

**SECOND READ – IESBA STRATEGY AND WORK PLAN, 2024 – 2027  
(Mark-Up from First Read)**

**“Towards a More Sustainable Future: Advancing the Centrality of  
Ethics”**

**Note to IESBA Members**

This draft IESBA Strategy and Work Plan 2024-2027 (SWP) is marked up from the first read of the SWP presented at the September 2023 Board meeting. It should be read in conjunction with Agenda Item 2-A.

## **About the IESBA**

The [International Ethics Standards Board for Accountants](#) (IESBA) serves the public interest by setting high-quality ethics standards, including independence requirements, as a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Along with the International Auditing and Assurance Standards Board (IAASB), the IESBA is part of the International Foundation for Ethics and Audit (IFEA). The Public Interest Oversight Board (PIOB) oversees IESBA and IAASB activities and the public interest responsiveness of the standards.

## **FOREWORD**

*By Gabriela Figueredo Dias, IESBA Chair*

[To be inserted in the final SWP]

## **EXECUTIVE SUMMARY**

1. This document sets out the IESBA's strategy and work plan for 2024-2027 (SWP).
2. Throughout the process of developing its SWP, the IESBA has received consistent feedback about the importance of global sustainability-related standards to address market and public demand for sustainability information that is trustworthy, relevant and comparable. Therefore, the IESBA has identified enhancing trust in sustainability reporting and assurance as one of its strategic themes during this strategy period. Whilst its current Sustainability project, which commenced in December 2022, is due to be completed in December 2024, the IESBA will be responsive to other emerging sustainability-related issues.
3. The growing market demand for sustainability information also highlighted the important role of preparers of sustainability information in tackling issues such as greenwashing and in protecting the integrity of the information reported. There is a public expectation that all preparers of sustainability information, whether or not they are professional accountants (PAs), should be subject to the same high ethics standards. The IESBA has also heard from its stakeholders that the same high ethics standards should also apply to other preparers of financial and non-financial information as well as other assurance practitioners who are not PAs.
4. Therefore, as a matter of strategic priority during the next strategy period, the IESBA will explore the opportunity to expand the scope of applicability of the Code beyond PAs. As a first step and building on its current Sustainability project to develop profession-agnostic ethics (including independence) standards for all sustainability assurance practitioners, the IESBA will undertake two new work streams: (a) revising Part 4B of the Code to cover sustainability assurance engagements performed by all sustainability assurance practitioners and which are outside the scope of the proposed Part 5 being developed under its current Sustainability project; and (b) exploring expanding the scope of the Code to all preparers of sustainability information.
5. The IESBA also observes that public trust in the accountancy profession continues being buffeted by recurring high-profile corporate failures and ethical lapses in firms. In particular, recent high-profile cases of unethical behavior by professional accountants in public practice (PAPPs) have resulted in significant sanctions and other adverse consequences to individual PAPPs and their firms in a number of jurisdictions. The IESBA is of the view that the persistence of such unethical behavior in firms calls into question the broader issue of firm culture and governance and how they might impact the ethical behavior of PAs and compliance with the Code. Given the significant public interest consequences when unethical behavior occurs in firms, the IESBA believes it should 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.
6. In addition to a number of new work streams relating to independence issues, the IESBA will also consider the evolving role of Chief Finance Officers (CFOs) who, along with other preparers, are the first line of defense in protecting the integrity of financial and non-financial information.
7. Over the course of the next four years, the IESBA will also be conducting post-implementation reviews (PIRs) on significant pronouncements that were issued in recent years, including its revised and restructured Code that was released in April 2018. These PIRs are important in assisting the IESBA assess how effectively the implementation of the revisions to the Code are meeting the original objectives of the respective projects, and in identifying the roadblocks to jurisdictions adopting and implementing the IESBA standards.

8. The IESBA also recognizes the need to be responsive to emerging ethics and independence issues that require its timely attention in the public interest. The IESBA will, therefore, remain flexible and agile in allocating its resources to address these issues as needed.

### Summary of SWP

9. The following table is a summary of the SWP which is divided into two parts:
- Strategy: Vision, strategic drivers, themes and actions
  - Work plan: Ongoing, new and pre-committed work streams

## Summary of the IESBA's Strategy and Work Plan 2024 – 2027

### Strategy 2024-2027

#### IESBA's Vision

*To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.*

#### Strategic Drivers

- Environmental drivers
  - Rapidly Growing Market and Public Demand for Sustainability Information
  - The Expanding Roles of Professional Accountants in Business
  - Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures and Ethical Lapses in Firms
  - Ongoing Impact of Technological Transformations
- Operational drivers
  - Heightened Stakeholder Expectations for Greater Timeliness
  - The Imperatives of Quality and Global Acceptance of the IESBA's Standards
  - Global Operability of the IESBA's Standards
  - Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

#### Strategic Themes

- Enhancing trust in sustainability reporting and assurance
- Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
- Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards

- Widening the influence of the IESBA's standards through a continued focus on adoption and implementation

## **Work Plan 2024-2027**

### **Projects/Work Streams Commenced before 2024**

- Sustainability
- Use of Experts
- Collective Investment Vehicles, Pension Funds and Investment Company Complexes

### **New Work Streams**

- Firm Culture and Governance
- Expanding Ethics Standards to All Preparers of Sustainability Information
- Revision of Part 4B of the Code for Sustainability Assurance Engagements
- Role of CFOs and Other Senior PAIBs
- Audit Firm – Audit Client Relationship
- Business Relationships
- Post-Implementation Review – Engagement Team – Group Audits

### **Other Topics of Interest**

- Definitions and Descriptions of Terms
- Custody of Data
- Communication with Those Charged with Governance

### **Pre-committed Work Streams**

- Post-Implementation Review – Non-Compliance with Laws and Regulations (NOCLAR)
- Post-Implementation Review – Long Association Phase 2
- Post-Implementation Review – Restructured Code
- Post-Implementation Review – Non-Assurance Services and Fees
- Post-Implementation Review – Definition of Public Interest Entity

## SECTION I: STRATEGY: VISION, STRATEGIC DRIVERS AND THEMES

### Vision

10. The IESBA's vision is:

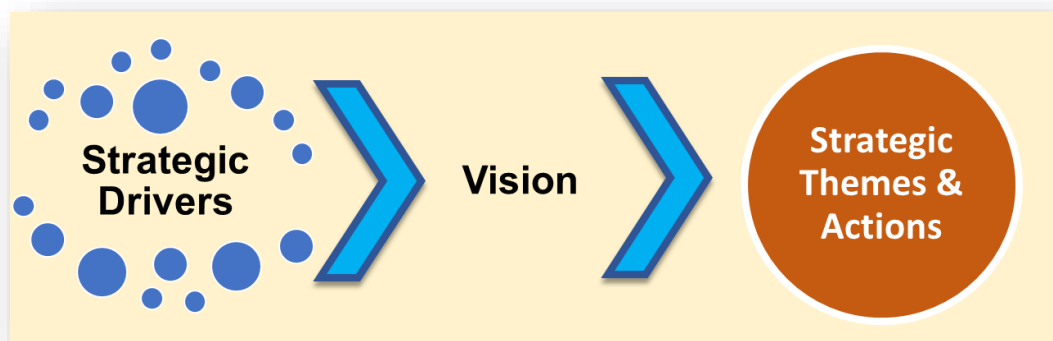
To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

11. This strategic vision supports the IESBA's continued mission to serve the public interest by setting ethics standards, including auditor independence requirements, that seek to raise the bar for ethical conduct and practice for all PAs. It recognizes the high level of public expectations regarding ethical behavior by PAs in light of the wide-ranging roles they play in corporate reporting, assurance and other professional activities, and the confidence businesses, governments and other organizations place in the accountancy profession.

12. In addition, by not limiting the use of the standards exclusively to PAs, the IESBA's vision is to make the standards available for use by other individuals (whether or not they belong to a profession) who perform the same types of professional activities or services as PAs beginning with sustainability assurance. The IESBA believes that doing so serves the broader public interest in having individuals who perform similar types of work adhere to the same high bar of ethical behavior, regardless of whether they are from the accountancy profession.

13. Whilst the IESBA promulgates the international ethics (including independence) standards, it recognizes that the responsibilities to regulate and supervise the use of its standards and enforce them rest with the relevant regulatory or professional bodies in different jurisdictions.

14. The IESBA's vision is shaped by the strategic drivers and will be achieved through the successful delivery of the actions identified under each of the four strategic themes.



## Strategic Drivers

15. The IESBA has identified a number of strategic drivers that create significant opportunities and challenges to achieving its vision over this strategy period. These strategic drivers can be grouped into two broad categories:
- (a) Environmental drivers relating to market trends or developments that impact the need for, and relevance of, the IESBA's standards; and
  - (b) Operational drivers that impact the IESBA's responsiveness to strategic developments as well as the quality, global acceptance and operability, and adoption and effective implementation of its standards.

## Environmental Drivers

### Rapidly Growing Market and Public Demand for Sustainability Information

16. Market and public demand for sustainability information has risen substantially and rapidly in recent years. Such information is increasingly used to support capital allocation or other decisions by investors, customers, current or potential employees, government agencies and other stakeholders. As demand for sustainability information continues to expand rapidly not only in relation to environmental matters but also in relation to social and governance matters, there is a pressing public interest need to ensure that such information is trustworthy and comparable, and therefore subject to assurance.
17. In response to this growing trend, regulators in a number of major jurisdictions have prioritized, as a matter of urgency, the development of new regulations governing sustainability reporting and assurance.<sup>1</sup> In this regard, the International Organization of Securities Commissions (IOSCO) has publicly recognized the work of both the IESBA and IAASB as important in meeting the need for robust standards applicable to all providers of sustainability assurance to foster independent, high-quality engagements and consistent practices.<sup>2</sup> In particular, IOSCO welcomed the two Boards' plans to develop high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability information. In addition, in its report *Supervisory and Regulatory Approaches to Climate-related Risks*, the Financial Stability Board (FSB) also singled out the work of the IESBA and IAASB as relevant to the development of third-party assurance of climate-related public disclosures by corporates.<sup>3</sup>

---

<sup>1</sup> Some recent examples of jurisdictional developments include:

- The European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) and the European Commission's adoption of the first set of European Sustainability Reporting Standards (ESRS).
- The United States Securities and Exchange Commission's (US SEC) proposed rules to require issuers to provide climate-related disclosures.
- The UK Financial Conduct Authority's (FCA) new climate-related disclosure requirements for standard listed issuers as well as for asset managers and FCA-regulated asset owners.
- The New Zealand External Reporting Board's (XRB) project to develop a non-financial reporting framework.

<sup>2</sup> In September 2022, IOSCO issued a [statement of support](#) for the work of the IAASB and IESBA to develop profession-agnostic global standards to support assurance of sustainability information.

<sup>3</sup> <https://www.fsb.org/2022/10/supervisory-and-regulatory-approaches-to-climate-related-risks-final-report/>



18. The Public Interest Oversight Board (PIOB) has also welcomed the IESBA's consideration of developing fit-for-purpose ethics (including independence) standards that can be used by any professionals, whether or not from the accountancy profession, who provide assurance on sustainability reporting. The PIOB has recognized that it is in the public interest that all assurance providers adhere to the same high bar of ethical behavior and independence when engaged to perform sustainability assurance engagements.<sup>4</sup>
19. In 2023, there was also significant global standards development on sustainability reporting with the International Sustainability Standards Board's (ISSB) [release](#) of its first two sustainability reporting standards. At the local level, governments and regulators have been focused on developing their local sustainability reporting standards, with many jurisdictions looking to mandate sustainability reporting. These developments bring to the fore the importance of ethics standards for preparers of sustainability information as part of the broader standards framework for sustainability information. In response, the IESBA agreed to focus first on the ethical behavior of preparers who are professional accountants in business (PAIBs) by revising Part 2 of the Code as part of its ongoing sustainability project.
20. The IESBA has also heard from its stakeholders that all preparers of sustainability information, not only those who are PAs, should be subject to the same high ethics standards. More broadly, stakeholders have also expressed the view that high ethics standards should apply to all preparers of financial and non-financial information given their role as the first line of defense against corporate malfeasance.

#### The Expanding Roles of Professional Accountants in Business

21. The role of PAIBs has evolved over time driven by the changing needs of investors and customers, regulatory and technological changes, and the exponential growth in information which can present both opportunities and challenges. In particular, the role of the Chief Financial Officer (CFO) has expanded from being a guardian of a company's financial health to encompassing strategy, enterprise risk management, performance management, and communicating the organization's value proposition to stakeholders.
22. Whilst the CFO's role and responsibilities continue to be reshaped by new technology, the CFO is increasingly at the confluence of how their organization is responding to the rapid growth in market demand for sustainability information. This dynamic is impacting CFOs (and the broader finance function) in ways they have not necessarily been trained or equipped to manage. Specifically, in addition to supporting their organizations in responding to strategic developments in sustainable finance, CFOs increasingly need to understand and work across other disciplines, manage and coordinate the sustainability data supply chain, integrate financial and non-financial information into long term plans, and engage with experts and other professionals beyond those involved in traditional financial reporting, amongst many other new demands and pressures. These developments give rise to a need for a fresh look at whether the Code continues to be relevant and appropriate in guiding PAIBs' mindset and behaviors in this fast-changing environment.
23. The expansion of the role of CFOs is not unique to the private sector but is also occurring in the public sector where PAIBs in finance and other equivalent roles are also impacted by technology

---

<sup>4</sup> [August 2023 PIOB's Public Interest Issues: IESBA Projects](#),

disruption and the demand for greater transparency in governments' performance in sustainability-related matters.

### Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures and Ethical Lapses in Firms

24. Recurring headlines about collapses of large public companies due to fraud as well as other financial scandals across the globe have had dramatic impacts on investors, workers, customers, the supply and credit chains, and the broader economic and social systems. These events not only damage public trust in the accountancy profession but also call into question the role of auditors as guardians of public trust in entities' financial statements. Some of these events have raised questions about not only the quality of the audits but also the independence of the auditors. In addition, there continues to be heightened regulatory scrutiny not only on aspects of the performance of an audit, such as the exercise of professional skepticism and professional judgment, but also on broader considerations relating to auditor independence, audit firm culture and the audit firm multi-disciplinary business model.
25. In addition, recent high profile ethical lapses by individual PAPPs have emphasized the importance of ethical behavior. A number of these events have resulted in government inquiries, significant regulatory penalties and other significant adverse consequences for the individual PAPPs and their firms. Further, these events have undermined public trust in the accountancy profession.
26. In response to these issues, the IESBA released a public [statement](#) in July 2023 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 Global Accounting Alliance (GAA) also 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.
27. Firm culture not only impacts the reputation of individual firms and the accountancy profession at large, but also impacts the attraction and retention of talent, an issue that goes to the heart of the vibrancy and longer-term sustainability of the profession.
28. These corporate failures also raise ethical questions regarding the role of PAIBs, including those who are CFOs, notwithstanding that the work and activities of PAIBs (depending on their roles within an organization) may not be subject to the same level of independent regulatory oversight as auditors. In this regard, the issue of "greenwashing" has raised questions about the ethical behavior of those who prepare and report sustainability information, and those who are in a management or oversight roles, including CFOs and directors. The IESBA also recognizes that in many jurisdictions, there is no requirement for CFOs, and more generally preparers of corporate information, to be PAIBs or to have accountancy-related professional qualifications. Therefore, there are no global standards that set a baseline regarding the expected conduct of CFOs and preparers when facing ethical issues such as non-compliance with laws and regulations (NOCLAR), conflicts of interest, inducements and pressure.

## Ongoing Impact of Technological Transformations

29. The technology landscape continues to evolve rapidly, transforming the way we live and disrupting organizational norms and processes. The impact of technology, such as automation and cybersecurity, is also pervasive throughout the accountancy profession as PAs interact with data in a variety of roles, for example, as creators, users, stewards, advisors, and assurance providers. Whilst the digital transformation journey better enables PAs to meet the new demands and expectations of their clients and employing organizations in a digital age, the transformations also create ethical questions and challenges that can be complex, with implications for stakeholders' trust in PAs' work.
30. Against this backdrop, the IESBA has taken strategic action to respond to the developments in technology. In April 2023, the IESBA issued the final pronouncement, [Technology-Related Revisions to the Code](#). Further, in November 2022, the IESBA released its Technology Working Group's (TWG) [Phase 2 Report](#) detailing the outcomes of the TWG's fact-finding work, including recommendations for further enhancements to the Code and the development of additional non-authoritative guidance for PAs.<sup>5</sup> Some of these recommendations seek to respond to a number of the ethical questions and challenges arising from the ongoing digital transformations.

## Operational Drivers

### Heightened Stakeholder Expectations for Greater Timeliness

31. One of the objectives of the Monitoring Group's (MG) July 2020 recommendations, [Strengthening the International Audit and Ethics Standard-Setting System](#) (MG Recommendations) is to foster the development of timely, high-quality standards that respond to an accelerating pace of change.<sup>6</sup> The MG's expectation for the IESBA to be more timely in its standard-setting work has been echoed within the broader regulatory community where there have been calls for the IESBA to move quickly to address market developments of significant public interest.
32. Recognizing such expectations, the IESBA has taken action to respond quickly to the strategic developments in sustainability reporting and assurance. It established a sustainability work stream in Q1 2022 and [publicly committed](#) in June 2022 to readying global ethics (including independence) standards timely to respond to those developments. The IESBA has since been working closely with IOSCO, the IAASB and the ISSB to ensure a coordinated approach to the development of the global standards infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. In addition, in response to significant stakeholder concerns about greenwashing, the IESBA issued in October 2022 a [Staff publication](#) highlighting the relevance and applicability of the Code in combatting greenwashing.<sup>7</sup> In December 2022, the IESBA approved a [project](#) to develop ethics,

---

<sup>5</sup> In this regard, pursuant to its Technology Working Group's Phase 1 Report, the IESBA has facilitated the development of a number of [non-authoritative guidance materials](#) since 2021 (<https://www.ethicsboard.org/focus-areas/technology-ethics-independence-considerations>).

<sup>6</sup> To ensure responsiveness to the public interest, the MG calls for both the IESBA and IAASB to develop their standards in accordance with the principles of the Public Interest Framework set out in the MG Recommendations.

<sup>7</sup> The IESBA has also responded timely to other major global developments in ways other than through standard-setting. In particular, in response to the COVID-19 pandemic, the IESBA collaborated with a number of national standard setters and regulators to produce a series of [staff publications](#) that provide guidance to PAs on dealing with ethics and independence issues arising from the pandemic. In addition, in October 2022, the IESBA released the Staff Alert, [The Ukraine Conflict: Key Ethics and](#)

including independence, standards addressing sustainability reporting and assurance, as well as a [related project](#) addressing the use of experts.

33. The IESBA is committed to being agile and flexible in allocating resources to respond to emerging issues that require timely standard-setting or other actions. In this regard, in Q4 2024, the IESBA plans to conduct a review of the progress of its work streams and update its work plan as needed, including to reflect any new work streams it determines to prioritize.

### The Imperatives of Quality and Global Acceptance of the IESBA's Standards

34. A key ingredient to the quality of the IESBA's standards is input from a diverse range of stakeholders. Whilst the IESBA engages routinely with many stakeholder communities, including regulators and oversight bodies, national standard setters (NSS), international and regional policy-making organizations, preparers, professional accountancy organizations (PAOs) and accounting firms, it has faced a continuing challenge of obtaining a comparatively similar level of input to its projects and initiatives from users of financial and non-financial information, particularly investors and those charged with governance (TCWG). In this regard, the PIOB has continued to encourage the IESBA to pursue efforts to reach out to the investor and corporate governance communities to inform its standard-setting work.
35. The IESBA also acknowledges the importance of an effective enforcement regime as part of the broader reporting ecosystem. The IESBA therefore recognizes the need to work closely with regulators, oversight bodies and other stakeholders to promote effective and consistent enforcement of its standards.
36. The IESBA's Sustainability work stream has highlighted a further imperative in terms of the need to reach out to the community of sustainability assurance practitioners outside the accountancy profession. This is necessary given that a large number of sustainability assurance engagements are already being performed by practitioners who are independent of the profession,<sup>8</sup> and the fact that the market for sustainability assurance work has already been opened, or is expected to be opened soon, to all providers (whether or not from the accountancy profession) in a number of major jurisdictions.<sup>9</sup> The aim of such outreaches would be to understand the ethical frameworks these practitioners use in supporting their assurance work and to seek their input to the IESBA's development of ethics (including independence) standards for sustainability assurance that will be understandable and usable by them. Such input will be important to the global acceptance of the IESBA's sustainability-related standards by assurance providers outside the accountancy profession. These outreaches would also be an avenue to promote the adoption of the IESBA's new standards relating to sustainability assurance among standard setters and policy-making bodies that have the authority to set or determine the standards that sustainability assurance practitioners outside the accountancy profession should use.

---

[Independence Considerations](#). This non-authoritative guidance highlights a number of important provisions in the Code with which PAs must comply in carrying out their work as they navigate the unprecedented challenges and risks arising from the ongoing Russia-Ukraine war.

<sup>8</sup> For example, [research](#) published by the Center for Audit Quality in April 2021 indicated that out of the population of S&P 100 companies considered, over 80% had assurance or verification of their Environmental, Social and Governance (ESG) information provided by engineering or consulting firms that were not CPA firms.

<sup>9</sup> For example, in the EU under the CSRD and in the US under proposed rules being developed by the US SEC

## Global Operability of the IESBA's Standards

37. An important factor that the IESBA takes into account in developing its standards is global operability. Global operability entails considerations of not only practicality and whether the standards will be capable of being applied in jurisdictions with different legal and regulatory frameworks, but also whether the standards will be capable of being used seamlessly with international reporting and assurance standards.
38. In this regard, stakeholders, as well as the PIOB, have continued to emphasize the importance of the IESBA and IAASB coordinating their work closely to address topics of mutual interest. Such coordination has already been taking place at a strategic and technical level, and the IESBA and IAASB continue to dedicate efforts to strengthen it so that their standards mutually support each other and are interoperable. This imperative also extends to the IESBA's coordination with other global sustainability reporting and assurance standard setters such as the ISSB and the International Organization for Standardization (ISO), given the importance of ensuring global consistency in the use of common concepts, terms and definitions by the IESBA and other global standard setters in that area.
39. There is also an ongoing need for the IESBA to work closely with standard setters at the jurisdictional level to ensure that the IESBA's standards will be operable across jurisdictions.

## Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

40. To date, 130 jurisdictions have adopted or used the Code, including 17 of the G20 countries.<sup>10</sup> However, not all of these jurisdictions have adopted or are using the latest version of the Code. It is therefore imperative that the IESBA continue to dedicate a focus on supporting jurisdictions adopt or use the latest additions and revisions to the Code, working closely with NSS and the International Federation of Accountants (IFAC) in particular. Working in collaboration with IFAC, the IESBA will also continue to dedicate time to understanding the reasons for jurisdictions not adopting or delaying the adoption of the Code or revisions to the Code.
41. Noting the volume and frequency of changes to the Code in recent years, some stakeholders have called on the IESBA to temper the pace of standard-setting and focus more on developing non-authoritative material (NAM) to assist users in understanding the new provisions and applying them consistently. The IESBA acknowledges those concerns. The capacity of the market to assimilate new or revised IESBA standards is an important factor amongst others that the IESBA considers in determining the number and prioritization of its standard-setting projects and in setting effective dates for final standards. The feedback concerning a continuing market need for implementation support resources also highlights that effective implementation of the IESBA's standards is a matter of strategic importance.

## Strategic Themes

42. Based on the identified strategic drivers, the IESBA has set four strategic themes to guide its actions in support of its strategic vision:
  - Enhancing trust in sustainability reporting and assurance

---

<sup>10</sup> See [2022 IESBA Annual Report](#), page 22

- Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
- Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA’s standards
- Widening the influence of the IESBA’s standards through a continued focus on adoption and implementation

43. The table below illustrates how these strategic themes connect to the strategic drivers, which in turn influence the IESBA’s strategic vision.

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

### Enhancing Trust in Sustainability Reporting and Assurance

44. Given the significant and rapidly growing market demand for sustainability information, the IESBA has determined to take timely action to develop fit-for-purpose, globally applicable ethics (including independence) standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. This recognizes the essential role ethics and independence play in the production, reporting and assurance of sustainability information, and the major role of PAs in this regard. This strategic commitment will complement sustainability reporting

and assurance standards developed, or being developed, by other global standard setters, such as the ISSB and the IAASB.

45. As noted in the discussion of the strategic drivers above, a number of major jurisdictions have opened or are expected to open the market for sustainability assurance services to all providers, whether from or outside the accountancy profession. In response to these developments and the increasing market demand for sustainability information, the IESBA approved a new [Sustainability project](#) in December 2022 to develop ethics (including independence) standards for sustainability assurance as well as ethics standards for sustainability reporting.
46. The increasing market demand for sustainability information also highlighted the important role of preparers of sustainability information in tackling issues such as greenwashing and in protecting the integrity of the information reported. There is a public expectation that all preparers of sustainability information, whether or not they are PAs, should be subject to the same high ethics standards.
47. During the SWP's consultation period, the IESBA also heard from stakeholders that the same high ethics standards should also apply to other preparers of financial and non-financial information as well as other assurance practitioners who are not PAs. Given this backdrop, the IESBA will explore, as a key strategic focus, the opportunity to expand the scope of the Code to apply to all preparers.
48. In this regard, the IESBA acknowledges that this strategic focus will require careful consideration of issues such as the extent of the potential expansion, the role of the Code in light of corporate governance regimes, monitoring and enforcement, and relevant jurisdictional developments. The IESBA will also need to engage with a broad range of stakeholders over a longer period of time. In considering how to approach this strategic focus, the IESBA noted that under its Sustainability project, it has already taken the first step in developing standards for a particular type of service irrespective of who is carrying out the service. While retaining an initial focus on sustainability information, the IESBA will take the next steps in the new strategy period by undertaking two new work streams, firstly, revising Part 4B of the Code to specifically cover sustainability assurance engagements outside the scope of the current Sustainability project, and secondly, exploring expanding the scope of the Code to all preparers of sustainability information.
49. Given the pace and breadth of change in sustainability reporting, new ethics (including independence) issues not previously considered might arise that would require a standard-setting response or other actions by the IESBA. During the course of its current Sustainability project, the IESBA may also identify issues that might need to be addressed as a separate work stream. The IESBA will therefore remain agile and flexible to address these issues as necessary during this strategy period.

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

50. As the accountancy profession evolves in response to developments such as disruptive technology and sustainability reporting, and in light of recurring major corporate failures around the world, new ethics or independence questions or challenges may arise that impact public trust in the work of PAs.
51. The recurrence of significant ethical lapses in firms, and the fact that they are not isolated to one firm or one jurisdiction, call for a broader and deeper reflection on, and consideration of, the culture and governance in firms and whether there is a need to strengthen the Code in these areas. The IESBA considers these persistent cases of unethical behavior in firms to be a significant public interest

matter requiring its high priority action. Therefore, the IESBA will initiate a new work stream on firm culture and governance at the beginning of the new strategy period.

52. In addition, whilst significant changes have been made to the Code in recent years, regulators and oversight bodies have called on the IESBA to continue to maintain a focus on strengthening the International Independence Standards (IIS). The IESBA has also identified through its recent standard-setting work certain topics or areas where the Code could be further strengthened or enhanced. Specifically, in addition to its ongoing project on the use of experts and a new work stream relating to collective investment vehicles, the IESBA has committed to initiating a number of new work streams, including on the topics of the audit client-audit firm relationship and business relationships, in the new strategy period. The IESBA will also undertake a new work stream on the role of CFOs and senior PAIBs exploring the new ethical challenges these PAIBs might face as their roles evolve in the rapidly changing business and work contexts.
53. Further, the IESBA will continue to monitor emerging issues or developments in the external environment, including the impact of technology, that may warrant standard-setting or other actions. The IESBA will also undertake its pre-committed PIRs on some of its key standards and revisions to the Code, including NOCLAR and the revised and restructured Code.

#### **Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's standards**

54. A rich array of perspectives from its stakeholder community serves the IESBA's goal of developing high-quality standards that are responsive to the public interest. In this regard, the IESBA will seek to enhance the level of input from parts of its stakeholder community it has not historically heard from to any significant extent, particularly investors and TCWG. Additionally, in the context of sustainability assurance, it will be important for the IESBA to engage with assurance practitioners and associated standard-setting or policy-making bodies outside the accountancy profession if it is to achieve the goal of developing profession-agnostic ethics, including independence, standards that are widely accepted. Similarly, the IESBA will also seek to engage with preparers outside the accountancy profession as it explores the opportunity to expand the scope of the Code to all preparers of sustainability information.
55. Under this strategic theme, coordination with other global standard setters, including the IAASB, ISSB and the International Public Sector Accounting Standards Board (IPSASB), will be important to develop globally interoperable standards that support trustworthy financial and non-financial reporting. It will also remain key for the IESBA to work closely with NSS to achieve globally operable standards and minimize standards fragmentation.
56. Further, it will be important for the IESBA to engage proactively with the global regulatory and oversight community to seek its input throughout the life-cycle of standard-setting projects. Given its constituencies, the support of that community will contribute to achieving wider global acceptance of the IESBA's standards.

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

57. The Code provides a robust set of standards that govern and guide the ethical behavior of PAs, including the independence of auditors. Therefore, it is in the public interest to increase the extent of



adoption of the latest enhancements to the Code across jurisdictions. Equally, it is in the public interest that the Code, with all its latest enhancements, is implemented effectively by PAs and firms.

58. The IESBA's standards play an essential complementary role vis-à-vis the reporting and assurance standards within the financial and non-financial information supply chains. The diagram below illustrates the overarching and complementary nature of the IESBA's standards next to reporting and assurance standards within the sustainability information supply chain.

## SUSTAINABILITY STANDARDS INFRASTRUCTURE



## Strategic Actions

### Theme: Enhancing Trust in Sustainability Reporting and Assurance

59. The IESBA's proposed strategic actions for this theme include the following:
- In accordance with the IESBA's Sustainability project:
    - Developing fit-for-purpose ethics standards to support sustainability reporting by PAs.
    - Developing fit-for-purpose, profession-agnostic ethics (including independence) standards to support sustainability assurance engagements carried out by all practitioners regardless of their professional backgrounds.
    - Seeking the input of practitioners and experts outside the accountancy profession through the work of the [Sustainability Reference Group](#).
  - Obtaining the support or endorsement of its new standards addressing sustainability reporting and assurance, as well as the related standard addressing the use of experts, from global regulators and oversight bodies and other key jurisdictional bodies.
  - Activating work streams relating to revising Part 4B of the Code for sustainability assurance engagements and expanding the scope of the Code to all preparers of sustainability information and progressing them in a timely manner and in accordance with the work plan (see Section II, Work Plan 2024 – 2027).

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

60. The IESBA's proposed strategic actions under this theme include the following:
- Progressing and completing ongoing projects and work streams in a timely manner (see Section II, Work Plan 2024 – 2027).
  - Activating the pre-committed and new work streams to commence during the new strategy period and progressing them in a timely manner and in accordance with the work plan (see Section II, Work Plan 2024 – 2027). Maintaining an ongoing monitoring function on technology developments and considering how best to address public interest issues identified through the work of the IESBA's TWG and responding appropriately. The TWG's environmental scanning activities will also be informed by the input from its Technology Experts Group.
  - Monitoring emerging issues or developments outside of sustainability and technology through the IESBA's Emerging Issues and Outreach Committee (EIOC) and responding appropriately to identified public interest issues through enhancements to the Code or other actions such as the development of NAMs.
  - Considering the findings of PIRs and determining if any further actions are required and if they should be given priority in the IESBA's Work Plan.

**Theme: Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's standards**

61. The IESBA's proposed strategic actions under this theme include the following:
- Proactively engaging with a broad range of stakeholders, including investors, regulators and oversight bodies, the corporate governance community, preparers, NSS, PAOs, accounting firms, the academic community and other stakeholders from outside the accountancy profession. The IESBA will dedicate a special focus on engagement with the investor and corporate governance communities. The IESBA will also continue to engage with small and medium practices (SMPs) to guide its considerations of proportionality in developing the standards, among other matters of relevance to the SMP community.
  - Proactively engaging with sustainability assurance practitioners and associated standard-setting and policy-making bodies independent of the accountancy profession to seek their input to the IESBA's development of ethics (including independence) standards for sustainability assurance, and to promote the understanding, adoption and implementation of those standards by those assurance providers.
  - Engaging with preparers of sustainability information outside the accountancy profession to seek their input to the IESBA's work stream to explore expanding the scope of the Code to all preparers of sustainability information.
  - Pursuing coordination with the IAASB and ISSB as well as other global standard setters and professional bodies to ensure that the new IESBA standards addressing sustainability reporting and assurance and the use of experts align with those of the IAASB, ISSB and other relevant global standards in an interoperable manner (see also Section "Coordination with the IAASB" below).

- Coordinating closely with the IAASB on matters of mutual interest with respect to other projects and work streams (see also Section “Coordination with the IAASB” below).

### **Theme: Widening the Influence of the IESBA’s Standards Through a Continued Focus on Adoption and Implementation**

62. The IESBA’s proposed strategic actions under this theme include the following:

- Engaging in outreach around the world to raise awareness of the importance of ethics to the proper functioning and sustainability of organizations, financial markets and economies worldwide, and to promote further adoption of the Code, including its most recent enhancements, as well as adoption of the IESBA’s new standards addressing sustainability reporting and assurance and the use of experts.
- Collaborating with IFAC to document the latest status of adoption of the IESBA’s standards and to promote the importance of global consistency of standards across jurisdictions.
- Working with IFAC and other stakeholders to encourage more support for timely and accurate translations of the IESBA’s standards and publications.
- Collaborating with IFAC to ensure that the latest version of the Code is promptly uploaded to IFAC’s e-International Standards (eIS) platform, as well as identifying opportunities to improve the online platform’s functionality and usability.
- Developing or facilitating the development of NAM to support the adoption and effective implementation of new or revised standards.
- Conducting PIRs to assess how effectively the implementation of the IESBA’s recently issued standards meets the original objectives for developing them and any implementation challenges, and to identify any need for further enhancements.
- Gathering information, through outreaches or PIRs, on reasons why jurisdictions have not adopted or are delayed in adopting a later version of the Code or revisions to the Code.

### **Coordination with the IAASB**

63. The IESBA recognizes the strategic importance of working closely with the IAASB in the planning and delivery of its strategy and work program. At a broad level, the public interest concerns of their common stakeholders, such as trust in the work of auditors and in sustainability reporting and assurance, are relevant to both Boards. These broad concerns can in turn be disaggregated into concerns about specific aspects of audit quality, auditor independence, or ethical behavior. Whilst the IESBA and IAASB are independent Boards with separate remits, they need to consider these common matters in a coordinated manner in order to develop global standards that are fully interoperable and mutually reinforcing.

64. Over the last few years, the two Boards have demonstrated a high level of coordination on a number of key projects at Board, Task Force and staff levels. These projects include:

- The IAASB’s Quality Management projects
- The IESBA’s Quality Management-related Conforming Amendments and Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers projects

- The IAASB’s Group Audits project
  - The IESBA’s Engagement Team – Group Audits Independence project
  - The IESBA’s Definitions of Listed Entity and Public Interest Entity project
  - The IAASB’s Listed Entity and Public Interest Entity project
  - The IESBA’s Role and Mindset project
65. At the strategic level, the two Boards have coordinated the development of their SWPs. Drawing on a number of similar strategic drivers, the IESBA has developed its proposed strategic themes to align broadly with the IAASB’s strategic objectives. Such strategic alignment allows both Boards to better identify opportunities for coordination and synergy, whether in their technical projects or on other activities such as stakeholder outreach.
66. At the technical level, the IESBA will continue to coordinate closely with the IAASB with regards to their ongoing projects, pre-committed and new work streams. Going forward, the two Boards will place greater focus on identifying matters of mutual interest at the initial information-gathering stage in their work streams in order that any technical coordination can commence at an early stage.
67. The two Boards will also coordinate closely at an operational level. Such operational coordination is useful in improving the efficiency of their work processes and in the use of shared resources. In this regard, the implementation of the MG recommendations over the next few years provides an opportunity for the two Boards to implement common processes that are more streamlined, efficient and effective.

## Section III: Work Plan 2024 – 2027

### Key Considerations in Establishing and Delivering the Work Plan

#### Establishing the Work Plan

68. In establishing its Work Plan for 2024 – 2027, the IESBA agreed to:
- (a) Undertake work streams that will allow it to achieve its vision, taking into account the strategic drivers and themes set out in this SWP;
  - (b) Continue its ongoing projects, work streams and other activities at the commencement of the new strategy period (See Table A below); and
  - (c) Commence the pre-committed work streams during the new strategy period (See Table C below).
69. In determining the new topics for its Work Plan and the work stream priorities, the IESBA has considered the following, amongst other matters:
- Responses to the [Strategy Survey 2022](#) and the [Consultation Paper 2023](#) including feedback from the IESBA Consultative Advisory Group (CAG).
  - The scope and timelines for the Sustainability and Use of Experts projects, including the staff and volunteer resources allocated to the projects. In particular, the IESBA took into account the need to retain some capacity to rollout the standards and address any new sustainability-related issues during this strategy period.
  - Recommendations from the TWG Phase 2 Report.
  - The Benchmarking Working Group’s (BWG) Phase 1 Report, [Comparison of IESBA and US SEC/PCAOB Independence Frameworks](#).
  - The level of importance of each potential topic based on a number of key considerations, including the public interest benefits of addressing the topic, the relevance of the topic at a global level, the degree of urgency in responding to the identified issues, and the feasibility of undertaking the work within anticipated timelines and resources.
  - Discussions with the IAASB on addressing common strategic drivers and other matters of mutual interest.
  - Resources needed for activities such as rollout of new standards, the development of NAM and stakeholder outreach to promote adoption and effective implementation of the IESBA’s standards.
  - The potential impact of transitioning to the new Board operating model post-MG reforms on matters such as available resources, the number of projects that can be undertaken concurrently, and project life cycle (see Section below “A New Board Operating Model”).
70. In light of the above, the IESBA will undertake three new work streams that will address (a) firm culture and governance; (b) exploring expanding the scope of the Code; and (c) revision of Part 4B of the Code for sustainability assurance engagements.
71. Considering the length of each project and work stream, the IESBA has taken into account a number of factors that affect timelines, including:

- The nature, complexity and definition of the scope of the particular topic or matter being addressed.
- The level of fact-finding, including stakeholder consultation, needed to establish an evidential basis for standard setting.
- Board and agenda capacity.
- The length of time required to complete the standard-setting due process, which may be between 12 to 36 months, depending on the nature, scope and complexity of the project.
- The need for coordination with other standard-setting boards.

### **Delivering the Work Plan**

72. To successfully meet the deliverables of the Work Plan and to deliver high-quality standards that will address the identified public interest issues in a timely manner, the IESBA will draw on its full capacity, including plenary board meetings, a full-time Chair and 16 volunteer Board members, and support from technical advisors as well as a team of technical and administrative staff.

#### *A New Board Operating Model*

73. The MG Recommendations aim to support and enhance the development of high-quality ethics and auditing standards by the IESBA and IAASB, respectively, through the achievement of a multi-stakeholder Board structure, reinforcement of public interest considerations within the standards development process, and enhanced responsiveness to an accelerating pace of change. Under this new model, the standard-setting activities of both Boards will be undertaken in accordance with the Public Interest Framework (PIF). The PIF sets out how development and oversight of these standards are responsive to the public interest. The MG recommendations also reinforce the importance of close coordination between the IESBA and the IAASB on topics within their respective strategic work plans that are of mutual interest.
74. The two Boards will begin transitioning to the new Board operating model from Q1 2024 to operationalize the MG recommendations. Under the new model, the Boards will focus on strategic matters to ensure public interest issues are addressed whilst the technical discussions and drafting of the standards will largely fall under the expanded role of the technical staff. To accommodate this new role, the Boards will progressively increase their technical staff complements, including securing secondees. In addition, the two Boards will also revise their due process to optimize efficiency whilst maintaining the robustness of the standard-setting process.
75. During the transition period, the IESBA will continue to monitor its available resources and will adjust the timelines of its projects and work streams as needed.

#### *Efficiency in Working Processes*

76. The IESBA recognizes the importance of taking stock of its working processes as part of good governance. Accordingly, the IESBA is committed to regularly reviewing its working processes and other governance matters at both Board and Staff levels to identify opportunities for improvement and to ensure that it stays on track to achieving its strategic vision through its four strategic themes.

### Flexibility and Agility

77. Throughout the strategy period, the deliverables and milestones within the Work Plan may change due to factors such as changes in project scopes, stakeholder feedback, changes in resources available, and improved working processes as well as the need to be responsive to environmental developments.
78. Whilst committed to delivering its Work Plan, the IESBA will remain flexible and agile by revising its priorities to address urgent or unexpected issues in order to stay on track to achieving its vision.

### Projects and Work Streams Commenced Before 2024

79. The IESBA is committed to completing a number of ongoing projects and work streams in the new strategy period. Refer to Appendix 1 for a description of these projects and work streams. Refer also to the IESBA's [project webpage](#) for more information about each project or work stream, including status and timeline.

<b>Table A</b>	
<b>Ongoing Projects and Work Streams</b>	<b>Anticipated Status Q1 2024</b>
Sustainability	Exposure draft
Use of Experts	Exposure draft
Collective Investment Vehicles, Pension Funds & Investment Company Complexes	Information gathering

### Sustainability

80. The IESBA approved the [Sustainability project](#) in December 2022. This project is divided into two work streams, one focusing on the development of profession-agnostic independence standards for sustainability assurance, and the other focusing on the development of ethics standards for sustainability reporting and assurance.
81. The IESBA is targeting approval of the final pronouncement by Q4 2024.

### Use of External Experts

82. The IESBA approved the [Use of Experts project](#) in December 2022. This project will address ethics issues relating to the use of experts in audit, sustainability and other assurance engagements, as well as the use of experts in the preparation of financial and non-financial information and in the provision of other services.
83. The IESBA is targeting approval of the final pronouncement by Q4 2024.

### Collective Investment Vehicles (CIVs), Pension Funds and Investment Company Complexes

84. The IESBA will review CIV and pension fund arrangements and their relationships with trustees, managers and advisors to ensure that the independence provisions and the application of the “related entity” definition in the Code remain fit for purpose with respect to these arrangements.

85. The IESBA will also review investment company complexes and consider whether the Code should be enhanced to address these structures, such as establishing new terms and definitions, and clarifying which entities or arrangements within such a complex should be considered as related entities of an audit client.

86. The IESBA commenced the information gathering stage of this work stream in Q4 2023.

## New Work Streams

87. Table B below contains a list of the new work streams that the IESBA plans to undertake during the new strategy period. Refer to:

- Appendix 1 for a fuller description of these work streams.
- Appendix 2 for the IESBA's initial assessment of demand on resources.

<b>Table B</b> New Work Streams Identified	<b>Priority</b>	<b>Anticipated Demand on Resources</b>	<b>Anticipated Commencement</b>
Firm Culture and Governance	High	High	2024
Expanding Ethics Standards to All Preparers of Sustainability Information	High	High	2025
Revision of Part 4B of the Code for Sustainability Assurance Engagements	High	Medium	2025
Role of CFOs and Other Senior PAIBs	High	High	2025
Business Relationships	Medium	High	2026
Audit Firm – Audit Client Relationship	Medium	Medium	2027
Post-Implementation Review – Engagement Team and Group Audits	Medium	Medium	2027

88. Whether any work streams will result in standard-setting projects will depend on due fact finding and consultation with stakeholders and establishing an evidential basis for standard-setting work. In some circumstances, the IESBA might determine that the most appropriate way to address identified issues would be through means other than developing new or revised standards, for example, by commissioning NAM.

## Firm Culture and Governance

89. Given the persistent cases of unethical behavior in firms across jurisdictions, the IESBA believes it should take a leadership role as a global ethics standard-setter in addressing the topic of firm culture and governance as a strategic priority.



90. Under this work stream, the IESBA will, amongst other matters, explore the root causes of the ethical lapses and undertake a review of the provisions in the extant Code to determine if the Code should be further strengthened promote a robust culture of ethical behavior within firms.
91. In addition, the IESBA will continue to promote the importance of ethics within firms, highlighting the profession's responsibility to act in the public interest in the midst of increasing pressures on PAs to act unethically.
92. This topic of firm culture and governance has been identified as a strategic priority and the work stream has been assessed as having a high priority.

### **Expanding Ethics Standards to All Preparers of Sustainability Information**

93. During the SWP consultation process and other recent outreach activities, the IESBA observed that there is a public expectation that all preparers of financial and non-financial information should be subject to the same high ethics standards. Given this backdrop, the IESBA believes that it is in the public interest for it to explore expanding the scope of the Code beyond PAs as a strategic matter.
94. As part of a phased approach, the IESBA will first undertake a new work stream to explore developing ethics standards for sustainability reporting, regardless of the preparers' professional backgrounds. This work stream will take into account relevant information gathered from targeted outreach as well as from the ongoing Sustainability project and the new work stream on the role of CFOs and senior PAIBs.
95. This work stream forms part of the IESBA's strategic focus on exploring expanding the scope of the Code to all preparers of financial and non-financial information. It has been assessed as having a high priority, due to commence after the finalization of the Sustainability project in 2024.

### **Revision of Part 4B of the Code for Sustainability Assurance Engagements**

96. Extant Part 4B of the Code sets out the IIS for assurance engagements other than audit and review engagements.
97. Under this work stream, the IESBA will revise Part 4B to cover all sustainability assurance practitioners for those sustainability assurance engagements not covered by the new Part 5 currently being developed under the IESBA's Sustainability project. In undertaking this work stream, the IESBA will take into account relevant information and feedback from stakeholders from its Sustainability project.
98. As the IESBA undertakes this work stream, the IESBA will consider relevant information and stakeholder feedback that will help inform its broader strategic focus on exploring expanding the scope of the Code to all preparers of financial and non-financial information.
99. This work stream has been assessed as having a high priority, due to commence after the finalization of the Sustainability project in 2024.

### **Role of CFOs and Other Senior PAIBs**

100. Under this work stream, the IESBA will gather information on the evolving roles of CFOs, including those in equivalent positions within the public sector, and other senior PAIBs to identify and understand the ethics issues and challenges faced by these PAIBs.

101. This work stream may also involve the consideration of whether Parts 1 and 2 of the Code need further enhancement to support PAIBs in addressing these ethics issues, taking into account the revisions already made under recent projects, such as the Role and Mindset and Technology projects, as well as issues that are being addressed under the Sustainability and Use of Experts projects.
102. This work stream will be undertaken in collaboration with stakeholders such as IFAC's PAIB Advisory Group and PAOs with a strong PAIB membership base.
103. Whilst the focus of this work stream will be on PAIBs, it is anticipated that it will collect information and feedback from stakeholders that will be relevant to the new work stream on expanding ethics standards to all preparers of sustainability information.
104. This work stream has been assessed as having a high priority.

### **Business Relationships**

105. Section 520<sup>11</sup> of the Code addresses threats to independence arising from business relationships an audit firm, network firms and audit team members might have with an audit client or its management, with the provisions focused on “close business relationships.”
106. Under this work stream, the IESBA will review the different types of relationships that firms, network firms and audit team members might have with audit clients and their management and consider whether Section 520 sufficiently addresses the independence issues that may arise from these relationships. In undertaking this review, the IESBA will take into account the revisions already made under the Technology Project. As part of this work stream, the IESBA may also consider whether materiality and significance should be retained as criteria for exceptions to certain business relationships as well as loans and guarantee arrangements under Section 511 of the Code.<sup>12</sup>
107. As the IESBA explores these business relationships in a broader context, the IESBA may also consider whether the provisions in Parts 1 and 3 of the Code remain relevant in addressing the ethics implications of business relationships.
108. This work stream has been assessed as having a medium priority.

### **Audit Firm – Audit Client Relationship**

109. Under this potential work stream, the IESBA will consider whether it continues to remain appropriate to use the term “audit client” in IIS as opposed to the “audited entity” or the “entity subject to audit.” This recognizes that the ultimate beneficiary client is not the entity itself or its management but the entity's owners or shareholders. This matter has some relevance to the work stream on firm culture and governance, and it might therefore be given some early consideration as part of that work stream.
110. During its Fees project completed in December 2020, the IESBA acknowledged that the inherent risk related to the audit client payer model is part of the broader topic of the “audit firm–audit client” relationship and that it is not exclusively a fee-related issue. Accordingly, the IESBA determined that the matter of the inherent threats arising from the client relationship was outside the remit of the Fees project.

---

<sup>11</sup> Section 520, *Business Relationships*

<sup>12</sup> Section 511, *Loans and Guarantees*

111. As part of this work stream, the IESBA will 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 ethical impact arising from such client relationship. Some of the issues identified under this work stream may also have implications for how the IESBA may address the topic of business relationships.
112. This work stream has been assessed as having a medium priority.

### Post-Implementation Review – Engagement Team –Group Audits (ET-GA)

113. The IESBA released the final pronouncement, [\*Revisions to the Code Relating to the Definition of Engagement Team and Group Audits\*](#) (ET-GA), in February 2023. The ET-GA provisions will become effective in December 2023.
114. The PIR will, amongst other things, assess the status of adoption and implementation of the ET-GA provisions across jurisdictions, any key issues relating to the understandability of the provisions and the application of the provisions and whether it is meeting the project objectives, and any other implementation issues.
115. This work stream has been assessed as having a medium priority.

### Other Topics of Interest

116. Subject to agenda capacity and resources, the IESBA plans to also consider towards the end of the strategy period:
- Definitions and Description of Terms;
  - Custody of Data; and
  - Communication with Those Charged with Governance.

### *Definitions and Descriptions of Terms*

117. There are differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. Under this work stream, the IESBA will seek to align the definitions of the terms used in the Code with the corresponding IAASB definitions to the greatest extent possible. As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity and improve the interoperability of the two Boards’ standards, making it easier for adoption and implementation, including translation.
118. This work stream will also include a review of how certain terms are currently defined in the Code, such as “employee” and “engagement period.” In addition, this work stream will review whether the terms “professional accountant in public practice” and “professional accountant in business” in the Code require clarification.

### *Custody of Data*

119. Data is the foundation of all financial and non-financial reporting. It impacts both PAPPs and PAIBs in all their professional activities. If data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access, there may be significant consequences to an employing organization or client.

120. Under this work stream, the IESBA will investigate the ethics implications of a PA’s custody of financial or non-financial data belonging to clients, customers, or other third parties, taking into account the recent revisions to the Code under the Technology project. There may also be a consideration of whether the Code sufficiently addresses these issues, including whether there is a need to establish a new section in Part 3 of the Code to capture the ethics considerations relating to the custody of data, similar to how Section 350 of the Code addresses custody of client assets.<sup>13</sup>

*Communication With Those Charged With Governance*

121. When PAs use external experts or consultants in relying on technology, communication with TCWG could help to further strengthen the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants. This concept is not unique to technology but is also relevant to other areas, such as tax planning as well as sustainability reporting. There is therefore an opportunity to incorporate provisions addressing such communication into the Code more generally and holistically so that it can be considered under all circumstances. The IESBA will also take into account the outputs of its Use of Experts project in this area.

122. Under this work stream, the IESBA will also consider whether there would be merit in adding new provisions relating to “communication with those charged with governance” in Sections 200 and 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PAs’ compliance with the fundamental principles, and, where applicable, independence requirements.

**Pre-committed Work Streams**

123. Table C below contains a list of work streams that the IESBA has pre-committed to undertaking as part of the previous SWP or as a result of recently completed projects. Refer to Appendix 2 for the rationale for the IESBA’s initial assessment of demand on resources.

<b>Table C</b>	<b>Priority</b>	<b>Anticipated Demand on Resources</b>	<b>Possible Commencement</b>
<b>Pre-committed Work Streams</b>			
Post-Implementation Review – Non-compliance with Laws and Regulations	Medium	Medium	2025
Post-Implementation Review – Long Association Phase 2	Medium	Medium	2026
Post-Implementation Review – Restructured Code	Medium	Medium	2026
Post-Implementation Review – Non-Assurance Services and Fees	Medium	High	2027

<sup>13</sup> Section 350, *Custody of Client Assets*

Post-Implementation Review – Definition of Public Interest Entity	Medium	Medium	2027
--	--------	--------	------

### Post-Implementation Review – NOCLAR

124. The IESBA released the final pronouncement, [Responding to Non-Compliance with Laws and Regulations](#) (NOCLAR) in July 2016. The NOCLAR standard became effective in July 2017.
125. The PIR will, amongst other things, assess the status of adoption and implementation of the NOCLAR provisions across jurisdictions, any key issues relating to the understandability of the provisions and the application of the provisions at the local level and whether it is meeting the project objectives, and any other implementation issues.
126. This work stream has been assessed as having a medium priority.

### Post-Implementation Review – Long Association Phase 2

127. In January 2017, the IESBA released the Close-off Document, [Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#) (Long Association close-off document).
128. Phase 1 of the PIR was completed in December 2021 with the IESBA determining not to extend or vary the "jurisdictional provision."<sup>14</sup> Phase 2 will, amongst other things, assess the status of adoption and implementation of the Long Association provisions across jurisdictions, any key issues relating to the understandability of the provisions (except the jurisdictional provision) and the application of the provisions at the local level and whether it is meeting the project objectives, and any other implementation issues. In undertaking Phase 2, the IESBA will take into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as mandatory firm rotation and mandatory retendering)
129. This work stream has been assessed as having a medium priority.

### Post-Implementation Review – Restructured Code

130. The [restructured Code](#) became effective in June 2019. This PIR will assess whether its implementation around the world is effectively meeting the objectives of the project, focusing on the broader issues of usability, translatability and application.
131. To achieve synergies, the IESBA plans to undertake the Long Association Phase 2 PIR in conjunction with the restructured Code PIR.
132. This work stream has been assessed as having a medium priority.

### Post-Implementation Review – Non-Assurance Services and Fees

133. The IESBA released the final pronouncements, [Revisions to the Non-Assurance Service Provisions of the Code](#) (NAS provisions) and [Revisions to the Fee-Related Provisions of the Code](#) (Fees provisions), in April 2021. The NAS and Fees provisions became effective in December 2022.

---

<sup>14</sup> Section 540, *Long Association of Personnel (Including Partner Rotation) With an Audit Client*, paragraph 540.19

134. These PIRs will, amongst other matters, assess the status of adoption and implementation of the revised NAS and Fees provisions across jurisdictions, any key issues relating to the understandability of the provisions and the application of the provisions at the local level and whether it is meeting the projects' objectives, and any other implementation issues.
135. This work stream has been assessed as having a medium priority.

### Post-Implementation Review – Definition of Public Interest Entity

136. The IESBA released the final pronouncement, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE revisions), in April 2022. The PIE revisions will become effective in December 2024.
137. The PIR will, amongst other matters, assess the status of adoption and implementation of the revised PIE provisions across jurisdictions, any key issues relating to the understandability of the provisions and refining the definition at the local level and any other implementation issues.
138. To achieve synergies and to gain a holistic understanding of the full impact of these revised provisions, the IESBA plans to undertake the NAS and Fees PIRs in conjunction with the PIE PIR.
139. This work stream has been assessed as having a medium priority.

### Other Activities

140. In addition to the standard-setting projects and work streams set out in Tables A, B and C above, the following activities will also continue during this strategy period with dedicated Board and Staff resources as well as Board plenary time as needed.

### Environmental Scans

141. The IESBA will continue to monitor relevant external developments through its EIOC with a view to determining whether there is a need for any changes to the Code, the commissioning of IESBA Staff publications, or other actions. The EIOC will advise the IESBA on (a) any emerging issues that may warrant attention outside of the normal strategic planning process, and (b) the scope and focus of, and approach to, outreach to stakeholders. The IESBA anticipates semi-annual discussions on the relevant matters flowing from this work stream throughout the strategy period.
142. The IESBA will also continue to monitor the changing technology landscape and its ethics impact on the financial and non-financial information reporting ecosystems, and determine the need for further information gathering or other action.

### Outreach

143. The IESBA will mobilize its Board members, technical advisors and Staff to pursue a proactive and extensive stakeholder outreach agenda to reinforce the centrality of ethics to public trust in business and organizations, raise awareness about the IESBA's work and socialize its standard-setting proposals and thought leadership, promote the Code and its adoption and effective implementation worldwide, and engage with stakeholders on other matters of mutual interest.

### **Development of NAMs**

144. The IESBA will continue commissioning Staff publications and other implementation resources that address technical matters or explain new or revised standards, such as Bases for Conclusions, Q&As, staff alerts, fact sheets and global webinars.
145. The IESBA will also seek to facilitate the development of other NAMs through partnership with other stakeholders such as IFAC, NSS and PAOs.

### **Indicative Milestones and Deliverables**

146. Appendix 3 presents an illustrative work plan indicating possible milestones.

## Appendix 1

### Descriptions of Select Projects and Work Streams

#### Project and Work Streams Commenced Before 2024

##### Sustainability

In early 2022, the IESBA established a Sustainability Working Group to guide its standard-setting actions in relation to sustainability reporting and assurance. The IESBA expressed a firm commitment to take timely action to develop fit-for-purpose, globally applicable ethics, including independence, standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting.

In October 2022, the IESBA issued a [staff publication](#) to highlight the relevance and applicability of the Code to several ethics challenges arising from PAs' involvement in sustainability reporting and assurance, especially circumstances related to greenwashing.

In December 2022, the IESBA approved its Sustainability project to develop:

- (a) Profession-agnostic independence standards for use by all sustainability assurance practitioners, regardless of their professional backgrounds.
- (b) Specific ethics provisions relevant to sustainability reporting and assurance.

The IESBA is targeting approval of the final pronouncement by Q4 2024.

##### Use of Experts

A number of stakeholders as well as the PIOB have asked the IESBA to consider whether external experts used in audit engagements should be subject to independence requirements. This question has also arisen in the IESBA's deliberations in other projects, including its recently completed [Engagement Team - Group Audits project](#). Further, the IESBA recognizes that there is a need to consider the ethics implications of using experts in relation to sustainability reporting and assurance as well as in supporting the work of PAIBs in employing organizations and PAPPs in providing other professional services.

In December 2022, the Board approved its Use of Experts project to address:

- The ethics and related "independence" considerations with respect to the use of external experts in audit, sustainability and other assurance engagements.
- The ethics considerations with respect to the use of experts in the preparation and presentation of financial and non-financial information as well as the provision of other services.

This project will be progressed in parallel with the Sustainability project. The IESBA is targeting approval of the final pronouncement by Q4 2024.

##### Collective Investment Vehicles, Pension Funds and Investment Company Complexes

The IESBA had included collective investment vehicles (CIVs) and post-employment benefits (PEBs) in the proposed list of mandatory public interest entity (PIE) categories set out in the exposure draft, [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE ED). Having reflected on the feedback from respondents to the PIE ED, the IESBA agreed to remove CIVs and PEBs from the mandatory list. In reaching this conclusion, the IESBA acknowledged that these types of arrangements are much more diverse in structure, governance and size than deposit-taking institutions and insurers. The IESBA determined that the inclusion of these categories in the list of mandatory PIE categories may



inadvertently impose a disproportionate burden on local regulators and NSS to determine what should be scoped in or out. In reaching this conclusion, and with the PIOB's concurrence, the IESBA agreed to conduct a holistic review of CIVs and PEBs.

The IESBA will review CIV and pension funds arrangements and their relationships with trustees, managers and advisors, acknowledging that a better understanding of these arrangements is important to ensure that the independence provisions and the application of the "related entity" definition in the IIS remain fit for purpose, given the potential significant adverse impact on the public in the event of financial failures amongst CIVs and PEBs.

The IESBA will also consider whether the Code should be enhanced to address investment company complexes, such as whether a new definition should be established in the Code and which entities or arrangements within such a complex should be considered as related entities of an audit client. As part of its review, the IESBA will take into account the United States Securities and Exchange Commission (US SEC) rules on its treatment of investment company complexes, as highlighted in the BWG Phase 1 Report.

Given the complexity of these arrangements or structures and the degree of variation across jurisdictions, the IESBA will proceed cautiously before determining whether there is a need to revise the Code. In the first instance, the IESBA will conduct the necessary research and outreach with key stakeholders to fully understand the issues.

## New Work Streams

### Firm Culture and Governance

Recent high-profile cases of unethical behavior in some firms have cast a negative light on the accountancy profession and undermined public trust in it. The persistence of those ethical lapses 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. The IESBA Code, however, currently only deals with ethical culture and tone at the top within organizations in a limited way.<sup>15</sup>

Given the public interest significance of this recurring unethical behavior, the IESBA believes it should 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.

In response to these recent high-profile cases of unethical behavior in some firms, the IESBA issued a public [statement](#) in July 2023 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. Similarly, the Global Accounting Alliance (GAA) 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.

The IESBA is of the view that the recurring unethical behavior raises 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

---

<sup>15</sup> Paragraphs 120.13 A3, 200.5 A3 and 300.5 A2, 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.

organizational culture, any consideration of firm culture must also take into account firm leadership and governance.

In light of the above, the work stream will include:

- Analysis of the root causes of the unethical behavior and identification of the key issues relating to firm culture and governance.
- A review of the extant provisions on organizational and firm culture in Parts 1, 2 and 3 of the Code and consideration of whether the Code should be further strengthened to bring to the fore the importance of leadership and governance towards reinforcing a robust culture of ethical behavior within firms. This will include consideration of issuing NAMs to raise awareness of, and emphasize, key provisions of the Code.
- Consideration of the issues across the range of professional services provided by multi-disciplinary firms as well as across networks.
- Extensive engagement with a broad range of stakeholders, including regulators and oversight bodies, NSS, PAOs, firms and the academic community.

The IESBA will also continue to promote the importance of ethics within firms, highlighting the profession's responsibility to act in the public interest in the midst of increasing pressures on PAs to act unethically.

The IESBA recognizes that other work streams it has identified for the new strategy period, such as business relationships and audit firm – audit client relationship, may have some overlapping considerations with this workstream. The IESBA will look for opportunities to collect relevant information about these overlapping issues, such as the definition of “audit client”, that will inform other work streams when they commence. The IESBA determined that these other work streams should be taken forward separately and at a later stage as they are more focused on independence issues.

### **Expanding Ethics Standards to All Preparers of Sustainability Information**

In considering the scope of its Sustainability project, the IESBA agreed to revise the extant Code to cover sustainability reporting for PAIBs instead of developing the ethics standards also in a profession-agnostic way, similar to the approach taken in developing the ethics, including independence, standards in the proposed new Part 5 of the Code for sustainability assurance. The IESBA considered that there was no regulatory call for profession-agnostic standards for sustainability reporting. Equally, were there no strong views from stakeholders that the scope of the Sustainability project should include profession-agnostic ethics standards for sustainability reporting.

However, the IESBA recognizes the important role of preparers of sustainability information in tackling issues such as greenwashing and in protecting the integrity of the information reported. Further, during the SWP consultation process and other recent outreach activities, many stakeholders shared that all preparers of financial and non-financial information should be subject to the same high ethics standards. The IESBA determined that it would be in the public interest to explore expanding the scope of the Code more broadly as a strategic matter.

In considering how best to approach this broad topic, the IESBA has agreed to take a phased approach by initially undertaking two separate work streams on (1) expanding the ethics standards to all preparers of sustainability information, and (2) revising Part 4B of the Code to cover sustainability assurance engagements outside the scope of the proposed Part 5 that are performed by all practitioners. In this regard, the IESBA noted that under its current Sustainability project, it has already taken the first step in expanding

the scope of the Code by developing ethics, including independence, standards for sustainability assurance irrespective of the practitioners' professional backgrounds.

In taking forward the new work stream on expanding the scope of the Code to all preparers of sustainability information, the IESBA will consider relevant information gathered from targeted outreach as well as developments from its current Sustainability project and the new work stream on the role of CFOs and other senior PAIBs. The IESBA will consider issues such as the role of the Code in light of corporate governance and other relevant regimes, monitoring and enforcement as well as relevant jurisdictional developments. Given the nature of the topic, the IESBA will conduct extensive outreach to a broad range of stakeholders, including regulators, oversight bodies, preparers, the corporate governance community, investors, NSS and academia.

### **Revision of Part 4B of the Code for Sustainability Assurance Engagements**

This work stream forms part of the IESBA's strategic focus on expanding the scope of the Code beyond PAs.

Extant Part 4B of the Code sets out the IIS for assurance engagements other than audit and review engagements. In accordance with the proposed Part 5 of the Code which is currently being developed by the IESBA's Sustainability project, sustainability practitioners will apply Part 4B for those sustainability assurance engagements that do not fall within the scope of the independence standards under Part 5.

Under this work stream, the IESBA will consider revising Part 4B to cover all sustainability assurance practitioners for those sustainability assurance engagements not within the scope of Part 5. In undertaking this work stream, the IESBA will take into account relevant information and feedback from stakeholders obtained from its current Sustainability project.

### **Role of CFOs and Other Senior PAIBs**

The expectations on, and work performed by, PAIBs continue to evolve in response to significant trends, such as:<sup>16</sup>

- A recognition that financial reporting no longer delivers all the information required by investors, capital markets and other stakeholders.
- The unprecedented increase in regulatory and compliance requirements as well as business risks stemming from issues such as climate change, cybercrime, fraud and corruption, which in turn have increased uncertainty and complexity in decision-making.
- The increase in pressure by organizations to deliver greater value at a lower cost. Investments in new technology are also driving new ways to create value.

Amidst these trends, the role of CFOs and the financial function within organizations are rapidly changing and expanding beyond just managing the balance sheet.<sup>17</sup> The CFO's remit now extends into strategy, enterprise risk management, performance management, and communicating the organization's story to the outside. New technology has also created both new challenges and opportunities for CFOs and the finance function.

---

<sup>16</sup> <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/future-fit-accountants-roles-next-decade>

<sup>17</sup> <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/vision-cfo-finance-function>

Additionally, market demand for sustainability information requires CFOs to expand their focus on non-financial information. One of the key roles of the CFO and finance function is to establish clear links between financial and non-financial metrics in order to drive financial value linked to revenue and operating margins. With their expanded roles, the CFO must help to deliver trust and confidence in the governance of the organization, the quality of its data and reporting, as well as providing ethical leadership and a constructive challenge mindset.

Under this work stream, the IESBA will gather information into the evolving roles of CFOs, including those in equivalent positions within the public sector, and other PAIBs in senior roles, including identifying and understanding the ethics issues and challenges these PAIBs may face due to their changing roles.

The IESBA will consider whether Parts 1 and 2 of the Code need further enhancement to support senior PAIBs in addressing these ethical issues and challenges, taking into account the revisions already made under recent projects, such as the Role and Mindset and Technology projects, as well as those issues that are being addressed under the Sustainability and Use of Experts projects. Part 2 of the Code already contains some provisions that are focused on senior PAIBs, such as those in the NOCLAR standard.<sup>18</sup>

Whilst the focus of this work stream will be on PAIBs, the IESBA anticipates that information collected and feedback from stakeholders will be relevant to the new work stream on expanding the scope of the Code to all preparers of sustainability information.

## **Business Relationships**

Section 520<sup>19</sup> of the Code addresses threats to independence arising from business relationships that an audit firm, network firms and audit team members might have with an audit client or its management, with the provisions focused on “close business relationships.” However, the Code does not define the term “business relationship.” Whilst the concept of “close business relationship” in Section 520 focuses on a “mutuality of interests” such as joint ventures and combining services or products with those of an audit client, there is a view that “business relationship” is a broader concept, i.e., consisting of any commercial arrangement.

Some respondents from the SWP public consultation have observed a growing number of activities between firms and their audit clients that involve different business relationships, noting that issues relating to these relationships arise quite often and can be complicated. Similarly, the TWG also noted in its Phase 2 Report that the accountancy profession is seeing the rise in strategic and commercial relationships between accounting firms and technology companies.

In its response to both the Strategy Survey and Consultation Paper, IOSCO also recommended that the IESBA consider whether materiality and significance should be removed as criteria for exceptions to the prohibition of a close business relationship under Section 520 as well as the prohibition of making or guaranteeing a loan to an audit client under Section 511. In this regard, the IESBA noted the findings from its BWG Phase 1 report that highlighted differences between the requirements in the Code and the US SEC rules with respect to such business and financial relationships.

Under this work stream, the IESBA will initially gather information on developments in business arrangements between firms and their clients, including further research into the technology-related business arrangements noted in the TWG Phase 2 Report. The IESBA will also conduct a holistic review of

---

<sup>18</sup> Section 260, *Responding to Non-Compliance with Laws and Regulations*

<sup>19</sup> Section 520, *Business Relationships*

Section 520 to determine whether the Code continues to be relevant in addressing the independence considerations relating to these arrangements, including whether there is a need to develop a definition for the term “business relationship.” As part of this work stream, the IESBA may also consider whether materiality and significance should be retained as criteria for exceptions to certain business relationships (Section 520) as well as loans and guarantee arrangements (Section 511). As the IESBA gains an understanding of these business relationships in a broader context, the IESBA may also consider whether the provisions in Parts 1 and 3 of the Code continue to remain relevant in addressing the ethics implications of these relationships.

### **Audit Firm – Audit Client Relationship**

Under this work stream, the IESBA will consider whether it continues to remain appropriate for the Code to use the term “audit client” in the IIS as opposed to the “audited entity” or “entity subject to audit.” This recognizes that the ultimate beneficiary client is not the entity itself or its management but the entity’s owners or shareholders. The concept of who the ‘client’ also has some relevance to IESBA’s strategic focus on firm culture and governance.

As part of its [Fees](#) project, the IESBA concluded that the Code should recognize the inherent self-interest threat in the audit client payer model whereby the party responsible for the subject of an examination directly pays the examiner. The IESBA, however, agreed with the view that the inherent risk related to the audit client payer model is part of the broader topic of the “audit firm–audit client” relationship, and that it is not exclusively a fee-related issue. Accordingly, the IESBA determined that this matter of the inherent threats arising from the client relationship was outside the remit of the Fees project.

As part of this work stream, the IESBA will 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 arising from such client relationship. Some of the issues identified under this work stream may also have implications for how the IESBA may address the topic of business relationships.

### **Potential Topics of Interest**

#### *Definitions and Descriptions of Terms*

There are differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. These terms include financial statements; firm; independence; review engagement; and special purpose financial statements.

Under this work stream, the IESBA will seek to align the definitions of terms used in the Code with the corresponding IAASB definitions to the greatest extent possible. As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity, improve the interoperability of the IESBA’s and IAASB’s standards, and make it easier for adoption and implementation, including facilitating translations. Respondents to the Strategy Survey were supportive of this alignment exercise.

A second component of this work stream may include a review of how certain terms are currently defined in the Code, including:

- Employee – Whether the term “employee” should include individuals who may act in the capacity of an employee, such as a contractor of an audit client, instead of only covering actual employees of an audit client.

- Engagement Period – Whether it remains appropriate to limit the concept of “engagement period” to the date the audit report is issued as the auditor has further responsibilities under auditing standards, such as addressing the effect on the opinion of matters that come to the auditor’s attention after the conclusion of the audit.
- Firm – Whether the term “firm” is too narrowly defined and whether a firm could have non-member employees, as well as clarifying the responsibility of PAs for employees who are not PAs.
- Network Firm – Whether the concept of a “network firm” should place more focus on the exercise of judgment instead of being circumscribed by a list of examples of situations that might indicate the existence of a network. There is also a view that borders between associations and networks are increasingly diffuse, and there is therefore a need to consider any potential Code implications that might impact the definition of a network firm. It has also been noted that whilst the definition of “network firm” is sufficiently broad in the Code, the definition of “firm” is potentially narrow in its references to structures known to exist today and that this might become limiting for the future.
- Professional Accountant – Whether the definition of “professional accountant” should include retired or inactive PAs.

In addition, this work stream will also include a review of whether the terms “professional accountant in public practice” and “professional accountant in business” in the Code require further clarification. The IESBA’s Applicability project, finalized in 2017, addressed the applicability of Part 2 of the Code to PAPPs. As part of this project, there were suggestions as to whether the definitions of a PAPP and a PAIB should be revised.

The Code defines a PAPP to be a PA, irrespective of functional classification, in a firm that provides professional services. It has been brought to the IESBA’s attention that there is no clear limitation in the definition of a PAPP to those who actually provide professional services. The extant definition, however, appears to include any PAs in a firm that provides professional services. This could be interpreted to include PAs in roles other than providing professional services, such as in finance or IT. Conversely, the Code defines a PAIB to include any PAs employed or engaged in a variety of areas, including service. If it is intended that a firm providing professional services is in a “service” industry, then prima facie any PAs working in that service organization, including those providing professional services, are also PAIBs.

In the first instance, the IESBA will conduct the necessary research to determine which terms and definitions require further action. It will also coordinate with the IAASB as appropriate.

#### *Custody of Data*

Data is the foundation of all financial and non-financial reporting, and impacts both PAPPs and PAIBs. As highlighted in the TWG Phase 2 Report, holding data is becoming increasingly common and important, given that most organizations are flooded with data, and services provided by firms and activities carried out by PAs are increasingly performed digitally. If data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access (including, for example, a breach of privacy), there is, at the very least, a reputational loss, if not financial and legal consequences, to the organization or firm.

As part of its Technology project, the IESBA introduced new provisions to Subsection 606<sup>20</sup> of the Code clarifying the circumstances under which the storing or hosting of data are examples of IT systems services

---

<sup>20</sup> Subsection 606, *Information Technology Systems Services*

that will result in the assumption of a management responsibility. The IESBA also strengthened the Code in relation to confidentiality by including new provisions on maintaining the confidentiality of information acquired in the course of professional or business relationships, and seeking consent to use or disclose confidential information.

Under this work stream, the IESBA will further investigate the ethics implications of a PA's custody or holding of financial or non-financial data belonging to clients, customers, or other third parties. There may also be a consideration of whether the Code sufficiently addresses these issues, including whether there is a need to establish a new section in Part 3 to capture the ethics considerations relating to the custody of data, along the lines of Section 350 of the Code relating to custody of client assets.

#### *Communication With Those Charged With Governance*

The IESBA's NAS and Fees projects have enhanced the provisions in the IIS relating to communication with TCWG on the provision of NAS and fees-related matters, particularly with respect to a PIE audit client. In addition, the revisions arising from the Technology project have further strengthened the Code's requirement for PAs to make a client, an employing organization, or other users of the accountant's professional activities or services aware of the limitations inherent in the activities and explain the implications of those limitations.

As highlighted in the TWG Phase 2 Report, there is potential "over-reliance" on an expert or consultant that a PA uses to develop or implement technology, or to provide advice on a technology-related issue (e.g., cybersecurity risks). The revisions arising from the Technology project provide guidance to PAs when using the output of technology. However, when PAs use experts or consultants in relying on technology, communication with TCWG could help to further strengthen the concepts of transparency and accountability for PAs to minimize their potential "over-reliance" on such experts or consultants.

For example, communication with TCWG could include the nature and scope of a technology expert's service, and the plan for managing and monitoring the system in the future if the expert's service is a limited-term engagement. For PAIBs in particular, strengthening such communication could be helpful given the increasing inter-disciplinary interactions and multi-disciplinary teams involved when developing or implementing technology. This is because such communication can make it explicit to TCWG where the responsibility for the oversight of the development, implementation, or use of technology lies (i.e., it could range from PAs to IT professionals, such as data scientists, technologists, and engineers).

Nevertheless, the concepts of transparency and accountability for PAs to minimize their potential "over-reliance" on such experts or consultants are not unique to technology (i.e., they also apply in tax planning, sustainability reporting, etc.). There is therefore an opportunity to incorporate provisions addressing such communication into the Code more generally so that it can be considered under all circumstances.

Under this work stream, the IESBA will consider whether there would be merit in adding new provisions relating to communication with those charged with governance in Sections 200 and 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PAs' compliance with the fundamental principles, and, where applicable, independence requirements. For auditors, this work stream will consider the interaction with requirements already contained in ISA 260 (Revised), *Communication with Those Charged With Governance*. The IESBA will also take into account the outputs of its Use of Experts project in this area.

## Appendix 2

### Rationale For Anticipated Demand on Resources

The following tables provide the rationale for the IESBA's initial assessment of the level of resources needed for the new and pre-committed work streams.

<b>Table B New Work Streams</b>	<b>Anticipated Demand on Resources</b>	<b>Rationale</b>
Firm Culture and Governance	High	Significant amount of research anticipated to gather information on the topic and outreach to firms and other relevant stakeholders.
Expanding Ethics Standards to All Preparers of Sustainability Information	High	Significant amount of research anticipated to gather information on the topic and stakeholder outreach.
Role of CFOs and Other Senior PAIBs	High	Significant amount of research anticipated to gather information regarding the evolving role of CFOs and other senior PAIBs, working in collaboration with stakeholders.
Revision of Part 4B of the Code	Medium	Moderate level of effort anticipated to review and develop revisions.
Business Relationships	High	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	Moderate 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.
Post-Implementation Review – ET-GA	Medium	Moderate amount of research anticipated to understand how effectively jurisdictions have implemented the revisions, challenges concerning the understandability of the provisions and any practical challenges concerning the translation and implementation of the ET-GA provisions.
Definitions and Descriptions of Terms	Medium	Moderate level of resources anticipated given the expected scope of a project on this topic.
Custody of Data	Medium	Moderate amount of research anticipated on the topic.
Communication with Those Charged with Governance	Low	The work stream has a relatively narrow scope, with a particular focus on communication with TCWG with



<b>Table B</b> <b>New Work Streams</b>	<b>Anticipated Demand on Resources</b>	<b>Rationale</b>
		respect to the use of experts and consultants to enhance transparency and accountability.

<b>Table C</b> <b>Pre-committed Work Streams</b>	<b>Anticipated Demand on Resources</b>	<b>Rationale</b>
Post-Implementation Review – Non-compliance with Laws and Regulation	Medium	Moderate amount of research anticipated to understand how effectively jurisdiction have implemented the revisions, challenges concerning the understandability of the provision and any practical challenges concerning the translation and implementation of the NOCLAR provisions.
Post-Implementation Review – Restructured Code	Medium	Moderate amount of research anticipated to understand how effectively jurisdictions have implemented the restructured Code, any further challenges concerning the understandability of the provisions, and any practical challenges concerning the usability and translatability of the restructured Code.
Post-Implementation Review – NAS and Fees	High	Significant effort anticipated in understanding how the revisions have been adopted and implemented at a local level, and any practical challenges firms have encountered in operationalizing the revised provisions.
Post-Implementation Review – Definition of PIE	Medium	Moderate amount of research anticipated to gain an understanding of how jurisdictions have implemented the PIE revisions at a local level, including any additional PIE categories.

**Appendix 3**

**Summary Illustrative IESBA Work Plan 2024-2027**

This *illustrative* work plan is only intended to indicate at a broad level possible milestones or deliverables for the ongoing, new and pre-committed projects and work streams at the time this Strategy and Work Plan (SWP) is finalized. The nature and timing of milestones and deliverables may change. The IESBA may also identify and prioritize new topics that require its attention during this strategy period.

Work Stream	Anticipated Demand on Resources	Milestones			
		2024	2025	2026	2027
<b>Current Projects</b>					
Sustainability – Independence	H	Final pronouncement	Rollout		
Sustainability – Ethics	H	Final pronouncement	Rollout		
Use of External Experts	H	Final pronouncement	Rollout		
CIVs, Pension Funds and Investment Company Complexes	H	Fact finding	ED	Final pronouncement & rollout	
<b>New Work Streams</b>					
Firm Culture and Governance	H	Fact finding	WG recommendations		
Expanding Ethics Standards to All Preparers of Sustainability Information	H		Fact Finding	ED	Final pronouncement & roll out
Role of the CFO and Other Senior PAIB	H		Fact Finding	ED	Final pronouncement & roll out
Revision of Part 4B of the Code	M		Fact finding	ED	Final pronouncement & roll out
Business Relationships	H			Fact Finding	ED

Second Read – IESBA SWP 2024-2027 (Mark-Up from First Read)  
 IESBA Meeting (December 2023)

Work Stream	Anticipated Demand on Resources	Milestones			
		2024	2025	2026	2027
Audit firm – Audit Client Relationship	M				Fact Finding
PIR – ET-GA	M				Fact Finding
<b>Pre-Committed Work Streams</b>					
PIR – NOCLAR	M		Fact finding	WG recommendations	
PIR – Long Association Phase 2	M			Fact finding	WG recommendation
PIR – Restructured Code	M			Fact finding	WG recommendation
PIR – NAS and Fees	H				Fact finding
PIR – PIE	M				Fact finding
<b>Other Activities</b>					
EIOC	L	Discussion	Discussion	Discussion	Discussion
Technology (TWG)	L	Discussion	Discussion	Discussion	Discussion
Outreach	M	Ongoing	Ongoing	Ongoing	Ongoing
NAM	L	Ongoing	Ongoing	Ongoing	Ongoing