

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:

ICAS (The Institute of Chartered Accountants of Scotland)

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

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

jbarbour@icas.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:

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

Europe

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).

ICAS (The Institute of Chartered Accountants of Scotland) welcomes the opportunity to respond to this joint survey from the IAASB and IESBA which focuses on the development of their respective strategies and work plans for the period 2028 – 2031. Our key comments on the matters to be considered by the respective boards are set out below.

Global Adoption, Implementability, and Stability

Broader adoption, effective implementation, and long-term stability should be central objectives. For IESBA, wider adoption of recent versions of the Code should be a priority, supported by practical and scalable implementation materials and enhanced ongoing engagement with the accountancy profession.

For both IESBA and IAASB, adoption and implementation should be considered throughout the project lifecycle, not only after standards are approved and issued. There is also a need for a continued period of stability so that recent revisions can be embedded and assessed before further major changes are made.

Evidence-Based Standard Setting and Proportionate Prioritisation

The SSBs should focus only on projects supported by clear evidence of there being a global public interest need. The SSBs' respective strategies and work plans should place greater weight on whether expected public interest benefits justify the costs, including how those costs fall on stakeholders of different sizes, including small and medium-sized firms. Standard setting should respond to systemic global issues rather than isolated cases, with projects narrowed, paused, or stopped where likely burdens outweigh the related benefits.

Stakeholder Engagement, Project Discipline, and Remit

There should be earlier and more frequent engagement by the SSBs with a broad range of stakeholders, including practitioners in smaller firms. Agenda-setting should be informed by practical experience and not be unduly shaped by any single constituency. The next strategy period should also be used to reassess whether projects remain justified. Additionally, further post-implementation reviews should be performed on recent revisions to the Code and monitoring key developments should be a key activity, e.g. in technology. The SSBs should adopt a rebuttable presumption that changes to the Code or standards are based on appropriate and sufficient evidence, and have global relevance. The SSBs should also avoid profession-agnostic expansion.

Fragmentation

Fragmentation is not a separate issue but rather the culmination of various matters set out above. To mitigate against this risk, the SSBs should pursue only projects supported by clear evidence of a global need; embed adoption and implementation considerations throughout the lifecycle, including engagement with key stakeholders; preserve stability; and strengthen coordination across boards.

Technology Monitoring and Cross-Board Coordination

Technology is a key societal trend and therefore should be subject to ongoing monitoring by both boards given the pace of innovation. From an IESBA perspective, we are not aware of evidence that the Code is currently deficient in addressing technological developments, including AI. Existing principles-based requirements, recent revisions, and non-authoritative materials appear to address the key ethical issues that have been identified, including AI hallucinations. Given the overlap between ethics and assurance, stronger coordination between the boards is needed to avoid duplication and inconsistency.

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?

We believe that this trend is already highly important, and this will undoubtedly continue in the years to come with increased adoption of AI tools and further innovation in the marketplace likely to continue at pace.

We have set out below our views on the implications of this for the respective Boards.

IESBA – Rating - 4

Despite the ongoing pace of digital transformation, to the best of our knowledge no evidence has, as yet, emerged to suggest there is a need to consider potential revisions to the IESBA Code of Ethics to reflect any such developments. This highlights the importance of the Code remaining principles-based and that such an approach increases the likelihood of it remaining fit for purpose over a longer time period. To date, the 2022 approved technology-related revisions, coupled with earlier revisions, e.g. to the wording of the objectivity fundamental principle (as part of the Role and Mindset project revisions), appear to have stood the test of time. A key part of the Code, which is extremely prevalent in this regard, is section 110 which highlights the need for a professional accountant not to be associated with misleading information. As illustrated in this ICAS article the Code already covers effectively any potential ethical dilemmas relating to AI hallucinations. Given the above we believe that the role of IESBA is to continue to monitor developments in this area to determine if any new type of threat emerges that needs to be considered and also to help educate professional accountants on the applicable risks and how the Code deals with these.

IAASB – Rating - 6

As noted above, the pace of technological developments is undoubtedly a key societal trend. A significant element of this is the increased adoption of AI tools across society including in audited entities and firms. Accordingly, this is a trend that the IAASB has to continue to monitor and assess whether there are any matters within its purview, that give rise to the need for it to take action on a specific matter. If any such matters are identified, it is essential that careful consideration is given to the extent of

that action. Initiation of a project to revise or create new standards should only occur where it has been determined that non-authoritative material would not be sufficient.

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

3 – Slightly decreasing 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?

IESBA – Rating – 3

The growth of digital assets is already a highly important trend, and this will continue to be the case in the SSBs' forthcoming strategy period with the likelihood that such assets will become more mainstream than has hitherto been the case.

That said, as we stated in our response at section A1, we have as yet not identified any need for potential revisions to the IESBA Code of Ethics in relation to digital assets, despite their growing importance. They, like money, are a means of storing wealth, and of facilitating trade between different parties/entities. Given that the Code already effectively deals with ethical issues relating to traditional assets, then we believe it should, and indeed does, appear to be equally effective in dealing with ethical issues involving digital assets, despite the fact that the related ethical threats may be higher.

IAASB – Rating - 3

We believe this may be an area where the IAASB has to consider whether there is a need for non-authoritative material as usage of these assets continues to grow. If the IAASB at some future date does determine that non-authoritative material is necessary, we believe that in the first instance it should look to see where credible non-authoritative material on digital assets already exists at the jurisdictional level rather than use scarce resources to produce its own material from scratch. Such partnerships could allow non-authoritative material to be made available more readily, subject of course to appropriate review of the content concerned.

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?

IESBA – Rating - 3

This is an important global development, but the IESBA Code already provides a durable, principles-based framework through the fundamental principles and NOCLAR, and any further materials should focus on practical application, with continued coordination between the SSBs on technology-related work in this area.

There may be a role for IESBA to produce non-authoritative material to illustrate how the Code already effectively deals with such matters and to highlight the potentially increased level of threat that may be present. We note that a key message in the recent excellent IESBA podcast on quantum computing was that such technology will amplify the level of threat but is unlikely to create any new threats.

We also note that IESBA is looking to produce new guidance on technology. This is most useful where it clearly illustrates how the Code effectively deals with the real-life scenarios being experienced by professional accountants, both in business and in practice. This can be really useful for professional accountants in their day-to-day roles.

IAASB – Rating – 6

Financial crime risk is rising as AI and other technologies have enhanced the ability of bad actors to impersonate individuals, circumvent controls and hence commit more sophisticated fraud, including cyber fraud. Even so, existing IAASB standards, including ISA 240 and ISA 250, provide an appropriate foundation for auditors to undertake their work in these areas. In our view, any further response by the IAASB should consider the potential need for non-authoritative material addressing the implications of deepfakes and related threats.

7. SECTION IV: KEY TRENDS IMPACTING THE SSBs

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

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?

Combined IESBA and IAASB – Rating – 5

There is no doubt that in recent years the level of geopolitical threat has been amplified by events such as those in Europe and the Middle East, amongst others. Likewise, the regulatory landscape in various jurisdictions across the globe has been subject to considerable political pressure to reduce the regulatory burden on business with a view to removing perceived barriers to economic growth.

Despite the undoubted importance of the geopolitical situation, we do not believe that this is something which the IESBA and IAASB can do much to influence and therefore we do not believe that it should unduly impact the proposed SWPs of the SSBs.

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

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?

Combined IESBA and IAASB Rating – 6

Standard-setting should respond to clearly evidenced public-interest need, not political or regulatory cycles. Nor do we believe it is the SSBs' role to resolve regulatory fragmentation, as efforts to do so risk making the work of the Boards more prescriptive and jurisdiction-specific, thereby reducing global relevance and potentially increasing fragmentation. The public interest need is for a principles-based Code and Standards that can be applied consistently across jurisdictions.

Fragmentation is not a stand-alone issue but the product of weak project discipline, insufficient focus on adoption and implementation, and inadequate attention to remit and stakeholder engagement. In our view, it should be addressed by pursuing only clearly evidenced global issues, embedding adoption and implementation considerations throughout the project lifecycle, preserving stability and reliance on post-implementation review, and applying stronger discipline around remit and cross-board coordination so that international standards remain a durable and globally operable baseline.

The failure of the Monitoring Group to establish a wider stakeholder funding model for the auditing and ethics standard setting boards, despite this being a cornerstone of its 2020 revisions to the model, which it had originally proposed in its 2017 consultation, presents a risk to fragmentation. Unless this risk can be satisfactorily mitigated then there is a threat to the future viability of the current global standard setting model

Another risk is that the adoption of the IESBA Code around the world is piecemeal with various jurisdictions still applying earlier versions of the Code, despite various fundamental revisions to the Code having subsequently been made. This illustrates the need for IESBA, and indeed the Monitoring Group, to play a far more effective role in assisting IFAC to promote adoption and implementation of the Code around the globe.

To assist in this process IESBA needs to continue with a period of stability and remove the uncertainty of any early further revisions to the Code. We, therefore, welcome the recent announcement by IESBA of its launch of post implementation reviews on the restructured Code and Non-Compliance with Laws and Regulations (NOCLAR). This will help professional accountants on the ground and regulators around the globe grappling to keep up with the pace of change.

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

0 – I do not agree that this is a trend to be considered

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

Combined IESBA and IAASB – Rating – 0

We believe that the SSBs should be agile in responding to changing and emerging risks. Such agility, however, is multi-faceted and also requires a willingness to pause, reprioritise, or discontinue projects when they are no longer justified, whether they involve standard-setting or non-authoritative materials. In our view, the IESBA should discontinue the possibility of making revisions to the Code relating to the Firm Culture and Governance and Role of the CFO projects, and the IAASB should likewise conclude that no further work is needed on assurance over XBRL.

Agility should also be supported by a readiness to refine or remove requirements that are no longer justified where there is a strong evidence base to do so. New requirements should be added only where a clear systemic international risk is demonstrated. This would help preserve the durability of the standards and avoid reactive change.

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?

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

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?

Combined IESBA and IAASB – Rating - 4

We believe the issue is that insufficient consideration is being given to the voice of the accountancy profession whose members have to comply with the Code. This has been particularly noticeable since the introduction of the Monitoring Group's revisions to the standard setting board model.

We therefore believe that the SSBs should give greater weight to practitioner experience to counterbalance the risk of regulatory

perspectives dominating the SSBs' agenda setting. Any new requirements should be supported by clear, evidence-based analysis of a specific deficiency in the Code/standards and a well-articulated public-interest case with global relevance.

8. SECTION IV: KEY TRENDS IMPACTING THE SSBs

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

3 – Slightly decreasing 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?

IESBA – Rating - 3

This remains a very important topic despite developments in certain jurisdictions across the globe to scale back from previous commitments in this space.

That said, IESBA has just recently finalised the IESSA, and we do not currently see any need for further Board activity in terms of new workstreams in this area.

Given that the IESSA is yet to be introduced in many jurisdictions, we believe that the priority should be obtaining broad adoption and consistent implementation of this, rather than undertaking further major workstreams in this area. This will involve preparation of non-authoritative material and potentially the need to react and make practical revisions to the IESSA in light of practical implementation issues that may arise in due course

We do not support the IESBA undertaking a project on ethics standards for all preparers of sustainability information. The IESBA's remit should remain focused on professional accountants. Profession-agnostic standards risk weakening the link between high-quality engagements and the competence, ethics, and accountability associated with professional qualification and licensure, that would risk undermining confidence in the profession and would not serve the public interest.

IAASB – Rating – 3

Given regulatory developments in various jurisdictions, despite some of these currently being diluted, there is likely to be continuing demand for sustainability reporting and assurance, but no significant overall increase.

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

1 – Strongly decreasing 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?

Combined IESBA AND IAASB – Rating - 1

As noted above, given that the IESSA is yet to be introduced in many jurisdictions, we believe that the priority should be obtaining broad adoption and consistent implementation, rather than undertaking further major workstreams in this area.

We do not support the IESBA undertaking a project on ethics standards for all preparers of sustainability information. The IESBA's remit should remain focused on professional accountants. Profession-agnostic standards risk weakening the link

between high-quality engagements and the competence, ethics, and accountability associated with professional qualification and licensure, that would risk undermining confidence in the accountancy profession and would not serve the public interest.

9. SECTION IV: KEY TRENDS IMPACTING THE SSBs

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

0 – I do not agree that this is a trend to be considered

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

Combined IESBA and IAASB – Rating - 0

Recent years have seen considerable activity from Private Equity Houses in relation to their investment in accountancy firms, with particular focus in certain jurisdictions, including the US, Europe and the UK. Private equity investment may create, or appear to create, independence threats. We note that IESBA recently decided to launch a new workstream to analyse ethical and independent implications of private equity investment in accounting firms. We believe that this should only result in any proposed changes to the Code if these are seen as crucial to ensuring the Code remains fit for purpose. In our view, the Code's conceptual framework is generally sufficient to address risks arising from different ownership models, including related network implications. We therefore do not support standard-setting on firm ownership, governance, or operational structures, which are better addressed through local regulatory regimes. Any IESBA response should be evidence-based and lead to changes to the Code only where a clear need is demonstrated, with due regard to jurisdictional differences and global operability.

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?

D.2 Evolving Structure and Business Models of Accounting Firms – Increased Involvement of Non-Professional Accountants in the Accounting and Auditing Profession

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?

Combined IESBA and IAASB – Rating – 4

We believe that the IESBA Code should remain directed to the accountancy profession, where established oversight and enforcement mechanisms exist. Extending the same engagements to unlicensed individuals risks diluting the PA credential, blurring accountability, and creating confusion about the competence and responsibility associated with high-quality engagements.

We therefore do not support further developing new requirements, or reshaping the Code, on the premise that it should apply beyond professional accountants. Any such expansion of the IESBA's remit would require full due process and broad global consultation.

In any event, the Code already appropriately addresses multidisciplinary teams by placing responsibility on the professional accountant for oversight and by requiring threats arising from roles, relationships, and responsibilities—including those involving

non-PA specialists—to be identified, evaluated, and addressed. These provisions are sufficiently scalable, and we believe they do not warrant further standard-setting at this time.

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

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?

Combined IESBA and IAASB – Rating – 4

While talent pressures are clearly an issue in a number of jurisdictions, such matters are principally more appropriately addressed by professional accountancy organisations, firms, and individual jurisdictions, including regulatory bodies.

Nevertheless, talent trends may provide a useful indicator of how standards and regulatory requirements are being experienced in practice, including whether their cumulative effect, implementation complexity, and pace of change may be creating barriers to entry or reducing the long-term attractiveness of the profession.

We also observe that professional accountants are increasingly providing services to clients that go beyond traditional audit and assurance engagements, which we consider to be a positive development. Irrespective of the nature of those services, professional accountants remain subject to the Code and applicable regulatory requirements, and that overarching ethical framework continues to support public trust, professional adaptability, and innovation in the public interest. The provision of such services, including assurance on sustainability-related information, may also serve as an attraction to those who are considering a career in the accountancy profession.

Accordingly, we encourage the IESBA and IAASB to engage with the accountancy profession on talent related matters, including the extent to which standards, related regulatory requirements, and cumulative implementation demands may impact the longer-term attractiveness of careers in the accountancy profession.

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

0 – I do not agree that this is a trend to be considered

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

Combined IESBA and IAASB – Rating – 0

The IESBA introduced a significant strengthening of its non-assurance services related provisions, as well as fees, for periods commencing on or after 15 December 2022. We are not aware of any current systemic issues relating to such services and therefore believe that the IESBA should not consider undertaking a project in this area until a post implementation review of the impact of these recent changes has been undertaken in due course or there is clear evidence of a system deficiency in the Code that clearly needs to be addressed.

The growth of non-assurance services provided by firms has been identified in the firm culture and governance project as a possible risk to ethical conduct. However, we do not believe that this growth trend, in itself, justifies elevating firm culture and governance to a standard-setting priority and we are not aware of any deficiency in the Code in that regard.

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?

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.

Yes

Additional trends

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

O.1 Please see our response to question 4 above which refers to areas that should be considered by the SSBs O.2 Increasing reliance on information being held on behalf of an entity by third parties

Please describe the additional trend

O.2 There is an increasing reliance on information being held on behalf of an entity by third parties. With increased digitalisation and the resultant increased cyber threats, this is presenting greater challenges to professional accountants, due to the need to navigate increasingly complex ecosystems.

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.

6 – Strongly increasing in importance

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

Please refer to our comments set out above.

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 : O.1

Rank 2 : B.2

Rank 3 : A.1

Rank 4 : A.3

Rank 5 : B.4

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.

The IAASB and IESBA should focus joint efforts on topics where interoperability is essential. The most effective response in many instances may be timely non-authoritative materials rather than new requirements. The IESBA should stay within its remit and focus on matters pertaining to professional accountants. Coordination should also be strengthened at Board level (not only among staff), with an early-warning process so potential cross-board impacts are identified promptly and unintended inconsistencies are avoided.