

Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: March 6, 2023

Agenda Item

B

IESBA Strategy and Work Plan 2024 – 2027

Objective of Agenda Item

1. To provide advice on the draft Consultation Paper for the IESBA Strategy and Work Plan (SWP) 2024-2027

Working Group

2. The Working Group comprises members of the IESBA Planning Committee:

- Gabriela Figueiredo Dias, IESBA Chair
- Laurie Endsley, IESBA Vice Chair
- Richard Huesken, IESBA Member
- Jens Poll, IESBA Member
- Channa Wijesinghe, IESBA Member

Observer

- Gaylen Hansen, Chair, IESBA CAG

Work Stream Status and Timeline

3. The current IESBA [SWP](#), released in April 2019, covers the period from 2019 to 2023.
4. At its November-December 2021 meeting, the IESBA began preliminary discussions on developing its next SWP 2024-2027. In March 2022, the IESBA approved a [Strategy Survey](#) for issuance in accordance with due process, taking into account the CAG's input.
5. In September 2022, the CAG shared views on the significant comments raised by respondents to the Strategy Survey (a total of 49 comment letters were received), taking into account the September 2022 IESBA discussion. The report-back on the CAG discussion is included in the Appendix.
6. In developing the first draft of the Consultation Paper, the PC also considered the following:
 - Input from the IFAC Professional Accountants in Business Advisory Group (PAIBAG) during the September 2022 PAIBAG meeting.
 - In October 2022, the IESBA PC and the International Auditing and Assurance Standards Board (IAASB) PC held a joint virtual meeting to share views on matters of strategic coordination relating to the development of the two Boards' SWP 2024 -2027.

7. In December 2022, the IESBA considered the first draft of the consultation paper and provided input to the PC for further consideration.
8. In March 2023, the IESBA will consider with a view to approving for issuance the revised draft Consultation Paper, taking into account the CAG's input.
9. Subject to the feedback from stakeholders on the Consultation Paper, the final draft of the SWP is expected to be tabled for IESBA consideration and approval in December 2023.
10. The remaining timeline for the development of the SWP 2024-2027 is as follows:

Milestone	Expected Timing
IESBA approval of SWP Consultation Paper	March 2023
Discussion of Consultation Paper responses and draft SWP with CAG	September 2023
Full IESBA review of Consultation Paper responses and draft SWP	September 2023
IESBA approval of SWP	December 2023
PIOB consideration and approval	March/April 2024
Release of SWP 2024-2027	April 2024

Second Read of the Draft Consultation Paper

11. The structure of the draft Consultation Paper is as follows:

Section I – Request for Comments

- List of questions for respondents

Section II – Proposed Strategy 2024-2027

- Vision
- Strategic drivers
- Strategic themes and actions
- Coordination with the IAASB

Section III – Proposed Work Plan 2024-2027

- Key considerations in establishing and delivering the work plan
- Projects and work streams commenced before 2024 (**Table A**)
- Pre-committed work streams to commence during or after Q1 2024 (**Table B**)
- Proposed new work streams (**Table C**)
- Other activities
- Indicative milestones and deliverables

Appendix 1 – Descriptions of projects and work streams

Appendix 2 – Rationale for anticipated demand on resources

Appendix 3 – Summary illustrative IESBA Work Plan 2024-2027

Matters for CAG Consideration

12. CAG Representatives are asked to provide input to the matters for CAG consideration as set out in the draft Consultation Paper (**Agenda Item B-1**).

Material Presented

Agenda Item B-1	Draft SWP Consultation Paper
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Appendix

Report-Back of September 2022 IESBA CAG Discussion

The table below contains extracts from the draft September 2022 IESBA CAG meeting minutes and how the IESBA Planning Committee (PC) or IESBA has responded to the Representatives' comments.

Matters Raised	IESBA PC/IESBA Response
GENERAL	
<p>Mr. Hansen queried why the strategy cycle has been changed to four years instead of the previous 5 years.</p>	<p>At the meeting, Messrs. Siong and Kwan explained that the four-year cycle aligns with that of the International Auditing and Assurance Standards Board's (IAASB) next strategy period and that this was agreed with the IAASB to facilitate increased strategic coordination between the two Boards. They indicated that the four-year cycle will also enable the IESBA to be more responsive to the rapidly changing business and work environment for professional accountants. Ms. Dias also added that the IESBA will continue to be alert to the context in which it operates, making changes to its strategic work plan as necessary in order to address new issues responsively.</p>
<p>With regards to the breakdown of respondents, Mr. Thompson noted that the number of responses seemed relatively lower than in previous strategy surveys. He suggested that it would be helpful to have more feedback from the investor groups. In response,</p>	<p>At the meeting, Mr. Kwan clarified that some respondents, such as the International Organization of Securities Commission (IOSCO), represent multiple constituents. Ms. Dias and Mr. Siong also pointed out that as the investor community is a much more fragmented group, it is difficult to identify a collective view on key issues. They indicated that the IESBA has been proactive in conducting outreach to individual investor organizations. Mr. Siong further noted that recent feedback from outreach indicated that investors generally tend to trust audited financial statements. Many of them also generally do not feel qualified to provide feedback on technical accounting and audit-related issues.</p>

Matters Raised	IESBA PC/IESBA Response
POTENTIAL STRATEGIC FOCUS ON RAISING THE BAR OF ETHICAL BEHAVIOR OF PAS IN BUSINESS (PAIBs)	
<p>Mss. Meng and Manabat expressed support for focusing on the ethical behavior of PAIBs, noting the importance of PAIB roles such as chief financial officers (CFOs) and the financial failure of high-profile companies in recent times. Ms. Meng highlighted the importance of instilling the right ethical culture and mindset within organizations and hence the need to raise the bar for PAIBs. Mr. Hansen added that an issue is that CFOs do not have to belong to a professional accountancy organization (PAO). He noted that a root cause of many corporate scandals has been the role played in those scandals by CFOs. Accordingly, he also supported the strategic focus on PAIBs.</p>	<p>Support and points noted.</p>
<p>Mr. Greene supported having a high ethical bar for PAIBs. However, he queried how compliance with the Code can be effectively enforced on PAIBs. Mr. Hansen further pointed out that CFOs are not under the same level of regulatory supervision as auditors.</p>	<p>At the meeting, Ms. Lee explained that the responsibility for enforcement generally rests with the professional accountancy organizations (PAOs) through mechanisms to address complaints and take disciplinary actions. Mss. Dias and Lee further pointed out that the Code should continue to have a high ethical bar for PAIBs because of their “first line of defense” role in the financial and non-financial reporting chain. Mr. Siong noted that the IESBA will continue to reinforce the important message that PAIBs need a high standard of ethical behavior when the IESBA engages with PAOs, including IFAC.</p>
<p>Ms. Blomme wondered whether the phrase “raising the bar” might be misconstrued as she did not believe the ethical provisions for PAIBs in the extant Code are broken. She also suggested a review of the implementation of the NOCLAR provisions in the Code and the role of PAIBs in corporate governance and corporate culture as deserving strategic consideration.</p>	<p>At the meeting, Ms. Dias clarified that the phrase did not mean that Part 2 of the Code is broken but that there are opportunities for the IESBA to further enhance the Code to strengthen expectations of ethical behavior for PAIBs. Messrs. Siong and Kwan also explained that under the Sustainability work stream, the Board will already look to enhancing Part 2 to address the ethical expectations for PAIBs in sustainability reporting. They added that the Planning Committee will also further examine the role of CFOs.</p>

IESBA Strategy & Work Plan (Cover Note)
IESBA CAG Meeting (March 2023)

Matters Raised	IESBA PC/IESBA Response
POTENTIAL STRATEGIC FOCUS ON ADOPTION AND IMPLEMENTATION (A&I)	
<p>Mr. Thompson wondered whether there are any useful learnings that IESBA staff might take from the IAASB's Complexity, Understandability, Scalability and Proportionality (CUSP) work stream.</p>	<p>At the meeting, Mr. Siong indicated that the IESBA had recently undertaken a 5-year project to restructure the Code to make it more user-friendly and understandable. Mr. Kwan also noted that the IESBA will conduct a post-implementation review of the restructured Code as part of the next strategy period.</p>
<p>Ms. Blomme expressed support for a focus on A&I. She pointed out that it takes time for adoption in some jurisdictions given the rate of change and the time it takes to understand the revisions to the Code such as NAS and Fees. Accordingly, she felt there was a trade-off between focusing on what is most important from a strategic perspective vs. focusing on implementation.</p>	<p>Support and point noted.</p>
POTENTIAL NEW WORK STREAM ON AUDIT	
<p>Mr. Hansen supported the potential project on reviewing the use of the term "audit client" as he believes the client is really the shareholders and not the entity or its management.</p>	<p>Support and point noted.</p>