barriers to adoption by non PAs that may exist in the existing code and have these in mind when drafting the new sustainability content.

3. Do you support the IESBA considering the topics set out in Table B as potential work streams (see page 19 etc.)? 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.

With respect to the topics in the table we comment as follows:



Role of CFOs and other senior PAIBs - As noted above, this should acknowledge the important role that non-PAs play in the corporate reporting ecosystem which is likely to increase in the area of sustainability reporting (e.g. Chief Sustainability Officer).

Business relationships - We recognise that there are some complex issues emerging in this area, with increased use of technology and digital offerings and solutions, and can envisage that medium to smaller practices may benefit from some guidance. As a general principle, we encourage the Board to develop non-authoritative materials (NAMs) to help PAs and others understand and comply with the Code and IIS and to “bring it to life”. This would usefully include guidance on how to consider and address existing business relationships prior to acceptance of a new audit appointment.

Use of the term “Audit client” - We do see jurisdictional differences in how this is applied around the globe (versus “audited entity”). While we do not see this as a pressing matter we recognise that there could be some merit, from an appearance perspective, in looking at this (but caution that such a wording change would create very significant changes required to member bodies and firm materials (standards, policies, guidance etc) and we recommend that the Board takes this into consideration). If the Board proceeds to look at this, it will presumably also look at the term “assurance client” such that the term “audit” isn’t used to mean both “audit” and “assurance” as defined by the relevant IAASB standards. In relation to the matter raised (para 80) regarding the audit firm-audit client relationship, we see this as a matter for regulatory guidance in individual jurisdictions, rather than one for a Code of Ethics. The application of the requirements of the revised Fees standard adequately deals with any potential issues that may arise from the firm/client relationship.

Definitions and Descriptions of Terms: In relation to proposals to look again at certain definitions, we would discourage using scarce resources to focus on these issues. A threshold for action is whether there are differences in definitions that are causing problems – driving questions or inconsistent practices. Amending such terms would only exacerbate the concerns expressed above regarding frequent changes to the Code and IIS.

Audit Team: We do not see a benefit to reopening a discussion of the definition of "audit team" given that IESBA have just concluded the Engagement Team project which addressed this definition.

Employee - We would not recommend that the term employee include contractors. The legal and tax treatment is very different. We suggest that the focus should be developing guidance on whether contractors, depending on the facts and role, might need to be subject to the same (or some) requirements as professional service providers/employees.

Engagement period - when the auditor will not be engaged to continue as the entity's auditor, to suggest that audit independence requirements continue to apply after the final auditor's report is signed does not seem practical, nor in the public interest if companies are further restricted in terms of appointing consultants and advisers. We also note that it would be very difficult to manage any such requirement in practice, especially where there is mandatory firm rotation, which may also reduce auditor choice.

The firm - there is no mention of “employees” in the definition of firm, so we do not understand what might be contemplated here.



We see no clear need to look at the definitions of **Network Firm** or **Professional Accountant**.

Custody of Data: We support the Board investigating the ethical implications of a PA's custody of financial or non-financial data belonging to clients, customers, or other third parties, taking into account the recent revisions to the Code under the Technology project. Further guidance in this area may be helpful.

Communication with Those Charged with Governance: There seems some merit in IESBA considering adding new provisions relating to "communication with those charged with governance" in Sections 200 and 300 to stimulate meaningful communication with TCWG when PAs use external experts or consultants in relying on technology, and the risks and exposures that might affect the PAs' compliance with the fundamental principles, and, where applicable, independence requirements. This could be part of IESBA's response to the Environmental Strategic Driver relating to the Trust crisis which is not dealt with in any detail in the proposed work plan. However, we do not see this as a priority to address, but this would be an area where coordination with IAASB is needed, insofar as there would likely be potential implications for ISA 620 and any further ISSA 5000 series communications standard.

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?

With respect to the proposals in Table A:

We support the on-going projects relating to the development of ethical and independence standards for sustainability reporting and assurance.

As noted in our 2022 Survey response we did not see a clear need for the project on "use of experts". but as this is underway we encourage the Board to develop guidelines to better incorporate a requirement for the PA to evaluate any threats to the objectivity of an expert when intending to use their work, together with some clear guardrails surrounding interests and relationships that might create a threat to objectivity of such individuals and the organisations they work for. We would caution against independence requirements for experts, both in the fields of financial audit and sustainability assurance given practicalities, challenges around the value-chain and the ability of a limited pool of experts used in sustainability assurance engagements to be independent across a range of entities. Being, and being seen, to be objective is essential.

We understand the need to review CIV and pension fund arrangements and their relationships with trustees, managers and advisors 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 would be very pleased to provide support to this through giving Staff access to our practitioners who work in this context area.



Regarding Table C:

We support the post-implementation review of the NOCLAR standard if the Board has the resources to allocate to this activity. This may come down to a resource allocation issue.

With regard to the other post-implementation reviews (PIR), we do not see any strong need to look at the implementation of the Standards on Long Association and the Restructured Code, especially in the light of other demands. The PIR on NAS and Fees and the definition of PIE seems premature at this stage, although we encourage the Board, together with its stakeholders, to consider whether mechanisms can be put in place to make amendments or corrections to the IIS, with a faster streamlined process, where the need arises, so that the Board can respond with agility in the interests of all stakeholders. We understand, for example, that the IASB has such a process (an Annual Improvement Process).

In principle, all PIRs should ideally include a review of the effectiveness of the Standard.

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).

We believe that the following matters warrant a higher priority than items 2-6 in Table B:

1) Addressing the attractiveness of the Profession: The attractiveness of the profession is widely regarded as a key matter concerning the profession, and ensuring a secure pipeline of talent into the profession, particularly as ESG and AI, and other technological disruptors, change the demands on PAs, is a matter of public interest. We encourage IESBA to continue to champion the defining role of ethics “in the DNA” of PAs and PAIBs, and to use this as a strategic driver to attract talent into the profession.

2) Addressing ethical impacts of AI and other disruptive technology - we are aware from its recent activities that the Board is acutely aware of the impact of these developments on business, reporting and assurance and we support the Board's efforts in monitoring such developments and in considering the ethical implications, perhaps by way of additional guidance to PAs.

3) Co-ordinating with IAASB in relation to the IAASB's Projects on Fraud (revision of ISA 240 in the context of an audit of financial statements) and Sustainability Assurance (how fraud is addressed in proposed ISSA 5000) (as a strategic action responsive to the Trust crisis/ corporate failure Environmental Strategic Driver). This covers ethical dimensions for both preparers and assurance providers, both on a profession agnostic basis.

In addition, and more generally, we would encourage the Board to focus on adoption by Member Bodies of the Code and the IIS, rather than further amendments.



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?

Coordinated public consultations with IAASB should be a goal. It is important to the credibility of both the IESBA and IAASB that the Boards work collaboratively on projects that have overlapping implications for the Code or the IAASB's standards. We strongly encourage adopting a future approach where a single joint exposure draft is issued on a relevant project that sets out the proposed revisions to both the Code and affected IAASB standard(s) in the same document.

As the two Boards progress their respective work on sustainability assurance, this is an opportunity to demonstrate an integrated approach. Although within the current, rather than next, strategy period, we encourage the Boards to collaborate on their respective exposure drafts on this topic. In particular, given the differential timelines being followed for each Board's exposure draft, coordination is critical to ensure there are no gaps or inconsistencies in the respective proposals, for example in terms of key overlapping definitions, which would serve to undermine stakeholder perceptions of effective collaboration. While we acknowledge that the timelines of the planned exposure of ISSA 5000 and changes to the Code make the issuance of a single exposure draft unworkable, we would still encourage an approach where both Boards utilise each other's exposure drafts to obtain relevant input on overlapping matters of interest to inform the ongoing development and refinement of their respective proposals. Such an approach could represent a blueprint for similar projects of mutual overlapping work in the 2024-2027 strategy period.

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 finalising the SWP 2024-2027?

No further comment.