

Proposed IESBA Strategy and Work Plan 2014-2018— Summary of Significant Comments on Consultation

I. Overview of Responses

1. The comment period for the consultation paper (CP) on the proposed Strategy and Work Plan 2014-2018 (SWP) closed on February 28, 2014. As at March 12, 2014, comment letters have been received from 35 respondents. A listing of those respondents is provided in the Appendix.
2. The table below presents an overview of the constituencies from which responses have been received.

Category of Respondent	Number of Responses
Regulators and public authorities	2
IFAC member bodies ¹	19
Firms	5
Other professional organizations	8
Individuals & others	1
Total	35

3. The remainder of this paper is structured as follows:
 - A. Support for direction of future strategy?
 - B. General comments and observations from respondents
 - C. Work streams added to Board agenda in 2012
 - D. Proposed actions and relative prioritizations
 - E. Other respondent suggestions

Appendix: List of respondents

II. Detailed Analysis

- A. SUPPORT FOR DIRECTION OF FUTURE STRATEGY?
4. While respondents provided comments and suggestions on various aspects of the proposed SWP, overall they were supportive of the direction of the Board's future strategy. In particular, respondents were overwhelmingly supportive² of the proposed strategic themes that set out the

¹ Certain IFAC Member Bodies also hold the dual role of ethics standard setter in their jurisdictions.

² Regulators/Public Authorities: 17EUAR, IRBA; IFAC Member Bodies: ACCA, AICPA, CGA Canada, CIMA, CPA Au, CPA Canada, FAR, HKICPA, ICAEW, ICAS, IDW, ISCA, JICPA, KICPA, NBA, SAICA, WPK; Firms: DTT, EYG, KPMG, Mazars, PwC; Other Professional Organizations: APESB, Assirevi, FEE, IAA, NASBA, NZAuSB, PAIBC, SPMC; Others: DJuvenal

Board's vision over the medium- to longer-term and that are intended to assist in guiding the nature and prioritization of the Board's activities over the strategy period, i.e.:

- (a) Maintaining a high-quality Code of Ethics for application by PAs globally;
 - (b) Promoting and facilitating the adoption and effective implementation of the Code;
 - (c) Evolving the Code for continued relevance in a changing global environment; and
 - (d) Increasing engagement and cooperation with key stakeholders.
5. Indeed, there was a specific call for the Board to evaluate all work streams and priorities against the four strategic themes.³ A few of the respondents⁴ additionally remarked that the strategic themes were naturally linked and appropriately complemented each other.
6. There was recognition of the importance of flexibility in responding to changes in the global environment.⁵ At the same time, it was cautioned that the Board should not set unrealistic expectations that these changes will always directly impact the Code.⁶
7. Respondents overall were also supportive of,⁷ or had no objections to,⁸ the four work streams that were added to the Board's agenda in 2012, i.e.:
- (a) A review of the provisions in the Code that deal with long association of senior personnel (including partner rotation) with an audit client (Long Association);
 - (b) A review of the non-assurance services provisions in the Code to ensure that they continue to support a rigorous approach to independence for assurance services (Non-Assurance Services);
 - (c) A review of Part C of the Code addressing professional accountants in business (PAIBs) (Review of Part C); and
 - (d) A reconsideration of the structure of the Code with a view to enhancing the Code's usability, thereby facilitating increased adoption and more effective implementation (Structure of the Code).
8. Respondents nevertheless made a number of detailed observations regarding these four work streams. These observations are summarized in Section C below.

B. GENERAL COMMENTS AND OBSERVATIONS FROM RESPONDENTS

9. In addition to commenting on the detailed proposals in the CP, respondents made a number of comments and observations of a more general nature. These are summarized below.

³ Firm: DTT

⁴ IFAC Member Body: ACCA; Firm: EYG

⁵ Regulators/Public Authorities: 17EUAR, IRBA; IFAC Member Bodies: CIMA, CPA Au, HKICPA; Firm: EYG; Other Professional Organizations: APESB, PAIBC; Others: DJuvenal

⁶ IFAC Member Body: IDW

⁷ Regulators/Public Authorities: 17EUAR, IRBA; IFAC Member Bodies: ACCA, CGA Canada, CIMA, CNCC-CSOEC, CPA Au, CPA Canada, FAR, HKICPA, ICAEW, ICAS, IDW, ISCA, JICPA, KICPA, NBA, SAICA, WPK; Firms: DTT, EYG, KPMG, Mazars, PwC; Other Professional Organizations: APESB, Assirevi, FEE, IAA, NASBA, NZAuSB, PAIBC, SPMC; Others: DJuvenal

⁸ IFAC Member Body: AICPA

Caution Against Frequent Changes to the Code

10. Several respondents⁹ cautioned against making frequent changes to the Code, particularly small ones. It was argued that frequent changes may potentially impede further adoption and implementation (A&I) of the Code given the associated burdens of translation, dissemination, training and other related A&I costs, and may result in a move away from principles and the Code becoming patchwork. It was also noted that the Board completed a major revision of the Code only in 2009 and it was felt that time was needed to allow the changes to bed down. Accordingly, there were some calls for a pause in standard setting and for a stable platform for a reasonable period of time.
11. A suggestion was made for consideration to be given to introducing changes to the Code as one amendment with one effective date, as opposed to on a piecemeal basis.¹⁰

Preliminary Planning Committee (PC) Views and Reactions

12. The PC acknowledged the respondents' concerns about the burden of change and the related challenges of A&I. Indeed, the Board had noted in the CP that it would be sensitive to this burden when considering the merits of potential changes to the Code.
13. However, the PC felt that the Board has a responsibility to respond proactively to global developments that may potentially impact the public interest. The PC believes that this is a primary role for the Board which it should strive to fulfill in order to continue to stand as a credible international standard setter. Accordingly, when major jurisdictions or stakeholders raise concerns about, or are considering, particular ethics areas or matters, it is important for the Board to respond appropriately.
14. The PC believes it is also important to emphasize that the Board does give due regard to the merits of a project. The Board adheres to a robust due process that includes consultation with stakeholders and appropriate research to identify potential areas of concern in the public interest, as well as transparent board deliberations and careful consideration of stakeholders' feedback on exposure drafts. Also, the Board strives for a balanced approach that takes into consideration an understanding of the incremental benefits in the public interest of any proposed change to the Code and the related burden of A&I. In this regard, the PC felt it worth clarifying that a new work stream does not necessarily imply a change or a material change to the Code. For example, with respect to the Non-Assurance Services project the focus of the current work is primarily on bringing greater clarity to the guidance on "management function" and "routine and mechanical" bookkeeping services.
15. Additionally, the PC noted that the last set of major revisions to the Code was developed over five years ago before the advent, or just prior to the onset, of the global financial crisis. Since then the global environment has experienced significant transformation driven principally by legislative or regulatory changes, with the role of auditors and other professional accountants coming under closer scrutiny and further emphasis being placed on the importance of ethical behavior. The PC therefore felt that it would be important for the Board to ensure that the Code remains as robust and relevant as it can be in the context of the dynamic external environment. The PC also noted that

⁹ IFAC Member Bodies: CNCC-CSOEC, CPA Canada, ICAEW, IDW, WPK; Firm: PwC; Other Professional Organization: FEE

¹⁰ Firm: Mazars

any potential changes to the Code that may arise from projects currently in progress, let alone new projects that have not even started, would not come into effect until 2016 at the earliest, i.e., over six years after the release of the last major revision of the Code in July 2009.

16. Nevertheless, the PC felt that there may be ways to explore that could help alleviate the burden of change or facilitate A&I, for example:
 - (a) Grouping future changes together with a common effective date. This partly recognizes that over the past 15 months or so the Board released four sets of changes to the Code¹¹ with different effective dates, which may have reinforced perceptions of frequent changes to the Code. Releasing changes in batches with a common effective date, however, should not preclude early adoption if the Board chooses to allow for it.
 - (b) Releasing changes periodically such as on an annual or biennial basis. However, depending on the importance and urgency of the particular issue being addressed, the Board may decide to release a change at the earliest opportunity.
17. As a further consideration to explore, the PC felt that it may be helpful when issuing exposure drafts to seek feedback from respondents regarding potential operational issues they believe may arise in implementing the proposed changes. Such information may assist the Board in mapping out an appropriate transition period before the final changes become effective.

Prioritize Efforts to Support Adoption and Implementation

18. There was strong support from many respondents for the Board's current outreach efforts, with some calling for intensifying those efforts and others for the Board to redirect resources away from making further changes to the Code towards A&I.¹² Respondents in particular called for outreach efforts to be focused on increasing the global uptake of the Code, spurring greater global convergence, raising awareness and understanding of the Code and its robustness, and facilitating its more effective implementation. There was also a call for the Board to expressly dedicate a portion of its budget to A&I and to treating outreach as a separate work stream.¹³
19. There were a number of suggestions regarding stakeholders or stakeholder groups with respect to which the Board should continue to maintain or even deepen its engagement:
 - Legislators and regulators, in particular to increase the Code's stature and credibility internationally, to better understand the impediments to greater global convergence, and to avoid a proliferation of national differences (especially with respect to independence requirements) that would not be in the public interest.¹⁴
 - Investors.¹⁵

¹¹ Revised provisions addressing conflicts of interest and a breach of a requirement of the Code, and revised definitions of the terms "engagement team" and "those charged with governance"

¹² IFAC Member Bodies: CGA Canada, CNCC-CSOEC, ICAEW, IDW, WPK; Firms: DTT, EYG, KPMG, PwC; Other Professional Organizations: FEE, PAIBC

¹³ Other Professional Organization: PAIBC

¹⁴ Regulator/Public Authority: IRBA; IFAC Member Bodies: CNCC-CSOEC, WPK; Firms: DTT, EYG, PwC; Other Professional Organizations: FEE, SMPC

¹⁵ IFAC Member Body: ICAS

- Academia.¹⁶ In this regard, there was a suggestion that the Board consider commissioning academic research where appropriate.
 - National standard setters (NSS), including efforts to stimulate greater acceptance by NSS of compliance with the IESBA Code for audits of components within groups that are performed outside of the NSS' jurisdictions.¹⁷
 - The International Auditing and Assurance Standards Board (IAASB), given the need for continued strong linkage between the International Standards on Auditing (ISAs) and the Code.¹⁸
 - The IFAC Compliance Advisory Panel with regard to global adoption of the Code.¹⁹
 - The IFAC (Small and Medium Practices) SMP Committee and PAIB Committee.²⁰ In this regard, several respondents expressed support for the Board's acknowledgement in the CP of the importance of paying particular attention to the perspectives and needs of SMPs and PAIBs, not only when setting standards but also relative to application of the Code by SMPs and PAIBs.²¹
 - Developing nations.²²
 - The International Organization of Supreme Audit Institutions (INTOSAI) with respect to public sector auditors.²³
 - The broader public.²⁴
20. It was also suggested that in order to maintain its independence, it would be important for the Board to be responsive to all stakeholders and not be overly influenced by any one particular constituency.²⁵
21. Some respondents suggested that the Board focus on developing implementation tools and resources, such as case studies, best practice guidance and staff publications, to facilitate more effective implementation of the Code.²⁶ A respondent, however, expressed some reservation as to whether staff publications are the best way to address implementation issues given a perception that these do not carry the same authority as Board-issued materials.²⁷

¹⁶ IFAC Member Bodies: CPA Au, ICAS, IDW; Other Professional Organization: IAA

¹⁷ Firms: DTT, PwC

¹⁸ Regulator/Public Authority: 17EUAR; Firm: PwC; Other Professional Organization: NZAuSB

¹⁹ Firm: PwC

²⁰ IFAC Member Body: NBA

²¹ Regulator/Public Authority: IRBA; IFAC Member Bodies: ACCA, AICPA, CGA Canada, CPAI, IDW, WPK; Firm: DTT; Other Professional Organizations: APESB, FEE, PAIBC, SMPC

²² Other Professional Organization: APESB

²³ Regulator/Public Authority: IRBA

²⁴ Other Professional Organization: SMPC

²⁵ IFAC Member Body: IDW; Other Professional Organization: SMPC

²⁶ IFAC Member Bodies: ICAEW, ICAS, NBA, WPK; Firm: DTT; Other Professional Organizations: FEE, PAIBC

²⁷ IFAC Member Body: IDW

22. There was also a suggestion that the Board consider a more formal process by which IFAC member bodies can consult with the Board on practical implementation issues.²⁸

Preliminary PC Views and Reactions

23. The PC acknowledged respondents' support for the Board's efforts in reaching out to stakeholders. Indeed, over the past 18 months or so, the Board's outreach activities have covered over 15 countries in Asia Pacific, Europe, North America and part of Africa, with other regions of the world to be covered in the near future. Within those 18 months, the outreach has also encompassed over 160 different activities including meetings with a wide range of stakeholders, participation in conferences and seminars, and media interviews. These efforts evidence the substantial time and resources the Board is devoting to outreach, and demonstrate the Board's strong commitment to proactively engaging with stakeholders, promoting adoption of the Code, and raising awareness of the Board's work. The PC nevertheless took note of, and agreed with, the various suggestions from respondents as to stakeholders or stakeholder groups with which they believe the Board should continue or deepen its engagement.
24. The PC believes the Board's efforts on outreach to a large extent already represent a substantive response to concerns from respondents that the Board devote greater attention and resources to A&I. However, the PC noted that the fact that some jurisdictions have not adopted the Code may not necessarily be because of difficulties in understanding and implementing the Code but because of other reasons. For instance, certain jurisdictions have legislative processes or frameworks that require that ethical requirements for the profession be developed to suit the precise national context.
25. Related to the matter of adoption, the PC agreed with the IESBA CAG Chair (who acts as an observer to the PC) that one way to incentivize greater adoption of the Code would be to ensure its recognition through the proposed statement of independence in the auditor's report that the IAASB is currently developing as part of its Auditor Reporting project. Accordingly, the PC agreed that the Board should liaise closely with the IAASB in this regard.
26. With respect to calls for the Board to do more on implementation support particularly to assist SMPs/SMEs, the PC noted that the Board already has taken steps to enhance its liaison activities with the SMP/SME community, for example, through its SME/SMP Working Group and the regular interactions between the leadership and staff of the Board and the IFAC SMP Committee. These activities enable the Board to gain a better understanding of the challenges SMPs and professional accountants working in SMEs may face in implementing or applying the Code, and to seek to assist them in that regard. The PC believes the Board should continue to pursue such activities.
27. The PC also noted that the Board has, within its limited resources, provided implementation support in the past, for example, through Staff Q&As, overviews of the Code, and ad hoc reference materials (such as a summary of independence requirements applicable to audits of public interest entities (PIEs)). Further, the Board expends significant resources into ensuring that its deliberations and responses to stakeholders' comments on exposure drafts and consultation papers are appropriately recorded and to a sufficient level of detail. This effort includes articulation of the key issues, identification of arguments for and against particular positions, and explanation of the

²⁸ Firm: EYG

rationale for the Board's final conclusions. The PC believes that all this information, which the Board makes available publicly, serves as another important source of useful material to assist A&I.

28. The PC is of the view that the Board should continue to study any feedback on A&I needs that the Board receives and, where appropriate, continue to provide support as it has done in the past. In this regard, the PC notes the recommendation of the Structure Working Group that the Board address complementary material after the restructuring of the Code and consider taking advantage of existing materials already developed by others, for example, case studies prepared by IFAC member bodies (see Agenda Item 4-A, pages 11-12, of the April 2014 IESBA meeting material).²⁹ Nevertheless, the PC believes that the Board should prioritize projects and needs within the constraints of its available resources. Prioritization in turn will be influenced by the extent to which a particular implementation matter is common globally as well as its impact on the public interest.
29. In addition, the PC believes that successful A&I also depends on IFAC member bodies taking a lead role in supporting A&I in their own jurisdictions, such as researching and developing guidance on matters specific to, or that would address the unique needs of, their particular jurisdictions. Additionally, the PC believes there is an opportunity for IFAC to take on a greater role in facilitating A&I, such as through helping IFAC member bodies to connect with and support each other, and developing implementation support tools and resources as the IFAC SMP Committee has done with respect to IAASB standards.
30. Notwithstanding the above, the PC is of the view that the Board should endeavor to develop standards in a way that will facilitate their A&I to the greatest extent possible. Indeed, the PC noted that the Board already has launched as a matter of high importance and priority its initiative to review the structure of the Code with a view to making the Code easier to adopt and implement. The PC strongly believes that a restructured Code will go a long way towards helping to alleviate concerns about challenges in adopting and implementing the Code.
31. In the final analysis, considering the importance of pursuing a multi-pronged strategy as embodied in the proposed strategic themes, the PC believes the Board generally has struck an appropriate balance of focus on its different activities. In this regard, the PC noted that the Board has recently established an emerging issues initiative to enable the Board to, among other matters, stay attuned to developments that may impact A&I. The PC therefore believes there is no significant need for the Board to rechart its current course.

Needs Assessment

32. Several respondents emphasized the importance of the Board undertaking a proper needs assessment or a post-implementation review of standards before contemplating changes to the Code.³⁰ Some in particular highlighted a perception that changes to the Code are being made in reaction to regulatory developments in particular jurisdictions without clear evidence of need or an adequate articulation of the merits or benefits of the changes relative to the associated costs. In this regard, it was suggested that in determining priorities costs be recognized as a specific factor to consider alongside the benefits to the public interest.³¹

²⁹ <http://www.ifac.org/sites/default/files/meetings/files/Agenda%20Item%204-A%20-%20Structure%20report%20and%20recommendations.pdf>

³⁰ IFAC Member Bodies: AICPA, CPA Au, HKICPA, ICAS, IDW; Firms: DTT, KPMG, PwC

³¹ IFAC Member Body: IDW

33. It was noted that while it is important for the Board to understand regulatory developments around the world, rules developed in one jurisdiction may not necessarily be appropriate in a principles-based Code for global application. Some concerns were also expressed about both the creation of undue complexity and the potential for unintended consequences as the Board attempts to react to regulatory developments.

Preliminary PC Views and Reactions

34. The PC felt that some of the concerns above did not appear to reflect a fair assessment of the Board's process for initiating a particular work stream. At a general level, the PC did not disagree on the importance of the Board undertaking an appropriate needs assessment, including any necessary research, as a basis for green lighting a given project. Indeed, the PC noted that research has been an integral part of the Board's process for determining whether to proceed with the more recent projects or initiatives on the Board's current agenda (for example, the work on Structure of the Code, long association, and Part C of the Code), and that fact should be made clear. Importantly, the PC felt that the Board should not lose sight of how essential it is to promote public trust, and engender confidence among stakeholders, in the Code. Accordingly, the PC felt that if there is potential for perceptions of the robustness of the Code to be less than desirable it would be important for the Board to investigate the particular areas or matters that might be giving rise to those perceptions, notwithstanding a lack of evidence that the current provisions in the Code are not operating effectively.
35. The PC nevertheless agreed that the Board should endeavor to communicate the rationale for undertaking its projects clearly when it reaches out to stakeholders or otherwise communicates with them about those projects, or when it issues an exposure draft or a consultation paper. The PC also shared the view that the Board's periodic consultations on its future strategy and work plan should be seen as an important mechanism by which the Board is able to learn about and understand stakeholders' varying needs, and thereby seek to prioritize action to address those needs.

Vision and Framework for Setting Standards

36. A few respondents called for the Board to have a vision and a framework for setting standards.³² It was suggested that the Board develop a clear articulation of its vision and objectives, including the development of a framework, or set of principles, against which to make decisions about future activity. It was felt that this should include understanding the purpose for which the Board establishes ethical standards (e.g., to set the toughest standard, the lowest common denominator, or a common foundation that allows jurisdictions to go further based on local needs and circumstances), and the intended audience for these standards. It was also suggested that the Board aim to establish a framework that would enable the development of principles-based standards.

Preliminary PC Views and Reactions

37. The PC was hesitant about the Board devoting time and resources to developing a vision and a framework as suggested above, partly because the Board already has an established mission and

³² IFAC Member Body: JICPA; Firm: PWC

a well-defined process for determining its future work program, and partly because the PC was doubtful that such an effort would yield any significant benefits in practical terms. The PC noted that the Board does have the “bigger picture” in mind and is aware of what the larger or more strategic issues are as it determines where to best focus its time and resources. Indeed, it is partly to address the need for greater awareness of external developments and their broader impact, if any, on the Board’s strategy and work program that the Board established its Emerging Issues and Outreach Committee (EIOC) to advise the Board outside of the regular strategic planning cycle.

38. Nonetheless, in lieu of a formal framework, there was a suggestion within the PC that the Board could consider adopting a more structured process for determining whether to take on a new work stream. This process would address such matters as whether there is evidence of an issue that needs to be addressed, whether public trust and confidence in the Code or in the work of professional accountants could weaken, whether the issue concerns PIEs only or all entities, etc.
39. In addition, the PC felt that Board decisions about future changes to the independence provisions in the Code should be informed by, and taken in the context of, the Audit Quality Framework the IAASB recently issued.³³

Other General Comments or Suggestions

40. A few respondents also made some notable suggestions as follows:
- Refocusing the Board’s efforts towards the wider subject of professional ethics, particularly the fundamental principles underpinning the profession’s ethical foundation, in order to inform and educate the regulatory and business communities as well as the wider public on the ethical standard to which the profession upholds itself.³⁴
 - Setting up specialist groups of stakeholders (other than the CAG) to focus on providing input on particular projects.³⁵
41. A group of 17 audit regulators from the EU expressed the view that where the Code is less stringent than the EU legal and regulatory framework, this would have the potential to impair the applicability of the Code in that jurisdiction.³⁶ Accordingly, it was suggested that the Board monitor the outcome of the EU developments closely and ensure that the Code is consistent with the EU requirements, especially with respect to the topics of non-audit services, long association, communication by auditors when facing irregularities and non-compliance with laws and regulations (NOCLAR), joint audit considerations, and fee dependency.

³³ See <https://www.ifac.org/sites/default/files/publications/files/A-Framework-for-Audit-Quality-Key-Elements-that>Create-an-Environment-for-Audit-Quality-2.pdf>

³⁴ Other Professional Organization: FEE

³⁵ Firm: PwC

³⁶ Regulator/Public Authority: 17EUAR

Preliminary PC Views and Reactions

42. The PC noted that the Board already has been placing significantly greater focus than in the past on the wider subject of professional ethics in its various outreach activities and in its communications with stakeholders, such as through interviews given by Board leadership to the media. The PC is fully supportive of the Board continuing these efforts, including communicating messages about the importance of the fundamental ethical principles to the profession's role in the public interest.
43. The PC agreed with the suggestion that the Board consider setting up specialist groups of stakeholders to advise it on particular projects where appropriate.
44. With respect to the suggestion from the group of 17 EU audit regulators that the Board closely monitor the outcome of EU developments, the PC noted that the Board already has been doing so in a number of different ways, including through outreach to representatives of the European Commission and other stakeholders based in the EU, the EIOC's work, and discussions with the CAG. However, just as it is important to monitor and consider developments in the EU, the PC believes that as an international standard setter the Board should also consider developments in other jurisdictions. As an independent body, the Board's role requires that it consider and contrast developments in its constituent jurisdictions through a global lens and in an objective manner. This includes being open to all views about the extent and importance of an issue globally in the public interest, and considering the diversity of alternative ideas and trade-offs to addressing a particular matter. The PC believes that it is through taking such a global and objective approach that the Board strives to achieve a set of high-quality standards that is globally accepted and capable of being operationalized widely.

Matters for CAG Consideration

1. Representatives are asked whether they agree with the preliminary PC views on, or reactions to, the general comments from respondents above.
2. What specific adjustments, if any, do Representatives believe should be made to the proposed SWP, either directionally or with respect to specific aspects of the SWP in response to the significant comments received on the CP?

C. WORK STREAMS ADDED TO BOARD AGENDA IN 2012

45. As noted above, respondents overall were supportive of the Board pressing on with the four work streams the Board added to its agenda in 2012. However, while recognizing the Board's desire to be responsive to emerging issues and new developments globally, a respondent flagged the importance of the Board consulting with stakeholders in future prior to commencing new projects.³⁷ In this regard, it was suggested that the Board could consider a less formal but more expeditious process of seeking stakeholder input on changes to its SWP. A few other respondents suggested that the Board could consider more frequent consultations on its SWP, perhaps on a rolling basis.³⁸

³⁷ IFAC Member Body: AICPA

³⁸ IFAC Member Body: ICAEW; Firm: Mazars

46. Significant comments from respondents regarding each of the four work streams are summarized below.

Review of the Structure of the Code

47. Many respondents³⁹ expressed clear support for this initiative, with a number of them noting that it is of the highest priority and should be completed as soon as possible. Some in particular noted that the current structure of the Code may have been a factor hindering even greater adoption of the Code. They therefore recognized that this would be a critical project in terms of facilitating A&I, as well as enforcement, of the Code.
48. A few respondents, however, urged the Board to be conscious of the burden on IFAC member bodies of adopting potential changes arising from a restructuring of the Code, or aligning their ethics codes with a restructured Code.⁴⁰
49. A number of respondents provided detailed suggestions for the Board to consider as it evaluates the possible options and approaches to a restructuring of the Code. These suggestions will be shared with the Structure of the Code Working Group.

Long Association and Non-Assurance Services

50. Most respondents were generally supportive of these two work streams. A few respondents, in particular, recognized that there are discrete aspects of the Code relating to these topics that could be clarified or further enhanced.⁴¹ A few others, however, felt that these were not important or expressed caution or concern about revisiting provisions that were reviewed as part of the revised Code issued in 2009, especially given the burden of A&I.⁴² There was also a suggestion that the changes to the Code in these areas should be subject to a proper needs assessment.⁴³
51. A few respondents cautioned that further tightening the long association provisions in the Code could lead to a de facto firm rotation for SMPs.⁴⁴ This and other specific comments from respondents on these two work streams will be shared with the relevant task forces for consideration.

Review of Part C

52. There was broad support for the Part C work stream, particularly from respondents closely associated with PAIBs or their work.⁴⁵

³⁹ Regulators/Public Authorities: 17EUAR, IRBA; IFAC Member Bodies: ACCA, CIMA, FAR, HKICPA, ICAEW, ICAS, IDW, NBA, WPK; Firms: DTT, EYG, KPMG, Mazars, PwC; Other Professional Organizations: FEE, NZAuASB, SMPC

⁴⁰ IFAC Member Body: AICPA; Other Professional Organization: NASBA

⁴¹ Firms: EYG, PWC

⁴² IFAC Member Bodies: AICPA, WPK; Firm: DTT; Other Professional Organization: FEE

⁴³ Firm: KPMG

⁴⁴ IFAC Member Body: WPK; Other Professional Organization: SMPC

⁴⁵ For example: IFAC Member Body: CIMA; Other Professional Organization: PAIBC

Preliminary PC Views and Reactions

53. Given the overall broad support for the four work streams taken up in 2012, the PC agreed that no adjustments to the current plans for those work streams need be made.
54. The PC noted the comments from the few respondents who suggested that the Board consider more frequent, and perhaps less formal, consultations on its SWP. The PC believes that this may warrant future consideration by the Board once the SWP has been finalized.

Matter for CAG Consideration

3. Do Representatives agree with the PC's views above?

D. PROPOSED ACTIONS AND RELATIVE PRIORITIZATIONS

55. The CP set out a number of proposed actions and their relative prioritizations over the 2014-2018 period (see Section III and Appendix 2 of Agenda Item A-2).
56. Respondents generally expressed affirmative support for the proposed actions under each strategic theme and their relative prioritizations.⁴⁶
57. Of particular note:
- A project on reviewing the safeguards in the Code was supported by the respondents from the regulatory community.⁴⁷ In addition, a few respondents felt that the project would be of potential benefit to SMPs given the practical challenges they tend to face from having limited numbers of partners.⁴⁸ However, a few other respondents cautioned against undertaking a comprehensive review of safeguards in the Code given a lack of strong evidence of need, suggesting instead consideration of off-Code guidance.⁴⁹
 - With respect to the proposed action in the area of audit quality, while there was support for the IESBA to continue to be involved in the broader debate on audit quality, it was felt that it may be more appropriate for the IAASB to lead specific considerations in that area, with the IESBA considering the related impacts on, or complementing the IAASB's work from the perspective of, the Code. There was also encouragement for the IESBA to consider the implications of the Audit Quality Framework recently finalized by the IAASB on the IESBA's work, given the importance of the linkage between the IAASB's standards and the Code.⁵⁰
 - The Board's Emerging Issues initiative was welcomed by some of the respondents.⁵¹ In this regard, it was suggested that the Board ensure that the appropriate processes are in place to address emerging issues on a timely basis.

⁴⁶ Regulators/Public Authorities: 17EUAR, IRBA; IFAC Member Bodies: ACCA, AICPA, CGA Canada, CIMA, CNCC-CSOEC, CPA Au, CPA Canada, FAR, HKICPA, ICAEW, ICAS, ISCA, JICPA, KICPA, SAICA; Firms: DTT, EYG, KPMG, Mazars, PwC; Other Professional Organizations: APESB, Assirevi, FEE, IAA, NASBA, NZAuSB, SPMC; Others: DJuvenal

⁴⁷ Regulators/Public Authorities: 17EUAR, IRBA

⁴⁸ IFAC Member Bodies: AICPA, HKICPA; Firm: Mazars

⁴⁹ IFAC Member Body: ICAEW; Firms: KPMG, PwC

⁵⁰ Regulator/Public Authority: IRBA; IFAC Member Bodies: ICAS, IDW, WPK

⁵¹ Regulator/Public Authority: 17EUAR; IFAC Member Bodies: ICAEW, IDW, WPK; Other Professional Organizations: APESB, NZAuSB; Others: DJuvenal

58. A number of respondents, however, expressed concerns about two of the other proposed actions as outlined below.

Collective Investment Vehicles (CIVs)

59. While most respondents, including those from the regulatory community,⁵² were supportive of the Board prioritizing a project on CIVs, a minority of respondents⁵³ were opposed to the Board doing so for a number of reasons, including the following:
- Undertaking such a project may lead to a more rules-based Code.
 - The global CIV industry is complex given the diversity of CIV structures and related legal or regulatory requirements addressing them that exist around the world. Therefore, as the topic is too specialized, it may not be realistic to attempt to develop global guidance.
 - Only a small subset of professional accountants deals with CIVs. Accordingly, any additional guidance in the Code would be targeted at a limited audience.
 - This would be a slippery slope to developing industry-specific guidance.
 - It was unclear what issues the project would address.
60. Some respondents were of the view that the current definition of a related entity in the Code is sufficiently broad and principles-based to be capable of being applied in the context of CIVs. Accordingly, it was suggested that the Board carefully research the topic and perhaps consider addressing it through off-Code guidance as opposed to making changes to the Code.⁵⁴

Preliminary PC Views and Reactions

61. The PC was not entirely convinced by the arguments of the minority of respondents who did not support prioritizing a project on CIVs. The PC acknowledged that such a project may concern a relatively small subset of professional accountants, especially auditors from the larger firms, who deal with such vehicles as part of their work. However, it was of the strong view that the overriding consideration is the far greater impact of these vehicles on the public, especially given the vast and growing global footprint of these vehicles which are used for a wide range of purposes from preserving or investing the life savings of individuals to deploying government funds for investment around the world. As such, CIVs represent a high risk area with a high public profile, with the attendant risk that any CIV-related audit failures could have significant and widespread repercussions globally and damage public trust and confidence in the profession.
62. The PC nevertheless agreed that there is a need to better articulate the types of issues that a project on CIVs could seek to address. For example, a Fund (such as a unit trust), its Asset Manager and its Trustee may not have financial interest links, and may therefore not be “related entities” within the definition of a related entity in the Code. In such a case, the question is whether there should be additional guidance on how the definition should be applied in certain common Fund-Asset Manager-Trustee relationships.

⁵² Regulators/Public Authorities: 17EUAR, IRBA

⁵³ IFAC Member Bodies: CNCC-CSOEC, CPA Australia, FAR, ICAEW, ICAS, NBA, SAICA; Firms: Mazars; Other Professional Organizations: FEE

⁵⁴ IFAC Member Bodies: AICPA, ICAEW, IDW; Firms: KPMG, PwC

63. The PC agreed that appropriate research into the issues would be a prerequisite to the Board considering approving a project in this area and determining the nature of the output. The PC felt that if such a project were to be undertaken, it should not result in changes to the basic principles in the Code but it might lead to more robust guidance in the Code.
64. The PC was not averse to the suggestion that the Board consider the possibility of off-Code guidance to address identified issues in this area. However, the PC noted there would be questions as to the level of authority of such guidance. Further, some jurisdictions adopt the Code directly into legislation and accordingly there would be a risk that any off-Code guidance would not be taken up as part of the relevant adoption processes.

Fee Dependency

65. Most respondents, including a regulatory respondent,⁵⁵ were supportive of the proposed action on fee dependency as described in the CP. Some respondents, however, were not supportive of such action on the following grounds:⁵⁶
- There is no evidence of need to revisit the fee dependency provisions in the Code so soon after the Board reviewed them as part of the revised Code issued in 2009, or that the current provisions in the Code are not working effectively.
 - Further restrictions may have the perverse effect of reducing market competition by limiting smaller firms' ability to service clients.
66. A few of the latter respondents and a few other respondents suggested that a proper needs assessment or pre-project research would need to be undertaken, or that the Board would need to better articulate the nature of the issues to be addressed, before it decides to embark on a project in this area.⁵⁷
67. There was nevertheless a recognition that the significance of NAS fees relative to the audit fee for a given client may influence perceptions of independence. Accordingly, it was felt that the Code could provide some useful guidance in terms of a threats and safeguards evaluation.⁵⁸

Preliminary PC Views and Reactions

68. Notwithstanding that the Board considered a number of aspects of the Code related to fees as part of the 2009 Code, the PC noted that fees are a primary motivator that does drive behavior and decision making. Accordingly, any specific regulatory concerns in this area merit attention. Nevertheless, the PC agreed that staff should further research the topic to better understand the nature of the issues that may need to be addressed and, if so, the potential scope of any project in this area.

⁵⁵ Regulator/Public Authority: 17EUAR

⁵⁶ IFAC Member Bodies: AICPA, CNCC-CSOEC, ICAEW; Firms: DTT, KPMG, PwC

⁵⁷ IFAC Member Bodies: ICAEW, IDW, JICPA; Firms: KPMG, PwC

⁵⁸ Firm: PwC

Matter for CAG Consideration

4. Representatives are asked whether they agree with the PC views above and what adjustments, if any, they believe should be made regarding the proposed actions to be carried forward.

E. OTHER RESPONDENT SUGGESTIONS

69. Various respondents made a number of other suggestions for possible actions in the next strategy period for the Board's consideration. The table below sets out the more significant suggestions and the PC's initial reactions to them.

Respondents' Suggestions	Preliminary PC Reactions
Consideration of the need for guidance addressing the topic of aggressive tax avoidance globally. ⁵⁹	The PC agreed that the Board, through its EIOC, should maintain a watching brief on international developments relating to aggressive tax avoidance, and that there is no immediate need for a standard-setting project in this area. (The EIOC has already identified this topic for initial Board consideration – see Agenda Item 5-A of the April 2014 IESBA meeting material.) ⁶⁰
Clarification of the meaning of public interest in the Code. ⁶¹	Considering IFAC's recent experience in defining the public interest and the fact that the vast majority of respondents have not called for the Board to address this topic as a priority, the PC felt that the suggestion should not be taken forward at this time. The PC, however, noted that the Board will have an opportunity to further consider the topic as part of the discussion of the matters identified by the EIOC (see Agenda Item 5-A of the April 2014 IESBA meeting material).
Guidance on the application of the reasonable and informed third party test. ⁶²	The PC noted that this topic was proposed as a possible project in the strategy survey and the proposal did not receive as much support from respondents to the survey as other proposals. Accordingly, the PC agreed that no further action should be taken on the topic at this stage.

⁵⁹ IFAC Member Body: ACCA

⁶⁰ <http://www.ifac.org/sites/default/files/meetings/files/Agenda%20Item%205-A%20-%20Emerging%20Issues%20and%20Outreach.pdf>

⁶¹ IFAC Member Bodies: IDW; Firm: KPMG; Other Professional Organization: SMPC

⁶² IFAC Member Bodies: CNCC-CSOEC, IDW;

Respondents' Suggestions	Preliminary PC Reactions
Guidance addressing the topic of joint audits. ⁶³	See PC reactions to the CAG comments on this matter above.
Consideration of the ethical implications of outsourcing or offshoring of work by professional accountants. ⁶⁴	<p>The PC noted that the issues being raised in this area appear to relate more to ISQC 1⁶⁵ in terms of ensuring that firms that engage third party providers comply with the relevant professional standards in those situations, including the relevant independence and other ethical requirements of the Code. Accordingly, the PC did not believe that there is an immediate need for a standard-setting project in this area.</p> <p>Nevertheless, the PC agreed that the Board should, in conjunction with the IAASB, seek to understand the specific issues being raised by regulators and others on this topic, and consider the need to coordinate any potential action on this topic with the IAASB.</p>
Consideration of developments in information technology that have ethical implications for professional accountants. ⁶⁶	The PC agreed that the Board, through its EIOC, should maintain a watching brief on these developments and that there is no immediate need for a standard-setting project in this area.

70. In addition to considering the above suggestions from respondents, the PC noted the following two other matters that may need future Board consideration:

- The Basel Committee on Banking Supervision has informally asked the Board to review the application of the definition of a PIE in the Code to the banking sector. While the PC does not believe that this implies that the Board should prioritize a project on this topic at this time, the PC agreed that the Board should seek to better understand the nature of the regulatory concerns and consider the Board's prior discussions on the topic before deciding the nature and timing of any potential actions on the topic.
- Consideration of an "annual improvements"-type process to address small or minor changes to the Code. This, however, may require changes to the Board's due process and, given the shared due process, coordination with the IAASB and the International Accounting Education Standards Board (IAESB).

⁶³ Regulators/Public Authorities: 17EUAR, IRBA

⁶⁴ Regulator/Public Authority: 17EUAR; Other Professional Organization: APESB

⁶⁵ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

⁶⁶ IFAC Member Body: IDW; Other Professional Organization: APESB

71. The PC also noted that the Board has committed to reviewing the inspection findings from major regulators such as IFIAR as part of the work of the EIOC. Such work may assist the Board in determining whether there are specific areas within the Code that may warrant potential enhancement in the future.

Matter for CAG Consideration

5. Do Representatives agree with the PC's views and suggestions above?

Appendix

List of Respondents to the CP

#	ABBR.	ORGANIZATION
REGULATORS & PUBLIC AUTHORITIES		
1.	17EUAR	Group of 17 European Audit Regulators
2.	IRBA	Independent Regulatory Board for Auditors, South Africa
IFAC MEMBER BODIES		
3.	ACCA	Association of Chartered Certified Accountants
4.	AICPA	American Institute of Certified Public Accountants
5.	CGA-Canada	Certified General Accountants Association of Canada
6.	CIMA	Chartered Institute of Management Accountants
7.	CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes + Conseil Supérieur de l'Ordre des Experts-Comptables
8.	CPA Au	CPA Australia
9.	CPA Canada	Chartered Professional Accountants of Canada
10.	CPAI	CPA Ireland
11.	FAR	FAR, Sweden
12.	HKICPA	Hong Kong Institute of Certified Public Accountants
13.	ICAEW	Institute of Chartered Accountants in England and Wales
14.	ICAS	Institute of Chartered Accountants of Scotland
15.	ISCA	Institute of Singapore Chartered Accountants
16.	IDW	Institut der Wirtschaftsprüfer
17.	JICPA	Japanese Institute of Certified Public Accountants
18.	KICPA	Korean Institute of Certified Public Accountants
19.	NBA	Nederlandse Beroepsorganisatie van Accountants

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#	ABBR.	ORGANIZATION
20.	SAICA	South African Institute of Chartered Accountants
21.	WPK	Wirtschaftsprüferkammer
FIRMS		
22.	DTT	Deloitte Touche Tohmatsu
23.	EYG	Ernst & Young Global
24.	KPMG	KPMG
25.	Mazars	Mazars
26.	PwC	PricewaterhouseCoopers
OTHER PROFESSIONAL ORGANIZATIONS		
27.	APESB	Accounting Professional & Ethical Standards Board, Australia
28.	ASSIREVI	ASSIREVI, Italy
29.	FEE	Fédération des Experts Comptables Européens
30.	IAA	Inter-American Accounting Association
31.	NASBA	National Association of State Boards of Accountancy
32.	NZAuASB	New Zealand Auditing and Assurance Standards Board
33.	PAIBC	IFAC PAIB Committee
34.	SMPC	IFAC SMP Committee
INDIVIDUALS & OTHERS		
35.	DJuvenal	Denise Silva Ferreira Juvenal