

**IESBA Strategy and Work Plan 2024 – 2027
Summary of Significant Comments on Consultation Paper and Planning
Committee Proposals**

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I. INTRODUCTION

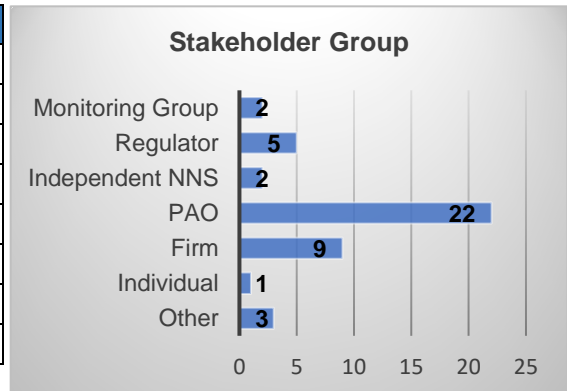
A. BACKGROUND

1. The purpose of this paper is to provide:
 - A full analysis of the key comments received on the Consultation Paper (CP), [Proposed IESBA Strategy and Work Plan 2024-2027: Towards a More Sustainable Future: Advancing the Centrality of Ethics](#).
 - The Planning Committee’s (PC) proposals to address the key comments.
2. The IESBA’s current strategy and work plan will end in December 2023. As the first step towards developing its next strategy and work plan (SWP) for 2024-2027, the IESBA released a [strategy survey](#) (Survey) in April 2022 to seek initial input from its stakeholders.
3. Following its full review of the input received to the Survey, the IESBA approved the CP which comprises two main components:
 - Proposed strategy: Vision, strategic drivers, themes, and actions.
 - Proposed work plan: Ongoing and pre-committed projects/ work streams and potential new topics.
4. A total of 44 comment letters to the CP were received following closure of the public consultation period on July 7th, 2023.

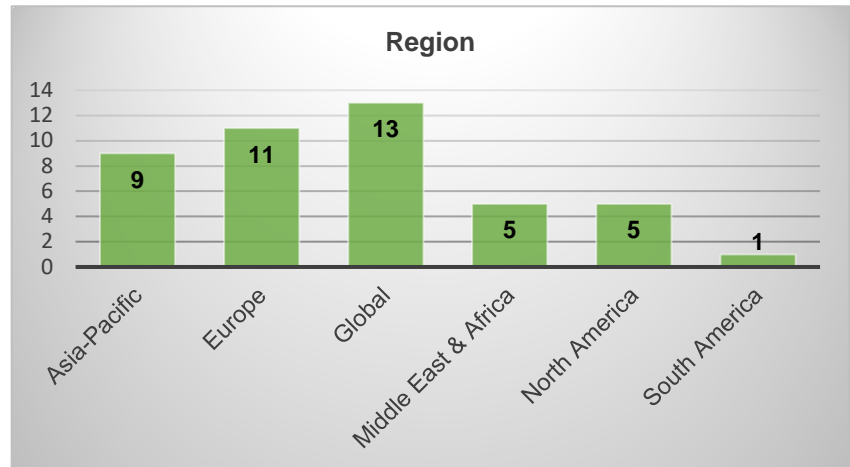
B. OVERVIEW OF RESPONDENTS

5. The 44 responses to the CP can be broken down as follows (See Appendix 1 for the list of respondents):

| Stakeholder Group | |
|---------------------------------------------|-----------|
| Monitoring Group (MG) member | 2 |
| Regulator | 5 |
| Independent national standard setter (NSS) | 2 |
| Professional accountancy organization (PAO) | 22 |
| Firm | 9 |
| Individual | 1 |
| Other | 3 |
| TOTAL | 44 |



| Region | |
|----------------------|-----------|
| Global | 13 |
| Asia-Pacific | 9 |
| Europe | 11 |
| Middle East & Africa | 5 |
| North America | 5 |
| South America | 1 |
| TOTAL | 44 |



6. A breakdown of the respondents¹ includes:
- Two Monitoring Group (MG) members.²
 - Two Independent National Standard Setters (NSS).^{3 4}
 - The majority of respondents were PAOs,⁵ including International Federation for Accountants (IFAC) member bodies.
 - Among 9 firms that provided comments, 7 are members of the [Forum of Firms](#) (FoF).
 - Two respondents represent small to medium practices.⁶
7. Whilst the IESBA did not receive any comment letters from some stakeholder groups such as those charged with governance (TCWG) and investor groups, IESBA recognized that some stakeholders may not be in a position to provide any official written input. In this regard, IESBA representatives have been conducting relevant engagements with these stakeholder groups through different forums including outreaches, conferences and other events, sharing the importance of ethics as the core of building public trust but also seeking their views on the work of IESBA.

¹ For the abbreviations used in this paper for specific respondents, please refer to the list of respondents in Appendix 1.

² **MG:** IFIAR, IOSCO

³ Independent National Standard Setters do not form part of PAOs.

⁴ **NSS:** APESB, XRB

⁵ Some of the PAOs have full, partial, or shared responsibility for setting ethics standards, including independence requirements in their jurisdictions.

⁶ EFAA, IFAC SMPAG

II. HIGH-LEVEL SUMMARY OF RESPONSES

8. With regards to the proposed strategy:

- Despite the CP not seeking views on the IESBA's vision as set out in the CP, a number of respondents have nonetheless expressed support.
- Most respondents strongly supported the proposed strategic drivers and themes that guide the IESBA's priorities and actions (refer to Appendix 2). Many respondents were supportive of the IESBA's strong focus on sustainability reporting and assurance, agreeing that the [Sustainability Project](#) should be a top priority. The IESBA has also received support for continuing its focus on other areas such as the role of chief financial officers (CFOs), the ethical implications of high-profile corporate failures and the pervasive impact of technology.
- A few respondents also highlighted that recent high-profile ethical failures in audit firms, and their impact on the reputation of the accountancy profession, have raised questions about firm culture, governance, and the tone from the top. As such, the IESBA was asked to consider these developments from the perspective of firm culture and governance, as ethical failures within firms not only impact the reputation of the profession, but also the firms' ability to attract and retain talent.
- There is also a view that all preparers, both PAs and non-PAs, should adhere to a high standard of ethical behavior given the importance of their role as the first line of defense in protecting the integrity of both financial and non-financial information.
- The use of post-implementation reviews (PIRs) was also seen as an important tool not only to assess the need for further enhancements to the Code but also potentially the need for simplification.
- The IESBA's strategic focus on outreach to diverse stakeholders and on coordination with the International Auditing and Assurance Standards Board (IAASB) and other standard-setting bodies was recognized as important.
- The IESBA was also encouraged to continue focusing on promoting full and timely adoption and effective implementation of the Code. The development of non-authoritative material (NAM) was highlighted as an important tool in this regard.

9. With regards to the proposed work plan:

- *Ongoing projects and work streams*
 - A large proportion of respondents commended the IESBA on undertaking its Sustainability and [Use of Experts](#) projects.
- *Pre-committed work streams*
 - The IESBA received mixed views with regards to the pre-commitment on collective investment vehicles (CIVs), pension funds and investment company complexes.
 - Respondents, including both MG members, were generally supportive of the list of pre-committed PIRs, including for Non-Compliance with Laws and Regulations (NOCLAR).

- *Proposed new topics as potential new work streams*
 - General support was received for the list of new topics, with relatively more support received for the following work streams: Role of CFOs and other senior PAIBs, Definitions and Descriptions of Terms, and Business relationships.
 - There was also a strong recommendation for the Board to consider a new work stream on firm culture and governance in light of recent high-profile ethical breaches in some firms.

III. RESPONSES TO SPECIFIC QUESTIONS

A. Strategic Drivers

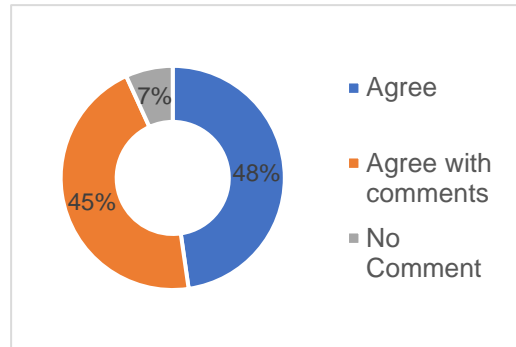
Consultation Paper Question 1

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

Overview of Responses

10. Responses to Question 1 were as follows (see separate NVivo report in Agenda Item 5-B.2 for details):

- 21 respondents agreed – 48%;
- 20 respondents agreed with further comments - 45%; and
- 3 respondents did not have a specific response – 7%.



11. A number of respondents expressed support for the IESBA's vision to achieve global recognition and acceptance of ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations.⁷

12. A respondent, however, noted the shift in the IESBA's vision in that it did not refer to the accountancy profession. The respondent expressed the view that the IESBA's core focus should remain on developing ethics standards for the accountancy profession.⁸ Another respondent suggested that the IESBA's longer-term vision for the Code was unclear, highlighting that timely standard setting needs to be balanced with the time needed for adoption and implementation.⁹

13. The following specific comments were received relating to the IESBA's Proposed Strategic Drivers.

⁷ **Regulator:** UK FRC **Firms:** Deloitte, EY, KPMG **PAO:** Assirevi, IAI

⁸ **PAO:** CPAC

⁹ **Regulator:** IRBA

Respondents' Comments

14. Most respondents agreed that the proposed environmental and operational drivers appropriately represent the opportunities and challenges to the IESBA achieving its vision. Specific comments relating to the drivers are summarized below.

Environmental Driver – Rapidly Growing Market Demand for Sustainability Information

15. The IESBA received specific feedback from some respondents¹⁰ on this strategic driver, indicating their support for the IESBA's project to develop ethics and independence standards for sustainability reporting and assurance. In particular, the IESBA was encouraged to work closely with the IAASB on their respective sustainability projects to seek interoperability of their standards and ensure that the public interest is served.¹¹
16. Other comments raised by respondents include the following:
- The critical need for guidance on how to apply the International Independence Standards (IIS) as it relates to sustainability assurance services and ethical guidance for individuals preparing sustainability reports from management's perspective.¹²
 - Individuals who are not PAIBs but play key roles in audit committees should also perform their duties in an ethical manner. One possible solution is for CFOs to require all staff under their responsibility to comply with a code of conduct that mirrors the relevant components of the Code.¹³
 - The IESBA's *Use of Experts* project should also address experts involved in the preparation of sustainability information as they play a significant role.¹⁴

Environmental Driver – The Expanding Roles of Professional Accountants in Business

17. The IESBA received specific feedback from some respondents on this strategic driver.¹⁵ Some respondents highlighted that a principles-based Code with appropriate guidance specific for PAIBs, including senior PAIBs such as CFOs, would be in the public interest.¹⁶ Guidance and other resources supporting PAIBs in the effective implementation of the Code were also seen as important.¹⁷
18. Other comments raised by respondents include the following:
- The need to consider stakeholder expectations of whether all CFOs would be held to the same high standards as those who are PAs.¹⁸

¹⁰ **Regulator:** UK FRC; **Firms:** BDO, MNP, PwC; **PAO:** HKICPA, IDW, PICPA

¹¹ **Firms:** BDO, MNP

¹² **Firms:** BDO

¹³ **PAO:** IDW

¹⁴ **PAO:** IDW

¹⁵ **Firms:** BDO, DTTL, MNP; **PAO:** CPAC, IAI, PICPA **Other:** IFAC PAIBAG

¹⁶ **Firms:** BDO, DTTL, MNP **Other:** IFAC PAIBAG

¹⁷ **Firms:** BDO; MNP

¹⁸ **PAO:** CPAC

- Whether PAIBs understand the authority of the Code and have sufficient knowledge of it and how it applies to their roles within their organizations.¹⁹
- The important role of PAOs in monitoring and disciplining PAIBs given a greater need for accountability.²⁰
- With regards to the statement that “PAIBs are not subject to the same level of independent regulatory oversight as auditors,” it was noted that, depending on their role, PAIBs are subject to various national regulations.²¹

Environmental Driver – Trust Crises and Other Repercussions from Recurring High-Profile Corporate Failures

19. The IESBA received specific feedback from some respondents on the strategic driver relating to trust crises and other repercussions from high-profile corporate failures.²²
20. An MG member highlighted that recent high-profile ethical breaches at firms reinforce the importance of the IESBA's work. The MG member noted that it would be important that the development of ethics and independence standards for sustainability do not come at the expense of ensuring that projects on ethics and independence standards for professional accountants (PAs) continue to progress.²³
21. Another MG member encouraged the Board, in light of recent corporate failures and audit firm ethical lapses, to intensify its efforts on enhancing the quality and clarity of the Code. It was argued that doing so can have the added effect of making the Code more appealing to potential adopters and increasing the Code's acceptance worldwide.²⁴
22. A respondent also suggested that another priority is to enhance corporate behavior and trust in boards and audit committees within organizations. The respondent noted that effective corporate governance and enterprise risk management is needed to reduce the likelihood and damage caused by such failures.²⁵

Environmental Driver – Ongoing Impact of Technological Transformations

23. The IESBA received specific feedback from respondents²⁶ on this strategic driver, with many highlighting the importance of keeping up with the pace of change.²⁷
24. There was a view that the impact of the use of technology on the behavior of PAs is likely to become increasingly significant. The IESBA was encouraged to have a clear strategy for monitoring and addressing emerging ethical issues related to disruptive technologies.²⁸

¹⁹ **Firms:** BDO

²⁰ **Firms:** BDO; **PAO:** PICPA

²¹ **Other:** IFAC PAIBAG

²² **MG:** IFIAR **Firms:** BDO **PAO:** CA ANZ, PICPA; **Other:** IFAC PAIBAG

²³ **MG:** IFIAR

²⁴ **MG:** IOSCO

²⁵ **Other:** IFAC PAIBAG

²⁶ **Firms:** PwC; **PAO:** JIPCA, PICPA

²⁷ **Regulator:** IRBA; **NSS:** XRB; **Firms:** MG NL, PwC, RSM; **PAO:** CPAA, ICAS, ISCA, JICPA, SAICA

²⁸ **PAO:** PICPA, JICPA

Operational Drivers – Imperatives of Quality, Global Acceptance and Global Operability of the IESBA's Standards

25. Some²⁹ respondents expressed support for these drivers, noting that:
- PIRs provide valuable insights into the areas where clarity is required in terms of practical application.³⁰
 - Illustrative examples in NAM add value by enhancing understanding and facilitating consistent application.³¹
 - It is important to allow time for recent changes to the Code to become embedded in practice through training and communication, and that NAM be developed to facilitate adoption and implementation.³²
26. A respondent also indicated that it did not believe the focus of the driver should be primarily on coordination with other standard setters, but rather on actual adherence to the Code.³³

Operational Drivers – Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation and Heightened Stakeholder Expectations for Greater Timeliness

27. The IESBA received express support from several respondents for these drivers.³⁴
28. A few respondents encouraged the IESBA to dedicate significant focus on facilitating the global adoption of the Code in its next strategic period. This includes understanding whether there are jurisdictional concerns regarding the pace of change and whether recent revisions, particularly with regards to the Non-Assurance Services (NAS) and Fees provisions, are creating challenges in some jurisdictions.³⁵ However, another respondent suggested that the IESBA should focus on setting standards whilst IFAC should focus on promoting timely adoption of the Code and local regulatory bodies should focus on its effective implementation.³⁶
29. Some respondents highlighted that the significant volume of changes to ethics, accounting and auditing standards not only affects the timeframe in which local bodies can adopt these standards but also PAs' ability to implement the standards.³⁷ It was noted that whilst timely standard-setting and enforceability are critical to the effective implementation of the standards, there is a need to provide stability in the Code for implementation, compliance, and enforcement.³⁸ There was also a suggestion

²⁹ **Firms:** BDO, RSM; **PAO:** CPAC, IDW

³⁰ **Firms:** BDO

³¹ **Firms:** BDO

³² **Firms:** RSM

³³ **PAO:** IDW

³⁴ **NSS:** APESB **Firms:** BDO, MNP; **PAO:** AICPA, CPAA, CPAC, IDW, JICPA **Other:** IFAC SMPAG

³⁵ **NSS:** APESB; **Firms:** RSM

³⁶ **Firms:** BDO

³⁷ **NSS:** APESB **PAO:** AICPA, CPAA, IDW; **Other:** IFAC SMPAG

³⁸ **PAO:** CPAC

that the IESBA should spend more efforts towards understanding why some jurisdictions have not fully adopted the Code so that it can take steps to encourage greater adoption of the Code.³⁹

Other Comments

30. Some respondents suggested attracting and retaining talent and young professionals as an additional strategic driver.⁴⁰ The IESBA was encouraged to take appropriate steps to help promote its ethical principles as positive distinguishing attributes that will support the attractiveness of the profession. A respondent, however, pointed out that the Code also plays a partly contradictory role as it can appear overly complex and bureaucratic, and thus intimidating.⁴¹
31. A respondent was also of the view that generational differences could impact ethical considerations and that the IESBA should remain mindful if the current ethical framework remains “fit-for-purpose.” In addition, the respondent proposed a strategic driver addressing the increasing geopolitical volatility as a significant macro factor businesses are faced with that can have ethical implications.⁴²
32. A respondent encouraged the IESBA, in determining strategic drivers, to follow a risk-focused approach, considering potential threats to the reputation and good standing of the profession rather than only current, prevailing circumstances.⁴³ Another respondent cautioned against confirmation bias as there could be areas where guidance would be of greatest value that are not necessarily of most concern to the public.⁴⁴

PC Views and Proposals

33. With regards to comments on the IESBA’s vision, the PC is of the view that whilst the statement of the IESBA’s vision in the CP did not expressly refer to the accountancy profession, the SWP will continue to place a strong focus on the development of robust ethics standards for the profession. Therefore, the PC does not propose any changes to the statement of the IESBA’s vision.
34. Regarding comments relating to the strategic driver “*Trust Crises and Other Repercussions from Recurring High-profile Corporate Failures*”:
 - The PC agreed that recent high-profile ethical breaches in some firms have cast a negative light on the accountancy profession and undermined public trust in it. The recurrence of those breaches and their significant adverse consequences, as well as the fact that they were not limited to just one firm or one jurisdiction, have justifiably raised questions about whether firms have the right culture, governance and tone at the top to drive ethical behavior consistently across *all* their professional activities. Yet, the Code currently only deals with ethical culture and tone at the top within organizations in a limited way.⁴⁵ Given the public interest significance

³⁹ **Firms:** MNP, RSM

⁴⁰ **Firms:** PwC; **PAO:** IDW, JICPA; **Others:** IFAC SMPAG

⁴¹ **PAO:** IDW

⁴² **Firms:** PwC

⁴³ **PAO:** CA ANZ

⁴⁴ **Others:** IFAC SMPAG

⁴⁵ See paragraphs 120.13 A3, 200.5 A3 and 300.5 A2, which set out an expectation that professional accountants, taking into account their position and seniority within their organizations or firms, encourage and promote an ethics-based culture within their organizations or firms.

of these ethical failures, the PC believes that it behooves the IESBA to take a leadership role as a global ethics standard-setter in addressing the topic of firm culture and governance as a strategic priority during the next strategy period. The PC therefore proposes that the SWP specifically highlight this issue as part of this strategic driver and include a new work stream on the topic of "Firm Culture and Governance." (See further discussion under "Suggested Potential New Work Streams" in paragraphs 125-132 below.)

- The PC also noted the observations about the challenges the accountancy profession faces in attracting and retaining talent as well as how young professionals may view ethical issues differently from prior generations. The PC believes that an ethical firm culture is vital to attracting and retaining talent. The PC therefore proposes that the SWP specifically highlight the issue as part of this strategic driver.

35. Regarding the comments relating to adoption and implementation of the Code:

- The PC noted that whilst the IESBA's mandate is to set high-quality ethics (including independence) standards, it will continue to dedicate a strategic focus on outreach as well as seek collaborative opportunities with NSS, IFAC and PAOs to promote further global adoption of the Code.
- The PC acknowledged the concerns about the volume and pace of change to the Code and the need to allow local bodies and firms time to adopt and implement these changes. The PC noted that the IESBA gives due regard to setting effective dates for additions or revisions to the Code, taking into account the degree of urgency for the changes to be applied and any implementation support it might be able to provide. The PC noted that regardless of the effective dates it sets for changes to the Code, many jurisdictions must still follow their national due process to adopt the changes, which in practice means that many jurisdictions often set later effective dates for the Code changes they have adopted. The PC is, however, of the view that it would not be appropriate for the IESBA to commit to a moratorium on new standard-setting projects given that its actions must be driven by the public interest. Maintaining an overriding focus on the public interest is the only way for the IESBA to remain relevant as a global standard setter. The PC noted that the CP has sufficiently addressed the matter and therefore proposes no further clarification in the SWP.
- The PC agreed that as part of the IESBA's efforts to promote adoption and implementation of the Code, it is beneficial to understand why jurisdictions have not adopted or are delayed in adopting a later version of the Code or recently issued standards. The IESBA receives periodic updates from IFAC in this regard. The PC proposes that these updates continue and that the IESBA consider any appropriate actions to further support adoption and implementation in the light of those updates.

36. Regarding the other comments raised, the PC is of the view that:

- There seems to be a general acceptance that all preparers should adhere to a high standard of ethical behavior. However, the role of the IESBA in setting standards for those preparers of corporate reporting information who are non-PAs is a strategic matter that requires careful consideration by the IESBA and discussions with a wide range of stakeholders, including regulators and the corporate governance community, over a longer period of time. In the first instance, the IESBA will have the opportunity to discuss these matters with stakeholders as part of its sustainability project. Therefore, the PC proposes that the SWP highlight the topic of

expanding the scope of the Code as a public interest matter and the related need for further stakeholder engagement on the topic.

- The comments raised with regards to technology have been sufficiently addressed in the CP. Therefore, no further clarification in the SWP is warranted.
- PA's compliance with the Code as well as monitoring and enforcement are outside the remit of the IESBA and are matters for consideration by the relevant local bodies. However, the PC believes that the proposed new work stream on firm culture and governance might include consideration of PAs' compliance with the Code in firms from a culture and governance perspective.

B. Strategic Themes and Actions

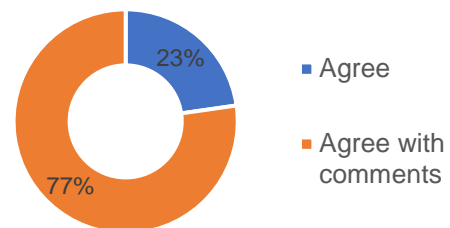
Consultation Paper Question 2

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

Overview of responses

37. Responses to Question 2 were as follows (see separate NVivo report in Agenda Item 5-B.3 for details):

- 10 respondents agreed – 23%; and
- 34 respondents agreed with further comments – 77%.



Respondents' Comments

38. All respondents were generally supportive of the IESBA's proposed strategic themes and actions. The following specific comments were received to further clarify the strategic themes and actions.

Enhancing Trust in Sustainability Reporting and Assurance

39. Many respondents, including two MG members, agreed that the [Sustainability Project](#) should be a top priority for IESBA.⁴⁶

40. On the matter of profession-agnostic standards:

- A few respondents queried the enforceability of the Code on non-PAs without regulatory requirements.⁴⁷
- A respondent urged the IESBA not to develop profession-agnostic standards at the expense of prioritizing the needs of PAs to understand and adopt the existing Code.⁴⁸ There was also

⁴⁶ **MG:** IFIAR, IOSCO; **Regulator:** UK FRC; **NSS:** APESB; **Firms:** EY, MGNL, PwC; **PAO:** CA ANZ, ICAEW, ICAS, ISCA, WPK

⁴⁷ **Firms:** MNP; **PAO:** ICAS; PAFA

⁴⁸ **PAO:** CPA Australia

a suggestion to develop a separate Code for non-PA professionals as the ethics standards for PAs set the profession apart from other professions.⁴⁹

41. On the importance on engagement with stakeholders who are not PAs:

- A few respondents encouraged the IESBA to engage with a broad range of stakeholders, including sustainability assurance providers, regulatory and oversight bodies as well as other key jurisdictional bodies to demonstrate the purpose and benefits of the Code, and to encourage acceptance and adoption of the IESBA's proposed sustainability-related standards by non-PA practitioners.⁵⁰
- A respondent encouraged the IESBA to allocate sufficient resources for educating non-PA sustainability assurance providers on the standards, which would support adoption of these standards within the non-PA practitioner community.⁵¹
- A respondent cautioned the IESBA not to underestimate the time and resources that will be required to establish such communications.⁵²

42. Other comments raised by respondents include the following:

- Care should be taken to ensure that claims of wider use of the Code by non-IFAC member bodies do not lead to the apparent “certification” or diminish the public perception of the Code or its enforcement.⁵³
- As the scope of ethics standards is expanded to the field of sustainability, these standards must first be repositioned as a fundamental requirement for good governance and objective decision-making free of management bias.⁵⁴

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

43. An MG member and some other respondents supported the IESBA's focus on the ongoing and timely identification of new and emerging issues that may need to be addressed, including sustainability and technology. They encouraged the IESBA to allow for flexibility in its workplan to allow for the reallocation of resources to address unexpected changes.⁵⁵

44. The MG member also encouraged the IESBA to continue to pursue projects that will strengthen the Code for audit engagements and to expand its benchmarking initiative to cover other jurisdictions to help identify potential gaps in the Code.⁵⁶

⁴⁹ **Firms:** MGNL; **PAO:** SAICA

⁵⁰ **NSS:** XRB; **Firms:** BDO, EY

⁵¹ **Firms:** EY

⁵² **Regulator:** UK FRC

⁵³ **PAO:** ICAEW

⁵⁴ **NSS:** APESB

⁵⁵ **MG:** IOSCO; **Regulator:** IRBA; **Firms:** BDO, EY, KPMG, MNP

⁵⁶ **MG:** IOSCO

45. In the context of the pace of technological developments and their impact on business and the accountancy profession, a respondent encouraged the IESBA to place importance on the ethical challenges created by disruptive technologies.⁵⁷
46. Regarding determining if the Code requires further strengthening, some respondents have asked the IESBA to:
- Balance its activities between strengthening the Code and widening the influence of the standards through adoption and implementation.⁵⁸
 - Ensure there are strong justification and clear evidence before making additional revisions to the Code, noting continued changes to the Code could negatively impact its adoption.⁵⁹
 - Guide future standard setting by the outcomes of PIRs as well as root cause analysis of potential shortcomings, research, and enhanced collaboration.⁶⁰ A respondent saw the use of PIRs as important not only to assess the need for further enhancements but also potentially to consider the need for other forms of modifications such as simplification.⁶¹
 - Develop performance-based metrics against which the success of its proposed strategic actions can be measured.⁶²

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

47. Some respondents welcomed the IESBA's plan to reach out to diverse stakeholders to promote the acceptance of its standards.⁶³ A respondent highlighted the importance of coordination with the IAASB and other standard-setting bodies, such as the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative's (GRI) Global Sustainability Standards Boards (GSSB).⁶⁴
48. An MG member and a few other respondents suggested more clarity on the actions the IESBA will undertake to promote use of the IESBA's proposed standards on sustainability assurance by practitioners outside of the accounting profession.⁶⁵
49. A few respondents also encouraged the IESBA to:
- Consider enforcement challenges and perspectives when drafting standards as addressing those challenges could help increase the adoption and use of the Code.⁶⁶ This includes

⁵⁷ **Regulator:** IRBA

⁵⁸ **Regulator:** UK FRC; **Firms:** PwC

⁵⁹ **Firms:** PwC; **Others:** IFAC PAIBAG, IFAC SMPAG

⁶⁰ **PAO:** AICPA, IDW

⁶¹ **PAO:** IDW

⁶² **NSS:** XRB

⁶³ **Regulator:** CEAOB; **NSS:** XRB; **Firms:** EY; **PAO:** AE, IAASA **Other:** IFAC SMPAG

⁶⁴ **PAO:** ICAS

⁶⁵ **MG:** IFIAR; **Regulator:** CEAOB; **Firms:** PwC; **PAO:** IAASA

⁶⁶ **PAO:** IAASA

obtaining an understanding of ethical frameworks used by assurance providers outside the audit profession.⁶⁷

- Take an inclusive approach by ensuring its due process is profession-agnostic and include non-PAs in the membership of the Board and task forces, and broad consultation from the project proposal stage.⁶⁸
- Not base its work on the lowest common denominator to maximize acceptance of the Code by jurisdictions.⁶⁹

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

50. Comments received included the following:

- An encouragement to continue focusing on promoting full and timely adoption and effective implementation of the Code.⁷⁰ The development of NAM was highlighted as an important tool in this regard,⁷¹ although it was recognized that NAM will never replace clear and robust standards.⁷²
- There should also be a focus on alignment between the Code and local requirements in jurisdictions that report the Code as being adopted, as modifications by jurisdictions could result in global misalignment. A respondent encouraged the IESBA to promote the benefit of globally aligned and consistent standards on independence through stakeholder outreach.⁷³
- An encouragement for the IESBA to understand the reasons, such as translation issues, for delays in the adoption of the Code or new and revised standards.⁷⁴
- An encouragement to take into consideration not only the ISSB standards, but also the work of other relevant standard setters in the field of sustainability reporting.⁷⁵

Additional Comments

51. A respondent observed that recent ethical failures by large accounting firms have created a detrimental effect on the perception of the accountancy profession's standing as ethical, independent, and acting in the public interest.⁷⁶ The respondent encouraged the IESBA to determine whether such ethical failures need to be addressed by further strengthening the Code or whether increased awareness, education, training or monitoring of compliance is required.

⁶⁷ **Regulator:** CEAOB

⁶⁸ **NSS:** XRB

⁶⁹ **Regulator:** CEAOB; **PAO:** IAASA

⁷⁰ **Regulator:** UK FRC; **NSS:** XRB; **Firms:** EY **PAO:** HKICPA **Other:** IFAC SMPAG

⁷¹ **Firms:** RSM; **PAO:** AICPA, IDW

⁷² **Regulator:** CEAOB; **PAO:** IAASA

⁷³ **Firms:** EY

⁷⁴ **Firms:** RSM **PAO:** ICAS, IDW **Other:** IFAC SMPAG

⁷⁵ **Regulator:** CEAOB; **PAO:** IAASA

⁷⁶ **NSS:** APESB

52. An MG member⁷⁷ encouraged the IESBA to monitor and evaluate ethics rules or provisions in force at a national level as input for possible future enhancements to the Code.
53. A few respondents highlighted that the approach taken for sustainability assurance seems at odds with that for the tax planning project, as many other professionals also provide tax planning services.⁷⁸ It was suggested that the development of profession-agnostic standards should be extended to tax planning and related services.
54. Some respondents also encouraged the IESBA to:
 - Keep the Code principles-based to stay relevant rather than rules-based, which in turn encourages adoption and implementation.⁷⁹
 - Focus on areas of strategic importance which have the most impact to set appropriate ethics and independence standards for PAs and promote ethics standards for non-PAs.⁸⁰
 - Continue to provide clear and enforceable standards that can be applied consistently.⁸¹
 - To collaborate with NSS and other key stakeholders beyond the comment letter process.⁸²
 - Reduce the pace of change to the Code and use a period of stability to pursue opportunities for global recognition of the Code as the international benchmark for best practice in sustainability reporting and assurance.⁸³

PC Views and Proposals

55. The comments relating to the Sustainability project have been referred to the Sustainability Task Force for its further consideration. The Task Force will raise them with the IESBA as appropriate. Regarding the importance of engagement with non-PAs, the PC noted that the IESBA's Sustainability Reference Group is an important mechanism for IESBA to seek input from practitioners, academics and other experts who are not PAs.
56. Regarding the comments relating to strengthening the Code in other areas, the PC noted that:
 - The IESBA only launches standard-setting projects after having established a sufficient evidential basis for them, including through stakeholder outreach such as global roundtables, research and other fact-finding, and a thoughtful identification of the issues or matters to be addressed. This basis is set out in the project proposal that the IESBA must approve before commencing each project.
 - The IESBA and IAASB are in the process of revising their shared due process to incorporate consideration of the public interest framework so that they can better assess their standards' responsiveness to the public interest as the projects evolve.

⁷⁷ **MG:** IFIAR

⁷⁸ **PAO:** AE, ICAS; **Other:** CEM

⁷⁹ **PAO:** AE, CA ANZ, IDW, JICPA

⁸⁰ **Firms:** PwC

⁸¹ **MG:** IFIAR **PAO:** IAASA **Firms:** RSM

⁸² **PAO:** AICPA

⁸³ **PAO:** CA ANZ, CPAC

- With regards to undertaking other benchmarking exercises, the PC noted that undertaking benchmarking is a resource- and time-intensive endeavor and that the IESBA has limited capacity to carry out such exercises. The PC believes that the IESBA should encourage jurisdictions to lead initiatives to benchmark their rules or standards against the Code's provisions. In this regard, the PC noted that at the [March 2022 IESBA meeting](#), the IESBA had committed to continuing to promote the outcomes of the [Benchmarking International Independence Standards Phase 1 Report: Comparison of IESBA and US SEC/ PCAOB Frameworks](#), and consider users' feedback before deciding to take on future Benchmarking phases.
 - The CP had already highlighted the IESBA's focus on remaining flexible and agile and responding appropriately to emerging issues or developments (see paragraphs 34, 41, 57-58 and 98 of the CP).
57. Regarding comments relating to the other strategic themes, the PC noted that many of them emphasize the importance of commitments the IESBA has already set out in the CP, such as commissioning the development of relevant NAM to assist with the adoption and effective implementation of the Code, and continuing to coordinate closely with the IAASB and collaborate with other standard setters as well as other key stakeholders on matters of mutual interest. Some of the comments also emphasize messages that the IESBA strongly believes in, such as keeping the Code principles-based, setting clear and enforceable standards, and promoting the benefits of globally aligned standards. A few of the comments extend beyond the IESBA's remit (such as including non-PAs in the IESBA's membership), or relate to strategic matters that the IESBA might consider more holistically in the future (such as the development of profession-agnostic standards for tax advisers other than PAs).
58. Regarding the suggestion to address the matter of ethical breaches by firms, refer to the PC's views and proposal in paragraph 125 - 132.

Matters for IESBA consideration

1. IESBA members are asked to share views on:
 - The significant comments from the respondents on the strategic drivers, themes, and actions, and the PC's responses.
 - The PC's proposed revisions to the draft SWP (paragraphs 1 – 54)

C. Proposed Work Plan for 2024 – 2027

i. Ongoing and Pre-Committed Projects

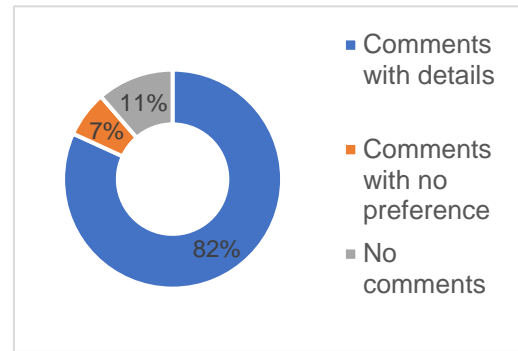
Consultation Paper Question 4

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.

Overview of Responses

59. Responses to Question 4 were as follows (see separate NVivo report in Agenda Item 5-B.5 for details):

- 36 respondents provided feedback on projects to be accelerated / deferred – 82%;
- 3 respondents provided feedback with no detail on projects to be accelerated / deferred – 7%; and
- 5 respondents did not have a specific response – 11%.



Respondents' Comments

60. In addition to providing their feedback on priority, respondents also provided comments on the ongoing and pre-committed projects and work streams.

Ongoing Projects and Work Streams (Table A)

61. The majority of the respondents commended the IESBA on the work towards developing profession-agnostic ethics and independence standards for sustainability assurance. The MG members also raised the following additional feedback:

- An MG member encouraged the IESBA to set the ethical requirements for the provision of assurance on sustainability reporting at a level that would be at least equivalent to the expectations for an audit of financial statements.⁸⁴
- Another MG member indicated its support for the IESBA's strategic decision on a phased approach to standard setting relating to sustainability given the potential expanding roles of professional accountants in business (PAIBs) with respect to sustainability reporting.⁸⁵

62. The MG members and others also expressed support for the Use of Experts project due to the expected increase in the use of experts in sustainability reporting and assurance. However, a few respondents suggested that the consultation period for the Use of Experts project be deferred so that stakeholders have sufficient capacity to properly respond to both exposure drafts.⁸⁶

63. An MG member also encouraged the IESBA to streamline the terms and definitions in the Code where possible to encourage adoption of the Code by assurance providers other than non-PAs.⁸⁷

64. Several respondents⁸⁸ expressed support for the NOCLAR PIR as an ongoing work stream for the new strategy period. It was also suggested that the IESBA highlight to stakeholders that the NOCLAR

⁸⁴ **MG:** IFIAR

⁸⁵ **MG:** IOSCO

⁸⁶ **PAO:** AE, ICAEW, WPK

⁸⁷ **MG:** IFIAR

⁸⁸ **Firms:** MGNL, PwC; **PAO:** ACCA, AE, BICA, CPAC, IDW, PAFA, SAICA, WPK;

provisions in isolation may not be sufficient to provide protection in reporting matters of non-compliance.⁸⁹

65. With regards to the work stream relating to CIVs, pension funds and investment company complexes, a number of respondents asked the IESBA to consider deferring this work stream until the completion of the PIR for the [Public Interest Entity \(PIE\)](#) project.⁹⁰ It was noted that these entities have great diversity in their governance structures from one jurisdiction to another, which can create significant challenges in developing a global approach to a “related entity” definition that might apply to these structures. Instead, there was a suggestion that it would be more beneficial if the IESBA were to focus on developing a clear framework for determining when a “control” relationship exists that could be applied to all structures, including CIVs, pension funds and investment company.⁹¹

Potential Projects

66. General support was received for the list of potential projects with detailed feedback received captured as part of Question 3.⁹² The respondents’ comments will be discussed in the next section.

Pre-committed Projects

67. Many respondents, including both MG members, were generally supportive of the list of pre-committed work streams.⁹³ A few, however, raised concern in light of other demands on the Board and the rate and pace of changes to the Code.⁹⁴
68. The following comments were received for the IESBA’s consideration:
- An MG member suggested that the IESBA include a detailed timeline as to when projects are expected to be completed, and when PIRs are expected to be conducted.⁹⁵ The MG member highlighted that PIRs and the development of NAM are critical to the timely adoption of new or revised standards across jurisdictions.
 - A few respondents suggested that the PIR for the restructured Code should be given priority as it appears that a number of jurisdictions have not yet adopted the restructured Code or that there have been lags between the effective dates for new provisions and the local adoption dates.⁹⁶ It was suggested that this PIR should, amongst other matters, consider the reasons for late or no adoption. Another respondent was of the view that this PIR should be given a lesser priority and, instead, the review could be conducted internally, focusing on maintaining conformity with the Structure drafting conventions.⁹⁷

⁸⁹ **PAO:** ICAS

⁹⁰ **Regulator:** UK FRC; **NSS:** CEAOB; **Firms:** DTTL; MGNL, MNP **PAO:** ACCA, AE, IAASA, SAICA; **Other:** EFAA

⁹¹ **Firms:** EY

⁹² **Regulator:** IRBA, UK FRC; **Firms:** EY, MNP, MGNL; **PAO:** ACCA, AE, AICPA, Assirevi, CACR, CPAC, IAASA, PAFA, SAICA, WPK; **Other:** CEM, EFAA

⁹³ **MG:** IFIAR, IOSCO **Regulator:** CEAOB, UKFRC; **Firms:** DTTL, EY, GTIL, KPMG; **PAO:** ACCA, AE, CPAC, HKICPA, IAASA, ICAS, IDW, ISCA, WPK, **Other:** EFAA, IFAC SMPAG

⁹⁴ **Firms:** PwC **PAO:** CAANZ, CPAC

⁹⁵ **MG:** IFIAR

⁹⁶ **PAO:** AE, ICAS; **Other:** IFAC SMPAG

⁹⁷ **PAO:** CPAC

- Given the impact of recent changes relating to the NAS and Fees projects, an MG member and other respondents suggested that the IESBA accelerate the related PIRs.⁹⁸ There were also suggestions for all the PIRs to be run simultaneously to have a holistic understanding of the impact of these revised provisions,⁹⁹ as well as for the PIRs to be accelerated before taking on any proposed work streams in Table B.¹⁰⁰
- A few respondents suggested that an additional aspect of the PIR process should be to identify whether there are any unintended consequences that create challenges for stakeholders in terms of understanding or implementing the provisions.¹⁰¹ For instance, it was suggested that a mechanism or process could be developed to allow the IESBA to address such unintended consequences in a timely manner, as well as any other smaller improvement or clarification opportunities identified as part of the PIR. Similarly, an MG member encouraged the IESBA to consider adding an expedited process when the nature and scope of the project are such that it can be completed in a more accelerated timeframe while complying with due process.¹⁰²
- It was also suggested that for the profession to be able to provide meaningful feedback in the PIRs, sufficient time is needed between the local effective dates and the PIR dates.¹⁰³

69. With regards to additional PIRs:

- An MG member suggested that the IESBA consider accelerating its PIR on the sustainability project to assess how effectively the implementation of those standards meets the project's original objectives, and to identify any need for further enhancements given the rapid developments relating to reporting and assurance of sustainability information.¹⁰⁴
- There was also suggestion for the IESBA to consider including a PIR of the Technology-related revisions to the Code in the new strategy period.¹⁰⁵

70. An MG member further encouraged the IESBA to consider the following when conducting the PIR relating to the revised NAS provisions: ¹⁰⁶

- Stronger substantive safeguards to address independence issues arising from the provision of NAS to assurance clients.
- Defining more stringent provisions (including prohibitions for PIEs) for auditors to strengthen independence when providing NAS.
- To enhance the effectiveness of management taking responsibility, by undertaking a project to enhance the provisions in the Code, such as to require an assessment of management's

⁹⁸ **MG:** IOSCO; **Regulator:** CEAOB; **PAO:** AE, CPAC, IAASA, **Other:** IFAC SMPAG

⁹⁹ **Firms:** DTTL; **PAO:** ICSA; **Other:** EFAA

¹⁰⁰ **MG:** IOSCO **PAO:** ISCA **Firms:** KPMG

¹⁰¹ **Firms:** EY, KPMG

¹⁰² **MG:** IOSCA **Firms:** PwC

¹⁰³ **PAO:** CA ANZ

¹⁰⁴ **MG:** IOSCO

¹⁰⁵ **PAO:** ICAS

¹⁰⁶ **MG:** IOSCO

competence and capability to determine whether sufficient expertise, or knowledge and experience permit management to substantively take responsibility.

71. Another MG member also encouraged the IESBA to consider the need to add prohibitions to the provision of NAS.¹⁰⁷

Other Comments

72. A few respondents suggested longer transition periods to adopt revised standards, especially those with a tight timeframe between approval and effective dates.¹⁰⁸
73. A few other respondents also encouraged the IESBA to identify areas where further implementation support (e.g., Q&As, staff alerts, fact sheets etc.) can be provided.¹⁰⁹

PC views and proposals

Ongoing Projects and Work Streams (Table A)

74. Whilst noting the support received for the ongoing work streams, the PC noted the IESBA's commitment to be flexible and agile, and to retain capacity to respond to matters that might arise from the current Sustainability Project as suggested by an MG member.¹¹⁰
75. The PC is further of the view that the Use of Expert project should proceed as planned, given the importance of the project and its interconnection with the Sustainability Project.
76. The PC is also of the view that the work stream on the *CIVs, Pension Funds & Investment Company Complexes* should not be postponed given the IESBA's undertaking to commence this work stream at the earliest opportunity when finalizing the new PIE provisions in December 2021. As noted in the CP, the IESBA has acknowledged the complexity of these arrangements or structures and the degree of variation across jurisdictions. The IESBA, however, will conduct appropriate research and proceed cautiously before determining if there is a need to revise the Code.
77. All the comments relating to the Sustainability and Use of Experts projects have been referred to the respective Task Forces for their consideration. For work streams not yet commenced, such as the NOCLAR and NAS PIRs, comments will be provided to the relevant Working Groups in due course.

Proposed New Topics (Table B)

78. Please refer to the discussion on Question 3 (see paragraphs 110-115).

Pre-committed Work Streams (Table C)

79. In light of the broad support received for the pre-committed work streams as highlighted in Table C, the PC proposes that all the pre-committed work streams be included in the SWP. With regards to the timing of the PIRs, the IESBA has committed to further considering their priorities in Q4 2024 when it conducts a review of the progress of its work streams and updates its work plan as needed.

¹⁰⁷ **MG:** IFIAR

¹⁰⁸ **Firms:** KPMG; **PAO:** ICSA

¹⁰⁹ **NSS:** XRB; **PAO:** CPAA

¹¹⁰ **MG:** IOSCO

80. In addition, the PC is of the view that sufficient time needs to be allowed for before the IESBA conducts a PIR in order to have sufficient data to properly assess the effectiveness of implementation of the relevant standard. For this reason, the PC proposes:
- Not to accelerate the PIR related to the Sustainability project as suggested by a MG member.¹¹¹ However, the PC recommends that the IESBA continue to monitor sustainability developments and assess the need to address other sustainability-related matters outside the scope of the Sustainability project.
 - Not to accelerate the PIR related to NAS and Fees as suggested by a MG member.¹¹²
 - Not to include a PIR for the Technology-related revisions to the Code given that they will only become effective in December 2024.

Other

81. As mentioned earlier, the PC acknowledges the concerns raised by respondents about the volume and pace of changes to the Code. The PC notes that the IESBA has committed to taking a number of practical steps to alleviate such concerns, including:
- Taking a balanced approach to the future work plan, with a mix of timely PIRs, high priority projects responding to a significant public interest need or issue, longer term projects perhaps of a more complex nature, and narrow-scope amendments projects.
 - Providing longer comment periods on exposure drafts and extended effective dates (in the latter case, as has been done with the PIE project).
 - Pursuing early engagement with stakeholders to identify specific implementation issues or challenges and providing targeted support within available capacity.
82. The PC is of the view that, based on the nature of projects, current processes already allow for projects to be completed through proper due process in a more accelerated timeline. An example of such a project is the [Quality Management-Related Conforming Amendments to the Code](#), which was completed well within a year.
83. As noted in the CP, developing, or facilitating the development of NAM, to support the adoption and effective implementation of the Code is already an action item under the theme “Widening the Influence of the IESBA’s Standards Through a Continued Focus on Adoption and Implementation.”

ii. Proposed New Topics (Table B)

Consultation Paper Question 3

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

If so, please also share your views on any specific issues or questions you believe the IESBA should consider under these topics.

¹¹¹ **MG:** IOSCO

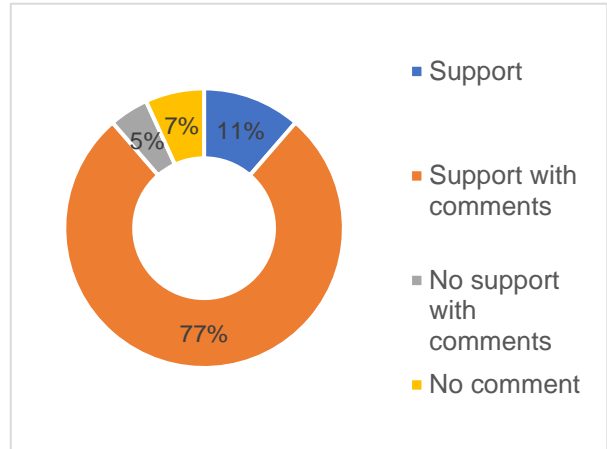
¹¹² **MG:** IOSCO

If not, please explain your reasons.

Overview of Responses

84. Responses to Question 3 were as follows (see separate NVivo report in Agenda Item 5-B.4 for details):

- 5 respondents supported – 11%;
- 34 respondents supported with further comments – 77%;
- 2 respondents no support with comments – 5%; and
- 3 respondents did not have a specific response – 7%.



Respondents' Comments

85. Most of the respondents supported the list of topics the IESBA identified as potential work streams. The following specific comments were received.

Role of the CFO and Other Senior PAIBs

86. Many respondents supported¹¹³ a project addressing the expanding role of CFOs and other PAIBs, although a few respondents¹¹⁴ did not consider this as an area of priority.

87. Various respondents encouraged the IESBA, in considering this project, to:

- Emphasize the importance of an ethical culture in companies. It was felt, however, that this should be done without adding new sections or requirements to the Code but rather developing NAM to help PAIBs understand their professional and ethical responsibilities.¹¹⁵
- Enlarge the scope to include the entire corporate ecosystem within a reporting entity as corporate failures are usually the result of shortcomings throughout the entity, not just from CFOs and other senior PAIBs.¹¹⁶
- Enhance the guidance on familiarity threats that PAIBs may face.¹¹⁷
- Determine the impact of excessive reliance on technology such as artificial intelligence (AI) and digital technology relating to information gathering. It was noted in particular that generative AI carries the risk of producing inaccurate summaries and information.¹¹⁸

¹¹³ **Regulator:** IRBA; **NSS:** APESB, XRB, **Firms:** BDO, DTTL, EY, MNP, PwC; **PAO:** AE, AICPA, Assirevi. CPAC, HKICPA, ICAEW, IDW, JICPA, PICPA; **Other:** IFAC PAIBAG

¹¹⁴ **Firms:** KPMG; **PAO:** ICAS **Other:** EFAA

¹¹⁵ **NSS:** APESB; **Firms:** DTTL, KPMG, MNP, RSM; **PAO:** AICPA, ICAEW, HKICPA; **Other:** IFAC SMPAG

¹¹⁶ **PAO:** IDW

¹¹⁷ **PAO:** JICPA

¹¹⁸ **NSS:** APESB

88. It was noted that the objectives of this work stream also relate to other potential work streams and could be considered together. The two potential work streams identified were:
- Communication with those charged with governance (TCWG), in terms of improving communication by senior PAIBs with TCWG to strengthen the concepts of transparency and accountability for PAs to minimize their potential over-reliance on experts or consultants (which was the focus of the recommendation in the Technology Working Group’s (TWG) Phase 2 Report).¹¹⁹
 - The role of the CFO in relation to sustainability. It was suggested that any professional team supporting the CFO should be subject to the same ethics and independence requirements applicable to CFOs. In this regard, it was suggested that it could be useful to define the perimeter of the CFO team members to whom the rules should apply.¹²⁰ It was also noted that the dynamics of the new sustainability environment will require CFOs and other PAIBs to acquire new skills to work in a multi-disciplinary manner in teams with other experts.¹²¹
89. A few respondents also observed that not all CFOs are members of a PAO. Thus, these CFOs may not be modeling ethical behavior as they are not subject to the Code. Therefore, the respondents encouraged the IESBA to engage with policy makers and regulators who have the authority to consider requirements for individuals in these roles.¹²²

Business Relationships

90. An MG member reiterated its view that this topic should be prioritized. In particular, it recommended that the IESBA consider providing guidance on how to evaluate materiality by strengthening the IIS.¹²³ The MG member suggested that the IESBA consider whether close business relationship with an audit client or its management in paragraph R520.4, as well as loans and guarantees to an audit client in paragraph R511.4, should be prohibited under the Code irrespective of materiality or significance.
91. Many other respondents¹²⁴ also supported this potential work stream, indicating that it could be treated with a higher priority; however, some¹²⁵ indicated that they do not support this topic as a new work stream.
92. Amongst other matters, the following were raised for the IESBA’s consideration:
- The “materiality/significance” item currently provided for in Section 520 of the Code should not be removed in order to appreciate business relationships capable of affecting independence.¹²⁶

¹¹⁹ **Firms:** RSM

¹²⁰ **PAO:** Assirevi

¹²¹ **NSS:** XRB

¹²² **Firms:** KPMG; **PAO:** CAAA

¹²³ **MG:** IOSCO

¹²⁴ **Regulator:** IRBA, UK FRC; **NSS:** APESB, XRB; **Firms:** BDO, GTIL, MNP, PwC, RSM; **PAO:** AICPA, Assirevi, CPAC, ICAS, PICPA

¹²⁵ **Firms:** EY, KPMG, MGNL; **PAO:** SAICA

¹²⁶ **Firms:** GTIL **PAO:** Assirevi

- If the IESBA pursues a project on this topic, loans and guarantee arrangements under Section 511 of the Code should not be included as part of the project’s scope as traditionally it is treated as financial relationships by regulatory bodies.¹²⁷
- The IESBA should develop principles-based provisions, focusing the requirements on those relationships that are most likely to create significant threats to independence.¹²⁸
- Given that the audit firm – audit client relationship is an example of a business relationship, these topics could be considered together to explain the self-interest threats associated with different types of business relationships with audit clients.¹²⁹
- The IESBA should consider including a definition for the term “business relationship” in the Code due to the growing number of activities involving an auditor with different business relationships.¹³⁰
- A respondent encouraged the IESBA to think beyond technology to all strategic commercial relationships.¹³¹

Audit Firm – Audit Client Relationships

93. An MG member indicated that this project should be prioritized, including reconsidering the definition of “network firm” as a less involved project.¹³²
94. The IESBA received mixed views, with some respondents supporting¹³³ the proposed work stream whilst others¹³⁴ indicated that they did not see this as a priority.
95. Amongst other matters, the following were raised for the IESBA’s consideration:
 - Whether it is still appropriate to use the term “audit client” in the Code.¹³⁵ Suggested other terms include “audited entity”¹³⁶ or “assurance client.”¹³⁷
 - If it would be more effective to prioritize promoting existing provisions in the Code that address the self-interest threat rather than focus on a term used in the Code.¹³⁸
 - Only changes in substance to enhance independence between the auditor and the client be considered. Therefore, it was suggested that the focus should not only be on terminology but also include:¹³⁹

¹²⁷ **Firms:** GTIL, KMPG; **PAO:** AICPA

¹²⁸ **PAO:** AIPCA

¹²⁹ **Firms:** RSM

¹³⁰ **Firms:** BDO, RSM

¹³¹ **NSS:** XRB

¹³² **MG:** IOSCO

¹³³ **Regulator:** IRBA, UK FRC; **NSS:** XRB **Firms:** BDO; **PAO:** ICAEW, ICAS

¹³⁴ **NSS:** APESB **Firms:** EY, KPMG, MNP, PwC **PAO:** AICPA

¹³⁵ **Firms:** PwC; **PAO:** ICAEW, ICAS

¹³⁶ **PAO:** ICAS

¹³⁷ **Firms:** PwC

¹³⁸ **NSS:** APESB

¹³⁹ **Regulator:** IRBA

- Changes in how the auditor communicates with the client / management.
 - Changes in how audit teams are structured.
 - Decreasing the auditor’s dependency on the client / management, an example being how fees are paid / structured.
 - Any guidance on business relationships should fully recognize the reality of the small and medium-sized enterprise (SME) environment.¹⁴⁰
96. Some respondents¹⁴¹ were unsupportive of the work stream, with comments including:
- Although there is a rationale for the project, this could be addressed through additional guidance and thought leadership articles.¹⁴²
 - A change would cause significant disruption with the topic being a conceptual point where the public interest could be addressed in alternative ways.¹⁴³ Without more clear direction, this work stream could have many unintended consequences, including creating confusion for users of financial statements and audit reports.¹⁴⁴
 - The audit firm-audit client relationship is a matter for regulatory guidance in individual jurisdictions.¹⁴⁵

Definitions and Descriptions of Terms

97. An MG member suggested that this is a work stream that should be prioritized by the IESBA.¹⁴⁶
98. Significant support was also received to harmonize terminology between the IAASB standards and the Code.¹⁴⁷ A respondent indicated that the project should be extended to other professions to ensure the consistent use of definitions and descriptions.¹⁴⁸
99. Feedback received on specific terms highlighted in the CP include the following:
- A suggestion to clarify the term “control” as used in the definition of related entities.¹⁴⁹
 - A view that there is no need to update the term “audit team” as it was reviewed as part of the recently completed Engagement Team Project.¹⁵⁰
 - A suggestion not to expand the “engagement period” definition to beyond the date the audit report is issued as this could limit a firm’s ability to perform NAS for a previous assurance

¹⁴⁰ **PAO:** ICAEW

¹⁴¹ **Firms:** EY, KPMG, PwC; **PAO:** AICPA

¹⁴² **Firms:** MNP

¹⁴³ **Firms:** KPMG, PwC

¹⁴⁴ **PAO:** AIPCA

¹⁴⁵ **Firms:** PwC

¹⁴⁶ **MG:** IOSCO

¹⁴⁷ **Regulator:** IRBA, UK FRC; **NSS:** APESB, XRB; **Firms:** BDO, EY, KPMG, MNP, RSM; **PAO:** ACCA, AE, AICPA, ICAS, JICPA, WPK; **Other:** EFAA

¹⁴⁸ **NSS:** XRB

¹⁴⁹ **PAO:** JICPA

¹⁵⁰ **Firms:** PwC

client.¹⁵¹ It was felt that it would be difficult to manage any such provision in practice, especially where there is mandatory firm rotation, which may also reduce auditor choice.¹⁵²

- A view that the term “employee” should not include those who act in a capacity of an employee at a client as this could create confusion on permitted NAS, and that any definition should be scalable.¹⁵³ It was also suggested that the term “employee” should not include contractors as the legal and tax treatment is very different. It was felt that the focus should instead be on 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.¹⁵⁴
- There is no need to revisit the terms “network firm” and “professional accountant.”¹⁵⁵

100. A respondent discouraged the proposed project, highlighting that the threshold for action should be whether there are differences in definitions that are causing problems, questions, or inconsistent practices.¹⁵⁶

Custody of Data

101. Many respondents supported the topic of custody of data.¹⁵⁷

102. Suggestions for the IESBA to consider include the following:

- Guidance on safeguards that should be in place to protect data.¹⁵⁸
- Investigating the ethical implications of a PA’s custody of financial or non-financial data belonging to clients, customers, or other third parties, specific types of data being hosted, the method of hosting and the purpose of hosting data. New provisions may be required to guide users in relation to the custody of client data, both prior to accepting custody as well as after taking custody.¹⁵⁹
- Considering the materiality of data and its operational status in practice as it may be necessary to define “materiality” in the context of data.¹⁶⁰
- Standardizing good practice in relation to data governance to manage potential risks in relation to the use and safeguarding of data.¹⁶¹

¹⁵¹ **Firms:** MNP, PwC

¹⁵² **Firms:** PwC

¹⁵³ **PAO:** AIPCA

¹⁵⁴ **Firms:** PwC

¹⁵⁵ **Firms:** PwC

¹⁵⁶ **Firms:** PwC

¹⁵⁷ **Regulator:** IRBA; **NSS:** APESB, XRB; **Firms:** BDO, MNP, PwC, RSM; **PAO:** CPAA, HKICPA, ICAEW, ICAS, JICPA, PICPA
Other: CEM, EFAA, IFAC PAIBAG

¹⁵⁸ **NSS:** XRB

¹⁵⁹ **Firms:** BDO; **PAO:** ICAS

¹⁶⁰ **PAO:** JICPA

¹⁶¹ **PAO:** ICAEW

- Guidance 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 principle of confidentiality.¹⁶²
- Developing definitions of the concepts of “custody/hosting” and “data.”¹⁶³

103. This topic was not seen as a priority by some respondents who indicated that the concept is currently captured in the Code’s fundamental principles, which cover the use and disclosure of confidential information.¹⁶⁴ A respondent indicated due to the recent technology-related revisions to the Code, it does not believe a separate project is necessary to capture ethics considerations relating to the custody of data.¹⁶⁵

Communication with Those Charged with Governance (TCWG)

104. Many respondents supported the topic of communication with TCWG.¹⁶⁶

105. Suggestions for the IESBA to consider include:

- Developing appropriate guidance for both PAs and TCWG who are non-PAs.¹⁶⁷
- Adding new provisions 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.¹⁶⁸ It was suggested, for example, that coordination with the IAASB would be needed due to the impact on ISA 620¹⁶⁹ and any further ISSA 5000¹⁷⁰ series communication standards.
- Consideration of a principles-based approach given the difficulty of identifying all instances which may require communication with TCWG.¹⁷¹

106. Concerns raised by respondents include:

- Potential challenges in defining TCWG in certain jurisdictions. It was felt that guidance outside the Code would be needed for the benefit of non-PAs and those fulfilling non-executive roles on boards and committees.¹⁷²

¹⁶² **Firms:** MNP

¹⁶³ **Firms:** BDO

¹⁶⁴ **Firms:** EY, KPMG, MGNL; **PAO:** SAICA

¹⁶⁵ **PAO:** ISCA

¹⁶⁶ **Regulator:** IRBA; **NSS:** APESB, XRB; **Firms:** BDO, EY, MNP, PwC; **PAO:** CPAC, ICAS, JICPA, PICA; **Other:** EFAA, IFAC PAIBAG

¹⁶⁷ **PAO:** JICPA

¹⁶⁸ **Firms:** PwC; **PAO:** ICAS

¹⁶⁹ International Standard on Auditing (ISA) 620, *Using the Work of an Expert*

¹⁷⁰ International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

¹⁷¹ **Firms:** MNP

¹⁷² **Other:** IFAC SMPAG

- The potential overload of information to TCWG which would not improve audit quality or serve the public interest.¹⁷³

107. A respondent felt that communication with TCWG was enhanced as a result of the NAS and Fees projects, and that the Code provides sufficient guidance.¹⁷⁴

General Comments

108. A few respondents were of the view that the potential new work streams listed in Table B do not respond to urgent stakeholder needs or practical issues encountered by PAs. They urged the IESBA to focus instead on sustainability reporting and assurance.¹⁷⁵ It was also suggested that the IESBA remains flexible for future projects relating to sustainability, for example relating to the applicability of the Code to non-PAs who act as preparers of sustainability reports.¹⁷⁶

109. Some respondents suggested that NAM could address challenges in the areas listed in Table B as opposed to big projects aiming to reopen the Code.¹⁷⁷

PC Views and Proposals

110. Taking into account the support received and feedback from respondents including the MG members, the PC proposes that the potential topics in Table B of the CP be included in the SWP with the following priority:

| Topics (Table B) | Priority |
|----------------------------------------|-----------------|
| Role of CFOs and other senior PAIBs | Higher priority |
| Business relationships | |
| Audit firm – audit client relationship | |
| Definitions and Descriptions of Terms | |
| Custody of data | Lower priority |
| Communication with TCWG | |

111. In reaching the above recommendation and proposed priority, the PC noted the following:

- The potential topics with higher priorities have received more express support from respondents. Due consideration was also given to the reasons provided by MG members for their suggestions to prioritize certain topics in Table B.
- With regards to the topic on “The Role of CFOs and Other Senior PAIBs”:

¹⁷³ **Firms:** KPMG

¹⁷⁴ **PAO:** AICPA

¹⁷⁵ **PAO:** AE, ICAEW, WPK

¹⁷⁶ **PAO:** ACCA, IAASA

¹⁷⁷ **Firms:** BDO, GTIL, PwC, RSM; **PAO:** Assirevi, CPAA, IAI, CAANZ; **Other:** IFAC PAIBAG, IFAC SMPAG

- With the increasing demand for sustainability reporting, there is also greater recognition of the need for high ethics standards not only for PAIBs but also for other preparers of corporate reporting information.
- In the recent outreach discussions on the development of ethics standards for sustainability reporting, many stakeholders have expressed general support for the view that all preparers should be subject to the same high ethics standards. Such a view takes on particular significance in jurisdictions with only a low proportion of preparers who are PAIBs, such as Japan.
- The PC proposes that this work stream focus on PAIBs, which is similar to the approach agreed upon by the IESBA regarding the development of ethics standards for sustainability reporting under its Sustainability project.
- The PC also recognizes the public interest in all professionals who are responsible for disclosure of corporate reporting information of their organizations to be subject to the same high ethics standards, irrespective of whether or not they are PAs. However, the PC is of the view that expanding the IESBA’s mandate to set ethics standards for all preparers of corporate reporting information is a significant strategic matter that requires careful consideration and discussions with a wide range of stakeholders over a longer period of time.
- Therefore, the PC proposes that the IESBA continue to consider this broader strategic issue during the next strategy period as it gathers more information throughout its work streams, including sustainability and the role of CFOs, as well as from stakeholder outreach.
- With regards to the topic of “Business Relationships”:
 - As pointed out in the CP, the IESBA’s Benchmarking Working Group’s (BWG) Phase 1 Report, *Comparison of IESBA and US SEC/PCAOB Independence Frameworks*, has also highlighted that materiality is a key difference between the requirements in the Code and the United States Securities and Exchange Commission’s (US SEC) independence rules with respect to such business and financial relationships.
 - This work stream will therefore also address whether there is a need for the Code to “close the gap” with the US SEC’s rules, which are more stringent in a few places.
- With regards to the topic of “Audit Firm – Audit Client Relationship”:
 - The PC noted respondents’ support to explore whether it continues to remain appropriate for the Code to use the term “audit client” in the International Independence Standards as opposed to the “audited entity” or “entity subject to audit.”
 - The PC reiterated that the IESBA would examine more broadly the “audit firm-audit client” relationship and explore whether the Code in its entirety continues to provide a framework that addresses the potential ethical impact of such client relationship.
 - As noted in the CP, some of the issues identified under this potential work stream may also have implications for how the IESBA addresses the topic of business relationships. The PC proposes that the Board consider undertaking these projects contemporaneously.

- With regards to the topic of “Definitions and Descriptions of Terms”:
 - The PC noted respondents’ acknowledgment of the importance of alignment between the IESBA’s and IAASB’s terms and definitions.
 - The work stream would require collaboration between the two Boards. The PC recommends an initial analysis by staff to identify differences in common terms and definitions.
- With regards to the topic of “Custody of Data”:
 - The PC considered this topic to be lower priority given that the IESBA only completed its Technology project in December 2022, with various enhancements to the Code, including in relation to confidentiality and data hosting.
 - The PC is of the view that the TWG should conduct initial research and information gathering on the ethics implications of a PA’s custody of financial or non-financial data belonging to clients, customers, or other third parties.
 - In addition, the PC recommends that the TWG further considers PAs’ ethical responsibilities regarding data governance in accordance with the related recommendation set out in the TWG’s November 2022 Phase 2 Report, [IESBA Technology Initiative Final report](#). As highlighted in the TWG report, PAIBs are expected to be more involved in broader data governance matters to ensure quality data prior to relying on its use, whether for decision-making or as an input to automation. This is in part because data flows into the preparation and presentation of financial statements which form part of the professional responsibilities of many PAIBs.
- With regards to the topic of “Communication with TCWG”:
 - The IESBA has considered this aspect in recent projects given its focus on transparency.
 - Both the NAS and Fees projects have included new provisions on communication with TCWG. The IESBA is also considering new provisions on communication with TCWG under its Tax Planning and Related Services and Use of Experts projects.

112. The following is the anticipated demand on resources for each topic:

| Topics (Table B) | Anticipated Demand on Resources | Rationale |
|-------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Role of CFOs and Other Senior PAIBs | High | <ul style="list-style-type: none"> • Significant amount of research anticipated to gather information regarding the evolving role of CFOs and other senior PAIBs, working in collaboration with stakeholders. |
| Business Relationships | High | <ul style="list-style-type: none"> • Significant amount of research anticipated to understand the new types and nature of business relationships between firms and their clients, including those that are technology-related. |

| | | |
|--------------------------------------------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit Firm – Audit Client Relationship | Medium | <ul style="list-style-type: none"> Average level of effort anticipated to understand the implications of replacing the term “audit client” with another term throughout the Code as well as to understand the broader implications of the audit firm-audit client relationship. |
| Definitions and Descriptions of Terms | Medium | <ul style="list-style-type: none"> Average level of resources anticipated given the expected scope of a project on this topic. |
| Custody of Data | Medium | <ul style="list-style-type: none"> Average amount of research anticipated on the topic. |
| Communication with Those Charged with Governance | Low | <ul style="list-style-type: none"> The work stream has a relatively narrow scope, with a particular focus on communication with TCWG with respect to the use of experts and consultants to enhance transparency and accountability. |

113. In response to suggestions by respondents for the IESBA to commission the development of NAM instead of initiating new projects for the topics set out in Table B, the PC noted that the use of work streams is intended to enable the IESBA to further explore a topic and establish an appropriate evidential basis before approving a new standard-setting project. The IESBA may determine after due fact-finding that the Code remains fit-for-purpose and that additions or revisions to it are not needed.
114. With regards to the timing of the work streams, the PC noted that the IESBA will consider the work streams’ priorities in Q4 2024 when it conducts a review of the progress of its current work streams and updates its work plan as needed. As also highlighted previously, the IESBA has also committed to remaining flexible and agile to address urgent or unforeseen issues or developments in order to stay on track to achieving its vision.
115. Regarding respondents’ other detailed comments on the individual topics, the PC noted that Staff will pass them to the relevant working groups as and when new work streams are initiated.

iii. Suggested Potential New Work Streams

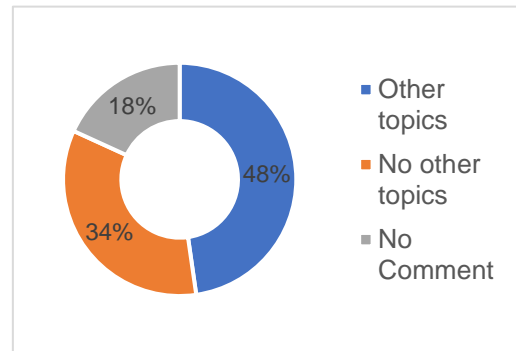
Consultation Paper Question 5

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 (see pp.22-24), and the needs and interests that would be served by undertaking work on such topic(s).

Overview of Responses

116. Responses to Question 5 were as follows (see separate NVivo report in Agenda Item 5-B.6 for details):

- 21 respondents provided other topics – 48%;
- 15 respondents identified no other topics – 34%; and
- 8 respondents did not have a specific response – 18%.



Respondents' Comments

Firm Culture and Governance

117. Recent events in a number of major jurisdictions involving PAs acting unethically have raised concerns with many stakeholders and the public about whether the accountants acted with integrity or in the public interest. A number of these events have resulted in government inquiries, significant regulatory penalties or other adverse consequences for the PAs or their firms and undermined public trust in the accountancy profession. A respondent observed that these types of inquiries would cast doubt on whether the profession's ethics standards are fit for purpose, effective, and appropriately monitored and enforced.¹⁷⁸

118. A few respondents raised addressing firm leadership and culture as a potential work stream for the IESBA's consideration, as the matter is not explicitly addressed by other work streams. It was suggested that a project on the topic could focus on the validity and effectiveness of the Code on matters relating to firm leadership and culture.¹⁷⁹ The respondents were of the view that such a project should determine whether ethical failures need to be addressed by strengthening the Code or whether there is a need for increased awareness, education, training, or monitoring of PAs. In this regard, it was suggested that the IESBA consider elevating this topic as a priority above the work streams in Table B.

119. A respondent also encouraged coordination with the IAASB to consider thought leadership or guidance material which emphasizes the firm leadership requirements in the Code and the IAASB's quality management standards.¹⁸⁰

120. In addition, another respondent suggested that the IESBA consider the broader ethical issues that could arise due to the insufficient monitoring and enforcement of the Code relating to the provision of NAS such as valuation, insolvency, forensic accounting, and tax services that are more profitable to audit firms.¹⁸¹

Technology

121. Several respondents encouraged the IESBA to provide a clearer strategy for monitoring and addressing emerging ethical issues related to disruptive technologies, with a number of them

¹⁷⁸ **NSS:** APESB

¹⁷⁹ **NSS:** APESB, XRB

¹⁸⁰ **NSS:** XRB

¹⁸¹ **NSS:** APESB

suggesting adding technology as another work stream.¹⁸² Topics suggested by respondents include AI, machine learning, big data, and cryptocurrencies. A few also indicated that NAM would be insufficient for the rapid change.¹⁸³

122. A respondent suggested that potential NAM topics that could be considered include transparency and explainable AI, and data used in AI training.¹⁸⁴

Other Topics

123. An MG member indicated that the timely and accurate translation of the Code from English to another language is very important in facilitating consistent understanding, adoption, and implementation of the Code, with possible unintended consequences of using words that may be difficult to translate into other languages.¹⁸⁵ Further, the MG member encouraged the IESBA to consider the rigor of the process employed by the various translating bodies, particularly with respect to providing representatives of independent oversight bodies, regulators, and other public interest organizations with an opportunity to review the proposed translation before it is finalized. The respondent also suggested a process, perhaps as part of a post-implementation review, to address translation issues identified subsequent to finalizing a translated version so that those issues could be resolved.

124. Other potential topics suggested include:

- Strengthening the IIS by considering the effects of mandatory audit firm rotation, audit-only firms and joints audits.¹⁸⁶
- Independence issues involving employees working for more than one employer¹⁸⁷ and human resource mobility.¹⁸⁸
- A project to simplify, enhance understandability and decrease the overall length of the Code, to promote consistent ethical behavior.¹⁸⁹
- Fraud in coordination with the IAASB.¹⁹⁰
- Defining more clearly a PA's response to a breach of the fundamental principles, particularly as it relates to disclosure when the breach occurs and steps available when the PA is unable to end a service.¹⁹¹

¹⁸² **Regulator:** NASBA; **Firms:** BDO, MGNL, PwC **PAO:** AE, ISCA, PICPA, SAICA

¹⁸³ **Firms:** MGNL; **PAO:** AE

¹⁸⁴ **PAO:** ISCA

¹⁸⁵ **MG:** IOSCO

¹⁸⁶ **Regulator:** IRBA

¹⁸⁷ **PAO:** CPAC

¹⁸⁸ **PAO:** ICAN

¹⁸⁹ **Regulator:** IRBA

¹⁹⁰ **Firms:** PwC

¹⁹¹ **Firms:** BDO

- Developing NAM to guide PAs on how to apply the Code when facing ethical dilemmas caused by changing circumstances as well as on how to act as a witness when providing litigation support service.¹⁹²
- Developing an additional part of the Code relating to Professional Accountants in the Public Sector.¹⁹³

PC Views and Proposals

Firm Culture and Governance

125. As discussed under the environmental driver “Trust Crises and Other Repercussions from Recurring High-Profile Corporate Failures” and the related PC responses, recent high-profile incidents involving unethical behavior by PAs in some firms have cast a negative light on the profession and undermined public trust in it. These events have had an adverse impact on the public’s perception of the profession’s ability to act in the public interest.
126. In response to these issues, the IESBA recently put out a public [statement](#) emphasizing the critical importance of ethical behavior for all PAs and reminding them of their ethical obligations under the Code, including upholding the fundamental principles and complying with the specific requirements to be able to meet their responsibility to act in the public interest. The PC also noted that the Global Accounting Alliance (GAA), a group of ten leading PAOs across the globe, issued a [statement](#) in August 2023 highlighting the profession’s responsibility to act in the public interest in the midst of increasing pressures on PAs to act unethically, and reinforcing the importance of the Code.
127. The PC is of the view that these recent events, and the fact that they are not isolated to just one firm or one jurisdiction, raise broader and deeper questions about the culture within firms. Given the role of leadership and the importance of the tone at the top in setting organizational culture, any consideration of firm culture must also take into account firm leadership and governance.
128. The PC also believes that firm culture not only impacts the reputation of the accountancy profession, but also impacts attraction and retention of talent, especially the younger generation, which is critical to the vibrancy and sustainability of the profession in the longer term.
129. In light of the above, the PC strongly recommends that the IESBA include a work stream on firm culture and governance in the SWP as a strategic priority. This work stream would include:
- A review of the extant provisions on organizational and firm culture in Parts 1, 2 and 3 of the Code.
 - Research and analysis to establish whether there is a sufficient basis to strengthen the Code and/or issue NAM to bring to the fore the importance of leadership and governance in firms towards reinforcing a robust culture of ethical behavior across all firm activities and services.
130. The PC also considers that this work stream will provide a valuable platform for the IESBA to promote the Code and the importance of ethics within firms to the broader community.

¹⁹² **Firms:** RSM, MNP; **PAO:** AE, ICAEW

¹⁹³ **PAO:** IAI

131. Coordination with the IAASB on this work stream would be important given the requirements of ISQM 1¹⁹⁴ regarding the *Governance and Leadership* quality component in relation to engagements within the scope of ISQM 1. Governance and leadership are important to quality management as they are the ways through which firms embed culture and ethics within their management, processes and operations. A firm's governance also affects the public's perception of the firm as a firm without effective governance may be viewed as not being able to act in the public interest at all times. As the Code applies to all professional accountants in public practice beyond auditors, the PC proposes that this workstream consider the application of ISQM 1 principles to practice areas beyond audits or other types of engagements within the scope of ISQM 1.
132. The PC considers the demand on resources on this proposed new work stream could potentially be high given the significant amount of research anticipated on the topic.

Other Suggested Topics

133. The PC proposes that the SWP does not include any new technology work stream for the following reasons:
- The Board has already made extensive revisions to the Code under its [Technology project](#) that were only finalized in December 2022.
 - The SWP already includes topics recommended by the TWG in its [Phase 2 Report](#) that was released in November 2022.
 - The TWG will continue to monitor the transformation effects of technological advancements and keep the IESBA updated on any new ethical issues that may require its further consideration.
134. With regards to the MG member's comments relating to the timely and accurate translation of the Code, the process of managing translation of the Code rests with IFAC.¹⁹⁵ Therefore, staff will share these comments with IFAC staff in charge of translation for their consideration. Nevertheless, the PC recommends that the IESBA continue to seek feedback from respondents regarding any translation issues they might anticipate when they consider submitting comments on an IESBA exposure draft. In addition, the PC recommends that project task forces continue to adhere closely to the Structure drafting conventions for clarity and understandability.
135. Upon careful consideration of the comments received, the PC proposes that no other topics suggested by respondents be added to the SWP. In particular, the PC noted the following:
- Mandatory audit firm rotation will be considered by the IESBA as part of its Long Association Phase 2 PIR.
 - The revisions to the Code as a result of the IESBA's [NAS](#) and [Fees](#) projects represent a major public interest contribution towards addressing concerns some stakeholders have had about the business model of firms.

¹⁹⁴ International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

¹⁹⁵ **MG:** IOSCO

- The IESBA has been coordinating with the IAASB on its Fraud project and will consider any ethics-related matters that require its deliberation.
- The topic of Breaches of the Code was included in the Strategy Survey 2022 as a potential topic for the SWP. Upon further consideration at its March 2023 meeting, the Board concluded not to include it in CP as a possible new topic.
- As noted in the CP, the IESBA will continue to commission Staff publications and other implementation resources to address technical matters or explain new or revised standards, as necessary.
- There is insufficient evidence for the IESBA to further consider the other suggested work streams.

136. The PC also recognized that the IESBA will, through its Emerging Issues and Outreach Committee (EIOC), continue to monitor key trends and developments that might impact the ethical behavior of PAs and auditor independence.

Proposed Work Plans for 2024-2027

137. See Appendix 3 for a list of the draft projects and work streams for the SWP in the following three categories:

- Ongoing projects and work streams
- Pre-committed work streams
- Proposed new work streams

Matter for IESBA consideration

2. IESBA members are asked to share views on the respondents' feedback and PC's proposals with respect to the proposed workplan for 2024 – 2027 in the following three categories:
- Ongoing projects and work streams
 - Pre-committed work streams
 - Proposed new work streams

D. Additional Information

i. Coordination with the IAASB

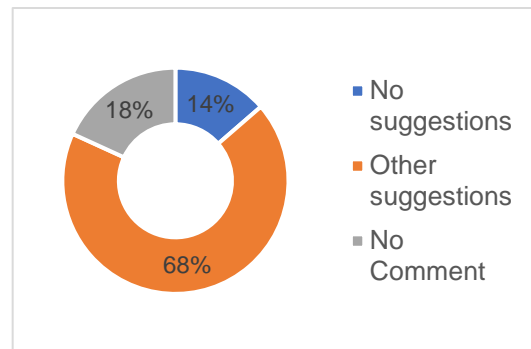
Consultation Paper Question 6

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?

Overview of Responses

138. Responses to Question 6 were as follows (see separate NVivo report in Agenda Item 5-B.7 for details):

- 6 respondents had no further comment – 14%;
- 30 respondents provided further comments – 68% and
- 8 respondents did not have a specific response – 18%.



139. All respondents were supportive of the continuing coordination between the IESBA and IAASB.

Respondents' Comments

140. An MG member¹⁹⁶ and other respondents¹⁹⁷ encouraged the IESBA to collaborate with the IAASB to address topics of mutual interest, such as the use of consistent terms and definitions.¹⁹⁸

141. Respondents further suggested to enhance collaboration between the two Boards by:

- Aligning timetables¹⁹⁹ and effective dates²⁰⁰ where possible and taking in account PAs' capacity to adopt and implement the changes when effective dates are set too close.²⁰¹ It was suggested that providing a combined timetable with target dates for projects, exposure drafts and approvals for final standards on the respective Boards' website would be beneficial.²⁰²
- Coordinating topics of mutual interest as a standard operational procedure and expectation rather than a potential work stream. This includes the development of rules of engagement to support the approach.²⁰³
- Including specifics around the planned topics and actions with respect to the projects and work streams in the SWP.²⁰⁴
- Including questions that are relevant to both Boards to obtain views without issuing additional consultation papers.²⁰⁵ There was also a suggestion of potentially issuing a single joint exposure draft on relevant projects that sets out the proposed revisions to both the Code and affected IAASB standard(s).²⁰⁶

¹⁹⁶ **MG:** IOSCO

¹⁹⁷ **Firms:** Deloitte, KPMG, PwC

¹⁹⁸ **MG:** IOSCO, **Firms:** DTTL, EY, KPMG, PwC; **PAO:** AE, BICA, CPAA, IAI, ICAEW, ICAS, IDW, WPK **Other:** IFAC SMPAG

¹⁹⁹ **Regulator:** UK FRC; **Firms:** DTTL, PwC; **PAO:** AE, CAANZ, WPK **Other:** IFAC SMPAG

²⁰⁰ **PAO:** SAICA, JICPA **Other:** IFAC SMPAG

²⁰¹ **Other:** IFAC SMPAG

²⁰² **Other:** IFAC SMPAG

²⁰³ **PAO:** CAANZ, JICPA

²⁰⁴ **Firms:** EY

²⁰⁵ **PAO:** ACCA

²⁰⁶ **Firms:** PwC

- Distributing the Boards' papers in a timely fashion to allow for meaningful consideration of content.²⁰⁷
- Staggering board meetings and comment periods to assist stakeholders to digest the material issued by each Board.²⁰⁸
- Notifying stakeholders of planned implementation guidance, especially in areas of overlap or where both Boards are working on joint projects.²⁰⁹
- Having a clearer delineation between the responsibilities of the two Boards. It was suggested that the Boards share draft project proposals between them before the approval to ascertain whether the remits of the project proposals align with the remits of the respective Boards.²¹⁰
- Having the Technical directors of the two Boards observing meetings, or parts of the meetings, of the other Board.²¹¹
- Creating joint working groups to allow each work stream to be considered by both Boards simultaneously.²¹² This includes assigning staff to work on projects for both boards²¹³ or seconding technical staff to aid in the transferability of skills and knowledge, creating an improved flow of information between the Boards.²¹⁴
- Having joint or shared outreach events.²¹⁵

142. An MG member and a few other respondents also encouraged the Boards to broaden their coordination efforts to include other international standard setters so that lessons can be learned from standard setters such as the International Accounting Standards Board (IASB) and ISSB.²¹⁶

PC Views and Proposals

143. The PC welcomed the acknowledgment from respondents on the importance of coordination between the two Boards to address topics of mutual interest.

144. The PC noted that since 2018, coordination between the two Boards has been operating under an established framework that sets out the general principles, criteria for coordination and other key considerations. Since then, the two Boards have continued to identify new means to ensure matters of mutual interests are addressed more efficiently such as the use of correspondent members in working groups and task forces, and the inclusion of relevant questions in the other Board's exposure drafts and outreach events.

²⁰⁷ **PAO:** CAANZ

²⁰⁸ **PAO:** CAANZ; **Other:** IFAC SMPAG

²⁰⁹ **Firms:** BDO

²¹⁰ **PAO:** IDW

²¹¹ **Other:** EFAA

²¹² **Regulator:** NASBA; **Firms:** BDO; **PAO:** SAICA

²¹³ **Other:** EFAA

²¹⁴ **PAO:** CAANZ, IAI

²¹⁵ **Other:** EFAA

²¹⁶ **MG:** IFIAR; **NSS:** XRB; **Firms:** KPMG; **PAO:** CPAA

145. As highlighted in the CP, the two Boards will place greater focus on identifying matters of mutual interest at the initial information-gathering stage in their work streams and will coordinate more closely at the operational level. In this regard, the PC suggests that as part of their broader coordination efforts, the two Boards consider how best to coordinate more closely regarding their timetables for various activities, release dates as well as effective dates.

ii. Other Matters

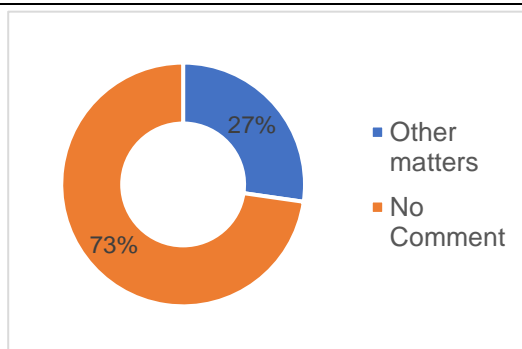
Consultation Paper Question 7

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?

Overview of Responses

146. Responses to Question 7 were as follows (see separate NVivo report in Agenda Item 5-B.8 for details):

- 12 respondents identified other matters – 27%; and
- 32 respondents did not have a specific comment – 73%.



Respondents' Comments

147. The majority of the respondent did not have any other significant matters for the IESBA's consideration.

148. A respondent suggested that the IESBA consider a number of additional environmental factors that may impact the ethical behavior of PAs, such as global economic risk, high inflation, and international conflicts.²¹⁷

149. Additional comments raised by other respondents include:

- Adaptation of the eCode, tailored to specific jurisdictions, which could assist in the adoption and implementation of the Code.²¹⁸
- Publishing NAM at the earliest possible time to support the adoption of the revised Code as NAM serves as reference material during application.²¹⁹
- The use of shorter sentences with concise and easily understandable wording to assist in translating the Code.²²⁰

²¹⁷ PAO: SAICA

²¹⁸ NSS: APESB

²¹⁹ PAO: JICPA

²²⁰ PAO: JICPA

PC Views and Proposals

150. The PC recommends that the EIOC consider the additional environmental factors and report back to the IESBA as appropriate as part of its regular updates to the Board.
151. The PC also agreed to clarify the following in the SWP:
- The IESBA works with IFAC to ensure the latest version of the Code is promptly uploaded to IFAC's e-International Standards (eIS) platform as well as to identify opportunities to improve the online platform's functionality and usability.
 - The IESBA is committed to commissioning the development of NAM to support the adoption and implementation of new and revised standards in a timely fashion.

Matter for IESBA consideration

3. IESBA members are asked to share views on the respondents' feedback and PC's proposals with respect to the additional information requested relating to:
- Coordination with IAASB
 - Other matters

V. NEXT STEPS

152. At the December 2023 IESBA meeting, the PC will present the final SWP for the Board's consideration and approval. The IAASB also aims to approve its SWP at its meeting in December 2023.

Appendix 1

List of Respondents to IESBA Strategy Consultation Paper

Note: Members of the Monitoring Group are shown in bold below.

| # | Abbrev. | Respondent | Region |
|-----------------------------------------------------------------------|--------------|---------------------------------------------------------------|---------------|
| Regulators and Oversight Authorities, Including MG members (7) | | | |
| 1. | CEAOB | Committee of European Auditing Oversight Bodies | Europe |
| 2. | IRBA | Independent Regulatory Board for Auditors | MEA |
| 3. | IAASA | Irish Auditing and Accounting Supervisory Authority | Europe |
| 4. | IFIAR | International Forum of Independent Audit Regulators | GLOBAL |
| 5. | IOSCO | International Organization of Securities Commissions | GLOBAL |
| 6. | NASBA | National Association of State Boards of Accountancy (US) | NA |
| 7. | UKFRC | United Kingdom Financial Reporting Council | Europe |
| Independent²²¹ National Standard Setters (2) | | | |
| 8. | APESB | Accounting Professional & Ethical Standards Board (Australia) | AP |
| 9. | XRB | New Zealand Auditing & Assurance Standards Board | AP |
| Firms (9)²²² | | | |
| 10. | BDO* | BDO International Limited | GLOBAL |
| 11. | DTTL* | Deloitte Touche Tohmatsu Limited | GLOBAL |
| 12. | EY* | Ernst & Young Global Limited | GLOBAL |
| 13. | GTIL | Grant Thornton International Limited | GLOBAL |
| 14. | KPMG* | KPMG IFRG Limited | GLOBAL |
| 15. | MNP | Meyers Norris Penny LLP | NA |
| 16. | MGNL* | Moore Global network Limited | GLOBAL |

²²¹ NSS that have a mandate to set national ethics standards, including independence requirements, in their jurisdictions and which do not belong to PAOs are categorized as “Independent National Standard Setters.”

The IESBA has a liaison relationship with a group of NSS (both independent NSS and organizations that hold dual NSS-PAO roles) that share the common goal of promulgating high-quality ethics standards, including independence requirements, and seeking convergence for those standards. Participating jurisdictions include Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Japan, the Netherlands, New Zealand, Russian Federation, South Africa, the UK, and the US.

²²² Forum of Firms members are indicated with a *. The Forum of Firms is an association of international networks of accounting firms that perform [transnational audits](#). Members of the Forum have committed to adhere to, and promote the consistent application of, high-quality audit practices worldwide. They also have policies and methodologies for the conduct of such audits that are based to the extent practicable on the International Standards on Auditing (ISAs), and policies and methodologies which conform to the IESBA Code and national codes of ethics.

| # | Abbrev. | Respondent | Region |
|--------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------|--------|
| 17. | PwC* | PricewaterhouseCoopers International Limited | GLOBAL |
| 18. | RSM* | RSM International Limited | GLOBAL |
| Member Bodies and Professional Accountancy Organizations (PAOs) (22) ²²³ | | | |
| 19. | ACCA ^δ | Association of Chartered Certified Accountants | GLOBAL |
| 20. | AE | Accountancy Europe | Europe |
| 21. | AICPA ^δ | American Institute of Certified Public Accountants' Professional Ethics Executive Committee | NA |
| 22. | ASSIREVI | Association of Italian Audit firms | Europe |
| 23. | BICA ^δ | Botswana Institute of Chartered Accountants | MEA |
| 24. | CAANZ ^δ | Chartered Accountants Australia and New Zealand | AP |
| 25. | CACR ^δ | The Chamber of Auditors of the Czech Republic | Europe |
| 26. | CPAA | CPA Australia | AP |
| 27. | CPAC ^δ | Chartered Professional Accountants Canada, Public Trust Committee | NA |
| 28. | HKCIPA ^δ | Hong Kong Institute of Certified Public Accountants | AP |
| 29. | IAI | Ikatan Akuran Indonesia | AP |
| 30. | ICAEW ^δ | Institute of Chartered Accountants in England and Wales | Europe |
| 31. | ICAN | The Institute of Chartered Accountants of Nigeria | MEA |
| 32. | ICAS ^δ | The Institute of Chartered Accountants of Scotland | Europe |
| 33. | IDW ^δ | Institut der Wirtschaftsprüfer (Germany) | Europe |
| 34. | ISCA ^δ | Institute of Singapore Chartered Accountants | AP |
| 35. | JICPA ^δ | Japanese Institute of Certified Public Accountants | AP |
| 36. | KICPA | Korean Institute of Certified Public Accountants | AP |
| 37. | PAFA | Pan-African Federation of Accountants | MEA |
| 38. | PICPA | Pennsylvania Institute of Certified Public Accountants | NA |
| 39. | SAICA | South African Institute of Chartered Accountants | MEA |
| 40. | WPK ^δ | Wirtschaftsprüferkammer (Germany) | Europe |
| Others (4) | | | |

²²³ For purposes of this categorization, a PAO is a member organization of professional accountants, of firms, or of other PAOs. PAOs include but are not limited to IFAC member bodies. **PAOs that have full, partial, or shared responsibility for setting national ethics standards, including independence requirements, in their jurisdictions are indicated with a “δ.”**

| # | Abbrev. | Respondent | Region |
|----------|----------------|----------------------------------------------------------|---------------|
| 41. | EFAA | European Federation of Accountants & Auditors for SMEs | Europe |
| 42. | IFAC PAIBAG | IFAC Professional Accountants in Business Advisory Group | GLOBAL |
| 43. | IFAC SMPAG | IFAC Small and Medium Practices Advisory Group | GLOBAL |
| 44. | CEM | CE Munarriz | LA |

Appendix 2

IESBA Strategic Drivers and Themes (As Listed in the CP)

| STRATEGIC VISION | STRATEGIC THEMES | STRATEGIC DRIVERS |
|------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Enhancing trust in sustainability reporting and assurance | <ul style="list-style-type: none"> • Rapidly Growing Market Demand for Sustainability Information • Heightened Stakeholder Expectations for Greater Timeliness |
| | Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance | <ul style="list-style-type: none"> • The Expanding Roles of Professional Accountants in Business • Ongoing Impact of Technological Transformations • Heightened Stakeholder Expectations for Greater Timeliness • Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures |
| | Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards | <ul style="list-style-type: none"> • The Imperatives of Quality and Global Acceptance of the IESBA's Standards • Global Operability of the IESBA's Standards |
| | Widening the influence of the IESBA's standards through a continued focus on adoption and implementation | <ul style="list-style-type: none"> • Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation |

Appendix 3

Draft Projects and Work Streams

| Ongoing Projects and Work Streams | Anticipated Status Q1 2024 |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Sustainability <ul style="list-style-type: none"> • Work Stream 1 – Independence • Work Stream 2 – Ethics | Exposure draft |
| Use of Experts | Exposure draft |
| Collective Investment Vehicles, Pension Funds & Investment Company Complexes | Information gathering |
| Post-Implementation Review – NOCLAR | Information gathering |

| Pre-committed Work Streams | Anticipated Demand on Resources |
|-------------------------------------------------------------------|---------------------------------|
| Post-Implementation Review – Long Association Phase 2 | Medium |
| Post-Implementation Review – Restructured Code | Medium |
| Post-Implementation Review – Non-Assurance Services and Fees | High |
| Post-Implementation Review – Definition of Public Interest Entity | Medium |

| Potential New Work Streams | Anticipated Demand on Resources |
|--------------------------------------------------|---------------------------------|
| Firm Culture and Governance | High |
| Role of CFOs and Other Senior PAIBs | High |
| Business Relationships | High |
| Audit Firm – Audit Client Relationship | Medium |
| Definitions and Descriptions of Terms | Medium |
| Custody of Data | Medium |
| Communication with Those Charged with Governance | Low |