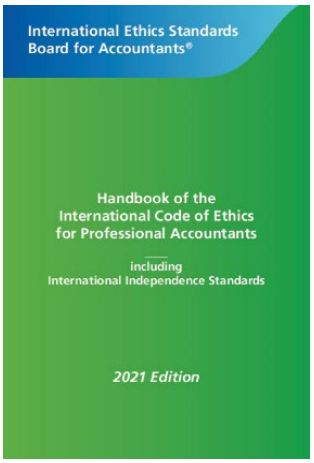
IESBA®

IESBA Strategy Survey 2022

Survey on the IESBA's Future Strategy and Work Plan

About the IESBA



The International Ethics Standards Board for Accountants (IESBA) is an independent global standard-setting board. The IESBA's mission is 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).

The IESBA believes a single set of high-quality ethics standards enhances the quality and consistency of services provided by professional accountants (PAs), thus contributing to public trust and confidence in the accountancy profession. The IESBA sets its standards in the public interest with advice from the IESBA Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board (PIOB).

About the Survey

This survey seeks views from stakeholders on key environmental trends, developments or issues the IESBA should consider as it begins the process of developing its next Strategy and Work Plan (SWP) for the period 2024 – 2027.

This survey comprises three sections:

Section A – Demographic information about the respondents

Section B – Strategic direction and priorities

Section C – Possible future standards-related projects or initiatives

Respondents are asked to provide views or suggestions in response to the questions in Sections B and C. If a respondent has no response to a particular question, the respondent may skip that question. Respondents' submissions will be made available on the IESBA's website after the close of the survey.

This survey is the first step in the IESBA seeking input from its stakeholders as part of the due process for developing its SWP. Following a full review of the input received, the IESBA will develop a consultation paper on its SWP 2024-2027, including its proposed strategic themes, priorities and work plan.

The IESBA anticipates approving the SWP consultation paper for public comment in Q1 2023. Respondents will have an opportunity to comment on a full description of the IESBA's proposed strategic direction and future work plan when it issues its SWP consultation paper.

Responses to the survey are requested by Friday, July 8, 2022.

Section A: Demographic Information

Personal and organizational information

Your name: Michele Wood-Tweel

Your Organization (if applicable): CPA Canada – Public Trust Committee

Your role: Vice-President, Regulatory Affairs

Email address: MWood-Tweel@cpacanada.ca

Stakeholder Group

Please specify the stakeholder you/your organization represents

☐ Academia

☐ Accounting/Audit firm or network

☐ Audit oversight body

☒ IFAC member body or other professional accountancy organization

☐ Investor or analyst

☒ National standard setter

☐ Other users of financial statements/Environmental, Social and Governance (ESG) information (e.g., customer, creditor/supplier, lender), please specify: _____

☐ Preparer of financial statements/ESG information

☐ Firm (other than an accounting/audit firm) that provides assurance on ESG information

☐ Public sector

☐ Regulator

☐ Those charged with governance

☐ Other, please specify: _____

Geographical location

Please specify the geographical region where you or your organization is based:

☐ Global

☐ Africa-Middle East

☐ Asia

☐ Oceania

☐ Europe

☐ Latin America

☒ North America

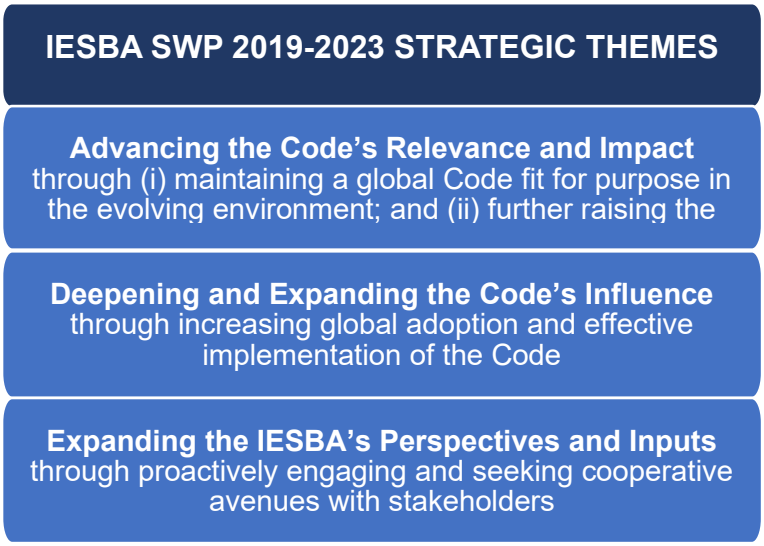
Section B: Strategic Direction and Priorities

BACKGROUND

In the aftermath of the global financial crisis of 2008-2009, public expectations rose significantly for more robust regulatory supervision and oversight of, and a higher bar of ethical behavior for, financial and corporate professionals alike.

In response to those heightened expectations, the IESBA took steps to significantly strengthen the Code through the release of the revised and restructured Code in 2018. The revisions, amongst other matters, enhanced the conceptual framework for identifying, evaluating and addressing threats to compliance with the fundamental ethical principles and, where applicable, to independence, including the safeguards-related provisions of the Code; strengthened the provisions relating to inducements; introduced a new standard on addressing pressure to breach the fundamental principles; strengthened the independence standard addressing long association of audit firm personnel with an audit client; and introduced a new standard on responding to non-compliance with laws and regulations (NOCLAR). At the same time, the IESBA took decisive action to restructure the Code to enhance its usability and accessibility.

With the revised and restructured Code in place, the IESBA released its current SWP (2019-2023) in April 2019, setting out three strategic themes:



Working to advance these three strategic themes, the IESBA continued to place a high priority on strengthening the International Independence Standards (IIS). So far, within this strategy period, the IESBA has issued revised standards containing strengthened provisions addressing the permissibility of non-assurance services (NAS) to audit clients, and fee-related matters. These enhanced provisions focus particularly on public interest entities (PIEs) in light of stakeholders' heightened expectations regarding independence with respect to the audits of the financial statements of these entities. At the same time, responding to stakeholder concerns about the need to ensure that the appropriate entities are scoped in as PIEs and working closely with the International Auditing and Assurance Standards Board (IAASB), the IESBA also recently finalized an expanded definition of a PIE to include more mandatory categories of entities as PIEs. These projects were supported by the vast majority of stakeholders, recognizing that they addressed a number of important issues in the public interest.

Since the release of the restructured Code in 2018, the IESBA has also worked closely with the International Federation of Accountants (IFAC) to promote adoption and implementation of the Code through various activities including the publication of awareness-raising materials, global webinars and outreach to stakeholders. To coincide with the effective date of the restructured Code and to make the Code even more accessible and easier to navigate, the IESBA launched the eCode in 2019 in collaboration with IFAC. The eCode is now part of the electronic International Standards (eIS) platform developed by IFAC.

As the IESBA begins to contemplate its strategic direction for the new SWP and develops the next cycle's work plan, it will take into account the new organizational structure, governance and processes that will be implemented for both the IESBA and the IAASB over the next few years as a result of the Monitoring Group's (MG) July 2020 recommendations, *Strengthening the International Audit and Ethics Standard-Setting System*. The MG recommendations aim to support and enhance the development of high-quality auditing and ethics standards by the two Standard Setting Boards (SSBs) through the achievement of a multi-stakeholder structure, reinforcement of public interest considerations within the standards development process, and enhanced responsiveness to an accelerating pace of change.

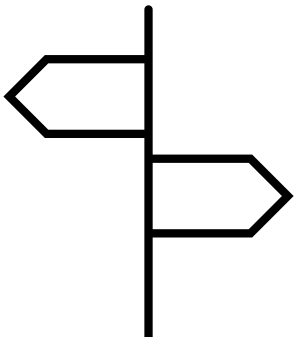
The MG recommendations also reinforce the importance of close coordination between the IESBA and the IAASB on topics within their respective strategic work plans that are of mutual interest. With this in mind, the IESBA is proposing to align the period of its next SWP with that of the IAASB's next SWP, i.e., the four-year period 2024-2027. Within their agreed framework of coordination, the two SSBs will also work closely to identify future projects or work streams that address topics or issues that overlap their standard-setting remits. Such coordination will enable the IESBA and the IAASB to deliver global standards that are consistent with each other and interoperable.

POTENTIAL STRATEGIC FOCUS AREAS

The IESBA will prioritize a range of longer-term and shorter-term projects or initiatives that it believes would best support the strategic themes for its next SWP, balancing factors such as the benefits to the public interest, the pervasiveness of the particular matters, global operability and relevance, the degree of urgency and resources available. During the strategy period, the IESBA will also consider whether any new developments in the external environment, or issues arising from existing work streams or identified by the Public Interest Oversight Board (PIOB) or stakeholders, call for a reassessment of its strategic priorities.

For purposes of this survey, the IESBA is seeking stakeholders' views on the following four broad strategic focus areas that may help guide the IESBA in setting the direction and priorities for its new SWP 2024-2027:

1. Responding to developments relating to reporting and assurance of sustainability information
2. Raising the bar of ethical behavior for professional accountants in business
3. Strengthening independence standards for audit engagements
4. Promoting timely adoption and effective implementation of the Code



1. Responding to developments relating to reporting and assurance of sustainability information

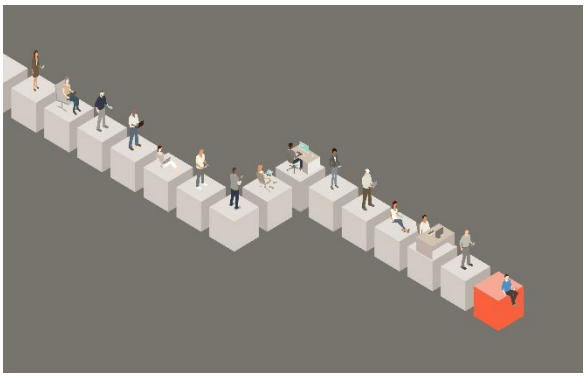
Backdrop

Over the last few years, financial markets have seen an accelerated growth in the disclosure of sustainability information driven largely by a major shift in investors' capital allocation to businesses perceived as more sustainable, viewed through the environmental, social and governance (ESG) prism. Along with the market demand for more sustainability data, there has been an increasing call for assurance to be provided on such information. Regulators in a number of major jurisdictions are prioritizing as a matter of urgency the development of new regulations governing sustainability disclosures and assurance thereon. Further, in November 2021, the IFRS Foundation established the new International Sustainability Standards Board (ISSB) to develop IFRS Sustainability Disclosure Standards. On March 31, 2022, the ISSB issued its first two proposed standards, one setting out general sustainability-related disclosure requirements, and the other specifying climate-related disclosure requirements.

These developments respond to a rapidly evolving landscape where there is a high degree of fragmentation and inconsistency in terms of frameworks and standards for sustainability reporting, levels of assurance provided and who is engaged to provide such assurance.[1] As market demand for sustainability information continues to expand rapidly, there is a pressing public interest need to ensure that such information is reliable and comparable, and therefore subject to assurance.

Role of the Accountancy Profession

The accountancy profession stands to play a major role in the sustainability reporting supply chain and the provision of assurance on sustainability information. The profession brings to this domain its wide and deep competencies in the preparation and presentation of information and the provision of assurance thereon. Most importantly, public trust in the profession in those crucial roles for sustainability is underpinned by the robust and global ethics standards by which it must abide.



Starting with the sustainability reporting supply chain, the IESBA believes it is essential that it gathers a full understanding of the various roles and responsibilities of professional accountants in business (PAIBs) in this supply chain. This understanding will inform a thorough assessment of whether Part 2 of the Code, which sets out provisions specific to PAIBs, remains comprehensive, adequate and fit-for-purpose with regards to sustainability reporting. As a case in point, while the role of a CFO can be expected to draw on a PAIB's skills and expertise in financial reporting or management accounting, it may also be evolving rapidly into a more dynamic, more complex "mission control" role requiring orchestration, coordination and oversight of the information supply lines across the multi-disciplinary and interconnected ESG ecosystem.

[1] See *The State of Play in Sustainability Assurance*, a global benchmarking study published in June 2021 by IFAC, AICPA and CIMA.

Turning to the assurance side, the IESBA recognizes that the Code (including the International Independence Standards (IIS) contained in Part 4B[2]) already applies to accounting firms that perform assurance engagements in accordance with the IAASB's International Standard on Assurance Engagements (ISAE) 3000 (Revised). [3] However, the IESBA acknowledges that the major shift towards sustainability reporting and assurance has raised a number of questions regarding the robustness and sufficiency of the IIS in Part 4B. Some of these questions include, for example, whether there is a need to consider the relevance of the PIE concept as it applies to assurance engagements related to sustainability information, the independence provisions that should apply to network firms and other firms participating in such engagements, the meaning of materiality where sustainability regulation or standards require its consideration beyond traditional financial statement materiality, and independence provisions that should apply to external experts involved in sustainability assurance engagements.

Anticipating the need to act promptly, the IESBA established a Sustainability Working Group in Q1 2022 to begin fact finding work on sustainability reporting and assurance. While the IESBA recognizes the need to move with a sense of urgency and will continue to monitor any global regulatory and standard-setting developments in this regard, it also believes the fact-finding work must precede, and will help circumscribe the scope and direct the focus of, any standard-setting work in order to achieve the greatest possible impact. The IESBA envisages that this fact-finding work will be completed within the current strategy period. The IESBA will then determine the timing of any new standard-setting work based on the recommendations of its Sustainability Working Group and in consultation with the IESBA CAG and the PIOB.

At the same time as the Sustainability Working Group earnestly lays the groundwork for the IESBA's standard-setting response in the sustainability area, the IESBA has also commissioned IESBA Staff to develop non-authoritative guidance to highlight the relevance and applicability of the Code in relation to a number of ethics and independence concerns in relation to PAs' involvement in sustainability reporting and assurance. One such concern is the reporting of information that gives a false or misleading impression about how well a business or investment aligns with its sustainability goals ("greenwashing").

More broadly, as the IAASB is prioritizing its own focus on sustainability assurance, the IESBA will coordinate closely with the IAASB on any standard-setting work so that matters of mutual concern to the Boards' stakeholders are addressed promptly and the Boards' standards will be mutually consistent and interoperable. An important area of focus will be to understand the IAASB's approach to developing any new standards addressing sustainability assurance as this might impact the extent and direction of the IESBA's own standard-setting work. Further, the IESBA will prioritize engagement and dialogue with the International Organization of Securities Commissions (IOSCO) and other relevant international bodies as well as regulatory bodies in major jurisdictions, including the EU and major G20 countries, that are developing or actively considering policies or regulations addressing sustainability reporting and assurance.

Beyond assurance, there is also a need to consider the evolving nature and growing extent of the advisory services PAPPs are providing to entities as those entities respond to market pressures for more transparency about their sustainability goals, key performance indicators and accountability metrics.

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[2] Part 4B of the Code addresses independence for assurance engagements other than audits and reviews of financial statements. In January 2020, the IESBA issued revisions to Part 4B to align its provisions with the revised assurance terms and concepts in ISAE 3000 (Revised).

[3] ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

Involvement of Other Assurance Service Providers

Given the IESBA's expectation that PAs will play a major role in sustainability reporting and assurance, the IESBA envisages that a large part of its standard-setting work under the new SWP will be focused on maintaining the robustness and relevance of the Code's ethics and independence provisions as these apply to PAs. The IESBA, however, recognizes that there is a wide range of professional firms outside of the accountancy profession that are providing assurance services with respect to sustainability information. This diversity of assurance service providers reflects not only the reality that sustainability reporting covers a much wider spectrum of disciplines and topics than financial information, but also the fact that regulations continue to lag behind the natural demand-supply evolution of sustainability reporting and assurance. Further, regulations being developed in some major jurisdictions expressly contemplate that the market for sustainability assurance services will not be limited to providers within the accountancy profession. This is part of a broader trend away from a provider-centered regulatory approach towards a service-centered one.

ISAE 3000 (Revised) is designed to support the performance of assurance engagements by all providers of assurance services including PAs in public practice (PAPPs), Whilst the Code governs PAPPs ethical conduct or independence on assurance engagements, it appears that there are currently no comprehensive or globally accepted standards that govern the ethical conduct or independence of these other assurance service providers, or standards as comprehensive as those in the IESBA Code.[4] Accordingly, the IESBA recognizes that there is an open question as to whether the public interest will be better served if the scope of the Code — as a body of ethics (including independence) standards that is already globally recognized and trusted — were to be enlarged to cover assurance service providers that are not PAPPs. Underpinning this question, which appears simple but might have complicated ramifications and far-reaching consequences, is a proposition that is difficult to challenge from a public interest perspective, namely that all providers of sustainability assurance services should be held to the same high ethics (including independence) standards, regardless of the profession to which they belong. One ramification for the Code if its scope were to be expanded along those lines is whether its provisions should cover other providers outside of the accountancy profession who supply similar services provided by individual PAIBs or PAPPs, such as tax planning and related services.

In posing the question of whether there would be merit in broadening the scope of the Code, the IESBA is not prejudging what the final answer should be, or how such a scope enlargement might be achieved,[5] but merely seeking thoughts and reactions from stakeholders as to how compelling this proposition would be from a public interest perspective. The IESBA recognizes that a related fundamental question is how to achieve the authority of binding standards for non-PAs and the associated need for enforcement. In this

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[4] ISAE 3000 (Revised), paragraph 20, requires the practitioner to comply with the provisions of the IESBA Code related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. However, the Code currently applies only to PAs.

[5] This survey is not seeking to open a broad discussion on the mechanisms for achieving a scope enlargement for the Code. This is a matter the IESBA would explore more fully as part of a separate work stream if it determined there was sufficient ground and stakeholder support to proceed with developing this notion of scope enlargement in more concrete terms.

regard, the IESBA sees that there would be a clear need for the support of, and complementary action by, the regulatory community.

1. ***What level of importance do you believe the IESBA should place on dedicating strategic focus to responding through standard-setting action to the developments in sustainability reporting and assurance in its next strategy period (2024-2027)?*** Please be as specific as possible and explain your reasoning.

The Public Trust Committee (PTC) believes that the IESBA should place a high level of importance on standard-setting action in response to developments relating to reporting and assurance of sustainability information because professional accountants (PAs) are already taking an active role in this area. In Canada, ethical requirements are in place to dissuade PAs from performing work outside their area of competence. Therefore, IESBA-developed sustainability reporting and assurance ethical standards could serve to enhance a PA's competence and further encourage involvement by PAs in this growing field.

We are of the view that it is in the public interest to ensure that appropriate standards are in place for these types of assurance engagements, and that it is clear what type of assurance is being provided, and the relevant independence or other ethical requirements that apply.

The PTC also encourages that IESBA take a balanced approach in developing standards that considers both consulting and assurance services that professional accountants in business (PAIBs) and PAPPs would leverage. We believe there is a significant amount of work to be done in examining the extant Code to determine which aspects of sustainability reporting and assurance would not be captured and where revisions to the Code are necessary. For example, we note that section 220 of the IESBA Code appears broad enough to include sustainability reporting for PAIBs, therefore as a start, IESBA could consider developing a parallel of section 220 into Part 3 of the Code to cover PAPPs commencing work in this, perhaps, otherwise unfamiliar topic.

It was noted that any standard-setting action should be written with enough clarity to inform the PA and provide regulators with enforceable and prosecutable ethical standards.

2. ***Do you believe the IESBA should explore the concept of expanding the scope of the Code to cover assurance service providers other than PAPPs? What preconditions would need to be in place and what potential challenges or drawbacks do you foresee if the Code's provisions were scoped to the nature of the assurance services provided as opposed to who is providing the assurance services?***

The PTC is of the view that from a public interest perspective, the services of assurance providers should be regulated but, given that the IESBA currently lacks authority to issue guidance for professions other than PAs, it is unclear how non-PAs could be regulated by the Code without jurisdiction-specific regulator support. We also view this as one of the main challenges, especially since Canada has multiple jurisdictions each with its own regulators. There is a risk that not all regulators would support such an expansion of scope.

The IESBA has a lot to offer in this area and should closely follow developments related to assurance providers other than PAPPs, and contribute where appropriate to the consultation and standard-setting processes of other regulatory bodies in the area of ESG assurance. However, the PTC thinks that the IESBA should proceed with caution in considering whether to expand the scope of the Code to assurance providers other than PAPPs. We are concerned that, if there is no distinction between which parts of the Code apply to PAPPs versus other service providers, then the notion of being able to adopt the Code as written might be impacted by the extent to which standards that govern others might get incorporated into the Code. The PTC recommends that the IESBA carefully consider the actual logistics of the structure of the Code if they are to explore expanding the scope of the Code.

The PTC also notes that PAs bring a high level of ethics and quality to services they provide because they are regulated. This can act as a competitive advantage over other non-regulated service providers.

3. *Are there other matters the IESBA should consider with regards to this strategic focus area?*

The PTC highlighted one additional matter that relates to the role of PAIBs, which is to suggest the IESBA considers encouraging or promoting sustainable practices within an organization. Similar to the ethical leadership that PAs are required to demonstrate, the IESBA could consider whether leadership in relation to sustainable business practices within an organization should also apply.

2. Raising the bar of ethical behavior for professional accountants in business

The IESBA sees another potential area of strategic focus is raising the ethical bar for PAIBs beyond issues of sustainability reporting. Over half of the world's PAs are PAIBs working on their own or in organizations other than public accounting practices. PAIBs are a very diverse constituency, and can work as employees or consultants in commerce, industry, education, and the public and not-for-profit sectors. Many are in a position of strategic or functional leadership, or are otherwise well-placed to collaborate with colleagues in other disciplines to help their organizations toward long-term sustainable success.

Given that many PAIBs play a fundamental role in the financial reporting supply chain and facilitate effective governance in organizations, it is in the public interest that the provisions of the Code applicable to PAIBs are appropriate and robust. During the previous strategy period, the IESBA completed a two-phase project that significantly enhanced the Code's provisions relating to the ethical behavior of PAIBs. The enhancements included revisions to the provisions on inducements and the preparation and presentation of information, as well as a new standard on dealing with pressure to breach the fundamental principles.

As part of the current strategy period, the IESBA has introduced new provisions in the Code that promote the role, mindset and behavioral characteristics expected of all PAs when performing their professional

activities. The IESBA has also issued for exposure proposed technology-related revisions to Part 2 of the Code which applies to PAIBs. In addition, the IESBA has a separate working group that is carrying out fact finding to further understand the broader technology environment, including the ethical implications for PAs of developments such as blockchain, cybersecurity and cloud-based services.

4. ***Beyond sustainability reporting which is covered under the first strategic focus area above, do you believe the IESBA should dedicate strategic focus on further raising the bar of ethical behavior for PAIBs in its next strategy period (2024-2027)?*** Please be as specific as possible in terms of specific trends, developments or issues[6] and explain your reasoning.

Overall, the PTC believes that there are sufficient ethical standards already in place, and it is not clear what IESBA might be considering beyond what is currently in the conceptual framework. We believe that there may be diminishing returns if the introduction of new prohibitions and rules leads to the Code becoming less principles-based. It was also noted that breaches of ethical requirements by PAIBs are generally only brought to light when someone raises a complaint (e.g., a fraud), and that it will be difficult to change this in any way that will noticeably influence behavior in a manner that is observable to the public (i.e., because it is only observable when something has gone wrong). However, an option for IESBA to consider is that the introduction of principles about leading indicators could be helpful in avoiding/mitigating the threat of fraud or other public trust types of complaints.

The PTC recognizes that this is an important area which must continue to be held in the highest regard by all PAs. Therefore, the PTC believes that ongoing monitoring and consideration of future amendments to address any ethical concerns that arise is a valid strategic focus area. Furthermore, with regard to existing and future ethical standards, the IESBA should always consider enforceability when drafting the standard.

3. Strengthening independence standards for audit engagements

Recurring headlines about collapses of large public companies due to fraud as well as other financial scandals across the globe have continued to draw much public attention to the role of auditors as corporate guardians of public trust and confidence in entities' financial statements. Some of these events have called into question not only the quality of the audits but also the independence of the auditors. In addition, there continues to be heightened regulatory scrutiny not only on aspects of the performance of an audit, such as the exercise of professional skepticism and professional judgment,

[6] Section C in this survey sets out a few specific matters or concerns that have come to the IESBA's attention as these relate to PAIBs.

but also on broader considerations relating to auditor independence and the audit firm multi-disciplinary business model.

As highlighted in the Background subsection above, the IESBA has continued to dedicate strategic effort to addressing aspects of the issues in the current strategy period through its three major inter-related independence-focused projects on NAS, fees, and the definitions of listed entity and PIE. In this regard, the IESBA believes that the revisions to the Code as a result of the NAS and Fees projects represent a major public interest contribution towards addressing some of the concerns about the business model of firms.

Within the current strategy period, the IESBA also continues to place high priority on projects that will further enhance auditor independence. These include the Engagement Team – Group Audits Independence and Technology projects. These two projects are ongoing, with Exposure Drafts issued in February 2022. In addition, as a result of its PIE project, the IESBA has committed to undertaking a holistic review of collective investment vehicles and other "non-corporate" legal structures such as mutual funds, private equity funds, pension funds and trusts to assess whether the independence provisions in the Code appropriately cover audits of such vehicles or structures, or whether they need to be clarified and expanded.

The IESBA will also consider the findings of Phase 1 of its Benchmarking initiative to determine whether there are independence matters that would warrant specific attention from a standard-setting perspective. Phase 1, which was completed in March 2022, compared the IIS as applicable to PIEs to the relevant independence requirements of the US Securities and Exchange Commission (SEC) and the US Public Company Accounting Oversight Board (PCAOB).

Section C also sets out a number of specific topics that the IESBA has identified from previous or current work streams, or which were otherwise brought to its attention. Subject to stakeholder input to this survey, the IESBA may consider prioritizing some of these topics from the perspective of further strengthening the IIS relative to auditor independence.

5. ***Do you believe the IESBA should continue to dedicate strategic focus on strengthening the IIS for audit engagements in its next strategy period (2024-2027)? If so, what specific developments or issues do you believe the IESBA should focus on beyond the matters outlined above and in Section C?*** Please be as specific as possible and explain your reasoning.

The PTC believes that, to protect the public interest, the international independence standards should always be an area of strategic focus for the IESBA. The IESBA should maintain attention to what is happening around the world with regard to independence and determine whether areas need to be further strengthened in the public interest, but we have no specific developments or issues to recommend focusing on at this time.

4. Promoting timely adoption and effective implementation of the Code

Prior to the release of the restructured Code in 2018, the Code had been adopted or had been used as a basis for national ethics standards or the ethical codes of professional accountancy organizations (PAOs) in over 120 jurisdictions around the world, including 16 among the G-20. As of January 2022, over 85 jurisdictions have adopted, or committed to adopt, the restructured Code. In addition, the 31 largest international networks of firms that comprise the Forum of Firms have also aligned their policies and methodologies to conform to the restructured Code for transnational audits.

The IESBA dedicates significant effort to promoting the adoption and effective implementation of the Code, including new revisions to the Code, through various initiatives and activities, an important part of which is stakeholder outreach. Beyond these, the IESBA considers it a high priority to conduct post-implementation reviews (PIRs) of significant revisions to the Code to assess how effectively the implementation of those revisions is meeting the original objectives of the revisions. So far, within this current strategy period, the IESBA has completed Phase 1 of the Long Association PIR. The IESBA plans to initiate the PIRs of the restructured Code and the NOCLAR provisions as well as Phase 2 of the Long Association PIR in the remaining two years of the current strategy period (2022-2023).

As part of the new strategy period, the IESBA expects to prioritize PIRs of the revisions to the Code relating to the NAS, Fees and PIE projects.

6. ***Do you believe the IESBA should devote strategic focus on promoting timely adoption and effective implementation of the Code in its next strategy period (2024-2027)?*** Please be as specific as possible and explain your reasoning.

The PTC believes that timely adoption and effective implementation should remain a strategic focus area of the IESBA and specifically that focusing on stability within the Code will naturally promote these outcomes.

It is important for the IESBA to weigh the benefits of a stream of additional revisions or new pronouncements against the backdrop that constant revision makes it more difficult for national standard setters to remain current in their adoption and implementation efforts and is very taxing to the resources of both the IESBA and national standards setters.

The PTC notes that issuing revisions of revisions (i.e., revisions to paragraphs that are not yet effective) does little to promote the Code's robustness or utility and makes it difficult for national standard setters to promote adoption of the Code in their jurisdictions. A period of relative stability for the Code would allow national standard setters to benchmark their own standards for the purposes of comparison, before the next version of the Code is issued.

The PTC also believes that national standard setters would benefit from more time between exposure drafts and longer consultation periods where possible, in order to fully consider the impact of the IESBA's proposals in their jurisdictions.

The PTC thinks that if national standard setters in some jurisdictions are discouraged from adopting the Code because they believe it is not stable and there is insufficient time to understand and provide input into proposed changes to the Code, that the IESBA's work in developing and issuing revisions to the Code might be of less value in these jurisdictions.

We also note that the trend toward globalization internationally appears to have paused, or perhaps even changed course to nationalization and think that this may pose an additional challenge for the IESBA in the current environment.

7. *Are there specific operability issues or concerns with respect to the Code you believe the IESBA should be made aware of?*

The PTC notes that Canada does not use the IESBA Code, however, with about 75-80% of Canadian PAs working in business, we expect that the duplication within sections 100 – 300 of the IESBA Code could be an issue.

We also note that one of the benefits of a principles-based approach should be to reduce the number of specific rules needed to address any possible situation. Therefore, we encourage the IESBA to remain considered and principles-based in their approach rather than developing new rules and guidance to address every possible event.

OTHER KEY ENVIRONMENTAL TRENDS OR DEVELOPMENTS

8. *Are there key environmental trends or developments, beyond those already noted above, you believe the IESBA should focus on in its next strategy period (2024-2027)?* Please be as specific as possible and explain your reasoning.

The PTC observes an increasing possibility that PAPPs may split into two categories (e.g., EY recent announcement) in the coming years: assurance providers and consultants. The implications of such a division on the needs and requirements of PAs could be a key trend that the IESBA should focus on in its next strategy period.

Additionally, the rapid developments seen in the metaverse, crypto assets and non-fungible tokens have implications, particularly for accountants in business and issues surrounding valuation. These areas are growing, to some extent, in popularity and have very large public interest implications that could be an area of focus in the IESBA's next strategy period.

Section C: Possible Future Standards-Related Projects or Initiatives

The following table lists topics that the IESBA may consider as potential future projects or initiatives in the 2024-2027 strategy period. The IESBA has identified these topics through various means, including ongoing and recently completed work streams, and the previous strategy consultation process.

When the IESBA reviews these topics as part of the development of the SWP consultation paper, the IESBA will take into account:

- Respondents' input on the strategic direction and priorities for the next strategy period (Section B).
- The level of importance of each topic based on a number of factors.
- Input received from respondents to this Section (Section C).

Please note that this section provides only a high-level overview of each topic noted in the table below. Respondents will have an opportunity to comment on a full description of the IESBA's proposed strategic work plan when it issues the consultation paper in due course.

	Topic
INDEPENDENCE TOPICS – PAPPS	
1.	Independence of external experts
2.	Audit firm – audit client relationship
3.	Business relationships
4.	Definition of "audit client" for PIEs
5.	Matters arising from Quality Management (QM)-related conforming amendments to the Code
PAIB-SPECIFIC TOPICS	
6.	Familiarity threat in relation to Part 2
TOPICS ADDRESSING PAS MORE BROADLY	
7.	Professional appointments
8.	Breaches of the Code
9.	Definitions and descriptions of terms
OTHER TOPICS	
10.	Non-authoritative material

The IESBA is seeking respondents' assessment of the level of importance of each of these topics (on a scale of 1-5) and a brief rationale for those that have been assessed as high importance (Rating: 4-5).

Factors for Rating the Topics

When assessing the level of importance, respondents are asked to consider the following factors:

- Public interest benefits
  - The level of public interest in undertaking the project or initiative.
  - The extent to which the action will enhance public trust in the Code and the profession.
  - The extent to which the action will raise the bar on ethical behavior for PAs.
- Relevance
  - Pervasiveness of the matter or issue to the global profession.
  - Relevance of the topic at a global level.
  - Relevance of the topic to the ethical behavior of PAs or independence.
- Urgency
  - The degree of urgency in addressing the issue(s) identified.
  - The extent of the impact on the public interest and the profession if action is not taken or is delayed.
- Achievability
  - Feasibility of achieving an effective outcome within a reasonable timeframe, taking into account the resources required.

Please rate each topic listed below on its level of importance as a priority for the IESBA's SWP 2024-2027 on a scale of 1 to 5 (1 = lowest level of importance). Please refer to the factors for rating the topics above when assessing each topic.

For those topics that you rated either a 4 or 5 (i.e., the highest levels of importance), please provide a brief explanation for your rating.

Independence of External Experts

Under the Code's and the IAASB's definitions of "engagement team," an auditor's external expert is not a member of the engagement team for an audit or other assurance engagement. As such, they are not scoped in for the purposes of the IIS. They are, however, subject to objectivity requirements under ISA 620[7] in the context of an audit of financial statements.

A potential project on this topic would consider whether external experts used on audit and other assurance the expected increase in involvement of external experts under ISA 540 (Revised)[8] and sustainability

[7] International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert*

[8] ISA 540, *Auditing Accounting Estimates and Related Disclosures*

assurance standards. This matter arose during the IESBA's and IESBA Consultative Advisory Group's (CAG) discussions on the Engagement Team – Group Audits Independence project. Such a project would require coordination with the IAASB.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***5***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

See the PTC's response to the IESBA's Exposure Draft, "*Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*". We think that most importantly the IESBA needs to clarify how it intends to treat external experts when it comes to independence, because the proposals and related application material are not clear. We are of the view that external experts should be members of the audit team if they can influence the outcome of the audit engagement, regardless of their area of expertise.

Audit Firm – Audit Client Relationship

As part of its Fees project, the IESBA concluded that the Code should recognize the inherent self-interest threat in the audit client payer model whereby the party responsible for the subject of an examination directly pays the examiner. The IESBA, however, agreed that the inherent risk related to the audit client payer model is part of a broader issue of the "audit firm–audit client" relationship, which was outside the scope of the Fees project.

A potential project on this topic would therefore consider whether the Code should address the inherent threats arising from the client relationship more broadly. It may also address a related matter which is whether it continues to remain appropriate for the Code to use the term "audit client" as opposed to the "audited entity" or "entity subject to audit." This recognizes that the ultimate beneficial client is not the entity itself but the entity's owners or shareholders.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***4***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

The PTC views this as core to the profession.

Business Relationships

Section 520 of the Code addresses threats to independence arising from business relationships between an audit firm and an audit client or its management, with the provisions focused on "close business relationships."

The Code does not define or describe the term "business relationship." Whilst the concept of "close business relationship" in Section 520 focuses on a "mutuality of interests" such as joint ventures and combining services or products with those of an audit client, there is a view that "business relationship" is a broader concept, i.e., consisting of any commercial arrangement.

A potential project on this topic would therefore consider revisiting Section 520 more comprehensively to deal with threats to independence from a broader business relationship context. This matter was identified as part of the current Technology project but is deemed to be outside the scope of that project.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***4***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

The PTC is of the view that issues related to business relationships arise quite often and there can be differences in interpretation of the Code in terms of what is scoped in or would not be permitted, and it can get quite complicated.

Definition of Audit Client for PIEs

The extant Code contains only one reference to "listed entity" in the IIS that is separate from its treatment as a PIE. This reference, in extant paragraph R400.20, specifies which related entities are included in the definition of an audit client depending on whether the audit client is a listed entity or not.[9]

As part of the PIE project, the IESBA agreed to replace the reference to listed entity in extant paragraph R400.20 with the new term "publicly traded entity." As part of its deliberations, the IESBA also considered whether to replace the reference to listed entity in paragraph R400.20 with PIE, thereby enlarging the scope of the related entities included with the audit client when it is a PIE. However, the IESBA agreed that addressing the relevant issues such as the corporate structures of private equity complexes and sovereign wealth funds as well as the flow of information within those structures were beyond the scope of the PIE project.

A potential work stream on this topic would undertake further research to gain a better understanding of the ramifications of extending the whole universe of related entities for listed entities in extant paragraph R400.20 to apply to all PIE audit clients.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***3***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

Matters Arising from Quality Management (QM)-Related Conforming Amendments to the Code

There were a number of substantive matters of alignment that arose during the project to develop the limited conforming amendments to the Code as a result of the finalization of the IAASB's QM projects. These matters were beyond the scope of the conforming amendments project. This limited scope project, which

[9] Extant paragraph R400.20 states: "As defined, an audit client that is a listed entity includes all of its related entities. For all other entities, references to an audit client in this Part include related entities over which the client has direct or indirect control."

was finalized in December 2021, focused on the relevant provisions of the Code that refer to ISQM 1[10] or ISQM 2,[11] or terms and concepts used or defined in those two QM standards.

The matters raised include:

- Whether networks can be defined by common requirements or services as opposed to common policies and procedures.
- Whether references to network firm in the Code, including in the definition of "audit team," should be extended to include "the network," given that ISQM 1 contemplates that there is the network, other firms in the network, and other structures or organizations within the network.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***4***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

The PTC thinks that it is important for the IESBA to develop an understanding of whether there is an actual difference created by extending references to network firms to include the network, and if that difference would be significant then it is important to address.

Familiarity Threat in Relation to Part 2 of the Code

During the Long Association project, it was noted that the extant definition of "familiarity threat" contains a reference to "employing organization." However, the Code has only a few examples of familiarity threats with respect to PAIBs in the context of their employing organizations.

Currently, extant paragraph 200.6 A1(d) provides two general examples of familiarity threats for a PAIB when undertaking a professional activity; and paragraph 250.11 A3 provides one example of a familiarity threat that might be created when an inducement is being offered or accepted even if the PAIB has concluded there is no actual or perceived intent to improperly influence behavior.

A potential work stream on this topic would consider whether there is a need to provide additional guidance in the Code or in non-authoritative material regarding how PAIBs should address familiarity threats in the context of their work for employing organizations.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***4***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

The PTC views this as core to the profession.

[10] International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

[11] ISQM 2, *Engagement Quality Reviews*

Professional Appointments

In the context of a change in professional appointment, paragraph R320.6 of the Code requires a proposed PA to take other reasonable steps to obtain information about any possible threats if the PA is unable to communicate with the existing or predecessor accountant. Paragraph 320.5 A1 provides that a proposed PA will usually need the client's permission to initiate discussions with the existing or predecessor accountant.

Paragraph R320.8 deals particularly with changes in audit or review appointments. It provides that if a client fails or refuses to grant the existing or predecessor accountant permission to discuss the client's affairs with the proposed accountant, the existing or predecessor accountant shall disclose this fact to the proposed accountant, who shall carefully consider such failure or refusal when determining whether to accept the appointment.

A potential project on this topic would consider whether the Code should require a proposed PA to decline an appointment if the client fails or refuses to give permission to the existing or predecessor PA to communicate with the proposed PA, unless there are certain exceptional circumstances.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***4***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

The PTC views this as core to the profession.

Breaches of the Code

Extant paragraphs R400.80 to R400.89 and R900.50 to R900.55 of the Code address a breach of a requirement in Parts 4A and 4B, respectively. These provisions require a firm to take certain actions upon concluding that a breach has occurred, such as addressing the consequences of the breach, determining whether to end the audit or assurance engagement, and communicating with those charged with governance. These provisions also provide guidance on matters such as actions a firm might consider to address a breach satisfactorily.

Extant paragraphs R100.8 – 100.8 A1 currently provide a requirement and application guidance to address a breach of any other provisions of the Code. A potential project on this topic would consider other matters some stakeholders have raised, such as:

- In addition to requiring a PA to address the consequences of the breach and determine whether to report it to the relevant parties (paragraph R100.8), whether the Code should address actions to stop the activity that caused the breach.
- Whether there should be any optionality in reporting a breach under paragraph R100.8 (b).
- Whether the conceptual framework in Section 120 should specifically address the disclosure required when a breach occurs and when the professional accountant is unable to end a service.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***4***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

The PTC views enforceability of the Code as core to the profession. Therefore, any breaches must be dealt with fairly and consistently which is more easily accomplished with clearly worded standards and practical guidance.

Definitions and Descriptions of Terms

There are certain differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. These terms include: financial statements; firm; independence; review engagement; and special purpose financial statements.

In addition, during the Structure of the Code project, the IESBA received a number of suggestions from respondents to reconsider how certain terms are currently defined in the Code, including:

- Audit team – Whether the definition of "audit team" should be broadened to include individuals within the firm who may be in a position to influence the conduct or outcome of an audit by removing references to individuals in a position to '***directly*** influence' the outcome of an engagement. It was argued that such a broadening of the term would better reflect the complexity of organization and influence within audit firms. There was also a view that the change would address the risk that an ability to influence is seen purely as a structural consideration (related to the position of an individual in a firm), instead of driving the assessment through a consideration that captures all those who have the ability to influence and are relevant to the engagement.
- Employee – Whether the term "employee" should include individuals who may act in the capacity of an employee, such as a contractor of an audit client, instead of only covering actual employees of an audit client.
- Engagement Period – Whether it remains appropriate to limit the concept of "engagement period" to the date the audit report is issued as the auditor has further responsibilities under auditing standards, such as addressing the effect on the opinion of matters that come to the auditors' attention after the conclusion of the audit.
- Firm – Whether the term "firm" is too narrowly defined and whether a firm could have non-member employees, as well as clarifying the responsibility of PAs for employees other than PAs.
- Network Firm – Whether the concept of a "network firm" should place more focus on the exercise of judgment instead of being circumscribed by a list of examples of situations that might indicate the existence of a network. There is also a view that borders between associations and networks are increasingly diffuse, and there is therefore a need to consider any potential Code implications that might impact the definition of a network firm. It has also been noted that while the definition of "network firm" is sufficiently broad in the Code, the definition of "firm" is potentially narrow in its references to structures known to exist today and that this might become limiting for the future.
- Professional Accountant – Whether the definition of "professional accountant" should include retired or inactive professional PAs.

The IESBA's Applicability project addressed the applicability of Part 2 of the Code to PAPPs. As part of this project, there were suggestions as to whether the definitions of a PAPP and a PAIB should be revised. The Code defines a PAPP to be a PA, irrespective of functional classification, in a firm that provides professional services. It has been brought to the IESBA's attention that there is no clear limitation in the definition of a PAPP to those who actually provide professional services. The extant definition, however, appears to include any PA in a firm that provides professional services. This could be interpreted to include PAs in roles other than providing professional services, such as in finance or IT.

Conversely, the Code defines a PAIB to include any PA employed or engaged in a variety of areas including service. If it is intended that a firm providing professional services is in a "service" industry, then prima facie any PA working in that service organization, including those providing professional services, is also a PAIB.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***3***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

Non-Authoritative Material (NAM)

Potential work streams would consider developing NAM in relation to the following topics:

Several respondents to the *Alignment of Part 4B of the Code with ISAE 3000 (Revised)* Exposure Draft suggested that users of the Code would benefit from more practical examples of how Part 4B is to be applied, such as:

- Graphical illustrations of the different independence requirements as between a direct and an attestation engagement, in particular where more than one responsible party or party responsible for the subject matter information is involved.
- Practical guidance on determining the nature of the data that represents the underlying subject matter of the assurance engagement
- Practical guidance or case studies on identifying the parties from which independence is required, particularly in new and emerging areas that will assist practitioners to better evaluate and comply with the independence obligations.

In finalizing the revisions to Part 4B, the IESBA also agreed that non-authoritative guidance material to illustrate the application of Part 4B in different situations according to the various parties involved and by type of assurance engagement should be developed in due course.

Relationship Between the Concepts of "Inquiring Mind" and "Professional Skepticism"

As part of the Role and Mindset project, the IESBA introduced the concept of "having an inquiring mind" as a new element of applying the conceptual framework in the Code. It also provided guidance on what it means to have an inquiring mind. In considering the relationship between having an inquiring mind and exercising professional skepticism in the context of an audit or other assurance engagement, the IESBA made clear that, in addition to having an inquiring mind (which is required for all professional activities), PAs undertaking engagements to which auditing, review and other assurance standards apply are also required to exercise professional skepticism, which includes a critical assessment of evidence.

The IESBA also concluded that further explanation of the relationship and differences between these two concepts should be addressed through NAM rather than in the Code.

Types of Biases

As part of the Role and Mindset project, the IESBA also introduced new application material in the Code to illustrate eight common forms of bias that a PA might encounter, such as availability bias, automation bias, confirmation bias and groupthink. Given the principles-based nature of the Code, there was only a brief description of each type of bias.

There was a suggestion from some respondents to the Exposure Draft as well as from the IESBA discussions that the IESBA should consider developing NAM that provides expanded explanation of those examples of bias as well as other types of biases that may also be relevant to the exercise of professional judgment. There would also be consideration of exploring through NAM how biases affect a PA's professional judgment and the application of the conceptual framework.

How would you rate this topic as a strategic priority on a scale of 1 – 5? ***4***

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

The PTC is of the view that the IESBA should focus on NAM that will provide additional material, examples and clarification because it will be far more helpful than developing additional rules or guidance over the short term. This will be useful to national standard setters at various stages of deciding whether to adopt the IESBA Code in their jurisdictions and will ensure more effective implantation and greater consistency among those who have adopted the Code.

9. ***Are there specific ethics or independence-related topics not otherwise covered in this Section or this survey that you believe should be given a high priority by the IESBA?*** If so, please explain and be as specific as possible.

The PTC believes that the fundamental principles should be the ultimate guide in relation to ethics or independence-related topics. Therefore, it is important that the IESBA ensures these principles continue to represent the necessary threshold for PAs to meet.