



Gabriela Figueiredo Dias,
Chair
International Ethics Standard Board
for Accountants (IESBA)

Sent via IESBA website

Brussels, 7 July 2023

Subject: Proposed IESBA Strategy and Work Plan for 2024-27

Dear Gabriela,

Accountancy Europe is pleased to provide you with its comments on the IESBA's Proposed Strategy and Work Plan for 2024-2027.

We welcome the IESBA's dynamic approach to its strategy and workplan that aims to bring in agility and flexibility.

Sustainability reporting and assurance should be given the highest priority by all stakeholders including the IESBA. It is critically important that the IESBA receives high quality input and feedback to its relevant projects from a wide range of stakeholders.

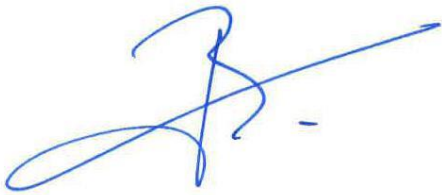
Significant revisions have been made to the Code, particularly in Part 4-A, with recent projects such as NAS, Fees and PIE definition. It will be very beneficial if the IESBA stands back and assesses the adoption and implementation of these revisions before embarking on new projects.

We strongly support IESBA's commitment to work closely with national standard-setters and the International Federation of Accountants (IFAC) with a focus on supporting jurisdictions adopt or use the latest additions and revisions to the Code. This should also include having a mindset throughout the projects to strike the balance between meeting the demands from stakeholders (for example, regulators) in addressing public interest issues and ensuring that the project scope is focused on "need to have changes" that improve the quality and maintain the principles-based nature of the Code.

Accountancy Europe is committed to collaborate with the IESBA in its efforts for responding to public interest issues.

We thank you for the opportunity to comment on this very important piece. For further information on this letter, please contact Harun Saki at harun@accountancyeurope.eu.

Sincerely,



Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 50 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

ANNEX - REQUEST FOR SPECIFIC COMMENTS

Strategic Drivers, Themes and Actions

1. *Do you agree with the IESBA's Proposed Strategic Drivers?*

Yes, we agree with the environmental and operational drivers proposed by the IESBA.

2. *Do you agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions?*

Yes, we agree with proposed strategic themes and actions. Global operability and acceptance of the IESBA's standards are crucial.

The IESBA should engage proactively with a wide range of stakeholders, including the global regulatory and oversight community, to seek input throughout different stages of its projects. Stakeholder support will contribute to achieving wider global acceptance of the Code. For certain parts of the Code to be profession-agnostic; supplementing enforcement, education and certification requirements are needed.

It would be very beneficial if IESBA's proposed ethical requirements on tax planning and sustainability were to be adopted by organisations and professions other than that of professional accountants. Although the accountancy profession's role is key in these areas, other factors and professions will also have roles to play.

Developments in sustainability and tax policy are very fast moving and relevant sections of the Code may need to be reviewed frequently to reflect changes in the public opinion and stakeholder expectations, including regulators. To that end, we invite the IESBA to keep the Code, as far as possible, principles-based rather than rules-based. This would reduce the likelihood that the Code becomes obsolete and thus requires frequent and substantial revision as practices mature.

Proposed Work Plan for 2024 – 2027

3. *Do you support the IESBA considering the topics set out in Table B as potential work streams? If so, please also share your views on any specific issues or questions you believe the IESBA should consider under these topics. If not, please explain your reasons.*

The topics set out in Table B do not seem to be responding to urgent stakeholder needs or practical issues encountered by professional accountants.

In Europe and globally, organisations of all sizes are expected to rapidly transform their business models to contribute to a sustainable economy. Accountancy Europe is committed to contributing to the European Union's ambitious sustainability objectives and considers companies' reporting and assurance thereon as important means to this end. We believe that sustainability reporting and assurance should be given the highest priority by all stakeholders including the IESBA. Therefore, the IESBA should focus on sustainability-related projects instead of the topics listed in Table B.

In this regard, the IESBA should be closely monitoring and influencing as best as possible the work of other stakeholders (e.g., the ISSB, the EU authorities and the SEC) in this area. This will contribute to a global and consistent approach to sustainability reporting and related assurance. Understanding the frameworks that will apply to sustainability reporting and assurance will allow the IESBA to determine the components of relevant ethical framework, including requirements related to independence. These outreach activities would provide opportunities for promoting the Code which guides the accounting profession in serving the public interest. This would also help the IESBA understand the challenges and opportunities with regards to expanding the Code to other professions. Based on this understanding, the Board should plan its implementation support activities to be conducted once its standards on sustainability are finalised and released.

Having said that, of the 6 items listed in Table B, the expanding role of CFOs and other PAIBs could be considered as a potential area to be explored. This could include an emphasis on promoting an ethical culture in companies, without necessarily adding new sections or requirements to the Code. In addition, the IESBA could consider a narrow-scope project in coordination with the IAASB, for harmonising the terminology between the IAASB standards and the Code (see also our response to Question 5).

4. *Do you believe the IESBA should accelerate or defer any particular ongoing, potential or pre-committed work stream(s) set out in Tables A, B and C? Please explain your reasons.*

PROJECT AND WORK STREAMS COMMENCED BEFORE 2024 (TABLE-A)

According to Table-A, the IESBA plans to issue 3 exposure drafts in the first quarter of 2024. This is a very ambitious plan and may lead to some unintended consequences. As an example, stakeholders will be reflecting on their comments about these exposure drafts concurrently and this may have an impact on the quality of the feedback provided. Some stakeholders may not be able to provide any feedback due to resource constraints. Hence, the IESBA could consider deferring the consultation regarding the use of experts' project.

We support planned information gathering projects mentioned in the Table.

PAIBs encounter challenges in complying with NOCLAR provisions of the Code, particularly in jurisdictions where there is no legal framework for whistle-blower protection. Although the requirements and the application material in Section 260 of the Code are adequate, in practice, potential whistle-blowers may often be discouraged from reporting their concerns or suspicions due to fear of retaliation. In this context, the IESBA could discuss with the Monitoring Group members, as well as other stakeholders, the importance of having a balanced and effective framework that has secure reporting channels and protects whistle blowers against retaliation. Based on the results of the PIR, IESBA may need to highlight to key stakeholders that the NOCLAR provisions alone would not be sufficient and supplementary measures would need to be taken.

We also believe that a review of CIV and pension fund arrangements and their relationships with trustees, managers and advisors, to ensure that the independence provisions and the application of the "related entity" definition in the Code remain fit for purpose, may be helpful. Such a review should be made provided that it does not lead to disruptions to the IESBA's projects on sustainability.

POTENTIAL NEW TOPICS IDENTIFIED (TABLE-B)

Please see our response to Question 3.

PRE-COMMITTED WORK STREAMS (TABLE-C)

We understand that the IESBA aims to achieve synergies by combining PIRs. However, in our view, the post-implementation reviews of the restructured Code and of the NAS and Fee revisions should have higher priority than the other two projects listed in Table-C.

Restructuring the Code was a significant initiative and thus deserves a standalone assessment of whether it has met the initial objectives set and whether subsequently added standards are aligned sufficiently to these objectives. We observe that in many jurisdictions, there is a lag between the effective dates suggested by the IESBA for new provisions and the date of adoption by local authorities. One of the objectives during the PIR of the restructured Code should be to understand the reasons for late or no adoption. The reasons will most likely be diverse in different jurisdictions. Accordingly, the IESBA efforts to support timely adoption and effective implementation of the Code will need to be customised.

Similarly, there are practical challenges with regards to new NAS and Fee-related provisions of the Code, especially about requirements on obtaining the concurrence of those charged with governance and on fee disclosure. Therefore, the IESBA should consider conducting the PIRs of NAS and Fee revisions apart from the PIE definition project. These reviews should gather feedback from all stakeholders including representatives of audited entities (i.e. those charged with governance and management) who often have difficulty in understanding the nature of, and the reasoning behind, new requirements set by the IESBA for auditors.

5. *Are there other topics the IESBA should consider as potential new work streams? If so, please indicate whether these topics are more important than the topics identified in Table B, and the needs and interests that would be served by undertaking work on such topic(s).*

We believe that principles-based Code should be flexible enough to respond to emerging issues and new developments adequately. The IESBA should continue considering the use of non-authoritative material to guide the members of the profession on how to apply the Code when facing ethical dilemmas brought by changing circumstances, including new technologies.

Additional Information

6. *The IESBA's proposed Strategy and Work Plan emphasizes the importance of close coordination with its sister Board, the IAASB. Do you have views or suggestions as to how coordination between the IESBA and IAASB could be enhanced to better serve the public interest?*

The IESBA and IAASB should align their terminologies and timelines to the maximum extent possible, for the projects that are within the scope of both Boards' mandate. While doing this, the main objectives should be to provide consistency and to avoid confusion. This has not been fully achieved on the PIE and listed entity definition project. We see that a similar misalignment exists on sustainability-related projects as the IAASB and IESBA have different targeted dates for their exposure drafts. As a result, stakeholders will not be able to see the ethical framework envisaged for sustainability assurance (i.e. ethical requirements, including those related to independence) while responding to the exposure draft of ISSA 5000. This misalignment may lead to inconsistencies or subsequent changes in the standards.

Coordination between the Boards is particularly important in the development of profession-agnostic assurance and ethics (including independence) standards for assurance on sustainability information. Boards should maintain their close coordination in order to develop robust standards that are applicable to sustainability assurance providers, including other independent professionals, and that foster high-quality engagements and consistent practices.

7. *Do you have comments on any other matters addressed in this Consultation Paper or any significant matters not covered that you believe the IESBA should consider in finalizing the SWP 2024-2027?*

As Accountancy Europe, we have exchanged views and experiences with different IESBA Working Groups and Task Forces at different phases of their ongoing projects. This was deemed quite beneficial by both parties. We are committed to continue this collaboration and willing to support the IESBA in achieving its strategic objectives.