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Consultation Paper: Proposed Strategy and Work Plan, 2019-2023

Dear Ken

Dear Ladies and Gentlemen

The Wirtschaftsprüferkammer (WPK) is pleased to take this opportunity to comment on the above mentioned Consultation Paper (CP). We would like to highlight some general issues first and provide you with our specific responses to the CP questions subsequently.

General Comments

We appreciate that IESBA remains committed to setting **principles-based ethical standards** (Foreword to CP) since we believe that this kind of approach comprises one of the main strengths of the Code of Ethics (Code) and the best option for a global code.

We are also happy to note that IESBA lists “**Trends and technology**” as a top priority. We notice that these technological developments with their implications for the profession are taking place already now. Whilst being aware of the resource constraints of IESBA (and the due process) we think that the profession would be thankful for corresponding support, e. g. staff publications.

On the other hand, the WPK repeatedly called for “**a period of stability**” of the Code in its previous comment letters during which no further material changes should be progressed. IFAC’s member organizations need time to digest the changes which the Code has undergone over the

previous years. Most of them need to translate the changes in a first step before being able to display efforts as to how to implement the changes in their respective national laws and professional charters. Particularly the latter process is usually time-consuming since it requires an involvement of the relevant stakeholders and is usually subject to an approval process by an oversight authority. After the implementation in national laws and professional charters has been accomplished, it is up to the firms to carry out corresponding inhouse-implementation measures. This is also a challenging task which can not happen overnight. Against this background we suggest that IESBA focuses its activities on **key areas** as explained below and pursues an **evidence-based standard setting approach** as described in para. 29 of its CP.

We would also like to point the unique needs of **SMPs** and the importance of being taken into consideration. Therefore, we agree with IESBA to continue close liaison with the IFAC SMP Committee (para. 28) and suggest to also increasing its outreach aimed at targeting SMPs.

Likewise, IESBA's commitment to proactively engage with the **IAASB** (para. 25) and **stakeholders** (para. 24, 27) is highly appreciated. In this context, we would like to refer to the recent roundtables of IESBA (NAS, PS) which we experienced as an excellent instrument for outreach and which might contribute to underpinning IESBA's leadership in addressing current ethical issues.

Finally, we recognize that IESBA intends its **Strategy and Work Plan** to be **dynamic** (para. 5, 35). We would underpin this necessity given the mentioned technological trends, possible emerging issues and the planned revision of the international standard-setting model by the Monitoring Group which might bring about a considerable uncertainty for the IESBA. We would encourage IESBA to reserve sufficient capacities in order to be able to adjust its Strategy and Work Plan accordingly in a timely manner (see also below question 4).

Specific Comments

Questions

1. *Do you agree with the proposed criteria for the IESBA to determine its actions and priorities over the strategy period?*

We agree with the proposed criteria basically.

As far as the CP refers to further raising the bar on ethics (para. 30, e. g.), we would like to add for reasons of clarification that this does not necessarily imply the issuing of stricter provisions. Instead, raising the bar on ethics is linked to IESBA's leadership role in promoting the Code of Ethics, addressing current ethical issues and raising the awareness of the Code, in-

ter alia. Stricter regulation might be necessary in certain circumstances, but there should be no such automatism in the context of raising the bar on ethics.

Further to the criterion “The pervasiveness of the matter” (para. 30, 2nd bullet point), we trust that this implies IESBA’s commitment to an evidence-based standard setting as described in our general remarks above.

We would also be happy if IESBA carried out a more thorough impact assessment with a more detailed cost-benefit-analysis than it used to do in the past prior to commencing a new project.

2. Do you support the actions that have been identified with respect to each strategic theme? If not, please explain why.

We are in agreement with the actions identified except for the topics “Communication with Those Charged with Governance”, “Documentation” and partly “Materiality”.

We may refer first to the topics which we advocate:

We appreciate that “**Trends and developments in technology**” are a top priority for IESBA. Developments in technology and innovation are the driving forces for the way business is being conducted – and accordingly processed and recorded – in the future. These evolving trends and developments in technology may not necessarily need extensive rulemaking. On the contrary we believe that the increasing pace of change emphasizes the strengths of a principles based approach. In this respect we encourage the Board to review existing requirements in order to ensure that these requirements remain fit for purpose, and to provide relevant application material.

Likewise, where appropriate and necessary, the Code should also take into consideration “**Emerging and newer models of service delivery**” and thus be aligned accordingly. Interrelations with trends and developments in technology and innovation exist.

With regard to the topic “**Tax planning and related services**” we see a need for the Board to follow the debate and to promote the existing fundamental principles in light of that debate. In this respect the Board may also consider whether the issuance of further guidance or application material is warranted. We believe, however, that the current provisions of the Code are addressing the issue sufficiently. This in particular from a German perspective where in addition to professional accountants tax advisors are also a regulated profession, and where the public debate, overall, was quite moderate.

Addressing the topic “**Definitions of public interest entity and listed entity**” seems necessary in order to eliminate differences in application of requirements. From our view the Code requirements should not go beyond the EU audit regulation.

Finally, we are in favor of the “**Post-implementation review of the restructured Code**”. Assessment of whether the comprehensive restructuring project achieved its objectives (increased usability and understandability of the Code) is a meaningful task.

However, as indicated, we are not or not fully in favor of the following three topics:

In case of uncertainties in the context of “**Materiality**” these shortcomings should be addressed. However, to avoid interruptions between the audit and ethics standards the Code’s “Materiality” concept should be in line with the Materiality concept of the ISAs. On the whole, we think that this topic is not worth investing considerable IESBA resources.

Further to the topic “**Those charged with governance**” (TCWG) we agree that a frequent and transparent dialogue between professional accountants and TCWG is to be promoted. However, we think that this subject does not lie within IESBA’s mandate. It is primarily a task for national legislation on company law.

The topic “**Documentation**” conflicts in our view with the principles-based approach of the Code. Whilst a requirement to document is warranted where it comes to independence standards, and whilst documentation should be encouraged for specific situations like those already addressed in the extant Code, a general documentation requirement with regard to the Code and its fundamental principles would be contradictory to the overall approach of a principles-based Code.

3. *Recognizing that this proposed SWP is ambitious, do you believe the IESBA should accelerate or defer any particular work stream(s)? If so, please explain why.*

The work stream “Trends and developments in technology” should be accelerated. As explained in our general remarks above, these developments are taking place already now. Accelerating this work stream might also underpin IESBA’s leadership in addressing current issues.

The three topics “Materiality”, “Those charged with governance” and “Documentation” should not be pursued by IESBA. We refer to our remarks under question 2.

4. *Do you have comments on any other matters addressed in this consultation paper or any significant matters not covered in this consultation paper that you believe the IESBA should address?*

We would like to refer to our general remarks above. In particular, we would like to reiterate the necessity for IESBA to focus on key areas as described above. There are in our view, currently no other areas IESBA should dedicate efforts to.

Linked with this requirement of focusing on key areas, we are a bit concerned that the extensive scope of the SWP does not allow for sufficient flexibility to adjust to emerging issues or new developments with regard to the Monitoring Group. Hence, we would encourage IESBA to reserve and guarantee sufficient capacities to be able to react to new issues in a timely manner in order to be capable of fulfilling its envisaged leadership position.

We hope that our comments are helpful. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.

Kind regards



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Chief Executive Officer



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