

# IESBA SWP 2024 – 2027

## Strategy Survey Responses & PC Analysis

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CAG Meeting – September 2022

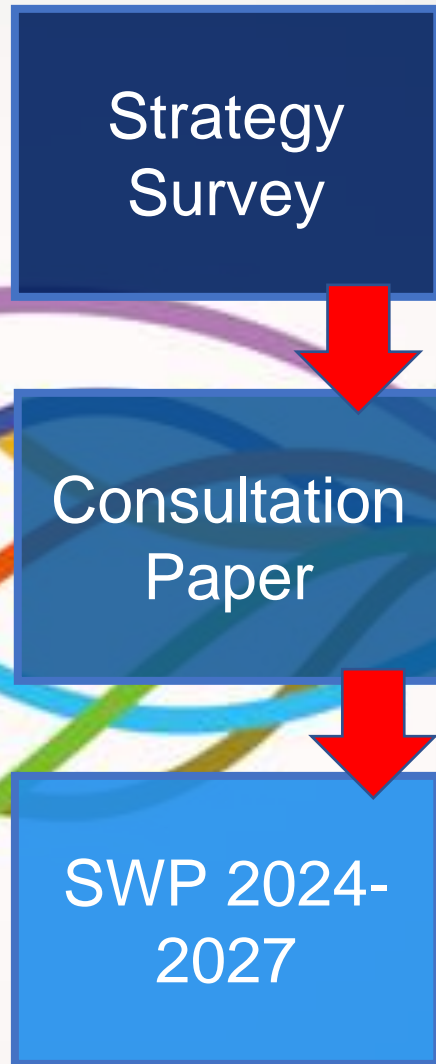


# Objective

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- Share views on the proposed strategic focus areas in light of the feedback received
- Provide input on the potential topics that should be given priority for development of the SWP

# Recap - Strategy Survey



## Next SWP, 2024 - 2027

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



# Recap - Potential Strategic Focus Areas

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

## **Sustainability Reporting and Assurance**

Enhancing ethics & independence standards for sustainability reporting and assurance

## **PAIBs**

Raising the ethical bar for professional accountants in business

## **Auditor Independence**

Strengthening independence standards for audit engagements

## **Adoption and Implementation**

Promoting timely adoption and effective implementation of IESBA Code

# Recap - Potential Projects and Initiatives

	Topic
<b>INDEPENDENCE TOPICS – PAPPs</b>	
1.	<u>Independence of external experts</u>
2.	<u>Audit firm – audit client relationship</u>
3.	<u>Business relationships</u>
4.	<u>Definition of “audit client” for PIEs</u>
5.	<u>Matters arising from Quality Management (QM)-related conforming amendments to the Code</u>
<b>PAIB-SPECIFIC TOPICS</b>	
6.	<u>Familiarity threat in relation to Part 2</u>
<b>TOPICS ADDRESSING PAS MORE BROADLY</b>	
7.	<u>Professional appointments</u>
8.	<u>Breaches of the Code</u>
9.	<u>Definitions and descriptions of terms</u>
<b>OTHER TOPICS</b>	
10.	<u>Non-authoritative material</u>

# Summary of Respondents

## 49 responses received, including:

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

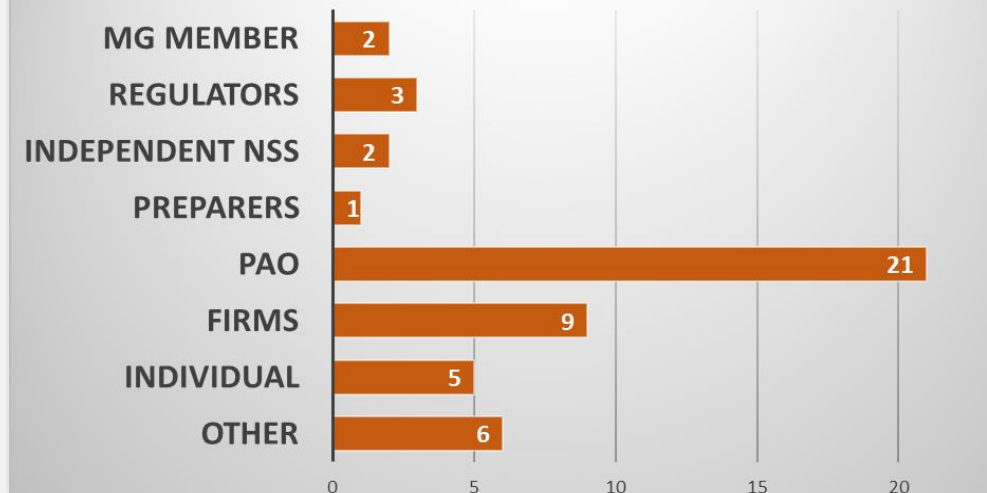
## Other outreaches in September:

- CFA Institute,
- International Monetary Fund
- World Bank

## By Region



## By Stakeholder Group



# Overall



## 4 Strategic Focus

1. Sustainability reporting and assurance – Strong support
2. PAIBs ethical behavior – general support, recognition of importance of PAIBs role eg CFOs
3. Independence for Audits - Acknowledge importance of independence but mixed views on pace of new projects
4. Adoption and implementation -Strong support including the upcoming PIRs



## 10 Potential Projects

- Top 5 based on overall rating scores:
  - Definitions of descriptions and terms | NAM | Independence of external experts | Breaches of the Code | QM-Related Conforming Amendments
- MG members have also provided additional feedback on potential topics



# Overall

## When developing the draft consultation paper, PC will also consider:

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





# Proposed Strategic Focus Areas



# Proposed Strategic Focus: Sustainability Reporting and Assurance

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

- Share any additional views on the respondents' feedback to the proposed strategic focus on sustainability standard-setting (Survey Q.1-3)



## Proposed Strategic Focus: Raising the Bar of PAIB ethical behavior

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





# Proposed Strategic Focus: Raising the Bar of PAIB ethical behavior

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

# Proposed Strategic Focus: Raising the Bar of PAIB ethical behavior

## PC Responses

- Key focus on sustainability reporting
- PC will consider board deliberation on the TWG report
- Possible merit to research into the new roles of CFOs and other PAIBs in senior roles
- NOCLAR PIR may explore effectiveness of WB legislations and NOCLAR provisions in addressing fraud
- IESBA will continue to promote importance of high-quality standards and PA role in acting in public interest
- Upcoming:
  - September IFAC PAIBAG meeting to discuss SWP including expanding role of CFOs and sustainability
- **IESBA September 2022 Discussion**

# Matters for CAG Consideration

CAG representatives are asked to share views on:

- Respondents feedback to strategic focus on raising the bar of PAIBs (Survey Q.4) and the PC responses





## Acknowledged significant enhancements to independence standards

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

**Proposed Strategic  
Focus: Strengthening the  
IIS for Audits**



- Other respondents asked IESBA to consider its pace of change to the IIS in light of recent revisions and time needed for adoption
  - Ranged from slower pace, a period of stability to minimum 5-year moratorium
  - Focus on significant issues
  - Focus on providing A&I support to improve clarity and consistency
  - Further research and PIRs will help determine if enhancements to the Code needed.

## Proposed Strategic Focus: Strengthening the IIS for Audits



## PC Responses:

- PC will take into account TWG's report and recommendations and findings from BWG report and Board decision on sustainability,
- Acknowledged concerns raised by respondents about volume and rate of change of the IIS
  - Not appropriate to take moratorium
  - Practical steps to alleviate stakeholder concerns
- PC will consider MG members' feedbacks
- **IESBA September 2022 discussion**

**Proposed Strategic  
Focus: Strengthening the  
IIS for Audits**





# Matters for CAG Consideration

CAG representatives are asked to share views:

- Feedback to respondents' feedback on strategic focus on strengthening the IIS for audits (Survey Q. 5) and PC responses



# Proposed Strategic Focus: Adoption and Implementation



## **Strong support for focusing on adoption and implementation**

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



# Proposed Strategic Focus: Adoption and Implementation



## Operability Issues

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



# Proposed Strategic Focus: Adoption and Implementation



## PC Responses

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

# Other Environmental Trends or Developments



## High-level input from MG members

- IOSCO:
  - Be agile in resource allocations
  - Consider an expedited process for certain projects
- IFIAR:
  - The Code should be clear, enforceable and can be applied consistently
  - Important to focus on expected outcomes of proposed projects in the consultation paper
  - Support the coordination efforts among standard-setting organizations.

# Other Environmental Trends or Developments



## TRENDS

### Other observations include:

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



# Other Environmental Trends or Developments



## PC Responses

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

# Matters for CAG Consideration

CAG representatives are asked to share views on feedback received and PC responses:

- Adoption/implementation (Survey Q. 6)
- Operability issues (Survey Q. 7)
- Other environmental issues/ trends (Survey Q. 8)





# Potential Future Projects





# Possible Future Projects



## **IESBA Sought input on 10 possible future topics:**

### **INDEPENDENCE TOPICS – PAPPS**

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

### **PAIB-SPECIFIC TOPICS**

6. Familiarity threat in relation to Part 2

### **TOPICS ADDRESSING PAS MORE BROADLY**

7. Professional appointments
8. Breaches of the Code
9. Definitions and descriptions of terms

### **OTHER TOPICS**

10. Non-authoritative material

# List of Possible Future Projects

## Overall scoring by respondents

- Definitions of descriptions and terms
- NAM
- Independence of external experts
- Breaches of the Code
- Matters arising from QM conforming amendments

## IOSCO

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

## Profession (PAOs + firms)

- Definitions of descriptions and terms
- NAM
- Independence of external experts
- Definition of “audit client” for PIEs
- Breaches of the Code

## Other Regulators/NSS

- Independence of external experts
- Audit firm – audit client relationships
- Definitions of descriptions and terms
- Business relationships
- Breaches of the Code

# Possible Future Projects

## Pre-commitments

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

## Sustainability

- Workstreams

## TWG Recommendations

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

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

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



# Possible Future Projects

## Pre-commitments

- Post-Implementation Reviews
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  - NOCLAR
  - Long Association
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## Sustainability

- Workstreams

## TWG Recommendations

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1. Independence of external experts
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# Milestones





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