

July 26, 2022

International Ethics Standards Board for Accountants

To: Ms. Gabriela Figueiredo Dias (Chair)

529 Fifth Avenue

New York, NY 10017

USA

Subject: Inputs on the IESBA Strategy Survey 2022

Dear Ms Gabriela Dias,

1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to respond to the International Ethics Standards Board for Accountants (IESBA) request for input on the IESBA Strategy Survey 2022. As an international organization of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high-quality auditing and professional standards, as well as other pronouncements and statements.
2. IFIAR's objectives are as follows:
 - Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.
 - Promoting collaboration and consistency in regulatory activity.
 - Initiating and leading dialogue with other policymakers and organisations that have an interest in audit quality.
 - Forming common and consistent views or positions on matters of importance to its members, while considering the legal mandates and missions of individual members.
3. The inputs we provide in this letter reflect the views expressed by many, but not necessarily all, members of IFIAR. However, the comments are not intended to include, or reflect, all the views that might be provided by individual members on behalf of their respective organisations.
4. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR.

General remarks

5. The IESBA Code of Ethics (the Code) is used by some, but not all, IFIAR members. Moreover, a number of audit firms have voluntarily committed to comply with the Code. As a result, IFIAR has an interest in enhancing the quality, clarity, and enforceability of the Code, even though existing ethical rules or provisions in force at the national level of our members may supersede those of the Code.
6. As audit regulators, we believe that the Code should be clear and enforceable and allow for audits to be performed on a consistent basis. The Code should incorporate provisions required to ensure appropriate and consistent auditor behaviour: this means that the IESBA should articulate clear ethical principles and supporting ethical provisions, along with clearly linked requirements, to promote better ethical behaviour and outcomes.
7. We continue to support the coordination efforts among standard-setting organizations relevant to auditing. Of particular importance is the IESBA's objective to align the Code with the international standards of the International Auditing and Assurance Standards Board to promote consistency and interoperability.
8. Regarding the proposed projects and initiatives that may be included in the consultation paper the IESBA has stated it will develop on the IESBA's next Strategy and Work Plan for the period 2024 – 2027 (SWP), we would like to reiterate the importance of focusing on the expected outcomes associated with proposed projects and initiatives.

Strategic Focus Areas

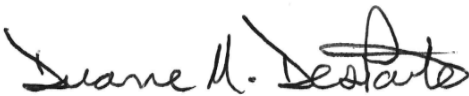
9. As an international organization of independent audit oversight regulators, IFIAR would note that the potential strategic focus area, 'Strengthening independence standards for audit engagements,' is of key importance to IFIAR. IFIAR also has particular interest in following the IESBA's pursuit of initiatives in relation to assurance engagements on sustainability information due to the growing importance of this topic for auditors in various jurisdictions.
10. IFIAR would also reiterate that concerns remain with respect to whether the "threats" and "safeguards" approach set out in the Code provides sufficient guidance for auditors to apply it properly. As part of the 'Strengthening independence standards for audit engagements' strategic focus area, we suggest that IESBA consider assessing whether the "threats" and "safeguards" approach could be enhanced with: (i) additional focus on prohibitions, where necessary; and (ii) more guidance on how requirements on the provision of non-audit services are meant to be applied.

Possible Future Standards-Related Projects or Initiatives

11. IFIAR notes that, in its annual Inspection Findings Survey Report, the topic 'Independence and Ethical Requirements,' as part of an Audit Firm's system of Quality Control, is a topic where its members frequently observe findings. IFIAR suggests that IESBA consider whether simplification (allowing for fewer exemptions) and clarification (providing more guidance on expected outcomes) of the provisions of non-audit services in the Code could help to improve audit quality.

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12. With respect to auditor independence, IFIAR suggest that the IESBA also consider whether the following topics warrant inclusion in the SWP:
- a. Improved guidance on the identification of key audit partners (other than the signing partner); and
 - b. Improved guidance on 'independence in appearance'.

Please do not hesitate to contact me or Martijn Duffels, Chair of the IFIAR Standards Coordination Working Group (SCWG), to discuss any of our comments.



Duane DesParte, IFIAR Chair

Cc: Takashi Nagaoka, IFIAR Vice Chair
Martijn Duffels, SCWG Chair,
Carl Renner, Executive Director