IESBA Strategy Survey 2022

Comments on Survey Question 5

Survey Question 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?

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ACCA	The IESBA has dedicated a significant focus on strengthening the IIS for audit engagements with its projects in the current strategy period. Therefore, we suggest that it focuses on the effective implementation of these major projects globally in its next strategy period (2024-2027). Effective communication with local jurisdictions and support is pivotal for these recent projects to be implemented in a timely manner.
ACFBH	No
AE	The IESBA's recent projects have resulted in strengthening the independence standards for audit engagements significantly. In this context, the IESBA should first focus on supporting the consistent and effective implementation of new requirements globally. This is particularly needed to allow all stakeholders sufficient time to understand and adopt the changes made to the provisions of the Code some of which were not yet effective when the change was proposed (such as technology-related to proposals to NAS provisions). The nature and extent of the IESBA support needed may vary depending on the operating environment of the auditors in their respective jurisdiction. Therefore, the IESBA should consider organising regional outreach activities to get feedback on the challenges encountered and to assess the level of maturity in the implementation of the Part 4-A of the Code. These should include discussions with standard-setters and audit regulators. Finally, it will be very beneficial if the IESBA can produce short communication pieces that give an overview of how the IIS look like as a result of the latest revisions. We refer to the 1-page document on the Code prohibitions issued by the IESBA. This type of documents makes it easier to understand and appreciate the comprehensiveness of the

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	requirements. Our experience with other stakeholders has proven that short documents with visuals are used and preferred, especially by policymakers. Please also see our response to Question 6.
AIA	We believe the IESBA should place a medium level of importance on this area. We see this area as an 'evergreen' one that the IESBA always needs to pay some attention to even if, as we believe, there is nothing obvious or urgent that needs to be done. We suggest any activity related to this area focus on promoting timely adoption and effective implementation as envisaged under Section 4. below. Of current projects we are concerned that the project to revise the definition of the engagement team will impact the audit and assurance market to the detriment of SMPs. We urge that IESBA investigates this matter further.
APESB	Beyond the matters identified in Section C, APESB is currently unaware of any other matters that the IESBA should focus on to strengthen the IIS further. We encourage the IESBA to consider the development of application materials and resources to assist with implementing the Code.
BDO	BDO is of the view that the current IIS provisions contained in the IESBA Code are sufficient to address current independence challenges. BDO believes that the IESBA should dedicate strategic focus on ensuring consistent understanding and application of the IIS. Priority focus areas for these initiatives should be on the recent amendments relating to NAS. The IESBA Code focuses on outlining prohibitions. It will be useful to understand the baseline of when services are considered permissible to enable consistent application of the prohibitions. In this regard, BDO believes that the following initiates will have a positive contribution to consistent application of the IESBA Code: a. Examples to illustrate the application of the two prong-test contained in paragraph R600.14 of the final NAS pronouncement. It will be most useful to include examples of services that: i. Meet (a) and (b) of the two-prong test ii. Meet (a) and not (b) of the two-prong test iii. Meet (b) and not (a) of the two-prong test b. Examples of advice and recommendation that a firm or network firm is permitted to provide under R600.17 of the final NAS pronouncement c. A list of permissible NAS as it relates to PIEs d. A list of permissible NAS as it relates to non-PIEs

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	Paragraph R600.17 of the final NAS pronouncement contains an exception to providing advice and recommendation to a PIE audit client. In addition to examples of advice and recommendation intended to be permitted as requested in paragraph 34 of this response, it will be useful for the IESBA to include a definition of advice and recommendation to ensure consistent application of the exception. *Other issues that the IESBA should focus on* Cryptocurrency is an emerging issue that firms are currently faced with. Dealing in/with cryptocurrency requires ethical considerations to be front of mind. Furthermore, the independence considerations relating to cryptocurrency and which provisions of the IIS apply when assessing threats relating to firms holding cryptocurrency in an audit client are an area where guidance from the IESBA will be beneficial. BDO believes that the IESBA should consider whether standard-setting activities are needed to address this or whether non-authoritative material illustrating how the current principles contained in IESBA Code apply to cryptocurrency will provide sufficient clarity.
BICA	The IESBA should consider emerging issues and impact on independence standards. Public confidence should be enhanced by ensuring that independence standards are strengthened. There is therefore need to ensure the IESBA strategic focus remains on strengthening the Independence standards.
CAANZ	While there are already comprehensive provisions in the IIS for audit engagements, there is also a need for these to be regularly revisited to make sure they are consistent with evolving expectations. There have been several significant amendments to the IIS recently (NAS, Fees and PIE definition) – so our preference is to allow PAPPs time to embed these changes before assessing whether the changes have had the desired impact on perceptions around threats to independence. This will allow any further proposed changes to be evidence based, targeted, and justifiable. There is a particular need to minimise changes to the revised non-assurance services provisions to avoid potentially undermining the revised provisions or adversely impacting their adoption or implementation. Implementation support focused on providing clarity and driving consistency in practice to changed aspects of the Code would be well received. We strongly support globally recognised, evidence-based research for proposing changes to the IIS.
CPAA	An ongoing focus on auditor independence is potentially damaging to the global acceptability and implementation of the Code. Arguably, it also does little to address the fundamental issue of audit quality. For the last twenty years there have been continual changes to auditor independence requirements – with each

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	subsequent change being made before any assessment of the impacts of the previous change has been undertaken. That is, there is little or no evidence available on whether the ongoing frequent changes being made to independence requirements are having any impact on audit quality. A logical and sensible solution is for the IESBA to introduce a five-year (at least) moratorium on changes to Parts 4A and 4B of the Code. After that moratorium period the IESBA should undertake a thorough assessment of the impacts of the independence requirements, and the most recent changes, on audit quality. Only after having undertaken that assessment and having clear evidence that further revisions to the independence requirements are needed, should the IESBA embark on further changes. Additionally, having a moratorium on changes to auditor independence requirements would ensure that the IESBA does not inadvertently take an "auditor-independence-first" approach to changes to the Code, which has direct implications for other parts of the Code
CPAC	The PTC believes that, to protect the public interest, the international independence standards should always be an area of strategic focus for the IESBA. The IESBA should maintain attention to what is happening around the world with regard to independence and determine whether areas need to be further strengthened in the public interest, but we have no specific developments or issues to recommend focusing on at this time.
Cristian Munarriz	Yes, but the focus should be on Public Interest entities. Further allignment to US PCAOB/Sec may be useful. For example, impact of tax services for persons in financial reporting oversight role.
CSCADG	The importance of independence standards is understood however the Code has been substantially improved over the last decade such that we do not believe much more improvement is merited. Yes there will always be a need to monitor instances of non-compliance with a view to ensuring the independence rules are clear and exacting but this should not be a high priority for the IESBA.
Deloitte	Deloitte Global urges the Board to look beyond its current focus on standard-setting to provide a period of stability for the IIS for audit engagements, which have gone through many amendments over recent years, some of which are not yet even effective. There will be significant effort by firms and organisations simply to implement the NAS and Fees standards and the Board should ensure any future standard-setting efforts are guided by the outcomes of post-implementation reviews and evidence that the amended provisions are not effective.
Dilip Jain from Crowe Global	While everyone talks about all kinds of compliance and independence by auditors, can this kind of code be introduced and implemented for thee client personnel as well? This can be done by associating the aforesaid code

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	with the professional bodies with which the client personnel may be associated with. This is simplest of though that I can share and a lot of brainstorming and research should be required before taking this up
EFAA	We believe the IESBA should place a medium level of importance on this area. We see this area as an 'evergreen' one that the IESBA always needs to pay some attention to even if, as we believe, there is nothing obvious or urgent that needs to be done. We suggest any activity related to this area focus on promoting timely adoption and effective implementation as envisaged under Section 4. below. Of current projects we are concerned that the project to revise the definition of the engagement team will impact the audit and assurance market to the detriment of SMPs. We urge that IESBA investigates this matter further.
EY	In the past two years, the IESBA has undertaken and/or completed several important projects such as NAS, Fees, EQR Objectivity, PIE, Technology and Engagement Team / Group Audits, that have or will result in many changes to the Code's independence requirements. These changes are substantive, and it will be important that the profession be focused and engaged in understanding, addressing and implementing these new requirements. To do so, a significant amount of resource and time will need to be dedicated by the profession to this effort. We think the IESBA's focus on strengthening the ISS needs to be tempered with an appreciation for the time and effort the profession will need, and therefore we do not think it is necessary for the IESBA to focus on further efforts related to the IIS in the next strategy period beyond those we highlight in Section C of this survey. Rather, we think a strong focus of the IESBA should be on getting the revisions coming from the recent projects appropriately adopted globally, and therefore support initiatives around stakeholder outreach. Finally, the important standards adopted and those in process, have or will substantially enhance and strengthen the IIS, especially as related to PIEs. These efforts have addressed the important public interest considerations previously identified
FIPECAFI	Yes I agree. tIn addition of this, he training of ethics should be reinforce, since the PCAOB has already indentified problems in the audit firms.
Frederik Eloff from SAICA	no comment
HKCIPA	We agree that the initiatives outlined in Section C cover a wide range of areas that the IESBA should continue dedicating strategic focus on.
IAFEI	Yes, IESBA should continue to dedicate strategic focus on strengthening the IIS for audit engagements in 2024-27 strategy period.

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	What has been covered outlined in the introductory note suffices,
ICAEW	Certainly in the UK, market changes are already forcing greater consideration of independence requirements. ICAEW would caution against creating further detailed rules in this area. ICAEW notes that **"**Auditor independence" should be a frame of mind. To a greater or lesser extent this is something which professional bodies should be enforcing. There is a danger that adding additional rules may increase audit costs, without necessarily increasing audit reliability. In turn, this may lead to companies opting out of audit, in those jurisdictions where this is allowed, and overall creating a reduction in the reliability of financial information. If further rules are required, then rigorous cost/benefit analysis needs to be applied with a stratified approach to implementation.
ICAS	We believe that, other than in relation to sustainability assurance and completion of its current projects, IESBA should have a 'slow down' period for now in terms of creating new provisions to the Code and agree with IESBA (as noted in 4. below) that there is a need to instead primarily focus on carrying out post-implementation reviews on recent changes to the Code, including those in relation to the Fees, Engagement Quality Reviewer, and Non-Assurance Services provisions which become effective at the end of 2022. We have, however, indicated in our responses to this survey, potential workstreams for IESBA, subject to available resource, that could lead to potential revisions to the Code.
IDW	IDW thinks that IESBA might want to look at the implementation of the current requirements and check how the requirements work in practice ("post implementation review") – that is, are the requirements relating to independence in appearance actually having an appreciable effect on independence in fact and objectivity – before developing new requirements.
IFAC SMPAG	We do not believe that further changes to the Code focused on strengthening the IIS for audit engagements are needed at this time. We believe a post-implementation review of recently issued changes to the Code would be helpful before any further changes or new requirements are considered for what are already stringent independence standards. We do not see a gap right now that needs to be addressed. We believe there may be a decrease in adoption rates due to the pace of change and complexity of recently issued changes, which should be strategic focus of the Board (see response to question 4).
Ikhlaas Dooreemeah	yes

Respondents	Comments
from BDO International Limited	
IRBA	We agree that the IESBA should continue to dedicate strategic focus on strengthening the IIS for audit engagements. We recommend a combination of research and post implementation reviews to determine where the focus should be. Research could identify new threats to independence (i.e., threats not yet identified and addressed in the Code) e.g., • The effects of Mandatory Audit Firm Rotation (MAFR) on independence and the broader Code • The effects of Audit Only Firms on independence and the broader Code • The effects of Joint audits on independence and the broader Code • Threats to objectivity created by pressures on the audit partner to manage margin whilst being responsible for quality i.e., how can the auditor be truly objective when faced with margin pressures in the current economic environment? • Threats to independence created by extended association with the client in instances where there are delays in the audit. • Threats to independence created through sub-contracting arrangements e.g., when one firm subcontracts part of the audit work to another audit firm and the second audit firm provides consulting or other non-assurance services. In summary we propose a fresh look at independence provisions through root cause analysis as opposed to simply building on pre-existing ideas of what gives rise to independence threats.
ISCA	IESBA had placed high priority on strengthening the IIS in the current SWP for the period 2019 – 2023 and issued revised standards containing enhanced provisions addressing the permissibility of non-assurance services (NAS) to audit clients and fee-related matters. These revised standards are effective on 15 December 2022. IESBA had also recently finalised an expanded definition of public interest entities (PIEs) which is effective 15 December 2024.

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	In view of the above, we would like to suggest that IESBA dedicate its focus on other projects to give the profession time to adjust and adapt to the implementation of the revised provisions which contain significant amendments. Having said that, auditor independence is a critical topic. We recommend that IESBA continue to monitor this space closely and be ready to reassess its strategic focus to place more emphasis in this aspect, if necessary.
JICPA	In a situation where auditors' independence is a continuing focus, we believe that the independence provisions for audit engagements should be robust. However, rather than further strengthening the existing provisions, the focus should be on appropriate amendments and clarification of the rules to address the changing circumstances on which the existing rules are based. For example, in response to the expansion of business provided by firms and network firms, the expansion of the scope of assurance services (assurance of non-financial information), and the expansion of new financial instruments (e.g., cryptocurrency) and payment instruments, etc., we believe that IESBA should consider how auditors should maintain independence in these circumstances. In addition, technology continues to evolve day by day, and we believe that the relationship between technological developments and the provisions governing independence for audit engagements should be reviewed on an ongoing basis. In strengthening the independence rules, it is essential to evaluate not only the implementation of the rules but also their effectiveness, which we believe will lead to further improvement of the Code of Ethics in the future.
KPMG	Keeping independence standards strong should always be the focus of the Board. However, with the currently issued standards that will result in substantial changes to the IIS (e.g., issuance of the NAS, Fees and PIE standards), and the standards that will be issued in the near-term that will result in further changes to the IIS (e.g., Engagement Teams-Group Audits and Technology) there should be thoughtful consideration of the pace of change in the IIS on balance with the needs of the public interest. Allowing time for PAPPs and national standards setters to adopt and implement the current substantial and significant changes to the Code will facilitate effective adoption and implementation of such standards. This also aligns with the high level of importance we believe is necessary to assign to the strategic focus on sustainability (both from the perspective of the users of the Code to consider and onboard Code revisions related to sustainability and the utilization of the capacity of IESBA staff resources for that focus). We believe the Board's focus on the IIS should thus only be on topics and projects that are of highest priority and/or address an emerging urgent issue (e.g., sustainability reporting).
Leaf Excellence	Professional understanding and interrogation of understanding auditee business and business models and industry. Audit failures due to lack of understanding subject matter while, and sometimes because of being too independent.

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MIA	Yes, we believe the strategic focus on strengthening the IIS for audit engagements for the Board's next SWP should continue. We are agreeable with the current issue(s) as identified under Section C of this Survey as those relevant to the PAPPs.
MNP	Refer to our response to Question #9 with respect to other non-authoritative material recommended.
NRF	Taking into account the amount of recent changes to the IIS for audit engagements, we firmly believe that no changes are needed at this time. Rather, we suggest that any further changes should be preceded by post-implementation reviews on recently issued changes. We encourage the IESBA to rather focus on adoption and implementation activities in order to increase compliance with the latest changes to the Code and thus contribute to strengthening the role and relevance of the Code.
OECD	**EXD/DO** If the IESBA undertakes work in this area, it should nuance its focus to differentiate public sector organisations where the risk of fraud is much lower. Any new standard or guidelines should be tailored and nuanced to reflect the different realities of different organisations. **EXD/PBF** No comments to Q 5 **GOV/PSI** Roles and responsibilities within the internal control framework: it is critical that internal auditors maintain their independence from the other lines of defense, which include managers (first line) and risk managers (second line). These lines are often blurred or misunderstood in practice.
PWC	The pace of continued change in the IIS places significant burden on member bodies and firms to implement revised standards. We support the recent changes that have been made to the IIS and believe that the Board has established a robust set of independence standards that support audit quality. We do not see a clear need to continue to make more and more changes to the IIS, unless significant new concerns emerge and recommend that a period with a stable platform would now be appropriate. Rather than considering yet further changes to the IIS we recommend that the Board focuses its efforts, as needed, on developing guidance to help PAs implement the Code and IIS. The recent development of the PIE, NAS and Fees Staff FAQs demonstrates a need for Staff to seek support and guidance from practitioners who are familiar with the practical/technical issues.

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	There is some evidence that the continued changes to the Code and IIS risks leaving member bodies behind if they are unable or perhaps unwilling to adopt new Standards due to local circumstances. Member bodies and other standard setters have to go through their own local due process (involving other stakeholders such as State Boards) and unless the Board takes them on the journey together there is a growing risk of fragmentation. There is a risk of decreasing adoption of the Code making the work of the Board less, rather than more, relevant. More stringent requirements can be left to local regulators based on their circumstances. This survey is clearly part of that effort, but we recommend that once the Board has determined its proposed SWP for the next period that the Board socializes its conclusions, with rationale, and that there be further opportunity for stakeholders to comment. This will help bring member bodies along the journey. We also recommend that there be direct consultation with those member bodies who are struggling to keep up with the changes. Evidently, the current projects relating to engagement team/group audits and technology need to be completed. The technology working group is taking up very considerable time and resource on other technology related matters and there is a risk that the focus of this project is too broad and we believe this needs to be reined-in to focus on a few clear ethical issues where the Board can make a difference. These might include for example AI and use of data. In broad terms we believe that the Board's efforts, in relation to the IIS, should be focused on: 1. ESG ethical matters 2. Outreach efforts to stakeholders and especially member bodies to ensure global buy-in 3. Development of guidance (as suggested below) to help PAs understand and comply with the Code and IIS and to "bring it to life" Large scale and lengthy projects should be avoided where possible but where they are necessary, they should have clear milestones and interim deliverables. We are and remain 100% committed to the MDP model, as we believe this is the best model for our network of firms, provides the best opportunity for career development and stimulating work for our people and allows us to provide the best quality of work for our stakeholders. We believe that this is the right strategy for our stakeholders. Our stakeholders are increasingly looking to us for a wide range of complementary services and we believe this demand will grow as we increasingly offer assurance over non-financial information such as climate impact. We are very conscious of perceived conflicts of interest that can arise with the MDP model and invest very heavily, both in terms of time and resources, in putting the right processes and training in place regarding independence. This investment in independence allows us to call on the resources we need for example when carrying out a complex audit of a multi-national financial services company…something that would be very difficult or impossible if those resources were outside of our organisation and we were not able to quickly establish the independence/objectivity

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	of those resources. The concept of being objective and independent is something that is embedded right across our organisation and an essential part of our culture. It is not limited to audit…that is why having a MDP is key to delivering audits as we have access to a broad range of experts who understand the necessity for independence and objectivity.
RSM	As outlined in the background to this survey, the IESBA has made significant changes to the IIS for audit engagements over recent years. It is important that time is given to enable these requirements to be bedded in and become business as usual. Our view is that it is now more important to focus on training and communication to facilitate the adoption of the Code internationally and the effective implementation of the Code by those that follow it. We also believe that the IESBA should strive to facilitate/achieve consistency with the standards of regulatory bodies in the major jurisdictions that have well-established standards in this area. If all organisations and service-providers of audits are held to the same standards internationally, this would likely help improve public understanding and trust.
Tony Alizzi from Hewlett Packard Enterprise	YES
UKFRC	We believe that the IESBA should continue to devote strategic focus on strengthening the IIS. The main areas of strategic focus, other than those set out elsewhere in this document, should be on the ongoing benchmarking of the IESBA Code against other similar ethical requirements applicable in other jurisdictions. This process will drive further improvements in the Code by identifying potential areas of improvement or best practice. It will also allow the realization of benefits from ongoing convergence between these different ethical requirements, while at the same time enabling individual jurisdictions to include specific provisions for their own circumstances. It will also assist with wider adoption of the Code in other jurisdictions.
Validor Management	YES
WFE	We suggest that IESBA explores how audit fees impact the ethical value and culture of the PAPPs, and how commercial considerations impact culture and mindset of the audit and assurance providers at the engagement and firm level, and whether they impact independence and the exercise of professional due care.

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WPK	We consider the current independence standards of the Code to be of high quality and see no need for action in this area, basically. However, with a view to the topic of sustainability assurance, possible need for action and adaptation should be examined as explained above.
XRB	• While we have not identified specific areas of strategic focus that require strengthening, the core business of the IESBA is to continually monitor International Independence Standards and to respond to developments as needed. However, there have been significant changes in the IIS in the past few years and we consider that there is a need to allow time for the new provisions to come into effect and to embed in order to understand what impact the revisions will make. We therefore consider that dedicated strategic focus on strengthening the IIS for audit engagements in the next strategy period is not the highest priority for the IESBA. • We support the IESBA undertaking a holistic review of the collective investment vehicles and other "non-corporate" legal structures such as mutual funds, private equity funds, pension funds and trusts to assess whether the independence provisions in the Code appropriately cover audits of such vehicles or structures. In New Zealand we have applied the new "top-down, bottom-up" approach in considering which entities should be PIEs. As a result, we have proposed to retain these types of entities within our definition of PIE. • We further consider that implementation support on non-assurance services is necessary to add clarity to the revised provisions in the Code and to drive consistency in practice