

Meeting: IESBA
Meeting Location: New York and Virtual
Meeting Date: December 4 - 8, 13 & 15, 2023

Agenda Item

2

IESBA Strategy and Work Plan 2024 - 2027

Objectives of Agenda Item

1. To consider a revised draft IESBA Strategy and work Plan (SWP) 2024-2027 with a view of approving it for submission to the PIOB for approval as the IESBA's final SWP.

The Working Group welcomes any advance comments and drafting suggestions on the proposed text in **Agenda Item 2-B**. Please email them to jeanneviljoen@ethicsboard.org by **November 30th, 2023**.

Working Group

2. The Working Group comprises members of the PC:
 - Gabriela Figueiredo Dias, IESBA Chair
 - Laurie Endsley, IESBA Deputy Chair
 - Richard Huesken, IESBA Member
 - Jens Poll, IESBA Member
 - Channa Wijesinghe, IESBA Member

Observer

- Gaylen Hansen, IESBA CAG Chair

Activities since the Last IESBA Discussion

3. The IESBA and the International Auditing and Assurance Standards Board (IAASB) held a joint plenary in September 2023 to consider an update on the development of the two Boards' SWPs and to share views on opportunities to optimize efforts of coordination during the next strategy period. Refer to **Agenda Item 1-D** for the draft joint session minutes.
4. The PC met via videoconference in October 2023 to consider the feedback received from the IESBA and develop the agenda material for this meeting. Refer to **Agenda Item 2-E** for the PC's responses to the key comments raised by IESBA participants at the September 2023 IESBA meeting.
5. IESBA Chair and Staff presented a high-level overview of the significant comments received on the consultation paper (CP) [Proposed Strategy and Work Plan 2024-2027, Towards a More Sustainable Future: Advancing the Centrality of Ethics](#) at the November 2023 National Standard Setter (NSS) virtual meeting. Staff will report back on the key comments received from NSS participants at the December 2023 IESBA meeting.

6. Refer to the Appendix for a history of the SWP development.

September 2023 IESBA Discussion

7. At its [September 2023 meeting](#), the IESBA considered the significant comments received from respondents to the CP. At the meeting, the IESBA focused its discussions on two matters that it considered should be given strategic priority:
 - Firm Culture and Governance; and
 - Expanding the scope of the Code to cover professionals and service providers other than professional accountants (PAs).
8. The IESBA also provided feedback on the pre-committed and the PC's proposed new work streams including prioritization.
9. Refer to **Agenda Item 2-E** for a summary of the key comments from IESBA participants and the PC's responses.

Firm Culture and Governance

10. As highlighted in the issues paper for the September 2023 IESBA meeting, recent high-profile ethical lapses in some firms have cast a negative light on the accountancy profession and undermined public trust in it. The recurrence of unethical behavior and their significant adverse consequences, as well as the fact that they were not limited to just one firm or one jurisdiction, have 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.
11. In light of the above, the PC recommended that the SWP specifically highlight this issue as part of the strategic driver of "Trust Crises and Other Repercussions from Recurring High-profile Corporate Failures" and include a new work stream on the topic of "Firm Culture and Governance" as a strategic priority.
12. At the September 2023 meeting, the IESBA agreed that the topic of firm culture and governance is of significant public interest and should be considered as a key strategic matter under the new SWP, given its impact on the accountancy profession and its role as a global ethics standard-setter. The IESBA recognized the urgent need to address this issue promptly given the current levels of interest from firms, regulators and other stakeholder groups.
13. Therefore, the IESBA was supportive of including this topic as a key strategic focus and add a new work stream to the SWP as a high priority.
14. Other key comments raised by Board participants include:
 - The IESBA should maintain the momentum during its initial gathering information and consider releasing non-authoritative material (NAM) in the shorter term, building on its June 2023 release on the topic.
 - The IESBA should carefully consider and set out clearly the objective and outcomes of the new work stream. Further, the focus should be on audit firms but may extend to other organizations in the future if appropriate.
 - The IESBA could leverage on work already done by others on similar topics.

- Given the link between firm culture and governance and the term “audit client”, the IESBA should consider addressing these matters concurrently as part of this new work stream.

Expanding the Scope of the Code

15. In recent outreach discussions on the development of ethics standards for sustainability reporting, stakeholders and respondents to the CP have expressed general support for the view that all preparers should be subject to the same high ethics standards. Such a view is particularly relevant in jurisdictions where there are only a low proportion of preparers who are public accountants in business (PAIBs).
16. Some respondents to the CP also expressed their support to consider expanding the scope of the Code to those who are not PAs in relation to the proposed work stream on the role of CFOs and other senior PAIBs.
17. During the September 2023 meeting, the IESBA was supportive of the PC’s proposal to highlight the topic of expanding the scope of the Code as a matter of significant public interest in the SWP. It was pointed out that the general lack of awareness of the importance of ethics observed from recent outreaches by IESBA representatives is concerning as many corporate failures were arguably caused by a lack of ethical behavior.
18. The IESBA agreed that the nature of the topic warrants careful consideration by the Board including how to approach it during the next strategy period as well as extensive outreaches with a broad range of stakeholders. In this regard, the following comments were raised by IESBA participants among other matters:
 - It is important to clearly state the scope of the work stream given the breadth of the topic and to have a focused strategy.
 - The IESBA should first revise Part 4B of the Code to make it profession-agnostic with respect to sustainability assurance engagements before it considers how to expand the scope of the Code more broadly.
 - There is an urgency on the side of the preparers of information specifically in relation to those preparing sustainability information as in many jurisdictions these preparers are not PAs.
 - It may be useful to first develop the standards in order to gain more buy-in from stakeholders.
 - It is important to build strong stakeholder relationships and to seek consultation with a broad range of stakeholders in order to obtain a wide spectrum of views.
 - Effective monitoring and enforcement are an important aspect that should be taken into consideration.
19. The IESBA was generally supportive of a phased approach by first considering the opportunity of expanding the scope of the Code to all preparers of sustainability information. It was noted that such an approach will allow the first phase to be used as a ‘sandbox’ on how to best approach the broader issue of expanding the scope of the Code to other professionals and service providers. It was also suggested that the Board could gather information on applying the Code to all preparers of corporate information under its new work stream on the role of CFOs and other senior PAIBs.

Work Streams and Prioritization

20. At the September 2023 meeting, the IESBA provided feedback on the ongoing and pre-committed work streams as well as the potential topics listed in the CP including their possible prioritization.
21. With regards to the ongoing work streams, there was general support from IESBA for the work stream on collective investment vehicles (CIVs), pension funds and investment company complexes to commence in Q4 2023. In this regard, the IESBA will consider, with a view to approve, a draft term of reference for this work stream at its December 2023 meeting.
22. IESBA members broadly supported prioritizing the new work streams relating to:
 - Firm culture and governance;
 - Expanding the scope of the Code; and
 - The Role of CFOs and other Senior PAIBs.
23. IESBA members also expressed the importance of appropriately prioritizing the work streams, taking into account factors such as resources needed to develop NAMs and other support material, the level of public interest in a topic and the capacity of the accountancy profession to implement these standards in addition to other standards and jurisdictional requirements.

Summary of Key Proposed Revisions

24. The following is a summary of the PC’s key proposed revisions to the draft SWP considered by the IESBA in September 2023. Refer to **Agenda Item 2-A** for the PC’s views and proposals on the key matters for IESBA consideration.

SWP	Key Proposed Revisions
Strategy	
New areas of strategic focus	<ul style="list-style-type: none"> • Strategic drivers, themes and actions were revised to include two overarching matters have been included in the proposed strategy as having strategic priority: <ul style="list-style-type: none"> ○ Firm culture and governance. ○ Expanding the scope of the Code with a phased approach.
Work Plan	
Ongoing work streams	<ul style="list-style-type: none"> • Given limited resource, the pre-committed work stream on the Post-Implementation Review (PIR) of the Non-compliance with Laws and Regulation Final Pronouncement will not commence in Q4 2023 as initially planned but be postponed to later in the new strategy period.
New work streams	<ul style="list-style-type: none"> • Three new work streams have been added to address the two new areas of strategic focus:

SWP	Key Proposed Revisions
	<p><i>Firm Culture and Governance</i></p> <ul style="list-style-type: none"> ○ Firm culture and governance <p><i>Expanding the Scope of the Code</i></p> <ul style="list-style-type: none"> ○ Expanding the scope of the code to all preparers of sustainability information ○ Revision of Part 4B of the Code to include other Sustainability assurance engagements. <ul style="list-style-type: none"> ● A fourth new work stream was also added to the draft SWP: <ul style="list-style-type: none"> ○ PIR of the Engagement Team – Group Audits (ET-GA) final pronouncement.
<p>Prioritization</p>	<ul style="list-style-type: none"> ● The factors for determining the new topics to be included in the SWP and prioritization of work streams have been revised. ● Four new work streams assessed to be of high priority: <ul style="list-style-type: none"> ○ “Firm Culture and Governance” ○ “Expanding Ethics Standards to All Preparers of Sustainability Information” ○ “Revision of Part 4B of the Code to Include Other Sustainability Assurance Engagements” ○ “Role of CFOs and Other Senior PAIBs” ● All pre-committed and new work streams have been ranked in priority with the following work streams given high priority: <ul style="list-style-type: none"> ○ “Firm Culture and Governance” ○ “Expanding Ethics Standards to All Preparers of Sustainability Information”; and ○ Revision of Part 4B of the Code for Sustainability Assurance Engagements ● All PIRs have been allocated a medium priority. ● Three topics in the CP deemed to be of lower priority were moved from the list of new work streams to “Other Topics of Interest”: <ul style="list-style-type: none"> ○ “Definitions and Description of Terms” ○ “Custody of Data”, and ○ “Communication with Those Charged with Governance”.

Due Process Matters

25. The Senior Technical Director's confirmation of due process followed up to the December IEBA meeting is set out in **Agenda Item 2-C**.

Significant Matters Raised by Respondents

26. It is the PC's view that all significant matters raised by the respondents in comment letters to the [Strategy Survey](#) and the CP were identified and considered by the PC. The PC's analysis of the significant matters identified, and its proposals have also been presented in public agenda papers for the IESBA's discussions. The PC is of the view that there are no significant matters raised by respondents that have not been brought to the IESBA's attention.

Need for Further Consultation

27. The PC believes that all significant matters have been considered and resolved by the IESBA. During its September 2023 meeting, the IESBA CAG did not raise any concerns about the PC's analysis of the significant matters or its proposals.
28. On the basis of the above, the PC does not believe there is a need for further consultation with stakeholders.

Action Requested

29. IESBA members are asked to:
- (a) Consider the key matters set out in the presentation including the PC's views and proposals (**Agenda Item 2-A**) and the PC's proposed revisions to the first read of the SWP (**Agenda Item 2-B**); and
 - (b) Approve the revised draft SWP in **Agenda Item 2-B**, amended as appropriate during the December 2023 IESBA meeting.

Material Presented

For Discussion

Agenda Item 2-A	SWP 2024-2027 - Presentation
Agenda Item 2-B	2 nd Read – SWP (Mark-Up from First Read)
Agenda Item 2-C	SWP 2027-2027 - Due process

Reference Material

Agenda Item 2-D	2 nd Read – SWP (Clean)
Agenda Item 2-E	Summary of Board Comments From September 2023
Agenda Item 2-F	SWP 2024-2027 - Report-Back on Sept 2023 CAG Meeting

Appendix

Strategy and Work Plan 2024-2027 - Due Process History

Summary

	CAG Meeting	IESBA Meeting	IAASB – IESBA Joint Meeting
Consideration of draft Strategy Survey	March 2022	March 2022	
IESBA Strategy Survey	April 13 th – July 8 th , 2022		
Consideration of significant comments on Strategy Survey	September 2022	September 2022	
Consideration of draft Consultation Paper	March 2023	November - December 2022 March 2023	
IESBA Strategy and Work Plan, 2024-2027, Consultation Paper	April 5 th – July 7 th , 2023		
Consideration of significant comments on Consultation Paper	September 2023	September 2023 December 2023	September 2023