

2. SECTION I: ABOUT THE RESPONDENT

1. From which perspective are you providing this feedback?

The view of an organization

Please complete:

Your name:

Your organization (if applicable):

E-mail address:

Please complete:

Organization:

Chartered Accountants Australia and New Zealand

Name(s) of contact(s) for this submission:

Geraldine Magarey, Group Executive – Policy and International

E-mail address(es) of contact(s):

Geraldine.Magarey@charteredaccountantsanz.com

2. Please select from the following options to which stakeholder group you or your organization belongs:

IFAC Member Body or Other Professional Accountancy or Professional Organization

Please specify the type of accounting firm:

Please specify:

IFAC Member Body or Affiliate

Please specify:

Please specify:

Please specify:

3. Please select from the following options the geographical region that best matches you or your organization:

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Asia Pacific

4. SECTION III: SSBs' STRATEGIC POSITIONING FOR 2028–2031

4. As the SSBs look toward the 2028–2031 period, they are reflecting on how to position their strategies and work plans to best serve the public interest within a rapidly changing global environment. This involves careful consideration of how the SSBs remain relevant, responsive, and impactful in their standard-setting and other related work. In that context, what do you believe the SSBs should aspire to achieve during their next strategy period, 2028–2031?

Your answer may touch on different dimensions, for example:

The relevance, responsiveness and impact of the SSBs' standard-setting and related activities.

Broader adoption and effective implementation of the SSBs' standards.

The SSBs' interaction and engagement with key stakeholder groups.

The SSBs' ability to serve the public interest.

The examples above are for illustrative purposes only and should not limit, direct, or otherwise influence your response.

Your answer should address the IAASB and IESBA collectively; however, you may wish to also highlight matters specifically for the IAASB or IESBA (if applicable, you could use separate headings to address such matters).

The primary purpose of the SSBs is to set standards for PAPs and the central focus of the 2028-20231 strategies of both SSBs should be on serving that purpose. The existence of emerging technologies and subject areas for corporate reporting, such as sustainability, does not change the fundamental purpose of the SSBs.

Recently we have seen projects that have focused on profession agnostic developments. The SSBs need to ensure they are operating within their mandates and prioritising projects that serve PAPs and address clear market needs. SSB projects should not be approved without clear evidence of either the existence of market demand for change or of a systemic problem that requires a standard setting response.

We note that where aspects of key trends have been rated as increasing in importance or strongly increasing in importance, this does not indicate that there is a need for standard setting as the default response.

In determining their strategies, we encourage the SSBs to explicitly consider the following interrelated issues.

Collaboration

We appreciate the IAASB and IESBA undertaking this survey jointly. The work of the two SSBs is closely connected and effective collaboration is essential to maintain interoperability and audit and assurance quality.

There have been several instances where amendments have been made to the IESBA Code of Ethics that need to be 'operationalised' through amendments to the IAASB Standards. Two recent examples include: IESBA's Using the Work of an External Expert and Definitions of Listed Entity and Public Interest Entity projects. In both these cases, Code amendments were finalised before corresponding IAASB conforming amendments were developed, limiting stakeholders' ability to assess the full implications of the changes. We encourage the SSBs to coordinate amendments using aligned timelines, enabling stakeholders to consider Code and standards changes together and ensuring alignment from the outset.

However, we also note that it is important for the IESBA to also focus on non-assurance PAs and proposed changes impact them.

Impact of technology

The application of emerging technologies presents both opportunities and risks. The use of AI audit tools can enhance the effectiveness and efficiency of an audit. However, AI audit tools must be used appropriately, or audit quality may be compromised.

Increased use of AI and other emerging technologies by clients also present challenges to auditors in relation to internal controls, understanding the models used by the technology, and increased risk of falsified documentation. Clients may also have increased demand for assurance over aspects of emerging technology other than the impact of the technology on financial statement or sustainability reporting. Professional accountants in both business and practice roles need to understand the ethical impacts of AI and other emerging technologies.

In determining the appropriate responses to these risks and opportunities the SSBs need to consider their monitoring approach as well as information gathering and/or research in order to identify issues require amendment to the standards and where, due to the rapid pace of technological change, issues relating to specific technologies may need to be addressed via guidance.

Support for continued adoption/globalisation

We believe the SSBs should continue to seek feedback from diverse sources to produce the best outcomes in standard setting.

While we support sector-neutral standards, we have received feedback that the IAASB could enhance its engagement with the public sector and consider additional mechanisms to obtain public sector input.

The SSBs need to continue to focus on encouraging adoption globally. This includes focusing on projects that respond to specific market needs and global demand in order to reduce fragmentation and promote global acceptance.

Agile standard setting

We believe that the SSBs need to consider ways to be more agile in response to emerging developments in markets and technology. It is important that revisions to standards, and the development of new standards, involves appropriate fact-finding, development and consultation to ensure that standards are fit for purpose. In fast-moving areas such as technology, the pace of change may exceed the capacity of formal standard setting. The strategies should clearly articulate how the SSBs will decide whether emerging issues require amendments to underlying principles or can be addressed through guidance supporting consistent application. In particular, when it comes to fast moving topic areas such as sustainability and technology, it is important for the SSBs to be clear that unless there is clear evidence that a principle in a standard or the Code needs revision to respond to change, that other forms of response such as outreach, education and guidance should be used.

The pace of change in standard setting also has an impact on both continued and new adoption of the standards in jurisdictions. The profession would benefit from a period of stability in standard setting to consolidate changes into meaningful practice. Periods of relative stability support effective implementation and embedding of standards in practice, while frequent changes may deter continued or prospective adoption. We encourage the SSBs to carefully balance the volume and timing of standard-setting projects with the use of guidance and outreach.

Ethical requirements for preparers of sustainability information

We believe the IESBA's primary focus should be on the adoption of the IESSA in more jurisdictions globally to avoid fragmentation of practice.

We support the IESBA's project on exploring extending the Code to all preparers of sustainability information. However, we acknowledge that this will come with its own set of challenges because those responsible for the preparation of sustainability information will vary and may not all be subject to compliance with the Code.

The range of professionals expected to be involved in the preparation of sustainability information will be dependent on multiple factors such as the complexity of an organisation or limited resources available within an entity. For example, high-emitting entities may employ specialised climate professionals, while not-for-profit organisations may rely on in-house finance teams or volunteers.

We encourage the IESBA to collaborate across jurisdictions and with other professional associations to understand if similar work is currently being undertaken or if the IESBA should take a leading role in bringing together industries to develop the Code in conjunction with other professionals who will be involved in the preparation of sustainability information.

6. SECTION IV: KEY TRENDS IMPACTING THE SSBs

A.1 Digital Transformation – Increasing Use of Emerging Technologies

6 – Strongly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

The application of emerging technologies presents both opportunities and risks.

For the IAASB: The use of AI audit tools can enhance the effectiveness and efficiency of an audit. However, AI audit tools must be used appropriately, or audit quality may be compromised.

Increased use of AI and other emerging technologies by clients also present challenges to auditors in relation to internal controls, understanding the models used by the technology and potential for documentation to be faked. Clients may also have increased demand for assurance over aspects of emerging technology other than the impact on financial statement or sustainability reporting.

The board has three current projects (audit evidence and risk response, the ISA 500 series, and technology quality management) which should be complete by the time the 2028 strategy is in place and the feedback above is also applicable to those projects.

For the IESBA: Professional accountants in both business and practice roles need to understand the ethical impacts of AI and other emerging technologies.

In determining the appropriate responses to these risks and opportunities, it is important for the SSBs to consider which issues need to be addressed via standard setting and where, due to the rapid pace of technological change, issues relating to specific technologies are best addressed via guidance. Unless there is clear evidence that a principle in a standard or the Code of Ethics is not adequate, standard setting should not be the default response.

A.2 Digital Transformation – Digital Assets and Institutionalization of Digital

Assets

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

Increasing use of digital assets does present challenges for both auditors and PAPs in non-assurance roles. It is important for accounting standards and guidance to appropriately address these assets to provide a consistent framework for preparers and auditors. Regulation also has a role to play in ensuring that digital assets can meet the recognition criteria of the accounting standards.

For the IAASB: as with emerging technologies there is a need to assess where there is need for amendments to principle-based standards versus the use of guidance to assist auditors in a more timely and agile manner. Unless evidence supports the need to amend a principle in the standards, then guidance will likely provide the most timely support.

For the IESBA: All PAPs need to understand the ethical implications of digital assets. However, unless there is evidence that a principle of the Code is not adequate, then other responses such as guidance will be necessary to provide timely support.

A.3 Digital Transformation – Financial Crimes Enabled by Technology

6 – Strongly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

Regulation and enforcement in relation to technology-enabled financial crime sits outside the remit of the SSBs however the prevalence and increasing sophistication of these crimes does impact audit, assurance and ethics.

For the IAASB: Increases in hacking incidents will continue to present a risk. Firms need to consider and manage data privacy and cybersecurity risks as part of their quality management frameworks and overall risk management. Auditors need to be alert to the possibility of AI being used to fabricate documents that purport to be from third parties and support information in financial and sustainability reports. Auditors may need to place greater reliance on independent third-party data sources—such as direct confirmations—to validate evidence authenticity. This may challenge ISA 200.A24 "The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary." The IAASB will need to consider the impact of technology when it undertakes a PIR of the revised fraud standard and throughout the audit evidence and risk response and 500 series projects.

For the IESBA: Technology-enabled crimes may impact NOCLAR responsibilities. The board needs to consider the impact of emerging technologies on the fundamental principles of the Code.

We believe that in the absence of clear evidence of the need for a standard setting response, that the strategies of the SSBs should prioritise guidance to assist practitioners to apply the existing principles to emerging circumstances.

7. SECTION IV: KEY TRENDS IMPACTING THE SSBs

B.1 Changes in the Geopolitical and Regulatory Landscape – Regulatory Changes

4 – Slightly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

The regulatory environment continues to become more complex. Both Australia and New Zealand have introduced mandatory climate-related reporting and assurance regimes.

While regulation is set at a local level, the standards set by the SSBs contribute to the complexity of the environment in which both assurance and non-assurance PAPs operate. The complexity and regulatory burden may negatively impact adoption and application of the standards and the attractiveness of the profession.

B.2 Changes in the Geopolitical and Regulatory Landscape – Risk of Fragmentation

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

Shifts in geopolitics and regulatory approaches increase the risk of fragmentation.

To address the threat of fragmentation, the SSBs need to consider their strategies for:

- Continuing to prioritise fostering adoption of the standards in jurisdictions that are yet to adopt.
- Considering the pace of change in revising standards. A period of stability in the auditing standards gives practitioners in jurisdictions that have adopted the standards to embed the standards in methodology and practice to produce high quality audit outcomes. The SSBs should consider the balance of standard setting projects vs guidance and outreach. Pace of change may also impact adoption decisions in jurisdictions which are considering adoption.
- For the IAASB: The strategy for the evolution of the ISA for LCE standard to ensure it meets the needs of auditors of SMEs should be a priority.
- For the IESBA: Continued prioritisation on fostering adoption of the IESSA globally.

B.3 Changes in the Geopolitical and Regulatory Landscape – Call for Greater Agility in Standard Setting

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

We believe that the SSBs need to consider ways to be more agile in response to emerging developments in markets and technology. It is important that revisions to standards and the development of new standards involves appropriate fact-finding, development and consultation to ensure that standards are fit for purpose. However, there are areas, such as technology, where the pace of change will be faster than standard setting can meet. The SSBs' strategies need to address how the SSBs will consider whether emerging developments warrant an amendment to the existing principles in the standards. Standard setting should not be the default response when responding to change. In the absence of clear evidence that a principle in the standards or the Code of Ethics requires amendment, the preferred response would be in providing guidance to assist PAPs in applying the existing principles to new situations.

The SSBs need to consider their strategies for producing guidance in an agile manner to assist practitioners to apply existing principles in standards to new technologies (or other developments). It would also be beneficial to consider whether there are circumstances where, if there is evidence that standard setting is required as a response, whether narrow-scope amendments may be able to address a development, rather than a full revision of a standard, if this would enable a faster response time.

B.4 Changes in the Geopolitical and Regulatory Landscape – Greater Diversity of Voices Sought

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

We believe the SSBs should continue to seek feedback from diverse sources to produce the best outcomes in standard setting and maintain global adoption.

For the IAASB: While we support sector-neutral standards, we have received feedback that the IAASB could enhance its engagement with the public sector and consider additional mechanisms to obtain public sector input.

8. SECTION IV: KEY TRENDS IMPACTING THE SSBs

C.1 Evolving Expectations Concerning Sustainability Information – Continuing Demand for Sustainability Reporting and Assurance

4 – Slightly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

In Australia and New Zealand, mandatory climate-related reporting and assurance has already been introduced. The topic areas

that fall under the umbrella of 'sustainability' continue to expand and it is likely that there may be an increase in mandated reporting and assurance, along with increased demand for voluntary reporting and assurance in new sustainability topics.

For the IAASB: The demand for sustainability assurance may drive the need for additional standard setting in relation to expanded sustainability topics. The board should also be monitoring implementation challenges in jurisdictions which have adopted ISSA 5000 to identify where guidance may be useful to drive consistent application.

For the IESBA: The priority should be driving adoption of the IESSA globally as well as providing implementation guidance where needs arise in those jurisdictions which have adopted the IESSA over exploring how the Code may be extended to NPAPs.

C.2 Evolving Expectations Concerning Sustainability Information – Regulatory and Geopolitical Changes

4 – Slightly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

The global sustainability reporting and assurance ecosystem is still evolving and there are rapid changes. While jurisdictions continue to move forward with introducing mandatory regimes for aspects of sustainability reporting and assurance, we have also seen roll-back of sustainability reporting and assurance in some jurisdictions which creates uncertainty and inconsistencies.

The SSBs need to continue to focus on adoption of ISSA 5000 and the IESSA, including outreach with both PAPs and NPAPs globally.

9. SECTION IV: KEY TRENDS IMPACTING THE SSBs

D.1 Evolving Structure and Business Models of Accounting Firms – Alternative Ownership Structures

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

While we have not yet seen large volumes of private equity investment in firms within Australia or New Zealand, there is some activity and we are aware of the rapid rise of such activity in other jurisdictions. It is important that the standards address the concerns raised by the inherent tensions between public interest and profit motivations that are present when firms have private equity investment, to ensure that audit quality and ethical standards are maintained. We believe the ethical principles in the Code and the quality management principles of the IAASB Standards are fit for purpose in this regard.

D.2 Evolving Structure and Business Models of Accounting Firms – Increased

Involvement of Non-Professional Accountants in the Accounting and Auditing Profession

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

The introduction of mandatory sustainability reporting and assurance will increase the need for NPAPs in the profession. The SSBs need to consider their strategies for engaging with the professional bodies and regulators of the NPAPs to foster understanding of and/or adoption of the IAASB Standards and the IESBA Code and the impact of NPAPs working with PAPs who are subject to these standards. However, the primary purpose of the SSBs is to set standards for PAPs and the focus of the strategies of both SSBs should be on serving that purpose. The existence of emerging technologies and subject areas for corporate reporting, such as sustainability, does not change the fundamental purpose of the SSBs. Recently we have seen projects that have focused on profession agnostic developments. The SSBs need to ensure they are operating within their mandates and prioritising projects that serve PAPs.

D.3 Evolving Structure and Business Models of Accounting Firms – Challenges to Attracting and Retaining Talent

6 – Strongly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

Audit firms continue to face challenges in obtaining appropriate staff. These pressures have only increased with the introduction of mandatory sustainability reporting and assurance regimes.

In Australia we have seen a national shortage of external auditors for the last five years and this shortage is expected to continue in the future. Competition for experienced auditors and accountants is high, and the introduction of mandatory sustainability reporting and assurance exacerbates these pressures. Accounting graduate numbers have declined, reducing the direct pipeline of graduates to the profession.

Demand in New Zealand for accounting and finance professionals is expected to exceed supply by around 8,000 roles over the next five years, in addition to existing vacancies created through normal labour market churn and retirement.

While the SSBs' primary responsibility is standard setting, they need to have a strategic focus on attraction of talent to preserve the long-term viability of the profession. Where firms cannot access appropriate talent resources, audit quality may be negatively impacted.

Attractiveness of the profession is impacted by several factors, including firm culture, regulatory burden, changes to ownership models and complexity of the ecosystem that the profession operates in.

The IAASB needs to consider the impact of the pace of change, complexity and scalability of the standards on the profession with this lens, as well as what role it has in influencing culture.

The IESBA is undertaking a governance project which should consider this lens, as well as how the ethical framework intersects

with the issues impacting talent, including diversification of the workforce as firms expand their services in demand to evolutions in corporate reporting.

D.4 Evolving Structure and Business Models of Accounting Firms – Non-Assurance Service Line

4 – Slightly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

We are not currently seeing strong trends increasing demand for NAS outside of circumstances already addressed by the standards and the Code.

However, it is possible that changes to firm ownership models may increase demand for NAS as PE investors seek growth.

For the IESBA: The PIRs of the NAS and Fees projects will be important to provide insights into how this issue is evolving in practice.

10. SECTION IV: KEY TRENDS IMPACTING THE SSBs - OTHER TRENDS AND RANKING

6. Are there trends or related areas or matters that you believe the SSBs should consider that are not covered? If so, please provide details.

No

Additional trends

Please number your additional trend (O.1, O.2, O.3, ...)

Please describe the additional trend

On a scale of 1 to 6, indicate the extent to which you believe this trend will increase or decrease in importance for the SSBs for their next strategy period starting in 2028.

Do you wish to explain your rating or highlight any matters relating to this trend for the IAASB, IESBA, or both the SSBs?

7. Based on your evaluation of the identified trends, please rank what you believe

are the **TOP FIVE** most important trends for the SSBs to consider for their next strategy period starting in 2028.

Rank 1 : A.1

Rank 2 : D.3

Rank 3 : A.3

Rank 4 : B.2

Rank 5 : A.2

11. SECTION V: AREAS FOR JOINT ACTIONS IN SSBs' WORK PLANS

8. Please share your views about areas of common interest and possible joint or parallel work plan topics (e.g., standard-setting or non-authoritative materials), or other initiatives or activities.

IESBA Firm Culture and Governance project – there are linkages between the IESBA Viewpoints and International Standard on Quality Management 1 (ISQM 1) due to the inherent connection between an audit firm's ethical culture and its system of quality management (SOQM). However, our view is that this project should be revised to ensure that there is no standard setting response within the scope.

IESBA Audit firm – Audit Client Relationship project – has the potential to impact on the IAASB Standards depending on its scope.