

IESBA SWP 2024-2027 Consultation Paper – Summary of Board Comments From September 2023

The following table contains key comments raised by IESBA participants at the September 2023 IESBA meeting and the Planning Committee’s (PC) responses.

Firm Culture and Governance

IESBA Member	Comments Raised	PC Response
Babington	Supportive, highlighting that it is a burning platform and high-profile issue that requires speedy action. The expectation from stakeholders will be that something will be done, so timing is an important consideration to be fleshed out.	Support noted. In light of IESBA discussions, the PC is proposing that a new work stream on <i>Firm Culture and Governance</i> be included in the work plan and be given priority. Refer to the issues paper (Agenda Item 2-A).
Uwaydah Mardini	Supportive as good firm culture underpins good sustainability reporting. The question is whether reference is made to audit / accounting firm culture or any organization culture (the client). Mr. Kwan clarified that the PC’s responses relate to firms as this is where the issues have been identified. He elaborated that a targeted approach should be followed, focusing on firms for now. Ms. Figueiredo Dias indicated that the focus will be on firms but could be expanded to other organizations in the future.	
Lehuedé	Indicated that this topic has been address many times in other industries of which the IESBA could leverage to assist in addressing concerns in a timely fashion. He referred to the work done by the Financial Stability Board – <i>Analyzing governance as a way to reduce misconduct in the financial sector</i> : https://www.fsb.org/2018/04/strengthening-governance-frameworks-to-mitigate-misconduct-risk-a-toolkit-for-firms-and-supervisors/	

IESBA Member	Comments Raised	PC Response
Kim	Supportive, however prefer strengthening the Code and not only issuing non-authoritative material (NAM) on the topic.	
Martin	Supports Ms. Uwaydah Mardini's suggestion to not only consider culture and governance in firms but also with respect to other organizations which is in line with the IESBA's other strategic topic on the possible expansion of the scope of the Code to non-professional accountants (non-PAs).	Comment and support noted. The proposed new work stream will focus on firm culture and governance. Refer to the issues paper (Agenda Item 2-A). The IESBA will consider what actions and outcomes are necessary for the new work stream.
Poll	It is important that the IESBA "Walk the Talk". The topic of <i>Firm Culture and Governance</i> logically flows from the work the IESBA is doing on sustainability. He referred to the environmental, social and governance (ESG_ related discussions currently being held by the European Union (EU) on governance where organizations are looking at governance holistically.	
Mintzer	Supportive of direction of travel due to the link with sustainability and the IESBA Code being practical and implementable. He currently has no preference as to whether such a project should result in changes to the Code or only provide NAM. It is important that the terminology that is used is consistent to assist with the implementation and adoption of the Code.	
Chaudhary	Supportive and see such a project as critical due to the negative impact it has had on the profession, and the role of the IESBA as an international standard setter play to develop implementable standards.	
Borgerth	Supportive and highlighted that it is not only important to promote the Code but also to understand what in the Code needs further clarification.	

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Endsley	<p>Supportive noting that ethical culture is an important topic which is more than just governance and seen at the ultimate internal control.</p> <p>It is important to remain open as whether the project will result in changes to the Code, NAM or both.</p> <p>It is important that the IESBA remain relevant and practical, starting with focusing on the fundamental drivers of an ethical culture.</p>	
Adam	<p>Supportive and stressed the importance of setting the right scope for the work stream as the topic of firm governance and culture could go beyond ethics. It should be clear as what is set out to be accomplished by this work stream.</p>	<p>Comment and support noted.</p> <p>The PC proposes not to include the term “audit client” under the <i>Firm Culture and Governance</i> work stream. Refer to the issues paper (Agenda Item 2-A).</p>
Hansen	<p>Mr. Hansen indicated that the CAG universally supported the topic by either issuing non-authoritative material (NAM) or revisions to the Code.</p> <p>In his view, there is a direct link between the term “audit client” and the notion of culture and would recommend looking at the two projects in tandem.</p>	
Furusawa	<p>Agree that this is a burning platform and pleased that the Board agrees with this issue.</p> <p>He supported that the term “audit client” is closely related as noted by Mr. Hansen as a similar notion was expressed by some PIOB colleagues.</p> <p>He further noted that internal controls are important, and the focus should be on management’s responsibility as this relates to governance.</p>	
Mintzer	<p>Agree with the link between the topic of firm culture and governance and the audit firm-audit client relationship workstream. He further indicated his preference for the term “audited entity” rather than “audit client” due to the orientation of the beneficiaries of the work.</p>	

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Huesken	Encouraged the IESBA to continue to promote the IESBA Code and the importance of ethics within firms to the broader community similar to the statement issued in August 2023.	Comment and support noted. The IESBA will continue to promote the IESBA Code and the importance of ethics within firms to the broader community similar to the statement issued in August 2023.
Wijesinghe	Such a project could take time and due to it being a burning issue, he suggested to release NAM in the short term to assist in applying the extant Code. He is supportive of the focus being on firms but not limiting it to audit firms providing audit services but also including non-audit services.	Support noted. The focus of the proposed new work stream will be on the whole firm and not just the audit department.
Siong	It is important that the profession lead from the front. He further noted that there is a question if the Code speaks explicitly enough to <u>ethical culture</u> noting that the topic is very broad. <i>Firm Culture and Governance</i> connects to broadening the scope of the Code as ethical culture also flows into this area.	
Chaudhary	Noted that the attest function has been regulated for many years, with the non-attest services becoming more regulated in the future. This should be kept in mind and seen as an opportunity the IESBA could leverage from.	Comment noted.
Figueiredo Dias	Noted the broad support by the members by bringing ethics to a higher level and the need for timely action. All the work of the IESBA is connected, such a topic could be an overarching work stream or part of other projects.	
Kwan	There is not only an opportunity but also a responsibility of the Board to help firms improve their culture and governance across the board. Noted the comments made by Board members that scoping is important and will provide more detail during the December Board meeting as the SWP is finalized.	

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	The actual outputs, whether revisions to the Code or NAM will still be determined; as research on the topic is being conducted, the IESBA will work with firms to obtain insight on how firm culture have been implemented and check compliance.	

Expanding the scope of the Code

IESBA Member	Comments Raised	PC Response
Siong	Provided an example shared during sustainability roundtable: There is associated credibility when companies list on the US stock exchange. A suggestion was made that if a criterion to list was to adhere to the IESBA Code when preparing the information; this could assist in the credibility of the information provided by the company.	
Figueiredo Dias	Challenge to bring the Code to a different level and dimension. During outreach activities it is clear that there is a high level of unawareness of the importance of ethics which is concerning. In many situations where thing has gone wrong the root cause is un-ethical behavior. There is a gap between the reality and the perception of how much ethics matters.	
Poll	Two approaches can be followed to consider if the work streams / projects have a wider impact; either project by project or looking holistically starting with the fundamental principles and conceptual framework not for a specific service / issue but rather as a model others can apply.	Comment and support noted. The PC proposes that a new work stream on <i>Expanding Ethics Standards to All Preparers of Sustainability Information</i> be added as part of the IESBA's broader strategic focus on expanding the scope of the Code. In addition, it is anticipated that the proposed new work stream on the <i>Role of CFOs and Other Senior PAIB</i> will also collect relevant information on the matter.
Babington	Agree with the PC's proposal noting that it is a public interest issue that require stakeholder engagement / outreach to determine the	

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	<p>direction of travel. Expanding the scope of the Code is linked to the strategic theme of strengthening the IESBA Code.</p> <p>He also referred to strengthening Part 4B of the Code, indicating that his preference would be to strengthen the Code first before expanding the scope into other areas.</p> <p>As the IESBA explores how the Code can be expanded and bring about public interest benefits, it is important to determine who will invest resources to make this happen</p>	<p>The PC also proposes to include a new separate work stream on <i>Revision of Part 4B of the Code</i> which will consider developing profession-agnostic independence standards for those sustainability assurance engagements outside the scope of the new Part 5 independence standards.</p>
Figueiredo Dias	<p>Funding is a strategic discussion that should be addressed holistically. It is important the IESBA remain relevant to those who provide funding.</p>	
Martin	<p>Support the strategic focus noting the importance of stakeholder buy-in.</p>	<p>Comment and support noted.</p>
Lehuedé	<p>As the IESBA seek new stakeholders buy-in, it is key to develop the standards first.</p>	
Uwaydah Mardini	<p>The topic is in line with the IESBA's vision. It is important that the Code is fit for purpose, which will result in others adopting the Code.</p>	
Luigi	<p>Broadening the scope of the Code may involve many things so it is important to be concrete and identify the perimeter and users that are targeted.</p> <p>There is an urgency on the side of the preparers of information specifically in relation to those preparing sustainability information as in many jurisdictions these preparers are not PAs.</p> <p>Suggest starting with preparers of corporate information (PAIB's, PAPPs and non-PAs).</p>	<p>Comment and support noted.</p> <p>The PC proposes that a new work stream on <i>Expanding Ethics Standards to All Preparers of Sustainability Information</i> be added as part of the IESBA's broader strategic focus on expanding the scope of the Code.</p>
Adam	<p>Such a project will take away from projects for PAs and it is important to determine the users that are being targeted.</p>	

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	<p>The IESBA's first entry point is acting in the public interest, so this could potentially be the criteria applied to adopt the IESBA Code.</p> <p>The PC indicated a step approach, with the decision already made for sustainability reporting which could act as a sandbox to determine the barriers of entry, building relationships, etc. It is important to include stakeholders targeted in discussions to determine their perspectives.</p> <p>How to embark on such a project would be to build stakeholders' relationships, similar to what the IESBA have done with national standards setters.</p>	
Mintzer	<p>Supportive of all acting in the public interest to apply the IESBA's five fundamental principles as they can be adopted broadly.</p> <p>Important to define a PA as this directly links to how a PA is currently being defined in the Code (member of an IFAC member body) and the positioning of IESBA as part of International Foundation for Ethics and Audit (IFEA) and the role of IFAC.</p>	<p>Comment and support noted.</p>
Wijesinghe	<p>IESBA could find collaborators who are interested to work together on such a project and be part of the journey over the next 4 years.</p> <p>The monitoring and enforcement element is important, noting that current failures relate to failure to comply rather than a deficiency of the standards which links to the previous topic of firm culture and governance.</p>	<p>Comment and support noted.</p> <p>As part of the proposed new work stream on expanding the scope of the Code to all preparers of sustainability information, the IESBA will engage with a wide range of stakeholders including regulators and consider the issue of monitoring and enforcement.</p>
Endsley	<p>The definition of a PA already captures the broader population as it includes others who are non-PAs but who are part of a firm. How this is referred to or included in the IESBA Code is important.</p> <p>It is important to have a focused strategy and then derive plans geared to achieve this before going to market.</p>	<p>Comment and support noted.</p>

IESBA Member	Comments Raised	PC Response
Furusawa	<p>Important discussion and supportive for the IESBA to include a project on expanding the scope of the Code to preparers of sustainability information.</p> <p>The IESBA is encouraged to consult wider to obtain a wider community's view on the topic and questioned if further consultation will be conducted.</p>	<p>Comment and support noted.</p> <p>At the September 2023 IESBA meeting, Mr. Siong responded by indicating that the IESBA will continue to engage with a broad range of stakeholders on the topic of expanding the scope of the Code; however, will not reopen the consultation period as the due process has been followed.</p>
Gunn	<p>Noting the responses received to the consultation process support was expressed to expanding the scope for sustainability reporting but also in relation to the role of CFOs and other senior PAIB's as many are not PAs. This indicate that the discussion and direction of travel is in line with what stakeholders are suggesting.</p> <p>The IESBA could respond through the proposed work stream on the role of the CFOs, starting with PAIBs before determining if the IESBA would like to expand the scope of the Code.</p> <p>This will be a matter for discussion over the next strategic period.</p>	<p>Comment noted.</p> <p>The PC proposes that a new work stream on <i>Expanding Ethics Standards to All Preparers of Sustainability Information</i> be added as part of the IESBA's broader strategic focus on expanding the scope of the Code. In addition, it is anticipated that the proposed new work stream on the <i>Role of CFOs and Other Senior PAIBs</i> will also collect relevant information on the matter.</p>
Borgerth	<p>This is an important discussion and supportive of expanding the scope of the Code.</p> <p>Suggest starting with what is in the IESBA's capability due to the uncertainty whether the IESBA Code will be adopted and implemented by others.</p>	<p>Comment and support noted.</p>
Kim	<p>Support expanding the scope of the Code particularly as it relates to sustainability reporting. Although there is no guarantee that it will be adopted and implemented, it remains important to get buy in / sponsorship from others, while developing the standards.</p>	<p>Comment and support noted.</p> <p>The PC proposes that a new work stream on <i>Expanding Ethics Standards to All Preparers of Sustainability Information</i> be added as part of the IESBA's broader strategic focus on expanding the scope of the Code.</p>
Siong	<p>This is another burning platform on the side of preparers so the Board will need to determine the course of action over the two years together with the previous topic of firm culture and governance.</p>	

IESBA Member	Comments Raised	PC Response
Figueiredo Dias	<p>Agree with Mr. Siong and note a general openness of the Board to do something beyond the strict scope of PAs. It is clear that one of the topics for which such a direction should be taken is sustainability reporting.</p> <p>In her view, the IESBA will need to act in parallel, obtaining buy in from stakeholders while continuing to develop the standards.</p> <p>As noted during the CAG meeting, there is an expectation from stakeholders for the IESBA to go beyond their current scope and act in the public interest.</p>	
Furusawa	<p>Important to include sustainability reporting as this is currently not included in SWP.</p> <p>He questioned whether the IESBA is planning additional outreach / consultation with major stakeholders to inform their thinking as they finalize the SWP.</p>	<p>At the September 2023 meeting, Mr. Siong responded that from a due process point in addition to the PIOB meeting in October, the IESBA will engage with a number of key stakeholders, including the Forum of Firms and the National Standard Setters, on the topic in Q4 to obtain their input and feedback which will be used to inform and finalize the SWP.</p>

Work Plan and Prioritization

IESBA Member	Comments raised	PC Response
Kwan	<p>Noted the inclusion of the work stream to revise Part 4B of the Code and consideration will be given on how this will be included in the SWP.</p>	<p>The PC also proposes to include a new separate work stream on <i>Revision of Part 4B of the Code</i> which will consider developing profession-agnostic independence standards for those sustainability assurance engagements outside the scope of the new Part 5 independence standards.</p>
Mintzer	<p>Referred to his previous comment on the link between the definition of audit client as it fits into the firm culture and governance topic, also noting the prioritization of the new work streams.</p> <p>He further noted his concern around some of the constructs that relates to ethics and technology.</p>	<p>The PC proposes not to include the term “audit client” under the <i>Firm Culture and Governance</i> work stream. Refer to the issues paper (Agenda Item 2-A).</p>

	<p>He would suggest a lower priority for the work stream relating to audit firm - audit client relationship as this has been dealt with through NAS project.</p>	
<p>Uwaydah Mardini</p>	<p>Requested a clarification if the topic of role of the CFO will focus on CFOs or the wider corporate ecosystem.</p> <p>Mr. Kwan responded that from the PC's perspective the work stream will focus on PAIBs and use the opportunity to obtain information from other preparers who are not PAIBs.</p> <p>Ms. Uwaydah Mardini commented that when the role of CFO and other senior PAIBs are considered in the context of governance this automatically touches on communication with TCWG.</p> <p>Mr. Siong responded that the proposed work stream on communication with TCWG will look on how the Code approach communication in a consistent ethical and independent way.</p>	<p>The PC considered that the topic on <i>Communication with TCWG</i> has a lower priority given that the IESBA has considered this aspect in recent projects including the NAS and Fees project given its focus on transparency.</p> <p>The PC proposes that this topic be included in the SWP as a topic of interest.</p>
<p>Lehuedé</p>	<p>In his view there is a direct link between <i>Firm culture and governance</i> and <i>Communication with TCWG</i>.</p> <p>The 4 areas of prioritization are: The reach of the Code; Communication with TCWG; Role of CFO; and those preparing information.</p>	
<p>Martin</p>	<p>Support Mr. Lehuedé's view on the connection of the different projects and suggest organizing the work streams / projects in sub-groups. She further recommends having a second look at the segmentation to make the proposed work streams consistent and less fragmented.</p>	
<p>Babington</p>	<p>It is important that the IESBA remains a standard setting Board and clearly articulates this in the SWP by indicating what ethical standards the IESBA plan to revise.</p>	<p>Work streams in the SWP may be converted to standard-setting projects based on findings from the working groups.</p>
<p>Adam</p>	<p>The development of NAM utilizes a lot of resources. This should be kept in mind as the IESBA will be required to develop adoption and implementation support for the new sustainability standards (specifically for non-professional accountants).</p>	<p>Comments noted.</p>

	<p>She further indicated that not all projects are weighted equally, as some might have a higher priority in the public interest but not require immediate action. It is important to start with research to determine what needs to be done before deciding on amending the Code.</p>	
Luigi	<p>There is a number of activities that needs to be considered when finalizing the SWP such as ongoing and pre-committed work streams, development of implementation support and new topics, including new standards that are coming into effect – this might all be too much for PAs trying to stay up to date while navigating their own jurisdictional requirements.</p> <p>As the IESBA decides on which project to include in the SWP, the above should be taken into account, recognizing some topics would be of higher priority.</p>	
Endsley	<p>Sustainability and the broader applicability of the Code maybe seen as the two most important areas and projects align with these two should be pursued. Such topics include Firm culture and governance and the role of CFOs and other senior PAIBs.</p>	<p>Comments noted and taken into consideration in finalizing the work plan.</p>
Chaudhary	<p>The IESBA needs to determine the topics that will set standards in the years to come.</p> <p>He suggested a consolidated list of topics indicating prioritization.</p> <p>He is of the view that <i>Firm culture and governance</i> should be prioritized.</p>	<p>Comments noted and taken into consideration in finalizing the work plan.</p> <p>The revised draft SWP includes an illustrative timeline between 2024-2027. <i>Firm Culture and Governance</i> work streams will be prioritized for 2024.</p>
Uwaydah Mardini	<p>Looking at the prioritization in her view the <i>Communication with TCWG</i> work stream should be at a higher priority due to the link with <i>Firm culture and governance</i>. She suggests embedded in the topic in every work stream rather than a separate work stream as this is a key component of governance.</p>	<p>The PC considered that the topic on <i>Communication with TCWG</i> has a lower priority given that the IESBA has considered this aspect in recent projects including the NAS and Fees project given its focus on transparency.</p> <p>The PC proposes that this topic be included in the SWP as a topic of interest.</p>

Wijesinghe	Considering the long list of topics, in his view the two projects that will make the most impact are <i>Firm Culture and governance</i> and the <i>Role of CFOs and other senior PAIBs</i> .	The PC proposes that both topics be included as new work streams as high priority.
Huesken	Agree with the comments raised by others. He continued by highlighting the IESBA's commitment to complete the project on CIVs and pension funds. He suggests re-organizing the topics navigate resource challenges.	<i>CIV, Pension Funds and Investment Company Complex</i> work stream will commence in Q4 2023.
Siong	Noted that the Planning Committee will take back the suggestions from Board members to balance strategic topics with a number of other standard setting work streams. He continued by noting that the IESBA can decide when to pursue pre-committed projects / work streams (the post-implementation reviews).	
Figueiredo Dias	Agreed with Siong, noting that some projects can be embedded in others as the Board can decide how to approach these topics.	