

Proposed IESBA Strategy and Work Plan 2019-2023— Summary of Significant Comments on Consultation Paper and Planning Committee Responses

Note to CAG: This is Agenda Item 5-A of the September 2018 IESBA meeting.

I. Overview of Responses

- The comment period for the [consultation paper](#) (CP) on the proposed IESBA Strategy and Work Plan 2019-2023 (SWP) closed on July 16, 2018. Comment letters have been received from 40 respondents.¹ A listing of those respondents is provided in Appendix 1.
- The table below presents an overview of the constituencies from which responses have been received.

Category of Respondent	Number of Responses
Regulators	6
National standard setters (NSS)	2
IFAC member bodies ²	18
Firms	8
Other professional organizations	4
Individuals & others	2
Total	40

- The rest of this paper presents a detailed analysis of the responses, structured as follows:
 - Support for direction of proposed SWP?
 - General comments and observations from respondents
 - Criteria determining actions and priorities
 - Proposed actions and relative prioritizations
 - Respondents' other suggestions

Appendix 1: List of respondents

Appendix 2: Respondents' comments on pre-commitments

¹ All comment letters can be accessed [here](#). (For comparison, 35 comment letters were received on the previous Strategy and Work Plan consultation paper covering the period 2014-2018.)

² Certain IFAC Member Bodies also hold the dual role of ethics standard setter in their jurisdictions.

II. Detailed Analysis

A. Support for Direction of Proposed SWP?

4. While respondents provided comments and suggestions on various aspects of the proposed SWP, overall they were very supportive of the direction of the Board's future strategy, with many expressing such support explicitly.³ Several respondents expressly conveyed their support for principles-based standards.⁴
5. Several respondents⁵ explicitly supported the Board's vision for the Code, i.e., that the Code be:
A foundation of strong ethical principles, values and standards to underpin trust in the global accountancy profession in a dynamic and uncertain world, and to enable the profession to act in the public interest.
6. Several respondents⁶ also explicitly supported the proposed three strategic themes guiding the Board's priorities and actions, i.e.:
 - Advancing the Code's relevance and impact
 - Deepening and expanding the Code's influence
 - Expanding the IESBA's perspectives and inputs
7. A member of the Monitoring Group (MG)⁷ was of the view that the IESBA should intensify its efforts on enhancing the quality of the Code, which it felt can have the added effect of making the Code more appealing to potential adopters and increasing the Code's acceptance worldwide. Another respondent expressed the view that for the Code to remain relevant and impactful, the IESBA should focus less on standard setting and more on finding other avenues for issuing timely, relevant and useful implementation guidance.⁸
8. These comments highlight the need for balance as a key consideration, a matter that also flows from a number of the general comments and observations from respondents, as summarized below.
9. Several respondents⁹ emphasized the importance of the Board staying nimble, keeping options open, and keeping the SWP dynamic given the MG's current review of the governance and oversight of the international audit-related standard setting Boards (SSBs).

³ IFAC Member Bodies: ACCA, CPA Canada, HKICPA, ICAEW, ICAI, IDW, ISCA, SAICA; Firms: BDO, DTT, GT, KPMG, RSM; Other Professional Organizations: AE, EFAA

⁴ Regulator: UKFRC; NSS: XRB; IFAC Member Bodies: ACCA, JICPA, WPK; Firm: PwC; Other Professional Organizations: AE, SMPC

⁵ NSS: XRB; IFAC Member Bodies: ACCA, CAANZ, IDW; Firms: DTT, PwC, RSM; Other Professional Organization: PAIBC

⁶ NSS: APESB; IFAC Member Bodies: ACCA, HKICPA, ICAS, IDW; Firms: Crowe, DTT, EY, PwC; Other Professional Organizations: AE, SMPC

⁷ Regulator: IOSCO

⁸ Firm: DTT

⁹ Regulator: IFIAR; IFAC Member Bodies: HKICPA, ICAJ, WPK; Firms: Crowe, RSM; Other Professional Organization: AE

B. General Comments and Observations from Respondents

SPEED/TIMELINESS OF STANDARD SETTING

10. A number of respondents¹⁰ emphasized the importance of focusing on the speed or timeliness of standard setting. There was a concern at the apparently long lead times for many of the projects, and an encouragement for the Board be more ambitious in the timescales of identified priorities. There were suggestions to consider addressing identified topics in tandem where possible so that work can be completed more expeditiously, or to develop more agile, responsive processes that would enable identified issues to be addressed more swiftly.

PERIOD OF STABILITY FOR THE CODE

11. Several respondents¹¹ urged the Board to minimize further changes to the Code in the near future to allow the revised and restructured Code time to bed down and provide a period of stability. Concerns were expressed about standards overload, the need for time for translation and implementation activities, and the potential for continual change to undermine further global adoption of the Code. A few of the respondents suggested that the Board instead focus resources on research activities during a period of calm, and place more focus on delivering on the identified pre-commitments.

SMP/SME CONSIDERATIONS

12. Some respondents¹² highlighted the importance of taking into consideration the unique needs of small and medium practices (SMPs) and small- and medium-sized entities (SMEs). It was in particular suggested that the Board take further steps to support liaison with the IFAC SMP Committee to ensure that the Board is well informed of, and sensitive to, issues of particular relevance in an SME/SMP environment.
13. As further noted under “Stakeholder Engagement and Cooperation” below, there were also related suggestions about exploring avenues to obtain input from that constituency other than through the IFAC SMP Committee or the issuance of formal consultation documents such as exposure drafts and consultation papers.

ADOPTION AND IMPLEMENTATION

14. A number of respondent¹³ urged the Board to dedicate a particular focus to adoption and implementation. Specifically, there was:
- A call for the Board to devote a more substantial share of its activities to seeking wider understanding, adoption and effective implementation of its standards.¹⁴
 - A strong encouragement for the Board to continue developing adoption and implementation materials, particularly to promote adoption of the revised and restructured Code, including

¹⁰ Regulators: CPAB, IFIAR, IRBA, NASBA; IFAC Member Body: CAANZ; Firm: PwC

¹¹ Regulator: IRBA; IFAC Member Bodies: ACCA, CAANZ, CPA Canada, IDW, WPK; Firm: DTT; Other Professional Organizations: AE, SMPC

¹² IFAC Member Bodies: IDW, WPK; Other Professional Organizations: AE, SMPC

¹³ Regulator: UKFRC; IFAC Member Bodies: ACCA, CAANZ, ICAS; Firms: DTT, EY

¹⁴ IFAC Member Body: CAANZ; Firm: DTT

support for professional accountancy organizations, professional accountants in business (PAIBs), SMPs and other practitioners who serve non-public interest entity (PIE) clients.¹⁵

- Support for dedicating time to understanding and documenting the progress on global adoption and developing specific action plans based on root cause analysis of circumstances preventing adoption.¹⁶

STAKEHOLDER ENGAGEMENT AND COOPERATION

15. There was broad support for the Board's strategic focus on stakeholder engagement and cooperation, including the breadth of stakeholder groups the Board has committed to engage with through outreach. Among other matters, the following specific comments or perspectives were shared:

- The IFAC PAIB Committee noted its willingness to contribute to the Board's thinking on PAIB-related matters.
- Suggestions for the Board to consider less conventional ways of eliciting feedback from the SMP community on the Board's proposals, such as through the IFAC Global Knowledge Gateway, micro surveys and focus groups.¹⁷
- The importance of focusing outreach on G20 and other major jurisdictions that have the capacity to influence other countries to adopt the Code.¹⁸
- Leveraging all resources available, including those of NSS.¹⁹

Planning Committee (PC) Views and Reactions

16. The PC acknowledged the thoughtful reflections of many of the responses as helpful feedback to the Board, as it continues to consider its strategic actions and priorities. However, the PC observed that there were some apparent inherent conflicts in some of the comments from respondents, including:

- Calls for more timely outputs vs. exhortations to engage and consult more with stakeholders.
- Calls for the Board to develop more implementation guidance vs. being more responsive as a standard setter.

17. The PC noted that the Board has already committed to maintaining a period of stability for the Code. The Board had communicated in its April 2017 strategy survey that any new changes to the Code after the completion of the restructuring of the Code will not become effective before June 15, 2020, unless there is an urgent need to respond to new or unforeseen circumstances. The Board had indicated that this pause would allow time for firms, NSS, IFAC member bodies and PAs to implement the revised and restructured Code. The PC believes that this message should be reiterated in the final SWP, and that the Board should be sensitive to concerns about unrelenting changes to the Code.

¹⁵ IFAC Member Bodies: ACCA, CAANZ, ICAS; Firms: DTT

¹⁶ Regulator: UKFRC; IFAC Member Body: ICAS; Firms: DTT, EY

¹⁷ Other Professional Organizations: EFAA, SMPC

¹⁸ Firm: EY

¹⁹ NSS: XRB

18. The PC agreed with respondents who suggested a strategic focus on promoting greater adoption of the Code, and that consideration should be given to whether that message is sufficiently emphasized in the final SWP. However, with respect to implementation, the PC felt that it is important to avoid blurring the line between the Board's primary objective to set ethics standards for the global accountancy profession and the role it can play in providing implementation support. The PC noted that the Board is not resourced to fulfill all the various market needs for implementation support, and that there may be a tendency for stakeholders to turn to the Board to fill any actual or perceived need for such support. The PC was of the view that there is an opportunity for other organizations to play a more active role in that space, and that IFAC and NSS in particular could play a more strategic role in that regard.
19. Nevertheless, the PC agreed that while the SWP should make clear the Board's primary role as a standard setter, it should also acknowledge the Board's commitment to taking measures within its remit and capacity that will facilitate the implementation of its standards.
20. Regarding comments about timeliness of standard setting, the PC noted that there may be opportunity for the Board to demonstrate greater responsiveness by focusing on the development of application material as opposed to new requirements, or by commissioning IESBA Staff or other non-authoritative publications where warranted. However, the PC also felt it important not to lose sight of the fact that timeliness is a function of two key factors among others, namely the nature and complexity of the particular topic, and the actual project definition. In addition, coordination with other standard-setting Boards if needed may also slow down the pace of progress at times.
21. Nevertheless, while acknowledging that complexity and due process may not allow the Board to bypass elements of process or modify the pace on certain topics, the PC felt that some actions could indeed be achieved in a faster and simpler way. Accordingly, the PC was of the view that the Board should emphasize that it will always consider efficiency in how it responds to stakeholder expectations.
22. Overall, therefore, the PC believes that there are elements of balance that the Board should seek to achieve in finalizing its SWP, and that respondents' general comments and observations provide context for the choices and decisions in the final SWP.

STANDARD SETTING BOARD COORDINATION

23. Many respondents²⁰ expressly supported an enhanced level of strategic and technical coordination with the other SSBs, particularly the International Auditing and Assurance Standards Board (IAASB) and International Accounting Education Standards Board (IAESB), with transparency about the work and status of such efforts. Specific perspectives included:
 - A view that there is an urgent need to bring stronger collaboration and coordination between the IAASB and IESBA.²¹
 - A suggestion for a more coordinated approach in setting strategic objectives.²²

²⁰ Regulators: IFIAR, IOSCO, IRBA; IFAC Member Bodies: ACCA, CPA Canada, ICAS, IDW, WPK; Firms: Crowe, PwC, RSM; Other Professional Organizations: AE, SMPC

²¹ Firm: PwC

²² Regulator: IRBA

- A view that effective collaboration with the IAESB might encourage the involvement of educational institutions to develop ethics training with organizations in their countries.²³
24. Several respondents²⁴ identified key projects where they believed close coordination between the IAASB and IESBA (and to a lesser extent, the IAESB) will be particularly important:
- Current SSB projects or initiatives
 - Professional skepticism
 - The IAASB's ISQC1, ISQC 2 and ISA 220 projects
 - Upcoming IESBA initiatives
 - Technology and emerging or newer models of service delivery
 - Review of the definitions of PIE and listed entity
 - Materiality
 - Post-implementation review of NOCLAR
 - Consistency of defined terms and concepts with IAASB standards

PC Views and Reactions

25. The PC noted that:
- (a) Respondents' comments were largely aligned with the Board's previous discussions on the topic;
 - (b) Significant efforts have already been under way over the past year to strengthen coordination between the two Boards;
 - (c) The second annual joint IAASB-IESBA meeting, scheduled for September 20, 2018, will focus on the two Boards' future SWPs, and that this discussion will help inform future coordination action;
 - (d) While some element of coordination with the IAASB is necessary where warranted, it would be important to respect the independence of the two Boards and avoid over-coordination which may also slow down project completion; and
 - (e) The Board that has the primary responsibility for a particular project should be the one initiating and leading on coordination.

Matter for CAG Consideration

1. Representatives are asked whether they agree with the PC's responses above, or whether they have other perspectives on or reactions to respondents' comments that the IESBA should consider in finalizing the SWP.

²³ IFAC Member Body: ACCA

²⁴ Regulators: IFIAR, IRBA, UKFRC; NSS: APESB; IFAC Member Bodies: IDW, JICPA, MICPA, ISCA; Firm: PwC; Other Professional Organization: SMPC

C. Criteria Determining Actions and Priorities

26. The CP asked respondents whether they agreed with the following criteria underpinning the Board's determination of its actions and priorities over the strategy period:
- The benefits to the public interest of undertaking the particular action, including the extent to which the action will:
 - Further enhance public trust in the Code and the global accountancy profession.
 - Further raise the bar on ethics by supporting public interest outcomes, including compliance with the fundamental principles, strengthened auditor independence, increased global adoption and more effective implementation of the Code.
 - The pervasiveness of the matter in terms of the extent to which it impacts the global profession.
 - The degree of urgency in addressing it, and the potential implications for the public interest if action is not taken or is delayed.
 - The global relevance of the particular matter.
 - The feasibility of undertaking the action within a realistic timeframe.
27. A large number of respondents²⁵ agreed with the criteria. A few respondents²⁶ questioned the validity of the last criterion, noting that if an issue requires action in the public interest, should seek to address it in a timely manner, diverting or seeking additional resources if necessary.
28. A few other respondents suggested consideration of the following other criteria:
- Global operability of the particular matter (the issue of disclosure of NOCLAR to an appropriate authority being used as an example of a matter that would not be globally operable because of confidentiality restrictions in law in some jurisdictions).²⁷
 - Whether there is persuasive evidence that an issue needs to be considered by the Board.²⁸
 - Whether a particular issue is really a matter to be addressed in a Code of Ethics, or more correctly the jurisdiction of local regulators.²⁹
 - With respect to level of prioritization, the constituency that proposed the new project, and whether the project will result in new guidance or revision to existing guidance.³⁰
29. There were also suggestions as to:
- Whether to differentiate between primary and secondary considerations;³¹ and

²⁵ Regulators: IRBA, NASBA, UKFRC; NSS: APESB, XRB; IFAC Member Bodies: AAT, ACCA, AICPA, CAANZ, CPA Canada, ICAEW, ICAI, ICAJ, ICAN, ICAS, IDW, ISCA, JICPA, MICPA, SAICA, WPK; Firms: BDO, DTT, EY, GT, KPMG, PwC, RSM; Other Professional Organizations: AE, EFAA, SMPC

²⁶ Regulator: UKFRC; IFAC Member Body: IDW

²⁷ IFAC Member Body: IDW; Other Professional Organization: AE

²⁸ Firms: DTT, PwC; Other Professional Organization: SMPC

²⁹ Firm: PwC

³⁰ Regulator: IRBA

³¹ Regulator: IRBA

- Carrying out more thorough impact assessments than current practice (such as by implementing policies similar to the European Commission's [SME Test](#),³² which analyzes the possible effects of EU legislative proposals on SMEs).³³

PC Views and Reactions

30. As a substantial body of respondents supported the criteria set out in the CP, the PC does not propose that any of them be deleted. Nevertheless, the PC acknowledged that the last criterion may inadvertently convey the impression that resources are the determinative factor rather than whether a technically sound solution to the issue can be developed within a reasonable period of time. Accordingly, the PC agreed that this criterion could be more clearly articulated.
31. With respect to the suggestions for additional criteria, the PC felt that the following were largely embedded within the existing criteria, although consideration could be given to making them more explicit:
- The suggestion regarding persuasive evidence of an issue.
 - The suggestion regarding whether a particular issue is really a matter for the Code or for local law or regulation.
32. The PC did not believe that the other suggestions should be taken up. In particular:
- Global operability can only be assessed once proposed changes to the Code have been clearly articulated following approval of an actual project. In any event, the Code cannot override law or regulation.
 - Level of prioritization should be determined on the basis of the existing criteria as opposed to who suggested the particular project or whether it might result in new or revised provisions.
 - It would not be appropriate to differentiate between primary and secondary considerations as each criterion is important in its own right, notwithstanding the fact that the criterion pertaining to the benefits to the public interest has been given the greatest prominence. In addition, the identification of actions and priorities is a matter of the Board's judgment based on consideration of the criteria as a whole.
33. With respect to the suggestion for more thorough impact assessments, the PC was supportive of exploring whether there might be elements of the EC's SME test that might be useful for specific work streams to consider as part of cost-benefit considerations, notwithstanding the fact that impact assessments should also address the broader population of stakeholders. However, the PC also recognized that it may not always be possible to carry out detailed impact assessments because some issues arise fundamentally from perceptions, which are directly linked to public trust in the profession and the credibility of the Code (see also paragraph 82(b) below regarding the matter of evidence-based standard setting).

³² The EC's SME Test implements the "think small principle" through: preliminary assessment of businesses likely to be affected; consultation with SMEs and SME representative organizations; measurement of the impact on SMEs (cost-benefit analysis); and use of mitigating measures, if appropriate.

³³ IFAC Member Body: WPK; Other Professional Organization: SMPC

Matter for CAG Consideration

2. Do Representatives agree with the PC's responses or do Representatives have other perspectives?

D. Proposed Actions and Relative Prioritizations

34. The CP set out a number of proposed actions and their relative prioritizations over the 2019-2023 period, in line with the identified strategic themes (see Section IV and Appendix 2 of Agenda Item F-1). The proposed actions included pre-commitments as well as proposed new work streams.
35. Respondents broadly supported the proposed actions, with many³⁴ explicitly indicating their support for the items the Board proposed to prioritize. Respondents, however, had varied comments about levels of prioritization for, or aspects of, the identified items, as summarized below.

TECHNOLOGY

36. Many respondents³⁵ explicitly supported prioritizing the topic of trends and developments in technology, with several among them³⁶ suggesting that it be given urgent priority or that the Board be timely in its analysis of the implications for the Code.
37. Respondents also made various comments and suggestions regarding this topic, including the following:
- Several of them³⁷ were of the view that while technology may impact the application of the conceptual framework (CF), there was no evidence that the fundamental principles (FPs) themselves are likely to change. It was noted that the rapid pace of change in fact emphasized the strengths of the principles-based approach to the Code, and that it would be appropriate to apply such an approach in addressing emerging issues relating to technology.
 - While the Board is in the information gathering phase, it could consider publishing timely non-authoritative material to alert professional accountants (PAs) to the potential ethical implications of identified emerging issues, or to provide relevant and practical guidance to them based on the Code's existing provisions.³⁸
 - Consideration should be given to the impact of technology trends on other work streams, for example, Tax Planning in terms of how the use of technology has affected decisions for tax planning, and non-assurance services (NAS) in terms of the provision of technology-related NAS to audit clients.³⁹

³⁴ Regulator: UKFRC; NSS: APESB; IFAC Member Bodies: AAT, AICPA, CAANZ, CPA Canada, ICAEW, ICAI, ICAJ, ICAN, ICAS, IDW, ISCA, MICPA, SAICA, WPK; Firms: BDO, Crowe, EY, GT, KPMG, RSM; Other Professional Organizations: AE, EFAA

³⁵ Regulators: IFIAR, IOSCO, NASBA; NSS: APESB, XRB; IFAC Member Bodies: ACCA, AICPA, ICAEW, ICAJ, ICAS, SAICA, WPK; Firms: Crowe, GT, EY, KPMG, PwC, RSM; Other Professional Organizations: AE, SMPC

³⁶ Regulators: IFIAR, IOSCO, NASBA; IFAC Member Bodies: AICPA, ICAJ, WPK; Firms: EY, GT, KPMG, RSM

³⁷ Regulators: NASBA, UKFRC; IFAC Member Bodies: ACCA, AICPA, ICAEW, IDW, WPK; Firms: EY, PwC; Other Professional Organizations: AE, SMPC

³⁸ Regulator: IOSCO; IFAC Member Body: WPK; Firm: EY; Other Professional Organization: AE

³⁹ Firm: EY; Other Professional Organization: AE

- Any efforts to delve too broadly into technological or service delivery trends within a standard-setting process will not lead to timely or responsive output. Rather, consideration should be given to focusing on identifying two or three emerging issues each year and providing timely, relevant and practical guidance to PAs on the application of FPs to those particular facts and circumstances.⁴⁰
38. There was also explicit support from a few respondents for:
- A diagnostic approach to the topic.⁴¹
 - Forming advisory groups or panels, or using external experts and PAs with expertise in the relevant technological developments.⁴²
39. A few respondents⁴³ also provided specific comments or suggestions of a technical nature on the illustrative issues that might need to be addressed in a project on technology (as well as on the related topic of service delivery models), or highlighted other potential issues or questions that might need to be considered. These comments have been included in the agenda material for the Technology session for the Board's consideration during that session ([Agenda Item 6](#) of the September 2018 IESBA meeting).

PC Views and Reactions

40. The PC acknowledged that all the comments from respondents on this topic are relevant and useful, and that the Technology Working Group should give them due consideration. It noted that while there is no doubt that the technology trends are fast-moving, the field is vast and there is a risk of the Board chasing the trends and pursuing infinite lines of study with no clear outcomes. Accordingly, the PC supported giving consideration to the practical suggestion from one of the respondents to focus on two or three specific developments each year and providing timely and relevant guidance to PAs. This would help demonstrate Board responsiveness and agility to the trends and developments.
41. The PC also recommends that the Board take into account any thoughts the Technology Working Group might develop regarding its next steps on this topic prior to finalizing the SWP in December.
42. With respect to forming specific technology advisory group(s), the PC cautioned not to underestimate the extent of effort needed to find the right expertise for such group(s).
43. Finally, the PC noted that the technological trends and developments will give rise to a need for internal coordination for the Board, given their pervasiveness, as they might have implications for other current or upcoming work streams.

EMERGING OR NEWER MODELS OF SERVICE DELIVERY

44. Several respondents⁴⁴ explicitly supported prioritizing this topic.

⁴⁰ Firm: DTT

⁴¹ Regulator: NASBA

⁴² IFAC Member Body: IDW; Firm: DTT

⁴³ Regulator: UKFRC; Firms: DTT, EY

⁴⁴ Regulators: IOSCO, IRBA; NSS: APESB; IFAC Member Bodies: ICAS, ICAJ; Firms: EY, GT, KPMG; Other Professional Organization: SMPC

45. As for Technology, some respondents⁴⁵ were of the view that the principles-based approach in the Code and the FPs should provide a sound basis for assessing the ethical issues associated with such developments. A few suggested that it would be best to issue guidance to illustrate how the CF might be applied in different scenarios. It was also suggested that there would be an opportunity to refresh terminology and examples in the NAS-related sections of the Code, e.g., management responsibilities, internal audit and IT systems services.
46. A few respondents⁴⁶ also shared specific comments that might inform consideration of the technical issues or questions to be addressed once a project on this topic is launched.
47. One of the NSS respondents⁴⁷ noted that it was undertaking a project to review its pronouncement on outsourced services to consider whether the guidance would need to be elevated to a standard.

PC Views and Reactions

48. The PC noted that comments from respondents on this topic largely echo those on the topic of technology, consistent with the fact that the two topics are closely inter-related. The PC also noted that there is a particular need to address how the Code applies to outsourcing organizations. Accordingly, the PC recommends that the Board retains this topic as a priority.

DEFINITION OF PIE AND LISTED ENTITY

49. Many respondents⁴⁸ explicitly supported prioritizing this topic.
50. A MG member⁴⁹ commented that some countries have accepted the minimum definition of a PIE in the Code without amendment, adding that the Code appeared to presume that regulators can set a definition even if in many jurisdictions, regulators do not have such power. Another regulatory respondent⁵⁰ commented that the current definition of a PIE establishes only “listed entities” as a common element, which can lead to significant variation across jurisdictions as a result of (1) inconsistency in other types of entity that are designated as PIEs, and (2) inconsistency in the interpretation of the concept of a “listed entity.” In contrast, a few respondents⁵¹ suggested taking a more principles-based approach to the concept of a PIE, which would recognize that jurisdictions are often in a better position to be specific as to which entities should be PIEs in a local context.
51. A few respondents also made the following suggestions:
 - That there would be merit in undertaking work on the NAS pre-commitment and that on the definition of PIE and listed entity in parallel, or otherwise considering the inter-relationship between these two topics.⁵²

⁴⁵ Regulators: NASBA; IFAC Member Bodies: ACCA, ICAEW; Firms: EY, PwC

⁴⁶ Regulators: NASBA, UKFRC; Firm: PwC

⁴⁷ NSS: APESB

⁴⁸ Regulators: IFIAR, IOSCO, UKFRC; NSS: XRB; IFAC Member Bodies: ACCA, ICAEW, ICAI, ISCA, WPK; Firms: Crowe, KPMG, RSM; Other Professional Organization: AE

⁴⁹ Regulator: IOSCO

⁵⁰ Regulator: UKFRC

⁵¹ IFAC Member Bodies: ACCA, ICAEW

⁵² Regulator: IRBA; IFAC Member Body: ICAS

- That consideration be given to approaching certain more stringent aspects of the Code in the same way as the IAASB (i.e., specifying certain requirements for listed entities only, thereby allowing jurisdictions to add further entities of public interest in the particular jurisdiction).⁵³ In this regard, it was noted that some stakeholders, particularly the SMP community, have expressed concern that the independence requirements are increasingly disproportionate where audit and review services are provided to small entities that fall within the PIE definition.⁵⁴
52. Some respondents,⁵⁵ however, did not support prioritizing this topic. Among other matters, they expressed the view that the current definition provides an appropriate framework for all jurisdictions to develop laws and regulations based on their unique needs, and that there is no compelling reason to make the PIE definition more prescriptive. In particular, it was noted that the question of whether financial institutions should be mandated as PIEs was discussed by the IESBA when the current definition established with the 2009 Code. At the time, the IESBA had determined that such classification should be the prerogative of national regulators or standard setters given national differences in how the financial services industry is structured, organized, and regulated.
53. With respect to the definition of a listed entity, a few respondents expressed support for the current definition but suggested that the Board consider providing guidance to explain the difference between “recognized” and “regulated” exchanges.⁵⁶
54. There was also support for the Board to consider the implications of developments in capital markets, including new forms of capital raising such as crowd funding.⁵⁷

PC Views and Reactions

55. Having considered respondents’ comments, the PC felt on balance that the Board should pursue the topic and explore whether there would be opportunity to enhance the definition of a PIE in the Code, particularly given new forms of capital raising such as crowd funding and initial coin offerings. The PC also noted that the PIOB as well as some within the regulatory community, such as the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors, have in the past expressed concerns about the lack of coverage of unlisted financial institutions within the PIE definition. However, the PC noted the importance of maintaining a principles-based approach to the definition and avoiding an overly prescriptive approach that would undermine the Code’s global applicability.
56. With respect to the suggestion from one of the respondents that the Board consider approaching certain more stringent aspects of the Code from the perspective of listed entities only as the IAASB has done in its standards, the PC noted that taking such an approach would take the Code back to 2005. At the time, the Board had determined it necessary for the Code to go beyond listed entities as most regulations in major jurisdictions were moving towards addressing PIEs. Accordingly, the PC did not believe that it would be appropriate to go back to the position in 2005.

⁵³ IFAC Member Body: IDW

⁵⁴ IFAC Member Body: ISCA

⁵⁵ Regulator: IRBA; IFAC Member Body: AICPA; Firms: DTT, EY

⁵⁶ Firms: DTT, EY

⁵⁷ Regulator: NASBA; IFAC Member Body: ISCA; Firm: EY

57. Regarding the definition of a listed entity, the PC was of the view that this might be largely an EU issue as the EU has determined to scope in only entities listed on regulated exchanges in its definition, thereby excluding entities listed on most secondary markets in that jurisdiction. The PC nevertheless felt that there would be merit in considering providing guidance on this particular matter.

TAX PLANNING AND RELATED SERVICES

58. There was support for prioritizing a project on this topic among several respondents.⁵⁸ A few⁵⁹ noted that while the FPs (in particular, integrity and professional behavior) should provide adequate guidance in this area, there would be merit in bringing greater awareness to the application of those FPs to “aggressive” tax avoidance.
59. Not surprisingly, several respondents⁶⁰ acknowledged the complexity of the topic and variances in tax regulations around the world. They were of the view that only a principles-based approach to the relevant issues would be workable.
60. Several respondents⁶¹ encouraged the Board to take a measured and cautious approach to the topic, noting the particular risk of the Code adding another layer of standards that may be consistent with laws in one jurisdiction but not another. In this regard, it was suggested that the Board consider deferring action to learn from efforts already being undertaken around the world on the topic, and then determining whether the issuance of guidance would be warranted. (A few of the respondents provided examples of such efforts, including the ICAEW’s Professional Conduct in Relation to Taxation (www.icaew.com/pctr), initiatives in the EU, and the OECD action plans.)
61. There was also a suggestion for the Board to consider undertaking any review in collaboration with other bodies to bring together different experiences and perspectives, and support for the discussion paper or thought piece suggested in the CP to stimulate discussion on the topic among stakeholders.⁶²

PC Views and Reactions

62. The PC felt that comments from respondents on this topic largely echoed the Board’s sentiment when the topic was discussed during the finalization of the CP. The PC acknowledged that respondents’ comments are useful, particularly those suggesting consideration of work done by other organizations in this area. However, the PC agreed that it would be important to apply an ethical lens to the review of any published research or other work done by others.
63. The PC also acknowledged:
- The PIOB’s particular view that the topic has public interest significance; and
 - The opportunity provided by this topic to achieve greater strategic balance between addressing issues pertinent to PAs in public practice and issues of broader relevance to PAIBs.

⁵⁸ Regulator: IRBA; NSS: APESB; IFAC Member Bodies: AAT, AICPA, CPA Canada, ICAI; Firm: Crowe

⁵⁹ Regulator: NASBA; IFAC Member Body: WPK

⁶⁰ Regulator: NASBA; IFAC Member Bodies: AICPA, ICAEW, WPK; Firms: DTT, KPMG

⁶¹ IFAC Member Bodies: ICAS, IDW, WPK; Firms: DTT, EY; Other Professional Organizations: AE, SMPC

⁶² Firm: PwC

MATERIALITY

64. Views as to the merit of prioritizing this topic were diverse. Several respondents⁶³ explicitly supported it, most of them supporting the provision of guidance on how to more consistently evaluate it.
65. A MG member⁶⁴ suggested that the Board consider whether the following arrangements should not be permitted by the Code irrespective of materiality and significance:
- (a) A firm, a member of the audit team or a member of that individual's immediate family may make or guarantee a loan to an audit client, provided the loan or guarantee is immaterial to the firm or individual and the client (extant paragraph 290.122); and
 - (b) A firm, or a member of the audit team, or a member of that individual's immediate family may enter into certain business relationships with the audit client or its management and hold a financial interest arising from such relationships provided the financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management (extant paragraphs 290.124 and 290.125).

The respondent was of the view that such exemptions may lead to unnecessarily difficult judgments by auditors.

66. A few respondents⁶⁵ suggested considering the differences between materiality and significance, and whether the code applies the right term in the right place. A few other respondents⁶⁶ also suggested clarification regarding how PAs should address clearly trivial inadvertent departures (i.e., de minimis exceptions).
67. Other respondents,⁶⁷ however, generally did not see need to prioritize a project on this topic. They were of the view that there is no evidence of practical issues or concerns, and that additional guidance will not result in greater consistency in application. Rather, it was felt that PAs should exercise professional judgment to assess the materiality of a matter based on the specific facts and circumstances.

PC Views and Reactions

68. The PC noted the diversity of views on this topic and, on balance, felt that the Board should await hearing from the NAS Working Group regarding its deliberations on the approach to take on materiality in the context of NAS, before assessing the nature, extent and timing of any specific work that might be needed.
69. As considerations of materiality in the current Code go beyond NAS, the PC noted the importance of considering relevant literature of the IAASB and the International Accounting Standards Board (IASB) should there be a need to provide further guidance on the application of materiality (or substitute term) in the Code.

⁶³ Regulators: IFIAR, IOSCO, IRBA, UKFRC; NSS: APESB; IFAC Member Body: HKICPA; Firms: DTT, EY, GT

⁶⁴ Regulator: IOSCO

⁶⁵ Regulator: IRBA; IFAC Member Bodies: ICAEW, IDW

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

⁶⁷ Regulators: NASBA; IFAC Member Bodies: AICPA, WPK; Firms: KPMG, PwC, RSM

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE (TCWG)

70. There was generally less support among respondents for a project on this topic. Several⁶⁸ suggested that it should be given low or no priority given the diversity of legal frameworks around the world and the fact that the topic is already addressed by ISA 260.⁶⁹ A few suggested that there are other ways to raise the profile of the roles and responsibilities of both auditors and TCWG, such as through outreach and guidance. It was also noted that consideration of disclosures to TCWG under the NAS/Fees pre-commitments would likely reduce the urgency for a separate project on the topic.⁷⁰
71. Nevertheless, a few respondents⁷¹ felt that it would be helpful for there to be some guidance in the International Independence Standards regarding the types of issues and matters that should generally be discussed with TCWG (such as the types of NAS that may be provided to the audited entity), including the form and timing of such communications.

PC Views and Reactions

72. As for the topic of materiality, the PC felt on balance that the Board should wait to hear from the NAS Working Group regarding its deliberations on the specific matter of communication with TCWG in the context of NAS before assessing the nature, extent and timing of further action on the topic.
73. The PC also noted that there was support in some of the global roundtables on NAS for the Board to address the topic – see further discussion in the NAS session (Agenda Material 9).

DOCUMENTATION

74. There was generally little enthusiasm for a project on documentation, with some respondents expressing the following views:⁷²
- Documentation is not an ethical requirement but evidence of compliance with ethical requirements.
 - The nature and extent of documentation as evidence of compliance with the Code is a matter for the PA, the PA's employer or local regulators to establish, and in many circumstances it may be a legal matter.
 - Documentation a quality control rather than an ethical issue.
- A regulatory respondent⁷³ also suggested that a project on documentation could be deferred if necessary.
75. A few other respondents,⁷⁴ however, felt that it would be appropriate to prioritize such a topic, expressing the following views in particular:

⁶⁸ Regulator: NASBA; IFAC Member Bodies: ICAEW, ICAJ, IDW, WPK; Firms: BDO, DTT, PwC, RSM; Other Professional Organizations: AE, SMPC

⁶⁹ International Standard on Auditing (ISA) 260, *Communication with Those Charged with Governance*

⁷⁰ Firm: KPMG

⁷¹ Firms: DTT, PwC

⁷² IFAC Member Bodies: CAANZ, ICAEW, WPK; Firms: DTT, KPMG; Other Professional Organization: AE

⁷³ Regulator: UKFRC

⁷⁴ Regulators: IRBA, NASBA; NSS: XRB; IFAC Member Body: CPA Canada

- All PAs should document specifics related to matters they evaluate under the Code whenever they exercise “professional judgement.”
- This is an area by which enforceability of the Code may be improved, which in turn may facilitate greater adoption of the Code.
- From a regulator perspective, inadequate documentation on how independence is considered and met is a key issue.

PC Views and Reactions

76. Given the balance of respondents’ comments, the PC felt that the Board should not prioritize a project on documentation at this time. Instead, should resources permit, it might be considered in future.

PRE-COMMITMENTS

77. A number of respondents provided specific comments on the pre-commitments included in the SWP. These are set out in Appendix 2 for the relevant working groups’ and the Board’s consideration.
78. Of particular note are comments relating to the timing of work associated with the post-implementation reviews of NOCLAR, Long Association, and the revised and restructured Code.

PC Views and Reactions

79. Regarding the timing of the post-implementation review of NOCLAR, the PC agreed that this will need to correlate with sufficiently broad adoption of the NOCLAR provisions, at least within the G20 and other major jurisdictions. In this regard, recent interactions with NSS and other stakeholders have indicated that in a number of G20 jurisdictions such as Brazil, Canada and the US, there are ongoing discussions between NSS and legislators or regulators regarding the need for changes to law or regulation to facilitate adoption of NOCLAR. Such discussions include addressing the need for legal protection for those who disclose instances of NOCLAR or suspected NOCLAR to an appropriate authority.
80. With respect to the post-implementation review of the Long Association provisions, the PC agreed to give further consideration to both the approach to and timing of the review, and to make recommendations to the Board prior to the finalization of the SWP.

Matters for CAG Consideration

3. Representatives are asked:
- (a) Whether they agree with the PC’s comments above, or whether they have other perspectives; and
 - (b) Taking into account the key themes from respondents’ general comments and observations in Section B above and the criteria for determining actions and priorities, for any specific perspectives on topic prioritization.
- The discussion will help inform the PC’s considerations in developing its recommendations to the IESBA on the final SWP.

E. Respondents' Other Suggestions

81. 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 reactions to them.

Respondents' Suggestions	PC Views and Reactions
(a) A review of the meaning of public interest in the global context, in collaboration with IAASB and IAESB. ⁷⁵	The Board already considered this topic at some length during the development of the CP and determined not to prioritize it. The Board took into account the MG's current efforts to develop a public interest framework as part of its consultation on the governance and oversight of the international audit-related SSBs. It would not be appropriate to initiate a parallel work stream at this time. Rather, the PC was of the view that the Board should await the finalization of the MG's public interest framework before considering the need for any action on this topic.
(b) A review of the definition of the term "professional activity" to reflect new and emerging services provided by PAs, given evolving technology. ⁷⁶ (For reference, the Code currently defines professional activity as an "activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, tax, management consulting, and financial management.")	There may be merit in reviewing the current definition as it may not sufficiently reflect the broad range of activities PAs now undertake and the broad skill sets they have. The PC was of the view that this could be considered by the Technology Working Group.
(c) Development of specific professional pronouncements for non-assurance services (e.g., valuation services, insolvency, forensic accounting, and tax services), especially as firms are now deriving a significant portion of their revenue from the delivery of these services. ⁷⁷	The PC was of the view that these should not be priorities at this time for the following reasons: <ul style="list-style-type: none"> • There is no Board capacity to address these topics given other identified priorities based on stakeholder feedback to the SWP survey and through outreach. • There is currently little evidence that the principles in the Code are inadequate to address ethical issues relating to these services.

⁷⁵ Regulator: UKFRC; IFAC Member Bodies: IDW, JICPA, MICPA, ISCA; Other Professional Organization: SMP

⁷⁶ NSS: APESB

⁷⁷ NSS: APESB

Respondents' Suggestions	PC Views and Reactions
	<ul style="list-style-type: none"> No other respondent has expressed urgency for the Board to develop specific pronouncements to address these services. <p>Nevertheless, the PC recommends that the Emerging Issues and Outreach Committee (EIOC) maintain a watching brief on developments relating to these services.</p>
(d) Consideration of a project to address practical issues encountered by group and component auditors in applying the independence standards in a group audit. ⁷⁸	<p>The PC is aware that questions have been raised in the past regarding the application of independence standards in a group audit context. One such question (relating to whether a component auditor should follow PIE or non-PIE requirements when the group is a PIE and the component is not a PIE) will be considered by the EIOC at its next meeting in September.</p> <p>While firms have not flagged difficulty in applying such standards, the PC agreed that it may be appropriate to explore the need for clarifications in this area, ideally in coordination with the IAASB's project on a revision of its group audits standard (ISA 600). If clarifications are determined to be necessary, guidance could be provided via IESBA Staff publications as opposed to changes to the Code.</p>
(e) Reconsideration of the Code's conceptual underpinning to focus not only on standards of behavior but also on critical thinking and professional judgment. ⁷⁹ This would involve shifting the focus and emphasis of the Code from a discussion of threats to more a discussion about how the FPs are expected to drive high quality critical thinking, professional judgments, and behaviors.	<p>The PC was of the view that it would not be appropriate to overhaul the conceptual underpinning of the Code as doing so would impact the entire Code, especially as it has just been extensively revised and restructured. The Professional Skepticism work stream is already considering issues relating to critical thinking and how PAs can best meet public expectations regarding professional skepticism more broadly. Accordingly, the PC recommends that this suggestion not be prioritized at this time.</p>
(f) Consideration of whether to require a PA to report a breach of the Code to an appropriate	Notwithstanding the merits of this suggestion (which may generate a controversial debate similar

⁷⁸ Regulator: CPAB

⁷⁹ Others: NolderLord

Respondents' Suggestions	PC Views and Reactions
<p>authority when it is in public interest to do so unless prohibited by law or regulation. The Code currently only requires a PA to consider reporting a breach of an independence provision to a professional or regulatory body or oversight authority if such reporting is common practice or expected in the relevant jurisdiction.⁸⁰</p>	<p>to the public reporting issue under NOCLAR), the PC was of the view that this matter should not be prioritized at this time given other more pressing topics. However, it could be considered as part of a future post-implementation review of the Breaches provisions.</p>
<p>(g) Consideration of addressing the culture of firm secrecy and role that transparency plays in embedding an ethical culture. In particular, as firms grow, so does the need to better understand their functioning, governance, goals, risks and achievements. The IESBA is best placed to recognize the seriousness of this issue, assimilate stakeholder needs and respond globally.⁸¹</p>	<p>The PC was of the view that the issue of firm transparency is more a matter for legislators and regulators to address as it is about disclosure as opposed to ethical behavior. Indeed, some jurisdictions such as the EU have issued regulations addressing firm transparency targeted at the particular jurisdictional needs and circumstances.</p> <p>Nevertheless, the PC was of the view that there is a need to better understand the respondent's concern, and that this might be a matter for the EIOC to further consider.</p>
<p>(h) Consideration of providing a better understanding to stakeholders about commonalities (e.g., the FPs and conflicts of interest) and differences between the various activities that PAs undertake, and why special ethical and other requirements (e.g., independence, professional skepticism) are warranted for assurance engagements and not other activities.⁸²</p>	<p>The PC noted that there has been little evidence of market demand for such communications. Nevertheless, consideration could be given to carefully explaining the proposals being developed under the Professional Skepticism work stream (which is addressing public expectations of all PAs with respect to the exercise of "professional skepticism") via an explanatory memorandum to any exposure draft or other appropriate communications.</p>

⁸⁰ Regulator: UKFRC

⁸¹ Regulator: IRBA

⁸² IFAC Member Body: IDW

82. In addition to the above topics, respondents also made the following observations or points of emphasis for the Board's consideration:

Respondents' Comments	PC Views and Reactions
(a) The need to monitor developments relating to conflicts of interest, given the considerable attention on issues involving firms in recent media coverage in certain parts of the globe. ⁸³	The PC was of the view that this matter should be monitored by the EIOC.
(b) The importance of appropriate research and evidence informing work program decisions. ⁸⁴	<p>The PC noted that the Board is committed to establishing an evidential basis for making changes to the Code, and endeavors to do so through actions such as leveraging academic research, benchmarking, and reaching out to stakeholders to understand their experiences on specific topics or issues. The PC also noted, however, that some matters are so clearly linked to perceptions that not addressing them could undermine public trust in the profession or the credibility of the Code, even though there may be little or no evidence of issues in practice.</p> <p>In this regard, the PC noted that it may not always be practicable to gather evidence when dealing with issues of behavior. While unethical conduct can generally be evidenced when issues come to light and its impact assessed in terms of the consequences to stakeholders, the avoidance of unethical conduct through complying with a particular ethics standard and the associated benefits to the public interest are generally hard to evidence and quantify because of the absence of an adverse event and its related consequences.</p>
(c) The importance of being sensitive to translation challenges for adopting jurisdictions. ⁸⁵	The PC noted that the Board has acknowledged the importance of translatability of the Code, especially as evidenced through the work on restructuring the Code. This nevertheless is a useful reminder of the importance of having regard to translation when developing changes to the Code.

⁸³ IFAC Member Body: ICAS

⁸⁴ IFAC Member Bodies: AICPA, CAANZ, JICPA; Firm: DTT

⁸⁵ Regulator: IOSCO; IFAC Member Body: JICPA

Matter for CAG Consideration

4. Representatives are asked whether they agree with the PC's comments above, or whether they have other perspectives.

Appendix 1

List of Respondents to the CP

#	ABBR.	ORGANIZATION
REGULATORS		
1.	CPAB	Canadian Public Accountability Board
2.	IFIAR	International Forum of Independent Audit Regulators (MG member)
3.	IOSCO	International Organization of Securities Commissions (MG member)
4.	IRBA	Independent Regulatory Board for Auditors, South Africa
5.	NASBA	National Association of State Boards of Accountancy, U.S.
6.	UK FRC	Financial Reporting Council, UK
NATIONAL STANDARD SETTERS		
7.	APESB	Accounting Professional & Ethical Standards Board, Australia
8.	XRB	New Zealand External Reporting Board
IFAC MEMBER BODIES		
9.	AAT	Association of Accounting Technicians
10.	ACCA	Association of Chartered Certified Accountants
11.	AICPA	American Institute of Certified Public Accountants
12.	CAANZ	Chartered Accountants Australia and New Zealand
13.	CPA Canada	Chartered Professional Accountants of Canada
14.	FSR	FSR – danske revisorer, Denmark
15.	HKICPA	Hong Kong Institute of Certified Public Accountants
16.	ICAEW	Institute of Chartered Accountants in England and Wales
17.	ICAI	Institute of Chartered Accountants of India
18.	ICAJ	Institute of Chartered Accountants of Jamaica

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#	ABBR.	ORGANIZATION
19.	ICAN	Institute of Chartered Accountants of Nigeria
20.	ICAS	Institute of Chartered Accountants of Scotland
21.	IDW	Institut der Wirtschaftsprüfer
22.	ISCA	Institute of Singapore Chartered Accountants
23.	JICPA	Japanese Institute of Certified Public Accountants
24.	MICPA	Malaysian Institute of Certified Public Accountants
25.	SAICA	South African Institute of Chartered Accountants
26.	WPK	Wirtschaftsprüferkammer
FIRMS		
27.	BDO	BDO International
28.	Crowe	Crowe Global
29.	DTT	Deloitte Touche Tohmatsu
30.	EY	Ernst & Young Global
31.	GT	Grant Thornton International
32.	KPMG	KPMG IFRG
33.	PwC	PricewaterhouseCoopers International
34.	RSM	RSM International
OTHER PROFESSIONAL ORGANIZATIONS		
35.	AE	Accountancy Europe
36.	EFAA	European Federation of Accountants and Auditors
37.	PAIBC	IFAC PAIB Committee
38.	SMPC	IFAC SMP Committee

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#	ABBR.	ORGANIZATION
INDIVIDUALS & OTHERS		
39.	KunalShah	Kunal Shah
40.	NolderLord	Dr. Christine Nolder (Suffolk University, Boston) and Dr. Jeanmarie Lord (University of Montana), U.S.

Appendix 2

Respondents' Comments on Pre-commitments

#	Respondent	Comment
NAS		
1.	MG member (IFIAR)	Requirements should be responsive to rapid changes in types of non-audit services that the auditor might wish or might be requested to provide.
2.	MG member (IOSCO)	<p>IESBA should be focused on the Code's enforceability, clarity and the appropriateness of the threats and safeguards approach. Specifically⁸⁶:</p> <ol style="list-style-type: none"> 1. IESBA should review and update the entire suite of safeguards throughout the Code. Such a process should seek to bring clarity to safeguards that are not clear and eliminate those that are inappropriate; 2. There should be a direct correlation between a safeguard and the threat it is intended to address; and 3. IESBA's output should convey the notion that not every risk could be addressed by a safeguard. <p>IESBA is encouraged to consider whether these issues would be addressed as it progresses Safeguards Phase 2 or the NAS project.</p>
3.	ICAEW	It would be better to research the causes of significant audit failures around the world to see whether the provision of NAS is seen to impact on audit quality. This would then inform the debate on auditor independence more generally.
4.	JICPA	Qualitative factors such as what kind of threats may be created from specific NAS and the level of NAS fees should be sufficiently considered, in addition to quantitative factors such as the level of NAS and its ratio to audit fees.
5.	PwC	IESBA should continue to develop its own thinking on what prohibitions are appropriate in the International Independence Standards, applying the CF vs. aligning with views of any particular regulatory framework.
6.	SMPC	<p>The Impact of specific measures designed to be applicable to PIEs needs to be carefully considered due to the potential trickle-down effect on SMPs and SMEs (e.g., if legislators start taking up these ideas too).</p> <p>There is a need to recognize that most SMPs are, by design, multidisciplinary practices. In most of the debates, the issue is perception of independence in</p>

⁸⁶ See IOSCO's C1 response to the IESBA's consultation paper: *Proposed Strategy and Work Plan, 2014 – 2018* (the Paper) dated 25 March, 2014 at: http://www.iosco.org/library/comment_letters/pdf/IESBA-13.pdf

#	Respondent	Comment
		mind and the whole notion of whose interests are supposed to be protected. A detailed consideration based on evidence will be necessary when debating issue of public interest and the differences in the operational landscape of the various market segments and types of services.
Professional Skepticism		
1.	PAIBC	The concept of professional skepticism should be applied by all PAs given their professional status and influence in the financial reporting supply chain. It is very important to reach an outcome where it is clear how professional skepticism is demonstrated by PAIBs.
Fees		
1.	AE	The current provisions and principles in the Code are sound and appropriate. Better guidance on how to assess threats and apply safeguards would be welcomed as a potential enhancement.
2.	AICPA	There is a risk that changes to the Code in this area would conflict with US anti-trust laws. Use a principles-based approach when considering this matter.
3.	PwC	<p>The recent Board discussion paper on Fees suggests that IESBA might consider the following matters:</p> <ul style="list-style-type: none"> • Fee caps on NAS provided to audit clients • Pre-approval of NAS by TCWG, and even • Business models adopted by firms. <p>These, together with any additional disclosure requirements, are matters for local law and regulations related to corporate governance or independence related standards established by the relevant regulator and are not matters for a professional Code of Ethics. Also, any steps IESBA might consider taking in these areas may be anti-competitive and an inappropriate potential restraint of trade.</p> <p>However, the ratio of audit to non-audit fees is something that an audit committee may well wish to consider in its oversight of auditor independence. The Code may usefully include some general considerations in relation to such an issue.</p>
4.	PwC	It could be helpful to add application material in Part 2 of the Code dealing with the PAIB's responsibilities in acquiring and overseeing the provision of services (assurance or otherwise) to the entity (recognizing the limitation that TCWG may not be PAs and therefore not subject to the Code).

#	Respondent	Comment
E-Code		
1.	ICAS	For an e-Code to assist users, including professional bodies, it will require to: <ul style="list-style-type: none"> • Have free access; • Be easily accessible; and • Be available to, and provide the means for, user bodies to adapt for their own jurisdiction specific requirements.
2.	DTT	This will be a very useful implementation tool for all users of restructured Code and has the potential to have a significant impact on adoption efforts. It will also be particularly helpful if it contains links to other material such as each Basis for Conclusion and other publications to help further understanding and effective implementation of the Code. The IESBA should try to accelerate completion of this project from the two years that is currently projected in the proposed work plan.
3.	DTT	For the Code to be widely accessible and visible, consider making it available on the website unfettered, in an unlocked pdf version and without the need to establish an account with IFAC, which could inhibit users from taking steps necessary to access the Code.
4.	ICAEW	An e-code could be of great benefit to IFAC member bodies – at least those who write their codes in English. However, to be of such benefit, the Code would need to appear as part of the member bodies' own codes (with due accreditation). It would thus need to be freely available (including not needing to sign in to the IFAC website, as this is somewhat disruptive and irritating to all) and capable of including adaptations.
5.	UKFRC	There should be clarity as to the status/authority of any linked material.
NOCLAR Post-implementation Review		
1.	AE	The IESBA should allow appropriate time to first review how implementation of the provisions was transposed globally and factor-in time necessary to monitor challenges in applying the new requirements.
2.	XRB	The review should be accelerated.
Long Association (LA) Post-implementation Review		
1.	APESB	The proposed timing of review (not until Q1 2022) is a concern.

#	Respondent	Comment
		<p>The current timing will not allow for empirical evidence (re impact of revised LA provisions on audit quality) to be obtained, adequate consultation with jurisdictions and appropriate lead time for firms to adapt to any changes from the review before the end of the transition period (December 2023). IESBA also needs to allow time in the post-implementation review for extensive consultation with jurisdictions on challenges faced with a five-year cooling-off period. So there is a need to commence review no later than 2020.</p> <p>APESB has engaged Australian universities to conduct research on implementation of the provisions from Australian perspective, and will be willing to share outcomes of the research and collaborate with IESBA in the review.</p> <p>APESB believes that transition to 5-year cooling-off period could lead to an audit market being concentrated with the larger firms in Australia and reduced competitiveness in provision of audit services. It is likely to lead to an audit market oligopoly, contrary to the view of importance of preventing such an occurrence.</p>
2.	KPMG	It is suggested that the rate of adoption of, and compliance with, the LA provisions be covered by the IFAC Member Compliance Program, using a similar timeline as that proposed in the SWP.
3.	DTT	<p>IESBA should direct a significant amount of effort at seeking an understanding of the impacts of the LA provisions and planning for what response will be if jurisdictions have not responded in a way IESBA expects by the sunset of the jurisdictional provisions in 2023.</p> <p>IESBA should consider also how to demonstrate improvements in audit quality resulting from the new provisions, or conversely identify if audit quality has been adversely affected, before determining what response should be.</p>
Restructured Code Post-implementation Review		
1.	IRBA	Real information may only be available in mid-2022, at least two years after implementation. Thus, the proposal for post-implementation review in Q2 2023, while possible, may be ambitious.
General Maintenance of the Code		
1.	IRBA	<p>Suggestions offered:</p> <ul style="list-style-type: none"> Reconsider use of the term “employee” as it appears to cover only employees of an audit client and not others who may act in capacity of an employee (e.g. a contractor).

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#	Respondent	Comment
		<ul style="list-style-type: none">• Not limiting the concept of “engagement period” to the date when the audit report is issued, as the auditor has further responsibilities in an audit of financial statements, e.g., addressing the effect on the audit opinion of matters that come to auditor’s attention after the conclusion of the audit.• Revisiting the definition of “financial interest” to, for example, clearly cover interests in a trust.• Defining the concept of a “network firm” to focus more on the exercise of judgement vs. on a list of examples of situations that might indicate the existence of a network.