# IESBA Strategy Survey 2022

## Comments to List of Potential Projects

| Respondent | Topics and Comments |
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| | 1. Independence of external experts |
| ACCA | We find that the use of external experts used on audit and assurance continues to expand and in sustainability assurance engagements their use is expected to be more prevalent given the specialised nature of such engagements. We suggest exploring whether the objectivity requirements currently under ISA 620 should be addressed within the code, particularly, if the scope of the code will expand beyond PAPPs. This is likely to promote consistency as assurance providers, other than PAPPs, may not follow or have experience with the ISAs and in this case ISA 620. |
| APESB | Currently, the Sustainability Reporting Standards are not finalised, and it is challenging to predict how sustainability assurance engagements will be structured and performed. However, it is more than likely the use of experts will increase in the sustainability assurance space. Accordingly, we believe that this matter should be a strategic priority. |
| BDO | ISA 620, *Using the Work of an Auditor's Expert*[1] addresses the auditor's responsibility relating to the work of an external expert in obtaining sufficient appropriate audit evidence, including objectivity.<br><br>ISA 540 (Revised) was effective for audits of financial statements for periods beginning on or after 15 December 2019 and it is therefore expected that the increase in the use of external experts has already occurred.<br><br>The International Forum of Independent Audit Regulators Survey of Findings 2021 does not indicate independence of external experts as a major area of concern. This is therefore not considered a high priority for BDO. |
| CAANZ | We recommend the possible implications from the proposed new definition of "engagement team" in the context of group audits are addressed in the first instance before further expanding the definition of engagement team. Then we would support the IESBA continuing to collaborate with the IAASB to see if any further changes are required to the definition. |
| CACR | Increased complexity of businesses requires greater involvement of various external experts in audits but also in other assurance services, scoping of such experts for IIS would in our view promote trust |
| CPAC | See the PTC's response to the IESBA's Exposure Draft, "*Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*". We think |

[1] ISA 620, paragraph 9, requires that in evaluating the objectivity of an external expert, the auditor makes inquiries about interests and relationships that may create a threat to that expert's objectivity.

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| | that most importantly the IESBA needs to clarify how it intends to treat external experts when it comes to independence, because the proposals and related application material are not clear. We are of the view that external experts should be members of the audit team if they can influence the outcome of the audit engagement, regardless of their area of expertise. |
| EY | We believe that objectivity and the auditor's requirement to evaluate such objectivity, as required under ISA 620, is sufficient |
| ICAEW | ICAEW considers that given the increasing focus on the non-financial descriptive elements of the annual report, it is most important that the veracity of this information should be brought up to the same standards as those covered directly by the audit report. In the UK, this is already a requirement in some areas. For example, public companies in the mining industry require certain information to be signed off by an independent qualified geologist. Greenwashing is a recognised threat to the accuracy of reports. Independent experts would go some way to helping resolve this issue. |
| ICAS | Although in general we believe there should be a 'slow down' in introducing new independence provisions into the Code for now, until all the other recent changes have been embedded, we also recognise there is a need to focus on provisions in relation to sustainability in the Code. External experts are likely to be used extensively in relation to sustainability assurance, and therefore we do believe IESBA ought to consider the independence of external experts as part of its work on sustainability. It might be that such work would have wider implications than just sustainability which a separate working group might be required to consider. If so, there would need to be appropriate coordination between this group and that undertaking the work on sustainability-related matters |
| ISCA | Under the Code, an auditor's external expert is not a member of the engagement team for an audit or other assurance engagement. Hence, they are not scoped in for the purposes of the independence requirements in the Code.<br><br>Having said that, we agree that it is likely that assurance service providers of sustainability information will increasingly involve more external experts and the role of these experts may become more important. Hence, IESBA should prioritise this topic to consider the independence of external experts given the strategic focus to the developments in sustainability reporting and assurance. |
| Leaf Excellence | Clarity on level of audit procedures i.r.o. factors considered by expert. |
| MNP | We would rate this topic a 4 given its interconnectedness to the sustainability project. |
| PWC | We do not see any clear need for the Board to dedicate resources to such a project. See our comments above. The application of the requirements of ISA 620 is appropriate and not giving rise to concerns that need fixing. We also note that respondents to the IAASB's recent work plan survey did not rate revision of ISA 620 as a priority. In addition, we note the pending exposure of revisions to ISA 500 which will enhance considerations by auditors of the relevance and reliability of information intended to be used as audit evidence. This evaluation, including consideration of attributes of relevance and reliability that encompass the credibility of the source, will in our view directly enhance consideration of the objectivity and competence of |

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| | management's experts but also indirectly support similar considerations in the use of auditor's experts. |
| UKFRC | We consider this to be a high priority, due to the high levels of public interest benefits that will accrue from this workstream. The topic is also highly relevant due to the linkages to ISA 540, and it should be feasible to derive a reasonable outcome |
| WFE | This survey has identified the areas such as fair value and sustainability reporting as the key areas in which the external experts are often engaged by PAPPs, therefore there is a public interest aspect in looking at the independence matters related to these external experts. We suggest placing a high priority on this topic |
| WPK | Only with regard to the provision of sustainability assurance services by other service providers than audit/accounting professionals, the topic is of particular importance (cf. our answer to question 2) |
| XRB | We consider the need for the IESBA to consider the implications of the definition of engagement team and the independence of experts and other practitioners in the context of sustainability reporting is a high priority, recognising that going forward there will be an increasing need for a broader range of expertise |
| | 2. Audit firm – audit client relationship |
| APESB | APESB believe it would be more effective to promote the existing provisions in the Code that address the self-interest threat rather than focus on a term used in the Code. |
| BDO | BDO believes that IESBA should explore whether it continues to remain appropriate for the IESBA Code to use the term "audit client" as opposed to the "audited entity" or "entity subject to audit" as this recognizes that the ultimate beneficial client is not the entity itself but the entity's owners or shareholders. |
| CAANZ | We would support the Code using the term "audited entity" or "entity subject to audit" as opposed to "audit client" but we do not believe this should be a high priority. It is not evident that a terminology change alone would have a substantive impact on perceptions of auditor independence. |
| CPAC | The PTC views this as core to the profession. |
| EY | In light of the significant enhancements resulting from recent projects, we no longer believe this issue of the audit firm and audit client relationship is relevant. Issues that might have previously existed that would call into question the nature of the relationship have been addressed through these projects, in particular the Fees and NAS projects. The nature of this relationship is well understood by the market and stems from factors that are outside what the Code can actually impact |
| FIPECAFI | The business relationship, it´s implications, the long term of working with client - all of this could offter more and more importance. |
| Ind Hewlett Packard Enterprise | It is needed |

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| IAFEI | It is very important that independence of the external auditor is upheld all the time |
| ICAS | Even if there is not a large-scale project, there may be merit in considering the specific matter raised above i.e. whether it is still appropriate to use the term "audit client" in the Code |
| IRBA | Please refer to our response to Question 5 for context.<br><br>Acknowledging and specifically addressing the inherent threats arising from the "audit firm – audit client" relationship is another example of how IIS can be strengthened. We are therefore of the view that it is in the public interest and has the potential to enhance public trust in the Code and the profession.<br><br>Decreasing the familiarity between the auditor and the audit client / management, through for example;<br>• changes in how the auditor communicates with the audit client / management i.e., if communications were to be channeled strictly through the audit committee who is an independent party or<br>• changes to how audit teams are structured i.e., requiring fee negotiations to be separated from the audit or the signing partner's responsibilities.<br><br>Decreasing the dependency of the auditor on the audit client / management, through for example, how fees are paid or structured (audit client payer model changes).<br><br>Thus, changes in substance may enhance independence between the auditor and the audit client.<br><br>We, however, don't agree that changing words alone to describe audit clients as audited entities and other related changes is likely to change behaviours or have any meaningful impact. We would not attach a 5-priority rating to a project that merely changes syntax, however, highly recommend a project that would investigate inherent threats to independence that arise from the Audit Firm – Audit Client Relationship and proposes a means to resolve these inherent threats |
| JICPA | This matter is a major premise for the independence of audit engagements, and we believe it is highly important to subject auditors' independence to consideration in order to reaffirm the appropriateness of such relationship between the two parties, assuming the audit client payer model in which compensation is received directly from the client of the audit engagement |
| OECD | **GOV/PSI**<br><br>The aspects of the auditor-client relationship are associated with factors of trust, integrity and quality. Thus, the Code should address the inherent threats arising from the client relationship more broadly. |
| PWC | We do not see any clear need for the Board to dedicate resources to such a project itself and we believe that the revisions to the Fees Standard is helpful in dealing with related potential issues that may arise from this particular aspect of the firm/client relationship.<br><br>We do recognise, however, that this relationship is an important one but believe it is one that is better addressed through working on culture and behaviours within audit firms rather than using regulation as a primary driver of change. We have commissioned research as part of our "Future of Audit" initiative and are very happy |

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| | to offer to share outcomes of a paper entitled “Building a culture of challenge in audit firms”. The paper focuses on the challenges today, including trust issues, and describes what it takes to build a culture of challenge within an audit firm, with a particular focus on enabling the audit engagement team. The paper emphasises five elements of this challenge — People, Shared beliefs Alignment, Processes, and Client responsibilities — and that these are needed to build and reinforce each other. Without all five, it is unlikely that a firm will be able to sustain a thriving culture of challenge. |
| Ind SAICA | Our firm operates in a small medium environment in a small town of SA.<br>Based on the environment of a small town and audit clients being serviced by mostly 2 local firms, audit client relationship is critical.<br>Considerations : Independence, fees and retention of clients |
| UKFRC | We consider this to be an area of high priority. There is scope for significant public interest benefits through clarifying that audit services are for the benefit of the entity's owners. In particular, we would welcome the removal of the term "audit client" from the Code's glossary. Here, the underlying language matters. The proposed project is highly relevant at a global level, and an appropriate outcome should be achievable within a reasonable timeframe. |
| | 3. Business relationships |
| APESB | APESB would be supportive of this area of focus. At an APESB Roundtable held in May 2022, Australian stakeholders believed the Technology changes to Section 520 were piecemeal and supported a holistic review of the section. |
| BDO | BDO believes that the inclusion of a definition for the term “business relationship” in the IESBA Code should be a priority for the IESBA due to the growing number of activities involving the auditor or auditing company with different business relationships and the limited guidance and other resources available on this topic.<br>In addition to including a definition for the term “business relationship”, BDO suggests that the IESBA provide more guidance and clarity on this matter through the issuance of non-authoritative guidance such as FAQ’s and examples. |
| CAANZ | Providing non-authoritative material to assist understanding of the terms “business relationship” and “close business relationships” is desirable but should not be a high priority. |
| CPAC | The PTC is of the view that issues related to business relationships arise quite often and there can be differences in interpretation of the Code in terms of what is scoped in or would not be permitted, and it can get quite complicated. |
| EY | We believe the Code is sufficiently robust and developed in this area taking the changes already foreseen in the Technology project into account |
| IAFEI | A clear definition sets as guidepost to all including the regulators. Public interest is very important |

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| ICAEW | ICAEW considers that the focus should be on enforcing principles and encouraging good judgement, rather than on developing complicated and detailed prescriptive rules, which in fact provide more scope for avoidance |
| ICAS | This is an area which does not appear to have been reviewed for a number of years and as stated above issues have been identified during the current technology work stream. There is therefore an argument that this section needs to be subject to a full-scale review to ensure that it remains fit for the purpose in the current business environment |
| IRBA | Please refer to our response to Question 5 for context.<br><br>We support the view that "business relationship" is a broader concept, i.e., consisting of any commercial arrangement.<br><br>Exploring the effects of other commercial arrangements between the audit firm and the audit client is another example of how IIS can be strengthened. Specifically, the impact of commercial relationships stemming from advisory, tax and other non-assurance services on the independence of the auditor and the audit firm for the purposes of identifying threats to independence and how these can be eliminated. In undertaking this project, we don't believe the aim should be to try and identify all types of commercial arrangements that impede independence, but rather focus on identifying the specific attributes / characteristics that render a commercial relationship inappropriate from an independence perspective. Focusing on specific arrangements, leaves room for loopholes that can be exploited in practice.<br><br>This project can also incorporate research related to audit-only firms and whether this will eliminate threats to independence as the move to an audit-only firms' model is bound to introduce new / different commercial arrangements that could impact auditor independence. |
| JICPA | With the expansion of business offered by a firm or a network firm, there has been an increase in the number of cases of business relationship with audit clients, and new forms of such relationship have emerged in recent years. We believe that it is important to consider business relationship because there may be some points that are not clearly covered in the extant Code |
| OECD | **EXD/DO**<br><br>This issue is critical because it goes to trust in institutions and processes, a value which is continuing to be undermined. Efforts to develop ways of connecting with cynical or suspicious stakeholders are extremely important. |
| PWC | As mentioned above, there are inevitably areas where firms have to develop their own detailed policies and guidance to help with consistent interpretation and application of the requirements in the Code. Business relationships is one such area. As a Network we do not see any need for changes to the IIS or for additional guidance, although we can envisage that SMPs may benefit from additional guidance (outside the IIS). We recognise, for example, that the nature of business relationships is changing in a world where business models are becoming much more technology enabled/reliant and there may be a need for additional guidance that supports the Code to keep up with those developments. |

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| RSM | We believe that business relationships are complex, are increasingly common in multi-disciplinary practices and can create threats to independence. We would therefore welcome more guidance in this area |
| Ind SAICA | These business relationships have been discussion points.<br><br>Firm senior partners are regularly asked to act as independent trustees on trusts. Some of these trusts are the shareholders of companies, NPO's and other bodies that are audited. Thus creating independence issues and self interest threats. |
| UKFRC | This project will clearly have public interest benefits, and support the implementation of the Code through providing a conceptual framework for understanding business relationships. This will enhance public trust in the Code on a matter which is clearly of ongoing relevance to the global profession |
| | 4. Definition of “audit client” for PIEs |
| APESB | APESB support this as a high-priority focus area. We think this will be important, especially in light of the proposed changes to the Code for the definition of the engagement team and group audits. We also encourage the IESBA to review the paragraphs on related entities in light of the changes to the components that may be included in the independence provisions for a group audit. |
| BDO | BDO believes that there should be a consistent approach for all PIEs in that the definition of related entities to be covered by the provisions should be the same for all types of PIEs. This is, however not considered a high-priority project. |
| CAANZ | We would support further research to gain a better understanding of the consequences of extending the application of paragraph R400.20 to all PIE audit clients. It is important that this project, if progressed, is in collaboration with the IAASB. |
| EY | The group and governance structures of non-listed PIEs vary, and a change to the audit client definition could result in unintended consequences. Further, we believe that the Code already includes a sufficient requirements and application material to identify, evaluate and conclude on independence threats in regards of other related entities and mention as examples R400.20, R510.6 and the upstream pre-concurrence requirement |
| ICAS | We are not convinced that this is a high priority at this time but does depend on the resources which IESBA has available |
| IRBA | Please refer to our response to Question 7 for context.<br><br>Clarifying the identification of the audit client is one example of how the application of the Code can be simplified.<br><br>We therefore support the proposal to perform research to gain a better understanding of the ramifications of extending the whole universe of related entities for listed entities in extant par. R400.20 to apply to all PIE audit clients.<br><br>Specifically, it may simplify the application of many other independence-related provisions within the Code, such as Long Association and NAS. It will also contribute to the effective implementation of the PIE amendments. |

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| ISCA | As a result of the PIE project, we note that IESBA has committed to undertaking a holistic review of collective investment vehicles (CIVs) and other "non-corporate" legal structures such as pension funds and trusts. We believe that research into the corporate structures of private equity complexes and sovereign wealth funds would complement this review of CIVs and other "non-corporate" legal structures. Hence, we are supportive of IESBA prioritising this topic to consider whether there are merits to expanding the universe of related entities for listed entities in extant paragraph R400.20 to apply to all PIE audit clients |
| JICPA | If the audit client is a PIE, additional requirements such as NASs, Fees, long association of the Code apply to the audit engagement. Therefore, it is important in practice to clarify the definition, and this topic is of high importance |
| PWC | From a practical implementation perspective, we see no clear need for the Board to dedicate its finite resources to such a project. We acknowledge there are clearly considerations that need to be given by firms in terms of applying the independence provisions in more complex corporate scenarios and it may be that PAPPs could benefit from additional guidance (outside the IIS). Any implications for complex PE house structures will need to be carefully considered including through obtaining industry specialist input.<br><br>It is evident from some of the feedback to the exposure draft on group audits that there is a desire for a proportionate response to the independence requirements. The rationale for the current related entity definition for listed audit clients (via R400.20) is not wholly evident today and any suggestion that this should be expanded to cover all PIEs could be another potential example of a disproportionate response. |
| RSM | We agree with the position of the IESBA Code that requires different standards relating to the audit of Public Interest Entities and we feel that there should be consistency in the definition of audit client relating to Public Interest Entities |
| UKFRC | public interest benefits and relevance of this topic at a global level. Taking steps to understand the potential consequences of extending the definition of audit client for PIEs should enhance public trust in the profession by broadening the scope of related entities that comprise the "audit client". We would also suggest that this is a matter which needs to be addressed with relative urgency, considering the importance of private equity and sovereign wealth funds to the modern global economy. |
| | 5. Matters arising from QM related conforming amendments to the Code |
| APESB | APESB is supportive of this focus area but do not see it as a high priority compared to other focus areas. |
| BDO | BDO believes that the International Standards on Quality Management (ISQM) and the IESBA Code should be aligned and to the extent that they are not, the IESBA should undertake a project on this. |
| CAANZ | Consistency between the IAASB standards and the Code should not only be a priority but a rule of engagement. |

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| CPAC | The PTC thinks that it is important for the IESBA to develop an understanding of whether there is an actual difference created by extending references to network firms to include the network, and if that difference would be significant then it is important to address. |
| Ind Crowe | I think with ISQM 1, the Code of Ethics also becomes applicable on non-audit professionals in a firm. Hence, the Code must be relevant and updated accordingly. |
| EY | We are not seeing the Code needing additional clarifications in this regard |
| ICAS | Subject to IESBA resources there might be merit in undertaking a project on this topic. This will partly depend on any issues that are identified as the IAASB's international standards on quality management become applicable |
| IFAC SMPAG | This is a practical issue affecting practitioners in firms of all sizes and is also a key issue in practice not already addressed in national legislation. |
| IRBA | The conforming amendments to the Code are therefore also a high priority.<br><br>We agree with the proposal to clarify issues surrounding "networks" per the above.<br><br>In addition, in preparing our comments to the *QM-related Conforming Amendments Exposure Draft*, we reflected on whether the interaction between the IESBA Code and the ISQM 1 requirements, are clearly reflected in the proposed conforming amendments to the IESBA Code.<br><br>Our reflections identified questions such as:<br>• How do threats to compliance with the fundamental principles, including independence, feed into the establishment of quality objectives and the identification and assessment of quality risks?<br>• How do breaches of the IESBA Code translate to findings and/or deficiencies in the system of quality management?<br>• How do the specified response requirement (policies and procedures established by the firm) relate to the IESBA Code requirements?<br><br>Although it wasn't within the scope of this conforming amendments project to address these questions, we highlighted the need to have guidance that cross-references the fundamental changes to ISQM 1 and explains how these should be read and applied in accordance with the IESBA Code.<br><br>We therefore reiterate this proposal for the IESBAs consideration. We are of the view that guidance in this regard will enhance the standing of the IESBA Code and address the potential for an inconsistent understanding and application of the IESBA Code in the application of ISQM 1 |
| Leaf Excellence | Alignment of ISQM's with code and group and network issues important |
| MIA | To ensure any potential "gap" in the audit quality under the ISQM 1 is addressed on a timely basis, there is an urgent need to review these terms as part of the post implementation review. We expect that this will be carried out towards the later part of the SWP to ensure that the ISQM is fit for purpose |
| OECD | **GOV/PSI** |

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| | Quality management ensures a strategic and sustainable approach to the risk management that includes assessing risks to a public integrity, addressing control weaknesses (including building warning signals into critical processes) as well as establishing an efficient monitoring and quality assurance mechanism for the risk management system. It covers quality of service and sustainability of operations. It is critical for organisations to be aware of the biases that can affect the risk assessment process, and put in place quality control processes over the risk assessment process itself, ensuring adequate and effective internal control system. |
| PWC | Necessary conforming changes should be made but we see no need to address these two points. The guidance and application of the IIS to Network firms is sufficiently clear. |
| RSM | We believe that consistency across the different standards is important as this helps ensure understanding and if the IESBA has become aware of matters to help address this then this should be a high priority. |
| WFE | As we have expressed earlier in this survey, it is important that the IESBA and IAASB standards work seamlessly together. Since the three quality management standards will be effective by the end of 2023, it is important for IESBA to ensure that changes to the Code are aligned with the IAASB QM standards. |
| UKFRC | We consider this project to be of high importance. The issues over how networks may be defined, as well as the desirability of ensuring that the Code aligns to ISQM 1 as much as possible, have important public interest considerations |
| | 6. Familiarity threat in relation to Part 2 |
| APESB | Subject to the IESBA's resources, APESB is supportive of this proposed project but do not see it as a high or medium priority |
| BDO | PAIB have a key role to play in the financial reporting ecosystem in protecting the public interest. BDO believes that non-authoritative material regarding how PAIBs should address familiarity threats in the context of their work for employing organizations will complement the potential area of strategic focus to raise the ethical bar for PAIBs. |
| CAANZ | Providing non-authoritative material to assist with addressing familiarity threats in the context of PAIBs work for employing organisations is desirable but should not be a high priority. |
| CPAC | The PTC views this as core to the profession. |
| EY | As this relates to public accountants in business we have no specific comments. However, we continue to support the efforts of the IESBA in strengthening the ethical requirements as they relate to professional accountants in business |
| HKICPA | Given the limited guidance for PAIBs currently, we welcome additional guidance preferably as non-authoritative materials regarding how PAIBs should address familiarity threats in the context of their work for employing organizations |

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| IAFEI | The key reference point is independence. Familiarity threat should be accorded priority |
| ICAEW | ICAEW notes that the guidance for members in business is very limited compared with guidance for those in public practice even though they face as many, if not more, front line ethical threats. Care should be taken however, to ensure that this is non-authoritative advisory material |
| ICAS | We are not convinced that this is a topic of high priority |
| IRBA | Please refer to our responses to Question 4 for context.<br><br>Identifying threats faced by PAIBs and providing guidance on how to appropriately respond to those threats is a very important topic.<br><br>We want to recognize however, that these threats may extend beyond familiarity threats depending on the stressor being faced by the PAIB.<br><br>Other stressors / circumstances that may create threats to the PAIBs ability to comply with the fundamental principles include instances when they come face to face with:<br><br>• Collusion<br>• Bribery<br>• Facilitation<br>• Conflict of interest<br>• Increased financial pressures e.g., business is under financial distress<br>• Whistleblowing<br>• NOCLAR<br><br>It's important that PAIBs understand:<br><br>• Their role in Corporate Governance<br>• How to maintain their Cognitive intelligence<br>• How to be responsible and ethical leaders<br><br>Given the relevance of these very real issues being faced in practice, we support a project that investigates, not only examples of familiarity threats, but also other threats to compliance with the fundamental principles that that are created by practical situations that extend beyond inducements |
| KMPG | We are supportive of exploring further whether additional guidance would be helpful regarding familiarity threats in relation to PAIBs in the context of their work for employing organizations. We consider that PAIBs play a vital role in financial reporting (and provision of other information), and therefore, it is important that provisions in this area are fit for purpose. |
| OECD | **EXD/DO**<br><br>Very important to clarify scope |
| PWC | Any decision to invest time and resources on this specific issue (the familiarity threat) should be based on the views of key stakeholders and member bodies. However, we recognise that PAIBs play a vital part in the corporate reporting ecosystem and |

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| | this means there needs to be proper ethical and professional behaviour by all PAIBs. Ethical standards should be reinforced in this area. |
| | 7. Professional appointments |
| APESB | While APESB would be supportive of additional application material on the responsibilities of accountants relating to professional appointments, we are concerned about the final paragraph above, which suggests a prohibition on accepting new clients if they do not provide permission to communicate with the existing accountant.<br><br>This seems quite prescriptive and APESB believe it should be up to the professional judgement of the proposed PA as to whether they should undertake an engagement. |
| BDO | BDO believes that it will be useful for the IESBA Code to provide guidance on instances where clients refuse permission for the auditor to engage with the new auditor but questions whether it is appropriate to introduce a requirement for the firm to decline an appointment in this situation.<br><br>BDO believes that it is more appropriate for local jurisdictions to use guidelines developed by the IESBA in deciding whether local legislation should require the firm to decline an appointment where clients refuse permission for the auditor to engage with the new auditor. |
| CAANZ | While ethical considerations are important, there are many other factors that contribute to an audit firm's decision to accept/decline an appointment. We would recommend the Board consider non-authoritative material to assist firms with the decision-making process. We have recently developed a guide to assist our members in this area, a copy has been forwarded to IESBA staff. |
| CPAC | The PTC views this as core to the profession. |
| EY | We believe this is sufficiently addressed through the IAASB standards |
| IAFEI | Relevant tasks to a professional appointments should be observed with due diligence to assure smooth transition and for the appointed professional to have good appreciation of the predecessor professional's experience or inputs if provided |
| ICAS | We are not convinced that this topic is a high priority. |
| Leaf Excellence | Declining engagements where clients display questionable behaviour os not in the public interest. The entities require audit |
| PWC | We do not believe that the Code needs to address this with any more specificity. We are not aware that this is a common issue but to the extent such issues do arise, these are matters that firms can address without further guidance, and which may result in an engagement being declined. |
| RSM | Having access to all relevant information is a pre-requisite for a Professional Accountant in Public Practice to do their job effectively. Changes to professional appointments will increase with the introduction of audit firm rotation in some jurisdictions. We therefore think that the IESBA should focus on the actions a |

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| | proposed accountant should take in the circumstance where they are unable to access relevant information |
| Ind SAICA | As said small medium accountants in smaller towns have unique problem areas. Company directors and shareholders are from the same family or ethnic group. Instances like a divorce or power shifting in an group may cause a change of professional appointment. We as accountants in our region meet regularly, have open relationships. The dispute between spouses or power struggled individuals lead to restrictions being placed on professional accountants to communicate as required in the Code |
| | 8. Breaches of the Code |
| APESB | APESB is supportive of this focus area but do not see it as a high priority compared to other focus areas. |
| BDO | BDO believes that the professional accountant's response to a breach of the fundamental principles should be more clearly defined, particularly as it relates to disclosure requirements when the breaches occur and steps available when the professional accountant is unable to end a service. |
| CAANZ | We encourage the IESBA to consider the consistency within the Code, particularly between breaches of the Code and breaches of laws and regulations. For example, the NOCLAR provisions do not require the PA to report a breach; rather, they provide the PA with the right to report the breach.<br><br>We recommend the IESBA avoid introducing rules into a principles-based Code – we are in favour of adopting a similar approach to responding to NOCLAR for what the PA may do to respond to breaches of the Code.<br><br>We also note that many PAs will not be in a position to "stop" an activity, for example a trainee accountant. |
| CPAC | The PTC views enforceability of the Code as core to the profession. Therefore, any breaches must be dealt with fairly and consistently which is more easily accomplished with clearly worded standards and practical guidance. |
| Ind Crowe | The preventive and detective measures and the actions required on breach of the Code must be deterrent for any professional |
| EY | We agree with the need to clarify that a breach of the Code relating to a non-independence matter needs to be terminated. We do not support removing the optionality in reporting breaches to a relevant oversight authority (e.g., regulator or professional body). Requirements to report breaches to the relevant oversight authority, as well as any public disclosure requirements, should be left to local jurisdictional discretion. Such a specific matter would be difficult to implement in a global standard |
| FIRECAFI | The breaches, it´s identification, evaluation and resolution could be the more difficulties for the profession |
| Ind Hewlett Packard Enterprise | If there is a breach, I don't know why this isn't highly consequential |

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| HKICPA | We are not aware of significant number of breaches around Independence Standards in our jurisdiction. However, we welcome additional guidance to be included in the Code to address the consequences of a breach. For example, paragraph R100.8(b) states that if the accountant identifies a breach of any other provisions of the Code, the accountant shall determine whether to report the breach to the relevant parties but the extant paragraph does not contain any suggested factors for such determination |
| IAFEI | The Code is meant to be followed/observed for right mindset and conduct/behavior of the professional accountants. Breaches of the Code translate to an assault to /violation or disregard of its reason for being |
| ICAS | We are not convinced that this topic is a high priority. |
| IRBA | Please refer to our response to Questions 2, 4 and 7 for context..<br><br>Enhancing the requirements in respect of Breaches of the Code may encourage ethical leadership and increase accountability when PAs face controversy. We therefore agree that enhancing these requirements will be in the public interest.<br><br>We support the specific topics proposed above.<br><br>In addition, we propose that clarity be provided as to the general expectation of PAs when they become aware of breaches of the Code, not only when they themselves have breached the Code, but also when they suspect breaches by other PAs as the extant paragraph does not specifically identify the different types of breaches that may occur and how to respond to these in differing circumstances |
| Leaf Excellence | Requirements need attention in order to serve public interest, ensure proper consequence management by appropriate law enforcement agencies, without withdrawing from engagement |
| MIA | These issues were identified when the restructured Code was issued back in 2018/2019 but were not dealt with because of resource constraints. The Board should now focus on their timely resolutions so as to be responsive to the needs of professional accountants (especially the PAIBs). |
| OECD | **EXD/DO**<br><br>This also is an area that goes to trust in the IESBA "system". Trust building is critical and reinforcing these aspects of the Code are a key building block in that regard<br><br>**GOV/PSI**<br><br>An internal control within organisations should contain clear procedures for responding to suspected violations of law, of processes, or the occurrence of integrity breaches. While the action needed can vary among organisations and may depend on size, function, and governance arrangements, the relevant authorities can play an essential role in co-ordinating necessary reporting of and responses to suspected integrity breaches. |
| PWC | We believe that the guidance in the Code is sufficient. We support the position that in some cases, based on the facts and circumstances (e.g. in relation to a minor and perhaps technical breach), reporting to relevant parties may not be necessary or appropriate. |

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| RSM | In recent years the IESBA has strengthened the Code and implemented more requirements that would cause a breach of the Code. We agree that it is important that focus is given on actions to take where a breach of the Code is identified. |
| WFE | We support greater clarity in dealing with breaches with more examples and guidance. It is important that breaches are adequately dealt with and not subject to second guessing by regulators and investors. |
| | 9. Definitions and descriptions of terms |
| ACCA | We believe that it is important, as part of the IESBA- IAASB coordination plan, to align the terms used in the Code with the IAASB definitions. We suggest this topic to be specific on the above-mentioned definitions. |
| AE | It is crucial to have clear definitions to have a consistent implementation of the Code. In addition, the terms used in the Code should be aligned with the IAASB definitions. A potential project on this area should have a narrow scope with the aim of clarifying current definitions rather than introducing new<br>terms. |
| AIA | We believe there is a need for consistency of terminology across the suite of IESBA and IAASB standards. This will help eliminate ambiguity and facilitate better translations. |
| APESB | APESB is supportive of this focus area as it is important to align terms in the Code with the IAASB Standards as it contributes to its operability. In Australia, APESB aligns itself closely with the AUASB Standards to ensure the Code's and AUASB Standards' operability for the benefit of Assurance practitioners and other stakeholders in Australia. |
| BDO | As indicated in paragraphs 35 and 51, in addition to the terms listed above, BDO recommends that the IESBA consider defining:<br>a. Business relationships<br>b. Advice and recommendations |
| CAANZ | Changes required to increase consistency between the definitions in the IAASB standards and the Code should be a priority. Given our comments about potentially broadening the applicability of the Code to allow professionals other than accountants, access to the Code, it may be important to address these definitions but for reasons other than what has been outlined above. |
| CPAA | A thorough review of all definitions and descriptions across the more than 300 pages of the Code is needed to ensure that any potential inconsistencies are identified and addressed. A most obvious example relates to the inconsistency between Section 120 (the conceptual framework) of the Code and the new paragraph R600.16, which seems to imply that Section 120 does not apply in such circumstances. |
| DTTL | This rating related solely with respect to the initiative of ensuring that the definitions in the Code and the IAASB standards are aligned to the extent possible |

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| EFAA | We believe there is a need for consistency of terminology across the suite of IESBA and IAASB standards. This will help eliminate ambiguity and facilitate better translations. |
| EY | A broad look at the definitions could be helpful in ensuring the Code remains fit for purpose. Care will however have to be taken in order not to disturb the very foundations of the Code. Such a project would require coordination with the IAASB so as to foster alignment and interoperability with the assurance standards |
| IAFEI | The definitions and descriptions of terms are high priority for they provide clarity and better guidepost |
| ICAEW | 5 – as regards consistency of terms. It is both confusing to members in the profession and even more so to the general public when there is a lack of consistency in terms, and this should be addressed. Furthermore, procedures should be put into place between the constituent elements within IFAC to ensure that consistent terminology is always used going forward."<br><br>1-3 as regards other proposals for redefining terms given in the bullet points. The need for such changes should looked at separately as necessary and when there is specific justification for them. Small changes in terms can help clarify but they can also have a major impact with unexpected side-effects (such as including included retired or inactive professional Pas within scope. |
| ICAS | Subject to available resources there would be merit in undertaking a project in this area |
| IDW | In order to remain applicable and relevant, It is important for the Code to have clear definitions. Furthermore, the terms used in the Code need to be aligned with the IAASB definitions. |
| JICPA | We believe that clarifying definitions of terms is essential for accurate understanding and application of the Code. In addition, we believe that terms for which clarification is suggested by users of the Code should be addressed on a priority basis. |
| KPMG | We are supportive of the proposals to align definitions / descriptions used in the Code (e.g., financial statements, firm, etc.) to terminology used in the IAASB standards. As the Code is designed to work in concert with the IAASB standards, we consider it key that terminology is aligned. We also agree that it would be helpful to explore the definitions of PA, PAPP and PAIB, and how these terms interact and interrelate in practice (e.g., regarding the definition of PA and how this applies to PAs who work in professional services firms but are not part of the provision of services by those firms, instead working in administrative functions). We are not supportive of reconsidering how certain terms are used in the Code (e.g., audit team) and would not consider that aspect of this topic to be a high priority. |
| Leaf Excellence | This area needs specific attention as inappropriate inclusions and exclusions in definitions may occur |
| MNP | We believe it is important to ensure consistency in the terms used in the Code with that used within the IAASB standards to reduce confusion. |

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| NRF | Clear definitions are important to achieve consistent implementation of the Code. The definitions and descriptions of terms should also be aligned with the IAASB's definitions. |
| OECD | **EXD/PBF**<br><br>Just as a general comment, clarity & consistency are very important, if not essential. Definitions should be made consistent wherever possible, for those examples noted in this survey**.** |
| PWC | We recognize that there may be some issues outlined above that warrant consideration and perhaps clarification but again would not put this as a priority for the Board given limited resources and that we do not see any immediate practical concerns today. A threshold for action is whether there are differences in definitions that are causing problems – driving questions or inconsistent practices.<br><br>Topics 1-9 herein are examples of minor areas that have surfaced in projects and discussions with stakeholders but in our view are not topics of such importance that the Board needs to devote time to and starting projects on these matters would only exacerbate the concerns expressed above regarding frequent and never-ending changes to the Code and IIS. |
| RSM | We believe that consistency across the different standards is important as this helps ensure understanding and if the IESBA has become aware of matters to help address this then this should be a high priority |
| Ind SAICA | Any concern raised regarding definitions in the Code should be followed up.<br><br>The Code of professional bodies are implemented by members in their practices mostly without any problem. We have an open line of communication to our body SAICA and depend on their input to be abreast with changes in our Code |
| UKFRC | We strongly encourage the IESBA to work closely with the IAASB to ensure that wherever possible their definitions are consistent, since this will support the implementation of the Code. Where it is not possible to adopt consistent definitions, there should be a clear exposition for the underlying rationale, and a discussion of the practical consequences. PAs should not have to reconcile and address differences of view between IESBA and IAASB.<br><br>The suggestions around "audit team", "employee", "engagement period", "firm" and "network firm" would all benefit from reconsiderations for the reasons set out above. |
| WFE | We support clarifying/refining certain key terms. Some of these terms were set in the context of IESBA considerations. It is important that these terms are workable with the IAASB standards and that they align with laws and regulations. |
| WPK | We consider the topic important because consistency of terminology between the Code and the standards of the IAASB should be strived for and guaranteed. However, IESBA should not take this as an opportunity to expand the existing meaning of the terms or inadvertently change them. If a material extension were to be sought by IESBA, the topic would be given priority 1 by us |
| | 10. Non-authoritative material |

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| ACCA | We believe that NAM on the areas outlined above would be beneficial for the comprehensive understanding and effective implementation of the new provisions, contributing to the IESBA's work on dedicating strategic focus on the implementation of the recently completed projects. |
| AE | It will be very useful to provide practical guidance on how Part 4B could be applied by assurance providers currently performing sustainability and other assurance engagements in accordance with the ISAE 3000. For example, the IESBA should consider developing guidance on the difference between the two types of assurance engagements (limited vs. reasonable) covered by ISAE 3000 with practical application of the respective independence provisions for each. The guidance could also include examples on how the rules apply when multiple responsible parties are part of the assurance engagement. Finally, specific non-authoritative material on the applicability of Part 4B in a sustainability assurance engagement will most likely be welcomed by stakeholders. Our rating of 4 does not apply to other two issues mentioned above. |
| AIA | Given the rapid emergence of sustainability assurance the IESBA ought to consider developing NAM on how Part 4B could be applied by assurance providers currently performing sustainability and other assurance engagements in accordance with the<br>ISAE 3000. Furthermore, NAM on the applicability of Part 4B in a sustainability assurance engagement will be useful to many stakeholders. |
| APESB | Subject to IESBA's resources, APESB is supportive of this focus area but do not see it as a high priority. |
| BDO | Illustrative examples of different situations add value, add understanding and ultimately result in more consistent application of the requirements.<br>BDO agrees that the scope of the two concepts *the Concepts of "Inquiring Mind" and "Professional Skepticism"* should be clarified through non-authoritative material rather than in the IESBA Code. |
| CAANZ | We are supportive of the IESBA producing non-authoritative material to assist consistent application of the Code and to provide explanation for some of the more complex areas of the Code (such as those mentioned above). |
| CACR | Provision of further non-authoritative materials (NAM) would better assist the providers in their application of the conceptual framework, bring more clarity and enabling informed decisions |
| CPAA | As reflected in our responses to previous questions, we believe there is scope for the IESBA to focus more on non-authoritative guidance for several of the projects that are currently underway, and which are being considered as part of this strategy consultation. The IESBA should take an approach that considers whether additional requirements are needed for certain aspects, and whether the fundamental principles and conceptual framework are sufficient for professional accountants to reach the "right" outcomes. |
| CPAC | The PTC is of the view that the IESBA should focus on NAM that will provide additional material, examples and clarification because it will be far more helpful than developing additional rules or guidance over the short term. This will be useful to |

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| | national standard setters at various stages of deciding whether to adopt the IESBA Code in their jurisdictions and will ensure more effective implantation and greater consistency among those who have adopted the Code. |
| EFAA | Given the rapid emergence of sustainability assurance the IESBA ought to consider developing NAM on how Part 4B could be applied by assurance providers currently performing sustainability and other assurance engagements in accordance with the<br>ISAE 3000. Furthermore, NAM on the applicability of Part 4B in a sustainability assurance engagement will be useful to many stakeholders. |
| EY | We agree with the NAM proposals for Part 4B of the Code and on bias described above. However, we do not see any benefit in devoting resources to NAM related to the relationship between the concepts of "Inquiring Mind" and "Professional Skepticism" as these are adequately addressed within the Code |
| HKICPA | A number of revisions to the Code have been issued and will become effective for audits and reviews of financial statements for periods beginning on or after 15 December 2022 (i.e. NAS and Fees revisions, etc.). We agree that the IESBA's non-authoritative guidance materials to illustrate the applications of the revisions to the Code under different circumstances would definitely help facilitate PAs for effective implementation of the relevant revisions |
| ICAEW | There is considerable academic and other material which PAs can reference to answer the issues posed here. The danger of IESBA producing material in its own right is that, no matter how non-authoritative it is said to be – professional bodies and, specifically, local Courts, may take it as evidence of best practice. Inevitably therefore it will become "mandatory" to introduce additional processes and costs within firms (and businesses) to ensure compliance |
| ICAS | We believe there is greater merit in producing non-authoritative material on the 'Relationship Between the Concepts of "Inquiring Mind" and "Professional Skepticism"' than on 'Bias'. However, we are not convinced this is a high priority topic |
| IDW | NAM: It will be helpful to provide practical guidance on how the Code could be applied by assurance providers currently performing sustainability assurance engagements in accordance with the ISAE 3000.<br>Our rating of 4 does not apply to other two issues mentioned above. |
| IFAC SMPAG | Guidance and clarification are always helpful. We believe that using non-authoritative materials to address fraud and other issues that have come up in recent years would be helpful. |
| Leaf Excellence | Application material and examples should be expanded to ensure appropriate regulation of requirements. The also need to be more authoritative |
| MIA | SMPs, in particular (also PAIBs in smaller entities) look to the Board for support and clarity in interpretating the Code. In many instances, how the Code operates in a real-life situation can be rather obscure. In addition, the distinction between inquiring mind and professional skepticism is still debatable. Hence, these NAM can be a very useful for the professional accountants to learn and apply the Code in an effective manner. It also enables effective enforcement when the Code is clear and not |

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| | subjected to varied interpretations. In addition, NAM generally have a faster turnaround time from concept to publication |
| NRF | We believe that providing non-authoritative guidance in the above-mentioned areas would be helpful |
| OECD | **EXD/DO**<br><br>In my experience, this “mindset” is generally poorly understood by auditors who tend to have a very narrow perspective by way of their training. Therefore, biases are introduced and erroneous hypothesis are too often formulated which create unnecessary work for audit clients, and end up reducing trust in the process. |
| PWC | As will be seen from our comments above, we support the development of non-authoritative practical guidance to PAs. This could well include guidance on the application of Part 4A, along with other topics, as noted above, such as business relationships.<br><br>We do not see any clear benefit from further guidance on the other two matters suggested above. The Code provides sufficient guidance in these areas.<br><br>As mentioned in an earlier question, we are happy to share our research relating to “Building a culture of challenge in audit firms” which the Board may find of interest and relevance. |
| RSM | We think that non-authoritative materials is important as it helps understanding of the application of the Code. The use of examples is often very helpful to increase application of the rules. We feel that increased understanding of the Code will facilitate its adoption and implementation.<br><br>As outlined in question 4 above, we feel that a particular area of focus should be developing NAM that provides expanded explanation of the eight examples of bias as well as other types of biases that may also be relevant to the exercise of professional judgment, particularly as it relates to ethical considerations associated with use and reliance on artificial intelligence. |
| Ind SAICA | Current SA corruption and business failures and unethical behavior have prompt me to agree that specific areas of guidance may be needed to expanded upon. Independence, engagement types and mindset and skepticism considerations are always relevant. |
| UKFRC | The suggested topics for Non-Authoritative Material would provide public interest benefits and are of relevance to Professional Accountants. In particular, the proposed workstream for developing NAM on the alignment of Part 4B of the Code with ISAE 3000 (Revised) would support the effective implementation of these changes. The proposed work would also strongly align with the Board's aim of promoting timely adoption and effective implementation of the Code. Additionally, the proposed guidance on what constitutes "an enquiring mind" would serve to strengthen professional standards for professional accountants engaged in assurance activities. The FRC believes that such guidance supports and enhances professional standards, and has recently published a framework on professional judgement for auditors which may be of interest to the IESBA |
| Validor | For digital support |

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| WFE | The IESBA Code is technical in nature and subject to judgement and interpretations. To ensure consistency in application and interpretation, we support IEBSA's continued development of materials that support implementation on key topics. |