

July 7, 2023

Mr. Ken Siong
Senior Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, New York 10017 USA

Re: *Consultation Paper, Proposed IESBA Strategy and Work Plan, 2024-2027*

Dear Mr. Siong:

Deloitte Global is pleased to have the opportunity to provide comments on the *Proposed IESBA Strategy and Work Plan, 2024-2027*, as described in the Consultation Paper issued in April by the International Ethics Standards Board for Accountants (“IESBA” or “Board”).

We support the IESBA’s mission to serve the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable International Code of Ethics for Professional Accountants (including International Independence Standards) (the “Code”).

Deloitte Global also supports the IESBA’s vision to achieve global recognition and acceptance of the ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations. We support the efforts by the Board to understand and respond to environmental and operational drivers that impact the market, in particular the demand for assurance on sustainability information. We recognize that IESBA is uniquely placed as a global standard setter, and believe it is appropriate and in the public interest for the IESBA to focus, in particular, on setting ethics and independence standards related to sustainability, including assurance engagements.

However, Deloitte Global urges the Board to look beyond its current focus on standard-setting to provide a period of stability for the International Independence Standards for audit engagements, which have gone through many amendments over recent years. Firms and organizations have undertaken a significant effort to implement the Non-Assurance Services and Fees standards and are currently in the process of implementing the standard on Engagement Teams and Group Audits, with other standards becoming effective soon thereafter. There is a risk that continuing at this swift pace of global standard setting may affect the ability of the profession to effectively absorb, implement, and execute multiple new or updated standards – too much change all at once significantly increases the complexity of implementation efforts and the risk that intended quality outcomes are not consistently accomplished, which is not in the public interest. We recommend that the Board considers these capacity constraints when determining the future workplan and ensures any future standard-setting efforts are mindful of the effort required to amend and adapt policies, as well as implement systems solutions to maintain compliance. A consideration of longer transition periods in certain instances would also support these efforts.

Furthermore, any future standard setting activity of the Board should be guided by the outcomes of post-implementation reviews and evidence that the existing provisions of the Code are not effective in meeting the Code’s objective. Deloitte Global urges the IESBA to devote the necessary time and resources for these critical activities.

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Finally, historically the Code has been built on a principles-based approach. It is noted that over the past several years the Code has moved toward more of a rules-based framework, notably in the International Independence Standards. When undertaking future initiatives, we urge the Board to bear in mind the merits of a principles-based Code, especially when striving for a Code with global operability and broad adoption.

In addition to these overall comments, we have provided our responses below to the specific questions posed in the Consultation Paper for the Board's consideration.

Specific Comments

Strategic Drivers, Themes and Actions

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

Deloitte Global agrees with the Proposed Strategic Drivers, in particular with the Board's approach to recognizing the increasing impact of the role of Professional Accountants in Business (PAIBs) in two of the Environmental Drivers. The corporate reporting ecosystem exists to produce accurate, complete, and transparent corporate disclosures that enable markets to function properly. Auditors deliver on a public interest mandate by providing independent, objective audit services with quality and integrity. Yet auditors do not function in isolation. This ecosystem relies on the constructive and effective functioning of all its participants, including the PAIBs within an organization. A Code with appropriate guidance for PAIBs, including senior PAIBs such as the CFO, in this everchanging, complex environment is in the public interest and Deloitte Global supports increased focus in this area.

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

Deloitte Global is generally supportive of the IESBA's Proposed Strategic Themes and Proposed Strategic Actions, however we have the following recommendations for the Board's consideration:

- We strongly support the Board's continued focus on adoption and implementation of the Code. The Board already has a very ambitious standard-setting agenda focused on various aspects of sustainability, and in addition, socializing these standards to encourage adoption by non-practitioners will be particularly time intensive. Deloitte Global urges the Board to complete the projects that are underway and allow sufficient time for implementation prior to embarking on new projects.
- We support enhancing coordination with the IAASB and recommend aligning projects and related timetables as much as possible, so that one standard setter is not "leading" with a requirement or position that may result in conflicts with the standards of the other.

Proposed Work Plan for 2024 – 2027

Question 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.

As stated above, we are supportive of a project to consider further enhancements to the Code to support PAIBs. As it relates to the other topics in Table B, we urge the Board to make evidence-based decisions about new workstreams or topics of focus where there is a real problem to solve or a need to make real and impactful improvements. Deloitte Global is not aware of the existence of any systemic issues related to the topics included in Table B that would result in inconsistencies in interpretation of application – or breaches of independence requirements. We therefore do not consider these potential workstreams to be critical future strategic priorities, especially given the Board's agenda is already very ambitious.

Deloitte Global encourages the Board to complete its current projects, prioritize post-implementation reviews and focus on developing more implementation guidance and education materials. We recommend the Board consider future standard setting changes once the Board has undertaken post-implementation reviews.

Question 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.

As noted in prior comments, Deloitte Global believes that any future standard setting projects should be driven by the outcomes of post-implementation reviews and evidence that current provisions are not effective. Therefore, we support prioritizing the post-implementation reviews set out in Table C, in particular for the Non-Assurance Services and Fees standards, and the definition of Public Interest Entity ("PIE"). We ask the Board to move cautiously with a potential project around collective investment vehicles, pension funds and investment company complexes. As experienced with the PIE standard, these vehicles and schemes can vary greatly from jurisdiction to jurisdiction and a "one size fits all" approach globally would not likely be appropriate in the Code. A robust post-implementation review of the PIE definition would provide evidence for whether this project is necessary. Noting that the revised PIE definition is not effective for almost eighteen months, we urge the Board to defer any additional standard setting in this area until the post-implementation review is completed.

Question 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 (see pp.22-24), and the needs and interests that would be served by undertaking work on such topic(s).

None noted.

Additional Information

Question 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?

Deloitte Global considers that it is appropriate to closely coordinate with the IAASB as it ensures consistency between the two Boards' standards – in particular with respect to defined terms. While Deloitte Global understands the Board's commitment to developing profession-agnostic standards on sustainability assurance, it should nevertheless be a priority for the Board that the ethical standards remain complementary to the corresponding assurance standards developed by IAASB and together form the basis for professional and ethical behavior by Professional Accountants.

As noted above, we also recommend aligning projects and timetables as much as possible, so that the feedback of each Board and its respective stakeholders can be gathered and considered collectively, and one standard setter is not "leading" with a requirement or position that may result in conflicts with the standards of the other.

Question 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?

None noted.

As noted in our response to the Strategy and Workplan Survey, Deloitte Global considers that a more substantial share of the Board's activities should be directed at seeking wider understanding, adoption and effective implementation of the Board's standards, including through implementation reviews and proactive engagement with all key stakeholders. In particular, promoting wider adoption of the Code is especially important as global consistency is in the public interest.

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We would be pleased to discuss our comments with members of the IESBA or its Staff. If you wish to do so, please feel free to contact Ms. Denise Canavan via email (decanavan@deloitte.com) or at +1 203 563 2759.

Sincerely,

Deloitte Touche Tohmatsu Limited

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