IESBA SWP 2024 – 2027

PC Proposals

IESBA meeting – December 2023

Gabriela Figueiredo Dias, IESBA Chair
Geoffrey Kwan, IESBA Director
Jeanne Viljoen, Senior Manager
Objective

• Provide feedback on the draft revisions to the 1st read of the SWP, in particular with respect to:
   The two new key strategic areas of focus
   New work streams and prioritization
• Approve the SWP
Overview of IESBA Sept 2023 Discussion

2 burning platform issues

Work streams & prioritization

Firm culture and governance

Expanding the scope of the Code

- Sustainability remain a key focus
- Continue ongoing monitoring of emerging ethical issues relating to technology
- Support for CIVs
- Take into account resource needed for NAM and implementation support
- Remain flexible and agile to respond to emerging ethics issues
- Take into account a new staff-based model
- Strong coordination with IAASB
Opportunities for coordination and linkages on selected potential projects / work streams

- Continued coordination on the topic of technology
- Opportunity to jointly inform/education management, TCWG and CFOs
- Developing joint implementation support material
- Consider including correspondent members in TF and WG
- Elevate efforts from coordination to integration
- SAC will consider SSBs work from a joint manner

Opportunities, challenges and lessons learned from coordination on Sustainability projects

- Concept of value chain to be addressed by both Boards
- ISQM 1 and IESBA Code appropriate premises for IAASB’s new sustainability assurance standards
- Early consultation on fundamental issues that affect both Boards
- Consider joint FAQ and other guidance material
- Reach out jointly to new stakeholder groups
Nov 2023 NSS Meeting

- Strong support for proposed new work stream: Firm Culture and Governance noting that scoping of the project will be important
- Some support noted for the strategic focus area of expanding scope of the Code, starting with all preparers of sustainability information, encouraging the IESBA to proceed with caution
- New work stream on Part 4B is necessary in light of gap in independence
- Balanced approach to prioritization of projects

Sept 2023 CAG Meeting

- Due process re CAG completed
Firm Culture and Governance
Key IESBA comments

- Key strategic area of focus; require prompt response from IESBA
- Support to include as new work stream
- Set out clear objective and outcomes
- Leverage of work already done by others
- Maintain momentum and consider NAM in the shorter term
- Suggest to include review of the term “audit client”
- Focus should be on audit firms but may consider extending to other organizations in future if appropriate
PC Views and Proposals

- Highlight as a key strategic area of focus in SWP
- Add a new work stream on *Firm Culture and Governance*
  - Analysis of root causes/identification of issues
  - Review extant provisions to determine if further strengthening is necessary
  - Covers broadly services by firms/network
  - Extensive engagement
  - Continue to promote importance of ethics within firms, highlighting profession’s responsibility to act in public interest
- Connectivity with other work streams/topics
  - Look at opportunities to collect relevant information
  - Consider topic of *Firm Culture and Governance* as part of future projects
  - Review of “audit client” term outside scope due to impact on IIS
- Commence in **Q1 2024**, present ToR in March 2024
  - Importance of scoping
IESBA Members are asked to share views on:

- PC’s proposed revisions to the draft SWP 2024 – 2027 relating to the strategic focus of *Firm Culture and Governance*
Expanding Scope of the Code
Key IESBA comments

- Strong support to highlight the topic as a public interest matter in the SWP
- Require careful consideration of the approach including clear scope and a focused strategy
- Supportive of phased approach starting with expanding the scope of the Code to all preparers of sustainability information
- Part 4B should also be revised under this strategic focus
- Consultation with broad range of stakeholders is important
- Effective monitoring and enforcement should be taken into consideration
- Gather relevant information as part of *Role of the CFO and other Senior PAIBs* work stream
PC Views and Proposals

• Highlight in SWP as a strategic area of focus with a phased approach
• Agree with the need for careful consideration
• Highlight the need to seek input from preparers
• Add two new work streams under this focus:
  o Expanding Ethics Standards to All Preparers of Sustainability Information
  o Revision of Part 4B pf the Code for sustainability assurance
• Commence in 2025 after finalization of Sustainability project
• Work streams will inform IESBA’s strategic focus on expanding the scope of Code more broadly
• Work stream on the Role of CFO and Other Senior PAIBs also to commence in 2025 given connectivity with Sustainability-related work streams
IESBA Members are asked to share views on:

- PC’s proposed revisions to the draft SWP 2024 – 2027 relating to the strategic focus of *Expanding the Scope of the Code* including the proposed new work streams
Work Streams and Prioritization
Key IESBA comments

- Focus on Sustainability in 2024
- Support for CIV/pension funds/investment company complexes to commence in Q4 2023
- Appeared to be an ambitious work plan
- Consider factors such as resource needed for development of NAM, level of public interest in topic and capacity to implement standards
- Agree that *Firm Culture and Governance* and *Expanding the scope of the Code* have high priority; also support for Role of CFO/senior PAIBs
- Technology remain important
Determining New Topics and Prioritization

Factors taken into Consideration

- Response to Strategy Survey 2022 and Consultation Paper 2023, including feedback from the IESBA CAG
- Scope/timeliness for Sustainability and Use of Experts projects, including staff and volunteer resources
- Recommendations from Technology WG Phase 2 Report and Benchmarking WG Phase 1 Report
- Level of importance based on public interest benefit, relevance at a global level, degree of urgency and feasibility within anticipated timelines and resources
- Coordination with IAASB on common strategic drivers and other matters of mutual interest
- Resources for rollout of new standards, development of NAM and stakeholder engagement
- Impact on transitioning to new Board operating model
PC Views and Proposals

- PIR – NOCLAR will not commence as planned but postponed to next strategic period

- 3 new work streams added with **high priority**
  - Firm Culture and Governance
  - Expanding the Scope of the Code to all preparers of sustainability information
  - Revision of Part 4B of the Code

- A new work stream on *PIR-Engagement Teams and Group Audits*

- All PIRs have been allocated medium priority

- Three topics considered to be lower priority moved to “Other Topics of Interest”
### PC Views and Proposals

#### Ongoing
- Sustainability
- Use of Experts
- CIV/Pension Funds/Investment company complexes

#### Pre-committed
- PIR – NOCLAR
- PIR – Long Association Phase 2
- PIR – Restructured Code
- PIR – NAS and Fees
- PIR – PIE Definition

#### New
- Firm Culture and Governance *New*
- Expanding Ethics Standards to All Preparers of Sustainability Information *New*
- Revision of Part 4B of the Code *New*
- PIR – ET-GA *New*
- Role of CFO and Other Senior PAIBs
- Business Relationships
- Audit Firm – Audit Client Relationship

#### Other topics of interest
- Definitions and Descriptions of Terms
- Custody of Data
- Communication with TCWG

#### Other on-going activities
- Emerging Issues and Outreach Committee (EIOC)
- Technology Working Group (TWG)
- Development of Non-Authoritative Material (NAM)
- Outreach activities
- Coordination between IAASB and IESBA
### Staff Views and Proposals

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<th><strong>Pre-committed work streams</strong></th>
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IESBA Members are asked to share views on:

- PC’s proposals on the new and pre-committed work streams including prioritization
- Any other aspects of the draft SWP
Next Steps

- **Q4 2023**: PIOB Approval
- **Q1 2024**: Review of Work
- **Q2 2024**: Stream Progress
- **Q4 2024**: 2nd Read and SWP Approval

- **Q4 2023**: Fatal Flaw Review of SWP and BfC
- **Q2 2024**: PIOB Approval
- **Q4 2024**: Review of Work Stream Progress