

July 13, 2023

*Submitted via: The IESBA website*

## **IFAC Professional Accountants in Business Advisory Group Response to the IESBA's Proposed Strategy and Work Plan for 2024-2027**

### *Introduction*

The [IFAC Professional Accountants in Business \(PAIB\) Advisory Group](#) is pleased to offer its high-level input on the proposed IESBA strategy and work plan for 2024 – 2027.

Professional accountants in business comprise a significant part of the profession working in commerce, industry, financial services, education, and the public and not-for-profit sectors. The PAIB Advisory Group focuses on ensuring these accountants meet the future needs of organizations. We explore key global trends in the context of the issues facing business leaders, chief financial officers and finance functions, internal audit functions, risk managers and analysts, those in broader commercial roles in procurement and supply chain management, as well as boards and their audit committees.

We have focused our response on the questions and topics most relevant from a PAIB perspective.

### *Detailed comments*

#### **1. Do you agree with the IESBA's Proposed Strategic Drivers (see pp.9-13)?**

- We broadly agree with the environmental and operational drivers and particularly welcome the emphasis on the expanding roles of PAIBs. The PAIB Advisory Group's agenda, which contributes to IFAC's [IMPACT](#) approach, has a key focus on professional accountants as CFOs, business leaders and trusted value partners. We have compiled a number of case studies to highlight the challenges and opportunities for PAIBs across various roles as finance and business leaders, internal auditors, risk managers and analysts, and in broader commercial roles including procurement and supply chain management. Case studies and other materials can be found here: [Professional Accountants as Business Leaders and Value Partners | IFAC Content Series | IFAC](#). This page is periodically updated with new case studies and insights after each PAIB Advisory Group meeting.
- We agree with the driver 'trust crisis and other repercussions from recurring high-corporate failures.' Enhancing corporate behavior and trust in boards and audit committees is also a key priority on the PAIB Advisory Group's agenda. We note that greenwashing has been included as the only example issue from a PAIB perspective, and while we agree it can be an issue, in terms of addressing corporate failure, this is not the primary cause or the most pertinent issue to highlight. Effective corporate governance and risk management are needed to reduce the likelihood, and the damage, caused by failures. No system will give perfect assurance that there will be no organizational failure. To understand the root causes of company failures, including whether there were any ethical breaches, there is much that can be learned from investigations into past failures. A key message to the PAIB Advisory Group in a session on the topic was that more regulation will not necessarily address the root causes of company failure. Further insights from that session, including recommendations for boards are summarized in the article: [A Focus on Value Creation and Risk Needed to Improve Corporate Governance | IFAC](#).



- The PAIB Advisory Group also advocates that effective enterprise risk management (ERM) needs to be part of the professional accountant mindset and makeup and highlights the importance of the contribution of professional accountants to effective ERM in their roles as chief financial officers (CFO) and within finance functions. See [Enabling the Accountant's Role in Effective Enterprise Risk Management | IFAC](#). An integrated mindset in the boardroom is also key to ensure effective oversight of risks and connectivity of the board and board committee agendas to see a complete picture and effectively link operational performance to strategic delivery.
- The comment in paragraph 15 of the consultation paper that “*PAIBs are not subject to the same level of independent regulatory oversight as auditors*” may imply that there is not currently enough regulatory oversight of PAIBs. We do not believe this to be the case as, depending on their role, PAIBs are subject to various national regulations, and we would caution against suggesting that PAIBs need more regulatory oversight.

**2. Do you agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions (see pp.13-18)?**

- Enhancing trust in sustainability reporting and assurance
  - In principle we support a focus on this theme, given the recent publication of the ISSB's S1 and S2 standards, as well as the ERSs and other jurisdictional developments, and the work being done by the IAASB on the development of ISSA 5000.
  - The actions suggest developing fit-for-purpose ethics standards to support sustainability reporting by PAIBs and professional accountants in public practice. We believe that it is important to think about this with a longer-term perspective, recognizing that it will take time for companies to develop mature processes and systems of internal control to ensure the quality of sustainability-related data and information. Companies will also need time to implement new sustainability reporting and assurance standards. With all of these new requirements, it will be important to carefully consider whether changes to the Code are needed, and not to make changes to the Code too early before fully understanding the implications of the reporting and assurance standards.
  - The IESBA would need to consider relevant issues specific to professional accountants, for example taking into account:
    - At present, in many organizations, the sustainability report preparers may be outside of the accountancy profession, and the CFO and finance function may not be directly responsible for or involved in the compilation and disclosure of sustainability information in a (separate) sustainability report that is not part of general-purpose financial reporting. This may change over time, and a particular focus of the PAIB Advisory Group's agenda is to highlight case studies that demonstrate how PAIBs are contributing to sustainability in their organizations.
    - PAIBs work across a range of roles and their contribution to sustainability in their organizations may not be primarily on the external reporting and disclosure. In enabling sustainability objectives, PAIBs are objectively analyzing and reconciling trade-offs such as between stakeholder interests, and potential initiatives and priorities and their relative contribution to value creation.
    - The need for CFOs and finance functions to champion an [integrated mindset](#), for example one issue particularly relevant to PAIBs is around the connectivity of



information and consistency between disclosures in management reporting and the financials, and the priorities of the organization internally vis-à-vis what is being reported (i.e. you manage what you measure).

- Where PAIBs are moving into the sustainability reporting space, they can apply their expertise in reporting processes, systems and controls, regulatory compliance and adherence to standards, and building confidence through internal assurance. The Code is already fit for purpose in this respect, and applicable to any information prepared by PAIBs, including sustainability-related information.
- Forward looking statements are very different to backwards looking, so the question of ethical scenarios requires a different approach to addressing the question of measuring balance sheet items, such as assets, liabilities, and equity interests which currently exist, or profit and loss transactions that have occurred.
- Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
  - We agree on the need to continue to monitor technology developments and consider the ethical implications. We welcome the opportunity to work closely with the IESBA to provide a perspective through the lens of the PAIB Advisory Group's work on this topic.
  - While we support the IESBA monitoring external trends and developments, we believe the IESBA needs strong justification and clear evidence-based analysis before making additional revisions to the Code itself.
- Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of IESBA's standards.
  - We note the desire for IESBA to widen stakeholder outreach, particularly to the investor and corporate governance communities. The PAIB Advisory Group also engages with these stakeholders and is willing to support IESBA however we can.
- Widening the influence of the IESBA's standards through a continued focus on adoption and implementation
  - We strongly support the need to focus on adoption and implementation, particularly given the number of changes to the Code in recent years. In terms of developing practical implementation resources, we encourage professional accountancy organizations (PAOs) with the support of IFAC providing practical material to support members.

**3. Do you support the IESBA considering the topics set out in Table B as potential work streams (see pp.22-24)?**

- We are supportive of the IESBA considering these topics, and stand ready to contribute to the IESBA's thinking on PAIB related matters, in particular on
  - Role of CFOs and other senior PAIBs
  - Custody of data
  - Communication with those charged with governance
- While we are supportive of IESBA exploring these topics and considering the ethical implications, we caution against making piecemeal revisions to the Code as a result. We would encourage the development of non-authoritative material and practical guidance wherever possible to address any identified challenges with any of the proposed topics.



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.***
  - No specific comments
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)***
  - No specific comments
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?***
  - We support the coordination with the IAASB, no further suggestions.
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?***
  - No further comments

If you require additional clarification, would like to discuss any of the issues raised above, or if there is any additional way the PAIB Advisory Group can support IESBA in its future work, please do not hesitate to contact me.

Yours sincerely,

Sanjay Rughani  
Chair  
IFAC Professional Accountants in Business Advisory Group