Agenda Item 9-A

IESBA Strategy and Work Plan 2024 – 2027

Summary of Responses to Strategy Survey and Initial PC Analysis

Note to IESBA Members

This paper contains the key responses to the IESBA Strategy and Work Plan 2024-2027 (SWP)'s strategy survey. It should be read in conjunction with the agenda papers to the Sustainability initiative as well as the Technology Working Group's Phase 2 fact-finding report.

The matters for consideration by IESBA members are included in Sections III and IV of this paper.

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I. INTRODUCTION

A. BACKGROUND

1. The IESBA's current strategy and work plan will end in December 2023. As the first step towards developing its next strategy and work plan for 2024 -2027 (SWP), the IESBA released a strategy survey (Survey) in April 2022 to seek initial input from its stakeholders.

2. Section B of the Survey sought feedback on four broad strategic focus areas that might help guide the IESBA in setting the direction and priorities for its new SWP. Section C sought feedback on a list of 10 potential standard-setting projects or initiatives.

3. Following the IESBA's full review of the input received to the Survey, the IESBA Planning Committee (PC) will develop a draft SWP Consultation Paper, including proposed strategic themes, priorities and work plan for the IESBA's consideration.



4. The PC's aim is for the IESBA to approve the Consultation Paper in Q1 2023. Stakeholders will have an opportunity to comment on a full description of the IESBA's proposed strategic direction and future work plan when the IESBA issues the Consultation Paper in April 2023.

C. OVERVIEW OF RESPONDENTS

5. The IESBA has received a total of 49 responses to the Survey (See Appendix for a list of the respondents). A breakdown of the respondents is as follows:

Stakeholder Group	
Monitoring Group (MG) Member	2
Regulator	3
Independent national standard setter (NSS)	2
Professional accountancy organization (PAO)	21
Preparer	1
Firm	9
Individual	5
Other	6
TOTAL	**49**



Region	
Asia-Pacific	10
Europe	10
Global	18
Middle East & Africa	4
North America	4
South America	3
TOTAL	**49**



6. In addition to the survey responses, the IESBA Chair and other Board representatives have also received input relevant to the development of the SWP Consultation Paper from various meetings with, and other outreach to, senior representatives from stakeholder groups outside the accountancy profession, including:

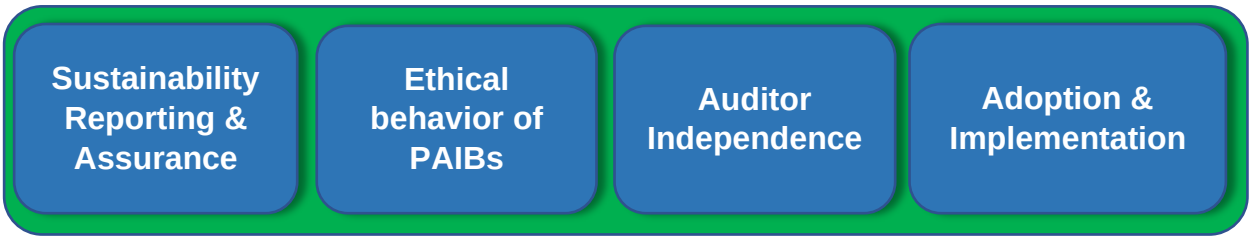
- Council of Institutional Investors (CII)
- Financial Stability Board (FSB)
- International Corporate Governance Network (ICGN)
- UK Financial Conduct Authority
- World Federation of Exchanges

II. HIGH-LEVEL SUMMARY OF SURVEY RESPONSES

A. Future Strategic Focus Areas

7. Respondents strongly supported the IESBA's proposed strategic focus on standard-setting work in relation to sustainability reporting and assurance in light of the market demand for reliable and comparable sustainability-related information and the pace of regulatory and standards developments across the globe.

8. Respondents also agreed that the IESBA should explore the concept of expanding the scope of the Code to cover sustainability assurance providers other than professional accountants in public practice (PAPPs). Many have pointed out that for a scope enlargement for the Code to be effective, there will be a need for a comprehensive framework of monitoring and enforcement, a system of quality management effectively designed and implemented by the service providers, as well as requirements for professional competence such as those that govern the work of the audit profession.



9. There is general support for the proposed strategic focus on raising the bar of ethical behavior for professional accountants in business (PAIBs). Respondents agreed that PAIBs play a significant role in the financial and non-financial information supply chains, and that it is important that they adhere to a high standard of ethical behavior. Some respondents suggested the IESBA gains a better understanding of the expanding roles of PAIBs in senior roles such as CFOs and assess if the Code sufficiently addresses the ethical challenges they face.

10. Respondents acknowledged that the IESBA has significantly enhanced the International Independence Standards (IIS) in recent years. A number of respondents, including two Monitoring Group (MG) members, supported the proposed strategic focus on strengthening independence standards for audit engagements and have suggested additional potential projects for the SWP. Other respondents recommended that the Board slows down the pace of change in the standards. They suggested instead that the Board focus its resources on post-implementation reviews (PIRs) and research to identify new environmental issues and opportunities for further enhancement.

11. There was strong support from respondents for the proposed strategic focus on promoting timely adoption and effective implementation of the Code. Respondents highlighted the importance of conducting PIRs on key changes to the Code such as those already pre-committed by the IESBA to assess the effectiveness of the revisions as well as to identify potential opportunities for further enhancement.

B. Possible Standard-Setting Projects or Initiatives

12. Of the 10 topics listed in Section C of the Survey as potential standard-setting projects or initiatives for the SWP, the top 5 topics that received the highest overall scores from respondents are:

- Non-authoritative material
- Definitions and descriptions of terms
- Breaches of the Code
- Independence of external experts
- Matters arising from Quality Management (QM) – related conforming amendments to the Code

13. A number of respondents, including two Monitoring Group members,[1] have also provided other suggested topics for the IESBA's consideration.

PC Responses

14. The PC noted the support received for the four potential strategic focus areas, particularly with respect to sustainability.

15. In developing the draft Consultation Paper for the November-December IESBA 2022 meeting, the PC will carefully consider the Board's discussion on the Sustainability Working Group's (SWG) proposals for the way forward on sustainability at the September 2022 meeting. The SWG has taken into account the respondents' feedback to Questions 1-3 of the Survey when developing its proposals. The PC noted that the agreed approach to, and work streams on, Sustainability will impact the resources available for other projects and initiatives in the next strategy period.

[1] **Regulators/MG**: IFIAR; IOSCO

16. The PC noted some respondents' view that technology developments continue to impact the ethical behavior of PAs and auditor independence. In developing its responses to how the SWP should address technology-related issues, including whether there is a need for standard-setting projects, the PC will take into account the Board's discussion on the Technology Working Group's (TWG) Phase 2 fact-finding report (TWG Report).

17. The PC will also consider the Benchmarking Working Group's (BWG) Phase 1 report (BWG Report), including any additional feedback from the BWG. In this regard, a MG member[2] suggested the removal of the concept of "materiality" and "significance" with respect to the IIS addressing loans and guarantees and close business relationships. The PC noted that the BWG has also highlighted in the BWG report that "materiality" is a key difference between the Code's requirements and the U.S. Securities and Exchange Commission (SEC) rules on the permissibility of these arrangements.

18. With regards to the strategic focus on PAIBs, the PC is of the view that a key focus on the ethical behavior of PAIBs should be on sustainability reporting as this is a new area of responsibility for many PAIBs. The PC also noted some respondents' suggestion that the Board focuses on the expanding role of CFOs and other PAIBs in senior roles and the ethical challenges they may face. In this regard, there will be an opportunity to seek some input from IFAC's PAIB Advisory Group (PAIBAG) through outreach to the PAIBAG at its September 2022 meeting.

19. The PC further noted as the IESBA finalizes its SWP in Q4 2023, it will need to take into consideration the new staffing model as part of the structural and governance reforms for the IESBA and International Auditing and Assurance Standards Board (IAASB) under the MG's July 2020 recommendations, *Strengthening the International Audit and Ethics Standard-Setting System* (MG Reform).

III. SURVEY SECTION B: STRATEGIC DIRECTION AND PRIORITIES

20. In Section B of the Survey, the IESBA sought stakeholders' views on the four broad strategic focus areas that may help guide the IESBA in setting the direction and priorities for its new SWP 2024-2027:

    i. Responding to developments relating to reporting and assurance of sustainability information

    ii. Raising the bar of ethical behavior for professional accountants in business

    iii. Strengthening independence standards for audit engagements

    iv. Promoting timely adoption and effective implementation of the Code

[2] **Regulators/MG**: IOSCO

A. RESPONDING TO DEVELOPMENTS RELATING TO REPORTING AND ASSURANCE OF SUSTAINABILITY INFORMATION

Standard-Setting Action to Developments in Sustainability Reporting and Assurance

Survey Q.1

What level of importance do you believe the IESBA should place on dedicating strategic focus to responding through standard-setting action to the developments in sustainability reporting and assurance in its next strategy period (2024-2027)?

21. Respondents strongly supported the IESBA's proposed strategic focus on ethics and independence standards relating to sustainability reporting and assurance. Respondents recognized the market demands for accurate and comparable information, the heightened level of activity amongst regulators and standard setters relating to sustainability reporting and assurance as well as the role that PAs already play in this area. Respondents further highlighted the importance of ethics and independence standards being part of the overall sustainability reporting and assurance framework to engender public trust in the supply of sustainability information.

22. Some respondents encouraged the IESBA to act with urgency and not wait for the next strategy period to take further actions, including the issue of relevant guidance to assist PAs working in these areas.[3] In this regard, a MG member[4] encouraged the IESBA to be proactive in considering enhancement to the Code, beginning with considerations relating to climate change disclosures as some major jurisdictions are already proposing approaches that would consider assurance of climate-related disclosures.

23. Other respondents suggested that it would be beneficial for the IESBA to first conduct a stock-take of the Code to determine if it remains fit for purpose and where the gaps might be with regards to sustainability reporting and assurance.[5] It was suggested that a starting point might be to reflect on how to apply fundamental principles and the conceptual framework to specific circumstances related to sustainability reporting.[6]

24. Several respondents also encouraged the IESBA to collaborate closely with other standard setters and key stakeholders, including the IAASB, the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), the U.S. SEC and European Union (EU) authorities, while monitoring and influencing their work.[7] These respondents highlighted the importance of establishing a global, holistic and consistent approach to sustainability reporting and assurance among standard setters and regulators. As a respondent observed, "It is critical that a harmonized global system of sustainability and climate disclosure is created and that a patchwork of standards and regulations from jurisdictions is avoided."[8] Another respondent also highlighted the importance of outreach and

[3] **Independent NSS:** XRB; **PAOs/NSS:** CAANZ; HKICPA; ICAS; **Firms:** BDO; EY; PwC

[4] **Regulators/MG:** IOSCO

[5] **PAOs/NSS:** CAANZ; HKICPA; **Firms:** BDO; KPMG; PwC; **Others:** SMPAG

[6] **PAOs/NSS:** AE

[7] **Regulators/MG:** IOSCO; **PAOs/NSS:** AE; NRF; ISCA; XRB; WPK; **Preparers:** IAFEI; **Firms:** EY; KPMG; MNP; RSM

[8] **Firms:** WPK

broad consultation to minimize the risk of local standard-setting initiatives that may increase inconsistent approaches.[9]

25. Suggested enhancements to the Code raised by respondents include the following:

    - Consideration of whether Part 4B of the Code remains fit-for-purpose.[10]
    - The relevance and applicability of the Public Interest Entity (PIE) concept to sustainability assurance engagements and how the expectations and requirements of the Code should be differentiated between PIEs and non-PIEs.[11] It was argued that the IESBA's approach should not be a "one size fits all" model.[12]
    - Development of an equivalent Section 220 for PAIBs in Part 3 of the Code.[13]

26. Whilst supportive of the proposed strategic focus, a few respondents cautioned about the increasing length of the Code and suggested that the Board should focus on developing non-authoritative materials (NAMs) and only revise the Code if the existing provisions do not adequately cover the topic of sustainability from an ethical perspective.[14] Other potential concerns and challenges raised by respondents include the following:

    - The Code should be subject-matter agnostic and should not specifically address sustainability reporting and assurance as this is inconsistent with a principles-based approach and may result in further revisions to the Code being required for other subject matters.[15]
    - The IESBA should not over-emphasize the importance of this focus area based on short-term market interest that is still developing[16] and should focus on the relevant ethical issues, such as the provision of related non-assurance services (NAS).[17]
    - While it is clearly important that independence standards are robust and appropriate, they should not inappropriately hinder professional accountants (PAs) and firms' ability to contribute their valued knowledge and experience in this space.[18]

27. Other observations and suggestions made by respondents include the following:

    - The IESBA should cast its focus not only on the narrower issues of climate change but also on other environmental, social and governance (ESG) matters such as carbon reporting, pay, modern slavery and human rights obligations.[19]

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9 **Firms:** EY

10 **Firms:** PwC

11 **Firms:** KPMG; XRB

12 **Firms:** MNP

13 **PAOs/NSS:** CPAC; Section 220, *Preparation and Presentation of Information*

14 **PAOs/NSS:** CPAA; WPK; **Others:** SMPAG

15 **PAOs/NSS:** CAANZ; CPAA

16 **Regulators/MG:** IRBA

17 **Firms:** PwC

18 **Firms:** PwC

19 **PAOs/NSS:** ICAEW; CPAA; **Firms:** RSM

- "Sustainability reporting" involves considerably more judgment, estimation and uncertainty than purely financial reporting.[20]
- The strategic focus on sustainability may be combined with the proposed focus on strengthening independence for audit engagements on the basis that the fundamental principles remain relevant to both types of assurance work and developing standards for different types of services may create unnecessary complexities.[21]
- Given the ambitious timeline by standard setters, the IESBA should not underestimate the resources required, which will have an impact on its ability to pursue other initiatives.[22]

28. Only a few respondents did not express support for the proposed strategic focus on sustainability reporting and sustainability. A respondent was of the view that the Code already covers ethics and independence requirements for assurance engagements generally.[23] Another respondent noted that Part 4B of the Code is already adequately applied to many assurance services and other services provided by PAPPs and that any standard-setting actions from the IESBA should not precede the development of the international sustainability reporting standards.[24]

PC Responses

29. Anticipating the need to act promptly, the IESBA established the SWG in Q1 2022 to begin fact-finding work on sustainability reporting and assurance, and to develop a strategic vision to guide the IESBA's standard-setting actions in this area.

30. Sustainability reporting and assurance have been an important topic of discussion during recent IESBA outreach with regulators, investors and other stakeholder groups. From the outreach activities, the IESBA Chair and other IESBA representatives:

- Observed that there is general acknowledgement amongst those stakeholders about the importance of ethics and independence standards as part of the overall sustainability reporting and assurance framework.
- Received positive feedback about the role that the IESBA can play in establishing global ethics and independence standards that align with global sustainability reporting and assurance standards.
- Observed that there is an expectation that the IESBA would move swiftly and act in step with other standard-setting and regulatory developments in order to establish a global framework that can be adopted by jurisdictions.

31. At its June 2022 meeting, the IESBA agreed to fast-track its initiative on sustainability in response to the need to match the speed of transformation in the corporate reporting landscape. As part of its commitment to act quickly, the IESBA:

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20 **PAOs/NSS:** ICAEW

21 **Regulators/MG:** IRBA

22 **Regulators/MG:** UKFRC; **Firms:** PwC

23 **PAOs/NSS:** IDW

24 **Firms:** DTTL

- Issued a media release that highlights its readiness to develop global ethics and independence standards on the topic.
- Submitted its response to the ISSB's Exposure Drafts on General Sustainability-Related Disclosures and Climate-Related Disclosures.
- Asked the SWG to develop a project plan for consideration with a view to approval at the December 2022 IESBA meeting.

32. In July 2022, the Financial Stability Board (FSB) issued its progress report on the FSB Roadmap for Addressing Financial Risks from Climate Change[25] (Progress Report) after consultation with standard-setting bodies and other relevant international bodies, including the IESBA and IAASB. One of four key policy areas is "Disclosures," with the objective to establish a global minimum standard for disclosures on climate-related financial risks. As part of this objective, the key actions and deliverables include:

> "IAASB and IESBA to develop, under robust governance and public interest oversight, baseline global standards for assurance, ethics and independence on sustainability reporting, to enhance the confidence of users about mainstream, general-purpose reporting of sustainability information. Such a principles-based global solution would serve to improve consistency, comparability and transparency. The IAASB should consider existing assurance standards and guidance, and further develop the assurance concepts and principles".

33. The PIOB has also expressed strong support for the IESBA to prioritize, as a matter of high public interest, standard-setting work in relation to sustainability reporting and assurance without waiting for the finalization and release of the next SWP.

34. The SWG will present options for the way forward for the Board's consideration at its September 2022 meeting. As part of its information gathering and in developing its thinking, the SWG has taken into account the respondents' comments to Questions 1-3 of the Survey.

35. The PC will consider the outcome of the Board's discussion on the SWG's proposals before developing the draft Consultation Paper for the Board deliberations at the November-December 2022 Board meeting.

[25] In July 2021, the FSB published a comprehensive and coordinated roadmap (the Roadmap) to address climate-related financial risks, including steps and timeframes needed to do so. The Roadmap was endorsed by G20 Finance Ministers and Central Bank Governors and subsequently by G20 Leaders at the FSB's 2021 Rome Summit. The Roadmap addresses the need for coordinated action with the large and growing number of international initiatives underway by outlining key actions to be taken by standard-setting boards (SSBs) and other international organizations over a multi-year period in four key policy areas (blocks): firm-level disclosures, data, vulnerabilities analysis, and regulatory and supervisory practices and tools.

Expanding the Scope of the Code to Other Assurance Service Providers

Survey Q.2

Do you believe the IESBA should explore the concept of expanding the scope of the Code to cover assurance service providers other than PAPPs? What preconditions would need to be in place and what potential challenges or drawbacks do you foresee if the Code's provisions were scoped to the nature of the assurance services provided as opposed to who is providing the assurance services?

36. The IESBA received strong support from respondents to explore the concept of expanding the scope of the Code to cover assurance providers other than PAPPs.

37. It was noted that there are currently no comprehensive or globally accepted standards that cover the other assurance providers. It was also noted that the IESBA is well placed to develop the standards in a comprehensive way that will support the global developments on sustainability reporting and assurance.[26] It was observed that this lack of uniform ethics and independence standards is a notable gap in the quality framework of these non-PA providers. [27] A respondent further pointed out that there could already be a perception or assumption by the public that key elements of the IESBA Code apply to these other assurance providers. Hence, by expanding the scope of the IESBA Code, the public interest would be protected.[28]

38. Respondents also welcomed efforts to create a level-playing field for PAs and the accountancy profession by ensuring that all sustainability assurance services, irrespective of who is providing the services, be subject to the same high ethics and independence standards.[29]

39. A few respondents, however, queried if exploring expanding the Code's scope should be part of the Board's focus for the next strategic period, commenting that:

    - By allowing other assurance providers to apply the Code, this will inadvertently create the perception that they are subject to the same rigorous standards as PAPPs when they do not have the same rigorous credentialing, continuing education, and quality management, and when they are not subject to the same level of oversight. There was a concern that expanding the scope of the Code in this way could put the public at risk, shifting the burden of evaluating qualifications to consumers.[30]
    - The Board should be careful about making wholesale changes to the Code to potentially capture a small group of assurance providers. It was noted that a vast majority of PAs, such as in Australia, do not provide audit or assurance services.[31]

[26] **Firms:** PwC

[27] **Regulators/MG:** NASBA; **Firms:** PwC

[28] **Firms:** BDO

[29] **PAOs/NSS:** AE; ICAS; IDW; ISCA; NRF; **Others:** SMPAG

[30] **PAOs/NSS:** AICPA; BICA; GAA

[31] **PAOs/NSS:** CPAA

- It may be argued that the Code is already being used effectively in certain circumstances by non-PAs in some jurisdictions.[32]
- If some parts of the Code focus on the nature of assurance services provided rather than the providers, it may require all parts of the Code to be refocused in a similar way.[33]

40. For revisions to expand the scope of the Code to be effectively applied across other professions, some respondents have identified the need for a comprehensive framework that incorporates monitoring, inspection and enforcement, a system of quality management and professional competence.[34] By far, the most significant pre-condition raised relates to the authority and enforcement of the Code on non-PA service providers. Respondents pointed out that whilst firms and individual PAs are subject to a comprehensive system of monitoring, enforcement and discipline by the accountancy profession and regulators, other professions lack such a system.

41. Another pre-condition raised by respondents is the requirements of ISAE 3000 (Revised)[35] or the establishment of a system of quality management that is at least as robust as ISQM 1[36] and 2,[37] such as those required by ISAE 3000 (Revised).[38] It was pointed out that when the applicable professional standards or system of quality management are not as robust as ISAE 3000 (Revised) or ISQM 1 and 2, assurance providers would have an insufficient foundation to support them to comply with the Code.[39]

42. A further pre-condition noted is the required professional competence of the non-PA service providers and whether they have continuing professional development requirements.[40] In this regard, a MG member pointed out that there might be potentially insufficient numbers of properly trained professionals with diverse backgrounds to perform sustainability engagements.[41]

43. It was suggested that if these key preconditions cannot be met, there is a risk of creating an expectation gap and the IESBA might not have a basis for investing the time and resources to pursue this focus.[42] Similarly, IOSCO asked the IESBA to consider how the Code may cascade through the ecosystem (e.g., adopted by professionals other than accountants) before concluding on any potential expanded remit to additional professionals. A few respondents encouraged the IESBA to conduct extensive outreach to NSS and regulators to obtain (a) their support, and (b) their agreement to require compliance with the Code and to set up the necessary framework that supports the

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32 **PAOs/NSS:** CPAA

33 **PAOs/NSS:** CPAA

34 **Regulators/MG:** IRBA; NASBA; **Independent NSS:** APESB; **PAOs/NSS:** CPAC; HKICPA; ICAEW; IDW; MIA; NFR; WPK; **Firms:** KPMG; MNP; RSM; **Others:** SMPAG

35 ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

36 International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

37 ISQM 2, *Engagement Quality Reviews*

38 **Independent NSS:** APESB; **Firms:** KPMG

39 **Firms:** KPMG

40 **Independent NSS:** APESB; XRB; **PAOs/NSS:** AE

41 **Regulators/MG:** IOSCO

42 **Firms:** KPMG; PwC

sustainability reporting ecosystem.[43] A few other respondents, however, noted that engaging with, and seeking feedback from, a broad spectrum of potential users will be time-consuming and potentially unwieldly.[44]

44. Respondents raised a number of matters regarding for the consideration of how to incorporate assurance providers from other professions within the scope of the Code:

- The Code is a high-level code intended for PAs and may not be suitable for non-PAs. For example, Part 1 highlights matters such as public trust in the accounting profession.Thus, making large changes to the Code may disrupt use of, and compliance with, the Code by PAs.[45] Also, the Code may need to engage with questions of equivalence with the ethics frameworks of other professions.[46]
- If there is no difference between parts of the Code applying to PAPPs and other providers, then the notion of being able to adopt the Code as written might be impacted by the extent to which standards that govern others might get incorporated into the Code.[47]
- Non-PIEs and scalability should be considered.[48] It was noted that any expansion of the Code's scope should be proportionate as firms providing a range of assurance services to an entity may be at higher risk of ethical breaches, whereas a bespoke assurance provider that only provides assurance in one area may not be exposed to the same level of risk.[49]
- The scope of the Code needs to be carefully defined, such as the nature of services covered as well as the consideration of whether it will apply to all professional services delivered by a provider who is involved in sustainability engagements or only to specific sustainability-related engagements, such as assurance-related services. Another consideration would be whether the Code would apply to the individual delivering the service only or whether it would extend to the employer to whom they report. [50]
- It may not be useful for the Code's provisions to be scoped to the nature of the assurance services provided as opposed to who is providing the assurance services. This is because ultimately, for regulatory and enforcement purposes, it is still necessary to know who has provided those assurance services. By scoping based on the nature of assurance services provided, it may make it even more difficult for regulators to identify the assurance service providers.[51]
- If non-PAs are required to comply with only a part of the Code, such as Part 4B, there is a risk that the Code will not be applied as a whole based on a correct understanding of its spirit and

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43 **Firms:** KPMG; HKICPA

44 **Independent NSS:** XRB; **PAOs/NSS:** CAANZ

45 **PAOs/NSS:** CAANZ

46 **Regulators/MG:** UKFRC

47 **PAOs/NSS:** CPAC

48 **Others:** SMPAG

49 **Regulators/MG:** UKFRC

50 **Firms:** BDO

51 **PAOs/NSS:** ISCA

purpose.[52] When exploring the concept of expanding the scope, the IESBA should consider the associated risks, including potential degrading of the Code and the apparent "certification" of non-accountancy professional bodies.[53]

- Whether there will be a separate section for sustainability assurance providers.[54]

45. Respondents also suggested a number of potential enhancements to the Code and possible approaches, including:

    - A new Part 4C of the Code to cover independence requirements for sustainability assurance services applicable to all providers.[55]
    - Development of guidance that could be adopted on a voluntary basis and be disclosed in the assurance report.[56]
    - Linking the Code's requirements to the use of the corresponding assurance standards.[57]
    - Consideration of whether PAs should apply leadership in promoting sustainable business practice similar to the emphasis on ethical culture in Part 2 of the Code.[58]
    - Considering two possible ways of approaching the matter: establishing an ethics framework in which those who provide third-party assurance comply with the Code regardless of whether the information subject to assurance is financial or non-financial; or having the Code cover all assurance services for both financial and non-financial information, and, therefore, those who provide such services (both PAs and non-PAs) will be subject to the Code.[59]

46. A few respondents also encouraged the IESBA to consider expanding the scope of the Code to not just sustainability assurance but also other types of assurance services, noting the increase in demand for assurance on IT-related services.[60]

PC Responses

47. The PC will await the Board's discussion on the sustainability workstream in September before considering further the matter of expanding the scope of the Code. The PC agreed that any proposals on this matter in the draft Consultation Paper will be informed by the outcome of this Board discussion.

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52 **PAOs/NSS:** JICPA

53 **PAOs/NSS:** ICAEW

54 **Regulators/MG:** IRBA

55 **Independent NSS:** APESB

56 **Firms:** PwC

57 **Firms:** EY, DTTL; PwC

58 **PAOs/NSS:** CPAC

59 **PAOs/NSS:** JICPA

60 **PAOs/MG:** AE; AIA; **Firms:** BDO; **Others:** EFAA

Other Matters that Should be Considered by IESBA

Survey Q.3

Are there other matters the IESBA should consider with regards to this strategic focus area?

48. Other matters, observations or concerns raised by respondents with respect to this strategic focus include the following:

- If new requirements are put in place and become effective in a short timeframe, there is a risk that only large firms or organizations will have the requisite professional competence and capacity to comply with them as it will take time for PAs to gain new skills, resulting in a concentration of the market.[61]
- The potential emergence of new forms of assurance on subject matters outside the traditional horizons of PAs creates challenges around expertise.[62]
- Revisions to the Code should not add significantly to costs, including training, regulatory and monitoring fees, or remove the ability to innovate.[63] It was further pointed out that increasing the regulation and regulatory cost burden has led to some organizations opting out of non-statutory audits.[64]
- The same rules should apply to sustainability assurance as it currently does to audit. There should be no need to treat sustainability reporting any differently than the core financial statements.[65]
- The IESBA should consider the issues of supply chain and engagement team with regards to the provision of sustainability assurance services.[66]
- How ethics and independence requirements would apply to assurance engagements that extend beyond the corporate group – that is, if assurance providers need to use the work of other assurance providers on information from outside the corporate group, such as suppliers. Simply requiring the other assurance providers to follow the same requirements as the overall assurance provider may not be feasible in practice.[67]

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61 **Independent NSS:** APESB

62 **Regulators/MG:** UKFRC

63 **PAOs/NSS:** ICAEW; **Firms:** BDO

64 **PAOs/NSS:** ICAEW

65 **PAOs/NSS:** ICAEW

66 **Others:** SMPAG

67 **PAOs/NSS:** IDW

- With regards to non-authoritative guidance material, the need for:
  - Guidance for individuals preparing sustainability reports from a management perspective is critical to achieving high-quality, globally consistent sustainability reports.[68]
  - Guidance on assurance services, including Part 4B of the Code.[69]

PC Responses

49. As mentioned above, these additional comments from respondents have been shared with the SWG. The PC will consider the outcome of the Board discussion on the sustainability workstream in September before taking any further action.

Matter for IESBA consideration

Taking into account the Board discussion on the SWG's proposals, IESBA members are asked to share any additional views on the respondents' feedback to Questions 1-3.

B. RAISING THE BAR OF PAIBS' ETHICAL BEHAVIOR

Survey Q.4

Beyond sustainability reporting which is covered under the first strategic focus area above, do you believe the IESBA should dedicate strategic focus on further raising the bar of ethical behavior for PAIBs in its next strategy period (2024-2027)?

50. Respondents generally supported the proposed strategic focus on raising the bar of ethical behavior for PAIBs, recognizing that this category of PAs plays an important role in the financial and sustainability information supply chain. For instance, a respondent observed that "investor protection starts from the source of financial information. PAIBs should be held to the same public interest mandate as auditors, and it is important to establish the right culture and independence mindset to ensure investors are protected from the point at which the information is sourced."[70]

51. Some respondents suggested that before initiating new projects on strengthening ethics standards for PAIBs, the IESBA conducts research to gain a better understanding of the sector including:[71]
    - The new roles of PAIBs such as those for CFOs.
    - The level of adoption and implementation of the Code with respect to PAIBs, and whether any PIR has been conducted in the PAIB sector.
    - The level of PAIBs' understanding of the authority of the Code and their role in protecting public interest.

52. There was support for the IESBA's work on technology and its ethical implications for PAIBs in the current strategy period. There was also support for the IESBA to continue monitoring the

[68] **Firms:** BDO

[69] **Firms:** DTTL

[70] **Others:** WFE

[71] **Regulators/MG:** IRBA; **PAOs/NSS:** ACCA; NRF; BDO; MNP; **Others:** SMPAG

developments and trends in the broader technology environment.[72] A respondent suggested that the wider use of AI also needs to be considered.[73]

53. When considering any changes to the Code, a few respondents also suggested that the IESBA should be mindful of the differences between PAIBs who are in senior roles, such as CFOs and those with governance responsibilities, and those in more junior roles.[74]

54. Other comments and suggestions on how the Code could be enhanced in relation to the ethical behavior of PAIBs include the following:

- Expansion of guidance relating to the use of experts and relying on the work of others would be helpful.[75]
- The Code should ensure that PAIBs have a reasonable working understanding of the 3rd party tools, how they work and how their results may be interpreted.[76]
- The IESBA should consider whether the Code continues to be fit for purpose with respect to the PAIBs' responsibilities over fraud in light of the growth in financial crime, particularly technology-related fraud.[77]
- The scope should be limited to the professional activities of the PA such as financial and corporate reporting.[78]
- The IESBA should the reduce the disparity between the ethical expectations of PAPPs and PAIBs, specifically focused on the role of PAIBs in protecting the public interest.[79]
- It is important to recognize and take into account the public's changing perception of what is now considered to be "ethical" behavior by organizations, such as the increasing focus on the preservation and creation of non-financial forms of capital.[80]

55. Some respondents recommended that NAMs should be developed to assist PAIBs with their understanding of the relevant requirements under the Code and to raise awareness of the Code.[81] Some potential topics that were suggested include:[82]

- Ethical leadership responsibility of PAIBs
- Relying on the work of others, including experts
- Expanded explanation of the examples of bias in the Code as well as other types of biases

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72 **PAOs/NSS:** AE; HKICPA; **Firms:** RSM

73 **PAOs/NSS:** ICAEW

74 **PAOs/NSS:** ICAEW; **Firms:** KPMG

75 **Firms:** KPMG

76 **Regulators/MG:** UKFRC

77 **Regulators/MG:** UKFRC

78 **PAOs/NSS:** JICPA

79 **Firms:** BDO; MNP

80 **PAOs/NSS:** ICAEW

81 **Independent NSS:** APESB **PAOs/NSS:** CAANZ; **Firms:** BDO; PwC

82 **PAOs/NSS:** ISCA; **Firms:** BDO; RSM

56. There was also a suggestion that training and raising awareness of employers about the role of PAIBs might be beneficial.[83]

57. Respondents have also highlighted a number of challenges faced by PAIBs to comply with the Code, including the following:

    - Compliance with the NOCLAR standard, especially when there is no whistleblower protection framework.[84] It was suggested that the NOCLAR PIR would be very helpful in further understanding the challenges faced by PAIBs. A respondent further noted that there is a need to inform stakeholders that the NOCLAR provisions in isolation are not sufficient but instead supporting measures need to be put in place by other bodies to complement these provisions.[85]
    - The fact that PAIBs work in environments where they are subject to obligations not imposed on their fellow workers. It was pointed out that if the bar is set too high, PAIBs may leave the professional bodies.[86] This view echoes information received by IESBA representatives on outreach that some PAs are leaving their professional organizations to avoid compliance with their local ethics requirements.
    - It was also noted that many accountants in business are not members of IFAC member organizations, and therefore are not PAs as defined by the Code. It was suggested that the IESBA petition for the Code to have the support of legislature.[87]

58. A few respondents did not consider it necessary to dedicate strategic focus on raising the bar of the ethical behavior for PAIBs in light of the recently completed as well as current projects that are applicable to PAIBs.[88] A MG member[89] also suggested that the IESBA should ensure resources assigned to this work does not detract from work related to strengthening independence standards for audit engagements.

PC Responses

59. The PC noted respondents' acknowledgement of PAIBs' role in the financial and non-financial reporting ecosystem and their support for the Code to continue to set a high bar of ethical behavior for PAIBs.

60. Taking into account the IESBA's decision in June 2022 to fast-track its work on sustainability, the PC considers that a key focus on the ethical behavior of PAIBs for the SWP should be on sustainability reporting as this is a new area of responsibility for many PAIBs. This recognizes that PAIBs are the "first line of defense" in ensuring that information reported internally or externally is accurate and comparable. For instance, it was pointed out that PAIBs can face significant ethical dilemmas when considering courses of action to recommend and how to report in line with the demands of business

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83 **Firms:** BDO

84 **PAOs/NSS:** AE, CPAA, ICAS

85 **PAOs/NSS:** ICAS

86 **PAOs/NSS:** ICAEW

87 **Others:** CSCADG

88 **PAOs/NSS:** CPAC; ICAS

89 **Regulators/MG:** IOSCO

profitability against expectations of "fair" reporting and accusations of "greenwashing".[90] The PC further noted that the topic of sustainability will also bring into discussion other matters relating to PAIBs raised by respondents, such as the evolving role of CFOs, the impact of technology as well as the use of experts.

61. With regards to technology, the PC reiterates the Board's view that technology impacts the entire accountancy profession and should be addressed holistically by the Board. As the PC develops the draft Consultation Paper, it will consider the Board's deliberation on the TWG report, including the TWG's recommendations, to determine the level of prioritization and breadth of resources to assign to address technology-related issues in the next strategy period.

62. The PC is also of the view that there may be merit for the IESBA to conduct research into the evolving role of CFOs and other PAIBs in senior roles in order to identify new ethical challenges they face. In this regard, IESBA representatives will seek high-level input from the PAIBAG at the September 2022 PAIBAG meeting on matters such as the expanding role of CFOs that may warrant further attention by the IESBA. To more efficiently utilize staff and volunteer resources, the PC envisages any such research, if pursued, will be conducted in collaboration with the PAIBAG and/or other stakeholders.

63. The PC further notes that:

- The upcoming PIR on the NOCLAR provisions in 2023 might explore the existence and effectiveness of whistleblower legislation in different jurisdiction. The PIR might also consider the effectiveness of the NOCLAR provisions in addressing fraud.
- Whilst it is outside the IESBA's remit to promote membership of a PAO to accountants, the IESBA should continue to promote the importance of high quality ethics standards for the profession and the PAs' role in acting in the public interest.

Matter for IESBA consideration

IESBA members are asked to share views on the respondents' feedback to Question 4 and the PC's responses.

C. STRENGTHENING INDEPENDENCE STANDARDS FOR AUDIT ENGAGEMENTS

Survey Q.5

Do you believe the IESBA should continue to dedicate strategic focus on strengthening the IIS for audit engagements in its next strategy period (2024-2027)? If so, what specific developments or issues do you believe the IESBA should focus on beyond the matters outlined above and in Section C?

64. Respondents generally acknowledged that the IESBA has significantly enhanced the IIS over the last few years, including the revisions from its NAS, Fees and the Definitions of Listed Entity and PIE projects. However, respondents' views were mixed on whether the IESBA should continue to place significant focus and resources on enhancing the IIS in the next strategy period.

[90] **PAOs/NSS:** ICAEW

65. A number of respondents, including two MG members,[91] expressed support for the Board to place a significant focus on strengthening the IIS for audit engagements during the next strategic period.

66. A MG member[92] believed that this focus should be a top priority for the IESBA moving forward. In particular, it recommended the IESBA to revisit the the use of materiality in the IIS as the MG member had previously highlighted to the IESBA. In particular, the MG member suggested that the Board consider whether loans and guarantees to an audit client in paragraph R511.4[93] and close business relationship with an audit client or its management in paragraph R520.4[94] should not be permitted under the Code irrespective of materiality or significance.

67. Another MG member[95] suggested that the IESBA consider whether the "threats" and "safeguards" approach could be enhanced with: (i) additional focus on prohibitions, where necessary; and (ii) more guidance on how requirements addressing the provision of non-audit services are meant to be applied. In light of its annual Inspection Findings Survey Report, the MG member further suggested that the IESBA consider:

    - Whether simplification (allowing for fewer exceptions) and clarification (providing more guidance on expected outcomes) of the provisions of non-audit services could help to improve audit quality.
    - Whether to include in the SWP the following topics:
        - Improved guidance on the identification of key audit partners (KAP) (other than the signing partner).
        - Improved guidance on 'independence in appearance'.

68. Another initiative a respondent suggested is benchmarking the Code against other similar ethics requirements at the jurisdictional level. It was pointed out that such an exercise will identify enhancement opportunities for the Code or best practice. It was also argued that this will promote convergence between different ethics requirements, factoring in local specificities, and assist with wider adoption of the Code across jurisdictions.[96]

69. Other respondents urged the IESBA to consider the pace of change to the IIS in light of the significant amount of recent changes to the IIS.[97] These respondents pointed out that the IESBA's recent projects (in particular the NAS, Fees and Definitions of Listed Entity and PIE projects) have made significant and substantive enhancements to the IIS and, as a result, sufficient time should be allowed for stakeholders to understand, embed and adopt these changes. The feedback ranged from a slower pace of change, minimization of further changes to the NAS provisions to allow a period of stability, and the recommendation of a minimum 5-year moratorium. There was also a view that the IESBA should only focus on new issues that are significant and that large scale and lengthy projects should

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91 **Regulators/MG:** IFIAR, IOSCO

92 **Firms:** IOSCO

93 Section 511, *Loans and Guarantees*

94 Section 520, *Business Relationships*

95 **Regulators/MG:** IFIAR

96 **Regulators/MG:** UKFRC

97 **Independent NSS:** XRB; **PAOs/NSS:** CAANZ; CPAA; CPAC; ICAEW; ICAS; ISCA; NRF; WPK; **Firms:** BDO; DTTL; EY; KPMG; PwC; RSM; **Others:** SMPAG

be avoided where possible. However, where such projects are necessary, it was suggested that they should have clear milestones and interim deliverables.

70. A few respondents observed that continued changes to the Code and IIS have little impact on audit quality, lead entities to opt out of audit due to increased compliance costs, and may affect full adoption.[98] Other respondents suggested that the IESBA should assess the effectiveness of the Code's requirements through PIRs and research, such as root-cause analysis, to assess the sufficiency of the Code under new circumstances and identify if any further enhancements are necessary.[99] In this regard, respondents have suggested a number of topics that might warrant further research by IESBA, such as the effect of mandatory firm rotation and joint audits, pressure on audit partners to manage profit margin, and expansion of new forms of financial instruments.

71. Respondents also encouraged the IESBA to instead focus on providing adoption and implementation support such as more focused regional outreach, direct consultation with those relevant bodies struggling to keep up with the changes, short communication pieces and an overview of the IIS following the latest revisions.[100]

PC Responses

72. The PC will further consider respondents' comments on the list of potential standard-setting projects and initiatives under Section C of the Survey and other suggestions for potential topics they have put forward, taking into the account the Board's discussions at its September 2022 meeting. The PC will also consider the recommendations in the TWG Report and the findings in the Benchmarking Report and, as needed, seek input from the TWG and BWG as it develops the draft Consultation Paper.

73. The PC acknowledges that deciding which standard-setting projects on auditor independence should be included in the SWP will be impacted by the intensity of the Board efforts on its sustainability workstream.

74. The PC acknowledged the concerns raised by respondents about the volume and rate of change of the IIS and the need to give local bodies and firms the necessary time to understand and adopt these changes. However, the PC is of the view that it would not be appropriate for the IESBA to commit to a moratorium on new auditor independence projects given the fundamental importance of independence to public trust in audits and the need to address any substantive public interest concerns in that regard. The PC notes, however, that the IESBA may take a number of practical steps to alleviate stakeholder concerns about the volume and pace of change, including:

- Taking a balanced approach to the future work plan, with a mix of timely PIRs, high priority projects responding to a significant public interest need, longer term projects perhaps of a more complex nature, and narrow-scope amendments projects.
- Providing longer comment periods on exposure drafts and extended effective dates (in the latter case, as has been done with the PIE project).
- Pursuing early engagement with stakeholders to identify specific implementation issues or challenges, and providing targeted support within available capacity.

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98 **PAOs/NSS:** CPAA; CPAC; ICAEW; **Firms:** PwC; **Others:** SMPAG

99 **Regulators/MG:** IRBA; **PAOs/NSS:** BDO; ICAS; IDW; JICPA; NRF; **Others:** SMPAG

100 **PAOs/NSS:** AE; **Firms:** BDO; EY; PwC

75. On the issues raised by the MG members, the PC has the following observations or preliminary views:

- With regards to the suggestion of removing the use of "materiality" and "significance" with respect to loans and guarantees and close business relationships, the PC noted that the BWG has highlighted in its final report that "materiality" is a key difference between the Code's requirements and the U.S. SEC rules on the permissibility of these arrangements.
- The application of the enhanced conceptual framework has subsumed the "threats and safeguards" approach. Additionally, the introduction to Section 600 now makes it clear that prohibitions regarding certain NAS are specifically applicable in some circumstances because the threats created cannot be eliminated and safeguards are not capable of being applied to reduce the threats to an acceptable level.
- Regarding the suggestion for more guidance on the application of the NAS provisions, IESBA staff has recently issued the NAS Q&A publication that further explains the application of the NAS revisions. The PC believes that it is important to allow the revised NAS provisions to bed down as they are just coming into effect for audits of financial statements for periods beginning on or after December 15, 2022. The PC believes that any further revisions to the NAS provisions as well as the development of further non-authoritative guidance should be deferred until the NAS PIR.
- On the suggestion of fewer exceptions, the PC noted that the Board had discussed extensively the matter of exceptions during the NAS project and made significant revisions in this regard, including in relation to materiality. The PC is of the view that any further consideration in relation to exceptions should be deferred until the completion of the pre-committed PIRs, including on the NAS and Fees revisions.
- Regarding the suggestion for guidance on the identification of KAPs, the PC notes that the Engagement Team – Group Audits (ET-GA) Task Force has proposed some changes to the KAP definition. The ET-GA Task Force has also proposed some new provisions relating to the identification of KAPs under the ET-GA project as well as related communication requirements between the group engagement partner and the relevant individuals at the component auditor firm level in this regard. The PC believes the Board should await stakeholder feedback on those proposals before deciding if further changes are needed in relation to KAPs.
- With regards to the concept of "independence in appearance," the PC notes that the proper application of this concept requires the use of the "reasonable and informed third party" (RITP) test.[101] The Task Force believes that it is necessary to establish an evidential basis, especially from audit inspection findings, that the "independence in appearance" concept is not being properly applied, or not being applied at all, in practice before the Board revisits it.

[101] Paragraph 400.5(b) states the following: "Independence in appearance – the avoidance of facts and circumstances that are so significant that a ***reasonable and informed third party*** would be likely to conclude that a firm's, or an audit team member's, integrity, objectivity or professional skepticism has been compromised" [emphasis added]. The RITP test is described in paragraph 120.5 A6 of the Code.

Matter for IESBA consideration

IEBSA members are asked to share views on the respondents' feedback to Question 5 and the PC's related responses.

D. PROMOTING TIMELY ADOPTION AND EFFECTIVE IMPLEMENTATION OF THE CODE

Survey Q.6

Do you believe the IESBA should devote strategic focus on promoting timely adoption and effective implementation of the Code in its next strategy period (2024-2027)?

Survey Q.7

Are there specific operability issues or concerns with respect to the Code you believe the IESBA should be made aware of?

Adoption and Implementation of the Code

76. The IESBA received strong support from respondents for the proposed focus on promoting adoption and implementation of the Code. Some respondents also recommended that the IESBA prioritize the pre-committed PIRs of the revised and restructured Code, NOCLAR, NAS, Fees and PIE revisions as well as other PIRs.[102]

77. Some respondents suggested that it would be helpful to understand why the Code, particularly the 2018 restructured Code or later versions, was not adopted in some jurisdictions.[103] There was also a suggestion that the IESBA should focus on alignment between the Code and the local standards in jurisdictions that report the Code as adopted, as some jurisdictions have made significant modifications.[104]

78. A MG member[105] suggested that when conducting the PIRs, it would be appropriate for the Board to consider:

- The nature and sufficiency of substantive safeguards as noted in the MG member's comment letter to the NAS exposure draft relating to the use of professionals who are not part of the audit team and having an appropriate reviewer who was not involved in providing the service.
- Strengthening the prohibition on assuming management responsibilities when the designated individual and management of the audit client do not have the competence or expertise to take responsibility at all times for the client's decisions in relation to the service, or at least truly understand the service.

[102] **Regulators/MG:** IOSCO; **PAOs/NSS:** HKICPA; ISCA; **Firms:** DTTL

[103] **Independent NSS:** APESB; **PAOs/NSS:** AE; ICAS; **Firms:** RSM

[104] **Firms:** EY

[105] **Regulators/MG:** IOSCO

79. Other comments or suggestions raised by respondents include the following:

- Promoting Part 4B of the Code as some jurisdictions are seeing an increased requirement for assurance services, which has triggered local standard-setting instead of adoption of the Code.[106]
- Promoting adoption and implementation of the Code is primarily the responsibility of IFAC through its Member Body Compliance program.[107]
- In a group audit, the component audit team is required to comply with the Code with which the group auditor is required to comply, and the status of the implementation of the Code in each jurisdiction (fully implemented/partially implemented) has created a situation where the scope of compliance with the Code by the component audit team differs. It was felt that this creates an undue burden on both the group audit team and the component audit teams to reconcile these differences. It was therefore suggested that the IESBA develop provisions to require the uniform application of the requirements of the Code in group audits.[108]
- Considering how the eCode (now eIS) could be adapted and tailored for different jurisdictions.[109]
- Clarifying the application of the NAS provisions particularly with respect the provision of tax services.[110]

Operability of the Code

Survey Q.7

Are there specific operability issues or concerns with respect to the Code you believe the IESBA should be made aware of?

80. A MG member highlighted the importance of translation in facilitating consistent understanding, adoption and implementation of the Code. [111] The MG member asked the IESBA to consider the unintended consequences of using words that are difficult to translate into other languages. The MG member also suggested that the IESBA consider the quality of the work of the various translating bodies, particularly with respect to providing representatives of independent oversight bodies, regulators and other public interest organizations with an opportunity to review the proposed translation before it is finalized, and establishing a process, perhaps as part of a PIR, to address translation issues identified.

106 **Firms:** EY

107 **Firms:** PwC

108 **PAOs/NSS:** JICPA

109 **Independent NSS:** APESB

110 **Independent NSS:** XRB

111 **Regulators/MG:** IOSCO

81. Other feedback on operability issues and concerns include the following:

    - Concerns about the magnitude and frequency of amendments and the increasing length of the Code. It was suggested that the IESBA should instead place a greater emphasis on producing NAMs.[112]
    - Considering how the Code can be amended to make it more understandable by all those who need to comply with it.[113]
    - Exploring whether there is a need for de-minimis-exceptions for some requirements related to independence in appearance.[114]

PC Responses

82. The PC acknowledged respondents' support for the IESBA to dedicate a strategic focus on adoption and implementation of the Code as well as conducting PIRs as planned. The PIRs will in particular help to address respondents' comments about understanding why some jurisdictions have not adopted, or fully adopted, the Code. In terms of the suggestion to seek alignment of the Code with local standards where adopting jurisdictions have made modifications to the Code, the PC is of the view that this would be better addressed in future benchmarking exercises or as part of the PIRs. There can be many reasons for local modifications, which include add-ons to address national specificities.

83. Regarding the comments from one of the MG members about revisiting safeguards and the concept of management responsibility in the Code, the PC notes that the IESBA developed these provisions after extensive consultation and deliberation in recent projects. The PC is of the view that the IESBA should gather information about the implementation of these provisions as part of the planned PIRs (especially the NAS PIR) before committing to any project to revisit those provisions.

84. The PC noted that some of the comments and suggestions are more within IFAC's remit to address. In particular, the PC noted that:

    - IFAC has a strategic commitment to promote adoption and implementation of the Code, particularly through its membership and compliance program. In this regard, the IESBA has collaborated with IFAC to further increase the adoption of the Code through stakeholder engagements, webinars and the production of NAMs and other adoption tools and resources.
    - The process of managing permissions for translation of the Code rests with IFAC. In this regard, IESBA Staff has shared the comments from one of the MG members regarding translation with IFAC staff in charge of translation.
    - The development and maintenance of the e-International Standards (eIS) platform rest with IFAC.[115] IESBA staff has also brought respondents' comments relating to the eIS to IFAC staff's attention.

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112 **PAOs/NSS:** CAANZ; CPAA; **Others:** SMPAG

113 **PAOs/NSS:** CPAC; **Firms:** RSM

114 **PAOs/NSS:** IDW

115 The eIS is IFACs digital platform for its international standards include the IESBA Code and has replaced the eCode.

85. The PC anticipates that from the planned PIRs that are due to take place over the next few years, the IESBA will gain a better understanding of implementation issues and determine whether there is a need to clarify or further strengthen the Code.

86. Finally, regarding the comment about the application of the Code in the context of group audits, the PC notes that the ET-GA project is addressing independence considerations in the context of group audits with a view to bringing greater consistency of application of the IIS in such engagements.

E. ADDITIONAL TRENDS AND DEVELOPMENTS

Survey Q.8

Are there key environmental trends or developments, beyond those already noted above, you believe the IESBA should focus on in its next strategy period (2024-2027)?

87. A MG member[116] encouraged the Board to be agile in resource allocations and be able to properly respond to emerging public interest issues as they arise. The MG member further encouraged the Board to consider in its standard-setting toolkit an expedited process when the nature of the project (e.g., those with narrower scopes) can be completed through proper due process in a more expedited timeline to achieve the public interest objective.

88. Another MG member[117] noted that:

- The Code should be clear and enforceable and allow for audits to be performed on a consistent basis. The MG member suggested that the Board should articulate clear ethics principles and supporting ethics provisions, along with clearly linked requirements, to promote better ethical behavior and outcomes.
- It continues to support the coordination efforts among standard-setting organizations relevant to auditing.
- Regarding the proposed projects and initiatives to be included in the consultation paper, it is important to focus on the expected outcomes associated with those projects and initiatives.

89. Other comments raised by respondents include the following:

- Some jurisdictions are experiencing difficulty in attracting and retaining talent to the profession, which in part may be due to the pace and volume of regulatory changes.[118] On the other hand, a respondent noted that Code plays a key role in reinforcing the value of the profession and thus will help to attract talent for the firms.[119]
- The impact of the pandemic created many changes in the work environment, for example, working from home and an inability to travel to client premises.[120]

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116 **Regulators/MG:** IOSCO

117 **Regulators/MG:** IFIAR

118 **PAOs/NSS:** CPAA

119 **Independent NSS:** XRB

120 **Independent NSS:** XRB

- There is an increasing possibility that PAPPs may split into two categories in the coming years: assurance providers and consultants.[121] In this regard, a respondent explained that its network remains committed to the multi-disciplinary practice (MDP) model on the basis that it provides the best opportunity for career development and stimulating work for its employees and allows the network to provide the best quality of work for its clients.
- Sustainability reporting and assurance will result in an increasing focus on the integration of financial and non-financial reporting.[122]
- The rapid developments seen in the metaverse, crypto assets and non-fungible tokens have implications, particularly for accountants in business and issues surrounding valuation.
- Technology and AI are areas that are constantly evolving. Therefore, it will be helpful to have some capacity to deal with emerging technologies in the next strategy period.[123]
- Recent examples of significant ethical failures in large firms across G20 jurisdictions indicate leadership and cultural issues. It was suggested that the IESBA, in collaboration with the IAASB, consider thought leadership activities or developing guidance material emphasizing the firm culture and leadership requirements in the IESBA Code and the IAASB's quality management standards.[124]
- Applicability of the Code to Small and Medium Practices (SMPs) and whether the Board should take a similar approach to the IAASB's Audits of Less Complex Entities (LCE) project.[125]
- A suggestion for the IESBA to allow for some flexibility in its work plan for unforeseen issues that, if addressed on a timely basis, would benefit stakeholders more than some of the other planned projects.[126]

PC Responses

90. With regards to the comments raised by the MG members, the PC:

- Agreed that the provisions of the Code should be clear and understandable. Further, it is important that the Code remains principles-based so that it can be adopted across jurisdictions.
- Acknowledged the importance of clearly setting out project objectives and expected outcomes so that the results can be effectively assessed at the end of each project as well as during post-implementation reviews.
- Agreed that it is important for the IESBA to continue to be agile in directing its resources to address any emerging public interest issues that require urgent attention. Examples where the IESBA has demonstrated agility during the current strategy period include bringing forward the PIE project to align with the NAS and Fees projects, and initiating the sustainability workstream in response to market developments.

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121 **PAOs/NSS:** CPAC

122 **PAOs/NSS:** AIA; **Others:** EFAA

123 **Independent NSS:** APESB

124 **Independent NSS:** APESB

125 **PAOs/NSS:** ACCA

126 **Firms:** BDO

- Agreed that projects with a narrow scope or are relatively uncomplicated can be completed within a shorter timeframe while respecting due process. In this regard, the PC will consider whether it would be appropriate to include some narrow-scope projects in the determination of strategic priorities to achieve a balanced work plan.

91. The PC further noted that:

- With regards to comments relating to technology, the PC will consider them in light of the TWG Report and the Board's deliberation at the September 2022 IESBA meeting.
- Issues relating to scalability and applicability to SMPs are generally addressed during the project phase. The PC is of the view that there is no current need to explore further differentiation of the requirements in the Code based on the complexity of audits or the nature of professional services provided, given that the Code already takes a proportionate approach to independence requirements through the PIE vs. non-PIE differentiation in Part 4A of the Code.
- The IESBA will, through its Emerging Issues and Outreach Committee (EIOC), continue to monitor key trends and developments that will impact the ethical behavior of PAs and auditor independence, such as the continuing impact of the pandemic, discussions on the multi-disciplinary audit firm business model, and integrated reporting.

92. The PC will take the respondents' comments into consideration as it develops the draft Consultation Paper.

Matter for IESBA consideration

IEBSA members are asked to share views on the respondents' feedback to Questions 6-8 and the PC's responses.

IV. SURVEY SECTION C: POSSIBLE FUTURE STANDARDS-RELATED PROJECTS OR INITIATIVES

A. Breakdown of Scores

93. The following table includes the total scores received for each possible future standard-related project or initiative set out in Section C of the Survey. It is noted that:

- Not all respondents rated every project or initiative
- A few respondents did not participate in the rating

94. The top five topics that received the highest overall scores from respondents are:

- Definitions and descriptions of terms
- Non-authoritative material
- Independence of external experts
- Breaches of the Code
- Matters arising from QM-related conforming amendments to the Code

Stakeholder Groups		Regulator	NSS	PAO	Preparer	Firm	Other	Other - Individual
Number of Respondents	**49**	5	2	21	1	8	7	5
Definitions and descriptions of terms	**156.0**	11	7	64	4	31	22	17
Non-authoritative material	**154.0**	11	4	67	3	27	26	16
Independence of external experts	**133.5**	13	10	54		19	16.5	21
Breaches of the Code	**126.0**	10	6	47	5	20	21	17
Matters arising from QM related conforming amendments to the Code	**120.5**	8	6	46	4	18	20.5	18
Business relationships	**114.0**	13	4	42	4	24	11	16
Definition of "audit client" for PIEs	**108.5**	9	6	47	4	21	9.5	12
Audit firm – audit client relationship	**108.0**	15	4	39	4	16	13	17
Professional appointments	**103.0**	5	2	38	4	17	21	16
Familiarity threat in relation to Part 2	**98.5**	7	2	42	4	18	12.5	13

95. The following table provides a breakdown of the top five topics by different stakeholder groups (Regulator/MG members, NSS, PAO and Firm):

Regulator[127]	1. Audit firm – audit client relationship 2. Business relationships 2. Independence of external experts 3. Definitions and descriptions of terms 4. NAMs
NSS	1. Independence of external experts 2. Definitions and descriptions of terms

[127] IOSCO, IFIAR and NASBA did not participate in the scoring.

	3. Definitions of "audit client" for PIEs 3. QM related conforming amendments 3. Breaches of the Code
PAO	1. NAMs 2. Definitions and descriptions of terms 3. Independence of external experts 4. Breaches of the Code 4. Definition of "audit client" for PIEs
Firm	1. Definitions and descriptions of terms 2. NAMs 3. Business relationships 4. Definition of "audit client" for PIEs 5. Breaches of the Code

96. In comparing the views between the profession (firms and PAOs) and regulators/NSS, there are three topics that are in the top 5 highest overall scored topics from both groups:

- Independence of external experts
- Definitions and descriptions of terms
- Breaches of the Code

B. Key Comments on the List of Topics

1. Independence of External Experts

97. This topic was rated top 5 overall by respondents.

98. Some respondents have highlighted the linkage of the subject of external experts' independence with ISA 540[128] and ISA 620.[129, 130]

99. Some respondents also recognized that there is a growing trend in the use of experts in audits as well as other assurance services.[131] Some also pointed out that sustainability reporting and assurance will further increase the use of experts and that the issue of independence will become even more relevant if the scope of the Code were to be expanded to cover sustainability assurance providers who are not PAs.[132]

100. A few respondents suggested that the IESBA should take into account the definition of "engagement team" proposed in ET-GA exposure draft, including the proposed treatment of experts.[133] The ET-GA provisions are expected to be finalized in December 2022.

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128 ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

129 ISA 620, *Using the Work of an Auditor's Expert*

130 **Regulators/MG:** UKFRC; **PAOs/NSS:** ACCA; **Firms:** BDO; EY; PwC

131 **PAOs/NSS:** ACCA; CACR; ICAEW; ISCA

132 **Independent NSS:** APESB; **PAOs/NSS:** ACCA; ICAEW, ICAS; WPK; **Firms:** MNP

133 **Independent NSS:** XRB; **PAOs/NSS:** CAANZ; CPAC

101. There was suggestion that this topic should be addressed as part of, or in tandem with, the sustainability workstream.[134] A respondent, however, took a narrower view and suggested that the issue should only be addressed within the context of sustainability assurance services.

102. A few respondents expressed the view that this topic should not be a high priority, noting that the requirement and application material set out in ISA 620 is sufficient to deal with this issue.[135] Paragraph 9 of ISA 620 requires the auditor to "evaluate whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity." ISA 620 also provides guidance on how to evaluate the objectivity of an auditor's expert.[136]

2. Audit Firm--Audit Client Relationship

103. This topic was not rated top 5 overall by respondents.

104. The regulatory respondents expressed strong support for the IESBA to place a high priority on this topic.[137] A regulator focused on further regulating the relationship such as reducing familiarity between the auditor and the audit client and reducing dependency on the audit client.[138] Another regulatory respondent focused more on clarifying that the audit services are for the benefit of the entity's owners or shareholders.[139]

105. A few respondents did not think the topic warrants a high priority in light of the recent enhancements to the Code, particularly from the NAS and Fees project. They suggested that the matter is better addressed through internal culture and behavior.[140]

106. Some respondents expressed support for the IESBA to consider changing the term "audit client" to the "audited entity" or "entity subject to audit," recognizing that the ultimate beneficiary of an audit is not the entity or its management but its owners or shareholders.[141] A few respondents, however, felt that this does need to be a high-priority initiative.[142] A few other respondents suggested that changing the term "audit client" would not have any meaningful impact and the IESBA should rather focus on existing provisions that address the self-interest threat.[143]

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134 **PAOs/NSS:** ICAS

135 **Firms:** BDO; EY; PwC

136 Paragraphs A14-20, ISA 620

137 **Regulators/MG:** IOSCO; IRBA; UKFRC

138 **Regulators/MG:** IRBA

139 **Regulators/MG:** UKFRC

140 **Firms:** EY; PwC

141 **PAOs/NSS:** CAANZ; ICAS **Firms:** BDO; **Others:** FIPECAFI

142 **Firms:** BDO; CAANZ; ICAS

143 **Regulators/MG:** IRBA; **Independent NSS:** APESB

3. Business Relationships

107. This topic was not rated top 5 overall by respondents but was rated a high priority by the regulatory respondents.[144]

108. A regulatory respondent suggested that the focus should not be on defining types of arrangements but rather identifying the specific attributes or characteristics that render a commercial relationship inappropriate from an independence perspective.[145] As mentioned earlier, a MG member[146] also recommended that the IESBA review Section 520 of the Code, particularly with respect to removing consideration of materiality and significance as criteria for exceptions to the requirements.

109. Other respondents also recognized the growth in business relationships between audit firms and their audit clients, noting that some of these relationships can be complex. These respondents agreed that this topic should be a priority focus area.[147] A respondent expressed the view that the focus should, however, be on enforcing principles and encouraging good judgment rather than on developing prescriptive rules which may inadvertently create more scope for avoidance.[148]

110. A few respondents expressed the view that the extant Code and the proposed revisions under the IESBA's Technology project are sufficiently robust.[149] However, they suggested that additional NAMs might be helpful to stakeholders such as SMPs.[150]

4. Definition of "audit client" for PIEs

111. This topic was not rated top 5 overall by respondents but was rated a priority by the regulators,[151] the NSS and many PAOs.

112. Respondents[152] that expressed support for the IESBA to review the definition of "audit client":

- Were of the view any such revisions may clarify and simplify the application of independence provisions for PIEs.[153]
- Noted that broadening of the scope of related entities that comprise the audit client may enhance public trust in the profession.[154]
- Suggested that the provisions on "related entities" should be reviewed, taking into account the changes to the Code arising from the ET-GA project.[155]

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144 **Regulators/MG:** IOSCO; IRBA; UKFRC

145 **Regulators/MG:** IRBA, UKFRC

146 **Regulators/MG:** IOSCO

147 **Independent NSS:** APESB; **PAOs/NSS:** CPAC; ICAS; JICPA; **Preparers:** IAFEI; **Firms:** BDO; RSM

148 **PAOs/NSS:** ICAEW

149 **Firms:** EY; PwC

150 **Firms:** PwC

151 **Regulators/MG:** IOSCO; IRBA; UKFRC

152 **Regulators/MG:** IRBA; UKFRC; **Independent NSS:** APESB, **PAOs/NSS:** CAANZ, ISCA; JICPA; RSM

153 **Regulators/MG:** IRBA; **PAOs/NSS:** JICPA

154 **Regulators/MG:** UKFRC

155 **Independent NSS:** APESB

- Supported the IESBA's pre-commitment to review independence considerations with respect to collective investment vehicles, including private equity complexes and sovereign wealth funds.[156]
- Highlighted the importance of collaboration with the IAASB.[157]

113. A few respondents recognized the relevance of the topic but suggested that it should not be a high priority.[158] Others have suggested that the group and governance structures of non-listed entities are complex and changes to the audit client definition could result in unintended consequences. They expressed the view that expanding the definition of related entity for listed entities to all PIEs could be a disproportionate response to address the issue.[159]

5. Matters Arising from QM-Related Conforming Amendments to the Code

114. This topic was rated top five overall by the respondents.

115. Some respondents who agreed the IESBA should focus on addressing outstanding substantive matters of conformity with ISQM 1 and ISQM 2 have highlighted the importance of alignment.[160]

116. A few respondents, whilst agreeing with the need to address alignment with ISQM 1 and ISQM 2, did not consider the matter to be of high priority.[161] They suggested that the priority level will largely depend on the alignment issues identified, including their potential impact, as the QM standards become applicable.[162]

117. A few respondents did not consider that there is any need for further clarification or that the two matters highlighted in the strategy survey on this topic need to be addressed.[163]

6. Familiarity Threat in Relation to Part 2 of the Code

118. This topic was not rated top 5 overall by respondents.

119. Some respondents highlighted the role PAIBs play in the corporate reporting system, the threats they face and the lack of guidance for PAIBs.[164]

120. Whilst a few respondents were supportive of revisions to the Code,[165] other respondents welcomed the development of non-authoritative guidance for PAIBs to assist them in dealing with familiarity threats.[166]

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156 **PAOs/NSS:** ISCA

157 **PAOs/NSS:** CAANZ

158 **PAOs/NSS:** ICAS; **Firms:** BDO

159 **Firms:** EY; PwC

160 **Regulators/MG:** IRBA; UKFRC; **Firms:** RSM; **Others:** SMPAG

161 **Independent NSS:** APESB; **Firms:** BDO

162 **PAOs/NSS:** CPAC; ICAS

163 **Regulators/MG: Firms:** EY, PwC

164 **Regulators/MG:** IRBA; HKICPA; **Firms:** BDO; KPMG

165 **Regulators/MG:** IRBA; KPMG

166 **PAOs/NSS:** ICAEW; **Firms:** BDO; CAANZ; HKICPA:

121. A respondent also encouraged the IESBA to look beyond familiarity threats and suggested that the IESBA should consider addressing other threats to compliance with the fundamental principles.[167]

7. Professional Appointments

122. This topic was not rated top 5 overall by respondents.

123. A few respondents raised concerns about the suggestion in the Survey of a new requirement relating to the failure or refusal by a client to give permission to the existing or predecessor PA to communicate with the proposed PA, noting that there are many other factors that contribute to an audit firm's decision to accept or decline an appointment.[168]

124. Whilst a few respondents expressed the view that this topic should not be of high priority[169] or that it is not necessary for the Code to be revised to address ethical issues relating to professional appointment,[170] others supported the use of NAM to provide additional guidance to PAPPs in these situations.[171]

8. Breaches of the Code

125. This topic was rated top 5 overall by the respondents.

126. A number of respondents expressed support for the topic as a high priority, noting that:

- The issues on breaches, initially identified during the development of the revised and restructured Code, should now be addressed.[172]
- Enforceability of the Code is paramount.[173]
- More guidance and examples such as factors relevant to determining whether to report a breach would be helpful.[174]
- More requirements were introduced into the Code in recent years, meaning more opportunities for breaches.[175]
- The Code should also address how to respond to different types of breaches, including suspected breaches by other PAs.[176]

127. Some respondents, however, were of the view that the topic should not be of high priority[177] or that further refinement to the Code is warranted.[178] Some respondents also did not agree with the

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167 **Regulators/MG:** IRBA

168 **Independent NSS:** APESB; XRB; **Others:** Leaf Excellence

169 **Independent NSS:** APESB; **PAOs/NSS:** ICAS

170 **Firms:** EY, PwC

171 **PAOs/NSS:** CAANZ; **Firms:** BDO

172 **PAOs/NSS:** MIA

173 **PAOs/NSS:** CPAC

174 **PAOs/NSS:** HKICPA; **Others**: WFE

175 **Firms:** RSM

176 **Regulators/MG:** IRBA

177 **Independent NSS:** APESB; **PAOs/NSS:** ICAS

178 **PAOs/NSS:** ICAS; NRF; **Firms:** BDO; EY; PwC

suggestion that optionality for reporting a breach to the relevant parties should be eliminated, noting that in some instances such reporting may not be necessary or appropriate and that any reporting requirements should be left to local jurisdictional discretion.[179]

9. Definitions and Descriptions of Terms

128. This topic was rated top 5 overall by the respondents.

129. Many respondents particularly highlighted the importance of aligning the definitions between the Code and IAASB standards,[180] recognizing the importance of coordination with the IAASB.[181] A few respondents also pointed out the importance of having terms that are clear and remain fit for purpose[182] but noting that care should be taken not to alter the foundation of the Code.[183] A respondent also suggested that the IESBA should conduct a thorough review of all definitions and descriptions to address inconsistencies within the Code.[184]

130. Whilst there was a suggestion for new definitions,[185] another respondent cautioned the IESBA not to use this opportunity to introduce new definitions.[186]

10. Non-Authoritative Material

131. This topic was rated top 5 overall by the respondents and received strong support from many respondents.

132. Several respondents provided feedback on the topics suggested in the Survey.[187] Other NAM topics suggested by respondents include:

- Practical guidance on the application of Part 4B of the Code by assurance providers currently performing sustainability and other assurance engagements in accordance with ISAE 3000 (Revised).[188]
- Fraud.[189]
- Business relationships.[190]

133. Some respondents suggested the inclusion of examples in NAMs.[191]

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179 **PAOs/NSS:** CAANZ EY; PwC; **Others:** Leaf Excellence

180 **Regulators/MG:** UKFRC; **Independent NSS:** APESB **PAOs/NSS:** ACCA; AE; AIA; CAANZ; ICAEW; IDW; NRF; WPK; DTTL; **Firms:** KPMG; MNP; RSM; **Others:** EFAA

181 **Regulators/MG:** UKFRC **PAOs/NSS:** ACCA; **Firms:** EY

182 **PAOs/NSS:** IDW; JICPA; **Firms:** EY

183 **Firms:** EY

184 **PAOs/NSS:** CPAA

185 **Firms:** BDO

186 **PAOs/NSS:** WPK

187 **Regulators/MG:** UKFRC **PAOs/NSS:** CAANZ; EY; IDW: NFR; **Firms:** BDO

188 **Regulators/MG:** UKFRC; **PAOs/NSS:** AE; AIA; IDW; **Others:** EFAA;

189 **Others:** SMPAG

190 **Firms:** PwC

191 **PAOs/NSS:** AE; CPAC; **Firms:** BDO; RSM; **Others:** Leaf Excellence

134. A respondent cautioned the IESBA about the danger of producing material in its own right on the ground that professional bodies, and specifically local courts, may take it as evidence of best practice. There was a concern that such guidance would become "mandatory," leading to additional processes and costs within firms (and businesses).[192]

C. Additional Ethics or Independence-Related Topics

Survey Q.9

Are there specific ethics or independence-related topics not otherwise covered in this Section or this survey that you believe should be given a high priority by the IESBA?

135. A number of respondents suggested that the IESBA should continue to monitor the growth and impact of technology, including:[193]

- The relationship between the use of technology and sustainability reporting.
- The impact of AI such as the replacement of staff by robotics, the emergence of AI with moral agency, and the responsibility for training and supervision of such technology.
- The implication of a PAPP's custody/holding of data on behalf of clients (in a non-audit context).

136. Other comments or suggestions raised include the following:

- Ensuring that the fundamental principles continue to be fit for purpose.[194]
- Updating the summary of prohibitions released by the IESBA in 2019.[195]
- Making evidence-based decisions on workstreams to prioritize, and remaining alert to new environmental factors such as changing business practices and new ethical and independence challenges faced by PAs.[196]
- Allowing a period of stability during which no further material changes to the Code should be progressed.[197]

PC Responses

137. The PC will consider the respondents' input to Section C of the Survey when identifying the projects or initiatives to propose for inclusion in the draft Consultation Paper. As mentioned in the Survey, when assessing the level of importance of the potential projects and initiatives, the IESBA will take into account a number of factors, including the public interest benefits, relevance, urgency and achievability of any given strategic commitment.

138. As mentioned above, the PC will also take into account the following when developing the draft Consultation Paper:

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192 **PAOs/NSS:** ICAEW

193 **Independent NSS:** APESB; **PAOs/NSS:** CPAA; ICAEW; ICAS

194 **PAOs/NSS:** CPAC

195 **PAOs/NSS:** MIA; **Firms:** RSM

196 **Firms:** DTTL

197 **PAOs/NSS:** WPK

- Other potential topics suggested by respondents.
- The Board's discussions in September 2022 on the SWG's proposals.
- The Board's discussions in September 2022 on the TWG Report.
- The BWG report, including any further feedback from the BWG.
- Discussions with the PAIBAG at its September 2022 meeting.

139. With regards to the respondents' comments and suggestions on the list of potential projects and initiatives, the PC makes the following observations:

NAM

- Respondents provided strong support for the development of NAMs as an important output for the next strategy period.
- In considering what NAMs to produce, the PC believes the IESBA should take into account the resources required and whether it would be more appropriate to develop some NAMs in partnership with IFAC or other stakeholders such as NSS and PAOs.

Independence of External Experts

- In light of the growth in sustainability reporting, it is likely that PAs will place more reliance on the work of, or advice from, external experts. As such, ensuring the Code sufficiently addresses the independence of such experts will become more pressing.
- This topic might be addressed as part of, or in tandem with, the Sustainability workstream.
- The PIOB has also flagged this topic as being of high priority.

Definitions and Descriptions of Terms

- This topic received strong support from many respondents.
- It is in the public interest to ensure that the terms and descriptions between the Code and the IAASB standards are aligned to the greatest extent possible.

Definition of "Audit Client" for PIEs

- There may be merit in revisiting the definition of audit client, particularly with respect to the provisions on related entity, given the potential public interest impact of this matter and the observations set out in the BWG Report.
- In finalizing its revisions to the PIE definition, the IESBA agreed not to extend the definition of "audit client" for listed entities to all PIEs but instead to review the issue through a separate future work stream. Amongst other matters, as highlighted in the Basis for Conclusions for the PIE revisions, the IESBA recognized the complexity of the issue and agreed that further research on this topic, including the nature of the ownership structures of private equity companies and sovereign wealth funds, is warranted. Such research would support a better understanding of the ramifications of extending the whole universe of related entities for listed entities to apply for all PIEs.

Business Relationships

- Three regulators[198] have considered this topic to be of high priority, with a MG member[199] recommending that the IESBA review Section 520 of the Code, particularly with respect to reconsidering the use of materiality and significance as criteria for exceptions to the requirements. In this regard, the PC noted that the BWG Report has also identified the use of "materiality" and "significance" to be a key difference between the Code's requirements on business relationships and the corresponding US SEC Rules.

Matter for IESBA consideration

IEBSA members are asked to share views on the respondents' feedback to the list of 10 topics and to Question 9 as well as the PC's related responses.

V. OTHER MATTERS

A. New Staffing Model

140. As highlighted in the Survey, the IESBA will take into account the new organizational structure, governance and processes that will be implemented for both the IESBA and the IAASB over the next few years as a result of the MG's recommendations, *Strengthening the International Audit and Ethics Standard-Setting System*. The MG recommendations aim to support and enhance the development of high-quality auditing and ethics standards by the IESBA and IAASB through the achievement of a multi-stakeholder structure, reinforcement of public interest considerations within the standards development process, and enhanced responsiveness to an accelerating pace of change.

141. A new IESBA staffing model will be implemented to support the new processes and governance structure. This new model will, amongst other things, impact the number of projects and initiatives that can be undertaken by the IESBA going forward.

142. As this transformation will take place during the next strategy period, the IESBA will need to take into consideration staffing capacity under the new model when it finalizes the SWP in Q4 2023.

B. Next Steps

143. In September 2022, IESBA representatives will discuss the Survey responses with the PAIBAG and seek their input to the strategic focus on raising the bar of the ethical behavior for PAIBs.

144. A joint IAASB-IESBA PC meeting will be held in October 2022 to discuss matters of common interest with respect to the two Boards' sustainability workstreams and the development of their SWPs for 2024-2027.

145. The PC will seek further input from the SWG as the latter develops the project plan for approval by the Board at the November-December 2022 IESBA meeting. The PC will also discuss the recommendations in the TWG Report with the TWG as necessary.

146. At the November-December 2022 IESBA meeting, the PC will present the first draft of the Consultation Paper for the Board's deliberation.

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198 **Regulators/MG:** IOSCO; IRBA; UKFRC

199 **Regulators/MG:** IOSCO

Appendix

List of Respondents to IESBA Strategy Survey

Note: Members of the Monitoring Group are shown in bold below.

#	Abbrev.	Respondent	Region
Regulators and Oversight Authorities, Including MG members (5)			
1.	IRBA	Independent Regulatory Board for Auditors	MEA
2.	**IFIAR**	**International Forum of Independent Audit Regulators**	**GLOBAL**
3.	**IOSCO**	**International Organization of Securities Commissions**	**GLOBAL**
4.	NASBA	National Association of State Boards of Accountancy (US)	NA
5.	UKFRC	United Kingdom Financial Reporting Council	Europe
Preparers and Those Charged with Governance (1)			
6.	IAFEI	International Association of Financial Executives Institutes	GLOBAL
Independent[200] National Standard Setters (2)			
7.	APESB	Accounting Professional & Ethical Standards Board (Australia)	AP
8.	XRB	New Zealand Auditing & Assurance Standard Board	AP
Firms (9)[201]			
9.	BDO*	BDO International Limited	GLOBAL
10.	DTTL*	Deloitte Touche Tohmatsu Limited	GLOBAL
11.	EY *	Ernst & Young Global Limited	GLOBAL
12.	KPMG*	KPMG IFRG Limited	GLOBAL
13.	LEAF	Leaf Quality Systems (Pty) Ltd	MEA
14.	MNP	MNP LLP Canada	NA
15.	PWC*	PricewaterhouseCoopers International Limited	GLOBAL
16.	RSM*	RSM International Limited	GLOBAL
17.	VMCS	Validor Management Consultancy Services Pvt Ltd	AP

[200] NSS that have a mandate to set national ethics standards, including independence requirements, in their jurisdictions and which do not belong to PAOs are categorized as "Independent National Standard Setters."

The IESBA has a liaison relationship with a group of NSS (both independent NSS and organizations that hold dual NSS-PAO roles) that share the common goal of promulgating high-quality ethics standards, including independence requirements, and seeking convergence for those standards. Participating jurisdictions include Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Japan, the Netherlands, New Zealand, Russian Federation, South Africa, the UK, and the US.

[201] Forum of Firms members are indicated with a *. The Forum of Firms is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to, and promote the consistent application of, high-quality audit practices worldwide. They also have policies and methodologies for the conduct of such audits that are based to the extent practicable on the International Standards on Auditing (ISAs), and policies and methodologies which conform to the IESBA Code and national codes of ethics.

#	Abbrev.	Respondent	Region
Public Sector Organizations (0)			
Professional Accountancy Organizations (PAOs) (21) [202]			
18.	ACCA[δ]	Association of Chartered Certified Accountants	GLOBAL
19.	ACFBH	Auditors Chamber of Federation of Bosnia and Herzegovina	Europe
20.	AE	Accountancy Europe	Europe
21.	AIA	Association of International Accountants	GLOBAL
22.	AICPA[δ]	American Institute of Certified Public Accountants Professional Ethics Executive Committee	NA
23.	BICA[δ]	Botswana Institute of Chartered Accountants	MEA
24.	CAANZ[δ]	Chartered Accountants Australia and New Zealand	AP
25.	CACR[δ]	The Chamber of Auditors of the Czech Republic	Europe
26.	CPAA	CPA Australia	AP
27.	CPAC[δ]	Chartered Professional Accountants Canada Public Trust Committee	NA
28.	HKCIPA[δ]	Hong Kong Institute of Certified Public Accountants	AP
29.	ICAEW[δ]	Institute of Chartered Accountants in England and Wales	Europe
30.	ICAS[δ]	The Institute of Chartered Accountants of Scotland	Europe
31.	IDW[δ]	Institut der Wirtschaftsprüfer (Germany)	Europe
32.	ISCA[δ]	Institute of Singapore Chartered Accountants	AP
33.	GAA	Global Accounting Alliance	Global
34.	JICPA[δ]	Japanese Institute of Certified Public Accountants	AP
35.	LCPAA	Lao Chamber of Professional Accountants and Auditors	AP
36.	NRF	Nordic Federation of Public Accountants	Europe
37.	MIA[δ]	Malaysian Institute of Accountants	AP
38.	WPK[δ]	Wirtschaftsprüferkammer (Germany)	Europe
Others (11)			
39.	CSCADG	Cape Society of Chartered Accountants Discussion Group	MEA
40.	EFAA	European Federation of Accountants & Auditors for SMEs	Europe
41.	FIPECAFI	Institute of Accounting, Actuarial and Financial Research Foundation	SA
42.	IFAC SMPAG	IFAC Small and Medium Practices Advisory Group	GLOBAL
43.	Individual 1	Christian Munarriz	SA

[202] For purposes of this categorization, a PAO is a member organization of professional accountants, of firms, or of other PAOs. PAOs include but are not limited to IFAC member bodies. **PAOs that have full, partial or shared responsibility for setting national ethics standards, including independence requirements, in their jurisdictions are indicated with a "δ".**

#	Abbrev.	Respondent	Region
44.	Individual 2	Ikhlaas Dooreemeah from BDO International Limited	MEA
45.	Individual 3	Dilip Jain from Crowe Global	MEA
46.	Individual 4	Tony Alizzi from Hewlett Packard Enterprise	AP
47.	Individual 5	Frederik Eloff from South African Institute of Chartered Accountants	MEA
48.	OECD[203]	Organisation for Economic Co-operation and Development	GLOBAL
49.	WFE	World Federation of Exchanges	GLOBAL

[203] The responses to the Survey are the opinions of the officials contributing to, and do not necessarily reflect the official views of, the OECD or its Member countries.