IESBA SWP 2024 – 2027

Strategy Survey Responses & PC Analysis

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CAG Meeting – September 2022
Objective

• Share views on the proposed strategic focus areas in light of the feedback received

• Provide input on the potential topics that should be given priority for development of the SWP
Recap - Strategy Survey

Next SWP, 2024 - 2027

- Public consultation
- Coordinate closely with IAASB
- Take into account:
  - On-going projects
  - Pre-commitments
  - Ongoing Board discussions
  - MG recommendations
Recap - Potential Strategic Focus Areas

4 potential areas of focus that may help guide IESBA’s direction and priorities

- **Sustainability Reporting and Assurance**: Enhancing ethics & independence standards for sustainability reporting and assurance
- **PAIBs**: Raising the ethical bar for professional accountants in business
- **Auditor Independence**: Strengthening independence standards for audit engagements
- **Adoption and Implementation**: Promoting timely adoption and effective implementation of IESBA Code
## Recap - Potential Projects and Initiatives

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Summary of Respondents

49 responses received, including:
- 2 MG Members: IOSCO, IFIAR
- 3 Regulators: IRBA, NASBA, UKFRC
- 9 firms
- 21 PAOs
- Others: OCED, WFE, IAFEI

Other outreaches in September:
- CFA Institute,
- International Monetary Fund
- World Bank
1. Sustainability reporting and assurance – Strong support
2. PAIBs ethical behavior – general support, recognition of importance of PAIBs role eg CFOs
3. Independence for Audits - Acknowledge importance of independence but mixed views on pace of new projects
4. Adoption and implementation - Strong support including the upcoming PIRs

- Top 5 based on overall rating scores:
  - Definitions of descriptions and terms | NAM |
  - Independence of external experts | Breaches of the Code | QM-Related Conforming Amendments
- MG members have also provided additional feedback on potential topics
When developing the draft consultation paper, PC will also consider:

- Board deliberation including on Sustainability WG proposal and Technology WG’s Phase 2 report
- Further input from Benchmarking WG
- CAG meeting (Sept)
- IFAC PAIB Advisory Group discussion (Sept)
- Joint IAASB-IESBA PC meeting (Oct)
- Additional feedback from stakeholders in Q4
- Continuing development of new SSB business model

Overall
Proposed Strategic Focus Areas
Proposed Strategic Focus: Sustainability Reporting and Assurance

Taking into account Board’s discussion on the SWG’s proposals, CAG representatives are asked to:

• Share any additional views on the respondents’ feedback to the proposed strategic focus on sustainability standard-setting (Survey Q.1-3)
Proposed Strategic Focus: Raising the Bar of PAIB ethical behavior

- General support for raising the bar of PAIB ethical behavior
  - Recognition that PAIBs play important role in financial and sustainability reporting supply chain
  - A few consider focus on PAIBs not necessary given recent revisions
- Suggestion for further research on the sector before initiating new projects would be helpful:
  - New and expanding roles of PAIBs (e.g., CFOs)
  - PAIB’s understanding of the Code
  - Level of PAIBs who are members of IFAC member bodies
- Support for IESBA to continue monitoring developments and trends in technology
Proposed Strategic Focus: Raising the Bar of PAIB ethical behavior

• Other comments suggestions:
  o Be mindful of differences between PAIBs in senior and junior roles
  o PAIBs should be held to a comparable level of ethical standards as PAPPs
  o Whether the Code remains fit for purpose with respect to PAIBs responsibilities over fraud in light of financial crime
  o PIR on how effective the NOCLAR provisions are for PAIBs would be helpful
  o Development of NAMs to specifically assist PAIBs and to raise awareness of the Code
Proposed Strategic Focus: Raising the Bar of PAIB ethical behavior

PC Responses

- Key focus on sustainability reporting
- PC will consider board deliberation on the TWG report
- Possible merit to research into the new roles of CFOs and other PAIBs in senior roles
- NOCLAR PIR may explore effectiveness of WB legislations and NOCLAR provisions in addressing fraud
- IESBA will continue to promote importance of high-quality standards and PA role in acting in public interest
- Upcoming:
  - September IFAC PAIBAG meeting to discuss SWP including expanding role of CFOs and sustainability

- IESBA September 2022 Discussion
Matters for CAG Consideration

CAG representatives are asked to share views on:

• Respondents feedback to strategic focus on raising the bar of PAIBs (Survey Q.4) and the PC responses
Acknowledged significant enhancements to independence standards

- MG members and regulators expressed support for focus on independence standards
- **IOSCO** - whether certain arrangements should not be permitted by the Code irrespective of materiality and significance:
  - Loans and guarantee
  - Close business relationships
- **IFIAR** suggested potential enhancements/topics:
  - “Threats” and “safeguards” approach
  - Simplifying and clarification of NAS provisions
  - Improved guidance on the identification of KAP (other than signing partner).
  - Improved guidance on ‘independence in appearance’
- On-going benchmarking exercises will identify gaps and enhancement opportunities
Other respondents asked IESBA to consider its pace of change to the IIS in light of recent revisions and time needed for adoption

- Ranged from slower pace, a period of stability to minimum 5-year moratorium
- Focus on significant issues
- Focus on providing A&I support to improve clarity and consistency
- Further research and PIRs will help determine if enhancements to the Code needed.
Proposed Strategic Focus: Strengthening the IIS for Audits

PC Responses:

- PC will take into account TWG’s report and recommendations and findings from BWG report and Board decision on sustainability,
- Acknowledged concerns raised by respondents about volume and rate of change of the IIS
  - Not appropriate to take moratorium
  - Practical steps to alleviate stakeholder concerns
- PC will consider MG members’ feedbacks

- IESBA September 2022 discussion
CAG representatives are asked to share views:

- Feedback to respondents’ feedback on strategic focus on strengthening the IIS for audits (Survey Q. 5) and PC responses
Proposed Strategic Focus: Adoption and Implementation

Strong support for focusing on adoption and implementation

- Support for conducting PIRs of recent revisions
- Suggest IEBSA to better understand the status of adoption
- IOSCO suggested topics as part of IESBA’s PIRs
  - The nature of substantive safeguards as noted its NAS comment letter
  - Strengthening the prohibition on assuming management responsibilities
- Other comments include:
  - Focus on promotion of Part 4B now
  - Suggestion to consider how the eCode could be adapted and tailored for jurisdictions
  - Role of SSB vs role of IFAC
Proposed Strategic Focus: Adoption and Implementation

Operability Issues

- IOSCO provided feedback on timely and accurate translation of the Code
- Other comments include:
  - Greater emphasis on NAMs instead of standard setting
  - Whether any plans to simplify, enhance understandability and decrease the overall length of the Code
  - Consideration of whether any potential inconsistencies and contradictions inadvertently created from new revisions
  - Continue to closely coordinate with the IAASB and other key stakeholders to mitigate operability issues arising from implementation
Proposed Strategic Focus: Adoption and Implementation

PC Responses

- IESBA and IFAC will continue to collaborate on adoption and implementation including translation and eIS (eCode 2.0)
- Pre-committed PIRs will assess restructured Code and recent key revisions
- IESBA should consider its role with respect to NAMs (produce vs facilitate) in light of calls for more NAMs
- IESBA September 2022 discussion
Other Environmental Trends or Developments

High-level input from MG members

- IOSCO:
  - Be agile in resource allocations
  - Consider an expedited process for certain projects

- IFIAR:
  - The Code should be clear, enforceable and can be applied consistently
  - Important to focus on expected outcomes of proposed projects in the consultation paper
  - Support the coordination efforts among standard-setting organizations.
Other Environmental Trends or Developments

Other observations include:

• With regards to technology:
  o Developments (eg. metaverse and crypto assets) have implications particularly for PAIBs and issues surrounding valuation
  o Increase in technology related assurance requests
  o Capacity to deal with emerging technologies
• Increasing focus on the integration of financial and non-financial information
• Split of audit practice from consulting practice in firms
• Applicability of Code to SMPs and whether the Board should consider its own LCE project
• Changes to work practices caused by the pandemic
• Challenge with attracting/retaining staff which may be due to increased regulations
• Regional and geographical dynamics should be taken into account
Other Environmental Trends or Developments

PC Responses

- Agree the need to be agile (e.g., PIE and sustainability)
- Agree there should be clarity about project objectives
- Coordination continues to be top of mind for SSBs
- Narrow scope and less complicated projects can be completed in a shorter timeframe
- The PC will consider Board discussions on TWG’s report and SWG’s proposals
- Scalability and applicability to SMPs are addressed by projects; already proportionate approach to independence re PIE/non-PIE
- EIOC will continue to monitor other developments and trends
- IESBA September 2022 discussion
CAG representatives are asked to share views on feedback received and PC responses:

- Adoption/implementation (Survey Q. 6)
- Operability issues (Survey Q. 7)
- Other environmental issues/ trends (Survey Q. 8)
Potential Future Projects
IESBA Sought input on 10 possible future topics:

**INDEPENDENCE TOPICS – PAPPS**
1. Independence of external experts
2. Audit firm – audit client relationship
3. Business relationships
4. Definition of “audit client” for PIEs
5. Matters arising from QM-related conforming amendments to the Code

**PAIB-SPECIFIC TOPICS**
6. Familiarity threat in relation to Part 2

**TOPICS ADDRESSING PAs MORE BROADLY**
7. Professional appointments
8. Breaches of the Code
9. Definitions and descriptions of terms

**OTHER TOPICS**
10. Non-authoritative material
List of Possible Future Projects

**Overall scoring by respondents**
- Definitions of descriptions and terms
- NAM
- Independence of external experts
- Breaches of the Code
- Matters arising from QM conforming amendments

**IOSCO**
- Independence of external experts
- Audit firm – audit client relationships
- Business relationships
- NAM
- Less priority:
  - Breaches of the Code
  - Definition of network firm as a narrow scope project

**Profession (PAOs + firms)**
- Definitions of descriptions and terms
- NAM
- Independence of external experts
- Definition of “audit client” for PIEs
- Breaches of the Code

**Other Regulators/NSS**
- Independence of external experts
- Audit firm – audit client relationships
- Definitions of descriptions and terms
- Business relationships
- Breaches of the Code
Possible Future Projects

Pre-commitments
- Post-Implementation Reviews
  - Restructured Code
  - NOCLAR
  - Long Association
  - NAS
  - Fees
  - PIE
- Research on CIV/ pension funds
- Documentation?

Sustainability
- Workstreams

TWG Recommendations

CAG representatives asked to share views on which of the 10 listed projects should be prioritized

In developing the draft consultation paper, the PC will take into account:

- Pre-commitments
- Board input to the Survey list
- Board input to SWG proposal and TWG report
- Additional feedback from the BWG
- Discussion with CAG in September
- Discussion with IFAC PAIBAG in September
- SSB staffing model
Possible Future Projects

Pre-commitments
- Post-Implementation Reviews
  - Restructured Code
  - NOCLAR
  - Long Association
  - NAS
  - Fees
  - PIE
- Research on CIV/ pension funds
- Documentation?

Sustainability
- Workstreams

TWG Recommendations

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1. Independence of external experts
2. Business relationships
3. Audit firm – audit client relationship
4. Definitions and descriptions of terms
5. Breaches of the Code
6. Matters arising from QM-related conforming amendments to the Code
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