

Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: September 10, 2018

Agenda Item

F

Proposed IESBA Strategy and Work Plan, 2019-2023

Objective of Agenda Item

1. To:
 - (a) Report back on the discussions at the March 2018 CAG meeting; and
 - (b) Obtain CAG Representatives' views on significant comments from respondents to the consultation paper (CP), [Proposed IESBA Strategy and Work Plan, 2019-2023](#) (SWP), and the IESBA Planning Committee's (PC's) responses.

Working Group Members

2. The Working Group comprises members of the PC:

- Dr. Stavros Thomadakis, IESBA Chairman
- Richard Fleck, IESBA Deputy Chair
- Reyaz Mihular, IESBA Member
- Sylvie Soulier, IESBA Member

Observer

- Kristian Koktvedgaard, Chair, IESBA CAG

Status and Timeline

3. The IESBA issued the CP in April 2018 with a closing date of July 16, 2018 for public comment. Forty comment letters have been received. **Agenda Item F-1** summarizes the significant comments received on the CP together with the PC's responses to them.
4. **Agenda Item F-1** will also be presented at the September 17-20, 2018 IESBA meeting. To inform the Board's consideration of the significant matters raised by respondents to the CP and the PC's responses, the Board will be briefed on the input received from CAG Representatives at this CAG meeting.
5. It is anticipated that at the December 2018 IESBA meeting, the Board will consider the final draft of the SWP with a view to approving it for submission to the PIOB for its consideration and approval in March 2019.
6. All comment letters on the CP can be accessed [here](#).

Report Back on March 2018 CAG Discussion

7. Extracts from the draft minutes of the March 2018 CAG meeting,¹ and an indication of how the IESBA Planning Committee (PC) or the IESBA has responded to CAG Representatives' comments are included below.

Matters Raised	PC/IESBA Response
<p>Mr. Van der Ende noted that he saw a distinction between “business as usual” initiatives regarding strengthening the Code vs research and development with respect to new topics. He observed that in the medium term, these new topics could become even more important than “business as usual” topics. He noted that several developments around the world can be emerging issues. He was of the view that stakeholder outreach is very important for the IESBA not only to communicate work plan developments but also to understand what disruptions can be relevant to its work. Accordingly, from a strategic perspective, he felt that the IESBA should articulate its approach to emerging issues, noting that responses need not always be changes to the Code but could be the development of off-Code guidance or alerts to auditors.</p>	<p>Dr. Thomadakis responded that besides risks from technology disruptions, some issues may not be ready to warrant standard-setting action. He was of the view that priority should be high for projects on technology, professional skepticism, post-implementation review of long association provisions, and communication with those charged with governance (TCWG).</p> <p>Point taken into account. The proposed SWP emphasized the following:</p> <ul style="list-style-type: none">• Paragraph 5: The IESBA’s commitment to actively monitoring emerging developments that may require adjustments to its SWP.• Paragraph 49: The IESBA’s plans to continue to monitor relevant external developments through its Emerging Issues and Outreach Committee (EIOC) with a view to determining whether there is a need for any changes to the Code, the commissioning of IESBA Staff publications, or other actions. <p>In addition, a key objective of the Board’s extensive outreach to stakeholders around the world is to identify and understand developments that can be emerging issues.</p>
<p>Ms. Singh highlighted that the issue of timeliness in standard setting was raised in the Monitoring Group’s November 2017 consultation paper on proposals for reform to the governance and oversight of international audit-related standard setting.</p>	<p>Dr. Thomadakis shared his perspective that part of the concern among stakeholders regarding timeliness of standard setting might be because certain IESBA projects took a long time to complete, for example, NOCLAR. He acknowledged that regardless of which initiatives the IESBA undertakes or the process it follows, it should remain conscious of the need for timely outputs.</p>

¹ The draft minutes will be approved at the September 2018 IESBA CAG meeting.

Matters Raised	PC/IESBA Response
<p>Ms. Pettersson noted that the PIOB's concern is not so much about the length of the process but about the prioritization of topics. She suggested that there should be a structure in place that allows for flexibility and agility.</p>	<p>Dr. Thomadakis responded that there are trade-offs, for example, the need for consultation with stakeholders.</p> <p>Point taken into account. Paragraph 5 of the proposed SWP noted that the IESBA intends its SWP to be dynamic. The proposed SWP added that new developments may call for a reconsideration of the strategic themes or related actions and priorities to ensure that the IESBA's work is relevant and responsive to the public interest.</p>
<p>Mr. Koktvedgaard acknowledged that the IESBA is aware of the need for responsiveness, especially in the context of disruptions caused by technology. He added that one stakeholder's view of timeliness may not be the same for other stakeholders. Mr. Hansen noted that the CAG has the ability to communicate with the IESBA. Accordingly, he wondered whether the issue was more an observation about responsiveness.</p>	<p>Dr. Thomadakis responded that there is a significant navigational challenge in that not all stakeholders and regions share the same views. Hence, it is necessary to synthesize the input the IESBA receives from stakeholders.</p>
<p>Ms. Manabat was of the view that any plan should take into account resources and timing, and in particular whether resources would be sufficient.</p>	<p>Dr. Thomadakis responded that capacity is a very important consideration. In this regard, he highlighted two types of capacity: Board capacity and stakeholder capacity. He added that the development of the revised and restructured Code demonstrated that there are constraints at the level of stakeholders. He noted that this should be taken into account as the IESBA plans its work program.</p>
<p>Mr. James suggested going back to fundamental questions, namely whether there is a conflict between aiming for high standards for auditors and going to the "lowest common denominator;" and whether the Code be aspirational in nature vs lowering the bar for everyone.</p>	<p>Dr. Thomadakis objected to the comment about lowest common denominator. He stressed that lowering the bar is precisely what the IESBA is trying to avoid. He added that what the IESBA is trying to do is to navigate the priorities in the context of the need for a principles-based Code.</p>
<p>Mr. Van der Ende agreed with Dr. Thomadakis, noting the importance of identifying the right priorities.</p>	
<p>With respect to consideration of the concept of materiality as one of the proposed priority topics, Mr. Hansen expressed skepticism about the</p>	<p>Points taken into account with respect to a potential new work stream on materiality.</p>

Matters Raised	PC/IESBA Response
<p>appropriateness of materiality in the context of independence. He was of the view that it can be used to justify exceptions to requirements. He also wondered whether materiality was being used in the Code in the appropriate way as the concept has a specific meaning in an audit. He indicated that he would support exploring whether there is a need for a different term. Mr. Thompson noted that the same question arose with respect to the use of the term “significance” in the independence standards. Ms. Pettersson agreed with Mr. Hansen that materiality is an important issue.</p>	<p>These questions were also raised in the global roundtables on the topic of Non-assurance Services (NAS) and will be considered in the NAS project (see Agenda Item C).</p>
<p>With respect to implementation, Mr. Koktvedgaard suggested taking into account different user groups to facilitate implementation of the Code.</p>	<p>Point noted.</p> <p>The IESBA’s role with respect to implementation is limited to providing guidance or other support to facilitate implementation of its standards. There may be a role for others (e.g., IFAC and its member bodies) to play with respect to addressing the needs of specific user groups.</p>
<p>In relation to future initiatives on technology, he wondered whether the deliverables need to be changes to the Code.</p>	<p>Point accepted. The IESBA’s Technology Working Group will consider how best to respond to issues related to developments in technology, including potentially recommending that the IESBA commission appropriate off-Code guidance material.</p>
<p>With respect to tax planning services, Ms. Robert noted that there have been many developments in this area in Europe. She noted in particular that the EU parliament is addressing it following the Panama papers issue, and that it had recently issued a report on the topic. In addition, the EU parliament is also discussing the role of other tax intermediaries such as tax lawyers. With respect to technology, she highlighted that ACCA had done some work recently considering the topic of ethics and trust in the digital age.</p>	<p>Point noted and will be further considered as part of a potential initiative on the topic of tax planning and related services.</p>
<p>With respect to coordination among the standard-setting Boards, Ms. Robert wondered whether any consideration had been given to postponing the finalization of the SWP to enable the timeline for</p>	<p>Mr. Gunn responded that the IAASB had agreed to adjust the end of its next SWP period to 2023 to align with the IESBA’s SWP period. This means that the</p>

Matters Raised	PC/IESBA Response
finalization to be aligned with that for the IAASB's future SWP.	IAASB's SWP will cover the four-year period 2020-2023.

Matters for Consideration

8. CAG Representatives are asked:
- (a) To note the report-back; and
 - (b) For views and advice on the matters raised in **Agenda Item F-1**.

Material Presented for Discussion

Agenda Item F-1 Summary of Significant Comments on CP and PC Responses

Material Presented for CAG Reference Only

Agenda Item F-2 Consultation Paper, [Proposed IESBA Strategy and Work Plan, 2019-2023](#)