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July 20, 2023

Mr. Ken Siong  
Program and Senior Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue  
New York, NY 10017 USA

Dear Mr. Siong:

**Re: *Proposed IESBA Strategy and Work Plan, 2024-2027: Towards a More Sustainable Future: Advancing the Centrality of Ethics***

I am writing on behalf of the Public Trust Committee (PTC) of the Canadian Chartered Professional Accountant profession in response to your request to comment on the *Proposed IESBA Strategy and Work Plan, 2024-2027: Towards a More Sustainable Future: Advancing the Centrality of Ethics* (“the SWP”).

Canada’s accounting profession is regulated by provincial CPA bodies and is comprised of more than 220,000 members both at home and abroad. The provincial CPA regulatory bodies are statutorily responsible for their respective codes of conduct including the independence standards. CPA Canada is a member of IFAC, represents the profession nationally and internationally, and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations, and government. The provincial CPA regulatory bodies and CPA Canada collaborate through the PTC to recommend policies and strategies to uphold the public’s confidence and trust in the profession.

One of the responsibilities of the PTC is to monitor international developments with respect to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (“the Code”) and develop responses to consultations on behalf of the Canadian CPA profession.

Thank you for the opportunity to provide our comments on the SWP. We commend the IESBA for its efforts in developing this Consultation Paper and for consulting broadly with stakeholders to inform the development of the Proposed Strategy and Work Plan.

**Our views**

Overall, the PTC is generally supportive of the SWP recognizing that it is ambitious considering the commitment made by the IESBA regarding the development of timely ethics standards for sustainability reporting and assurance. We were pleased to note some potential work streams under consideration that aligned with our assessment of them as valid strategic priorities in the IESBA Strategy Survey 2022 and others for which we had made related

observations in responding to Exposure Drafts.

In developing the Consultation Paper, we appreciate that care has been taken by the IESBA to assess the proposed actions as well as to consider overall capacity and resources in addition to recognizing the need for considering emerging issues that may require actions not already contemplated within the SWP. We have provided our observations and questions related to this in our responses to the request for comments.

Please find below our responses to the questions identified for input from respondents as outlined in the Consultation Paper:

**1. Do you agree with the IESBA's Proposed Strategic Drivers (pages 9-13)?**

The PTC is generally supportive of the proposed strategic drivers and agrees with the IESBA that they present both opportunities and challenges. We have provided below observations and views that arose through stakeholder feedback:

*Rapidly Growing Market and Public Demand for Sustainability Information*

The IESBA's commitment to ethics and independence standards for sustainability assurance is well reflected in the SWP. However, it is not clear how this will be relevant if local regulators and legislators do not require sustainability assurance and compliance with the IESBA's standards in this regard. Further, it is unclear who will measure compliance with the standards and enforce them unless local regulators and legislators determine this.

The SWP frequently refers to profession agnostic standards which is a concern given our understanding that markets in various jurisdictions will include other service providers of sustainability assurance that are not members of any profession. The risk is that the IESBA is providing credibility through its standards, described as profession agnostic, when used by non-professionals and that failure to comply fully with the standards or for them to be enforced will result in negative experiences by stakeholders with the IESBA's standards developed for and used by the accounting profession.

Given the issues noted above, we believe it is necessary for the IESBA to have and to share its plan as to how it will achieve broad international adoption that will maintain both the quality of the standards as they apply to professional accountants and with the continued support of stakeholders globally as the standards are utilized by professionals and non-professionals alike. The PTC believes there are risks if these standards are not effectively regulated and that this could undermine the overall reliability associated with reporting indicated to be in compliance with the IESBA standards. Ultimately, a lack of effective regulation of all users of the standards may have the effect of restricting those providing services in the marketplace to only those who are regulated, as members of professions are, thereby undermining the intent to have service provider agnostic standards.

*The Expanding Roles of Professional Accountants in Business*

We agree that PAIBs are experiencing change in business and in their roles. Their work is fundamental to the organizations they are part of and to the audit process that ultimately provides stakeholders with financial and other information. As IESBA considers this Strategic Driver, we observe that the position of CFO is often held by individuals with backgrounds other than professional accounting. We believe that IESBA should consider stakeholder expectations of whether all CFOs (or any other position or role that IESBA chooses to address) would be held to the same high standards as those who are professional accountants. This is an important consideration of the sustainability of the global accounting profession which is in the public interest.

#### *Heightened Stakeholder Expectations for Greater Timeliness*

The PTC fully supports timely standard setting and believes that enforceability is critical for the effective implementation of standards. The PTC thinks there is also an overall need to provide stability in the Code for implementation, compliance, and enforcement.

Generally, the PTC believes that the more principles based IESBA Code should allow for greater application and a balancing of principles and specific rules such that some issues may be appropriately addressed in a timely fashion through guidance support and other resources issued by the IESBA.

#### *The Imperatives of Quality and Global Acceptance of the IESBA's Standards*

The Consultation Paper references the extensive effort and outreach planned globally with other boards, stakeholders including NSS and regulators, preparers, investors, those in the accounting profession and the community of sustainability assurance providers outside the accountancy profession. The PTC believes these will be ambitious efforts that are important in ensuring the relevance of the Code and that adequate and appropriate resourcing will be critical.

#### *Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation*

The PTC appreciates that the IESBA acknowledges the capacity of the market to assimilate new or revised IESBA standards and hopes that this will continue to be considered as an important factor, among others, in determining the number and prioritization of IESBA's standard-setting projects and in setting effective dates for final standards. The PTC thinks that it is important that the pace of change in the Code be reflective of the public interest, which can involve a number of factors, not just timeliness. For example, engaging new stakeholders for sustainability assurance will contribute to the quality of the standards as well as global adoption but may prolong timelines.

It was noted that a review by the IESBA of the experience of those jurisdictions that have adopted the Code would be valuable to those jurisdictions contemplating same. This could include consideration of how the Code has been tailored or augmented in

addition to the compliance and enforcement experience in utilizing the Code. Such a review would also be helpful in understanding resources or support needed for implementation of the latest version of the Code.

**2. Do you agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions (pages 13-18)?**

The PTC is generally supportive of the Proposed Strategic Themes and Proposed Strategic Actions with our specific comments related to these SWP elements appearing in the answers to Questions 3 through 7.

**3. Do you support the IESBA considering the topics set out in Table B as potential work streams (pages 22-24)? If so, please also share your views on any specific issues or questions you believe the IESBA should consider under these topics. If not, please explain your reasons.**

Generally, the PTC is cautious about the consideration of six possible work streams in addition to current projects such as Sustainability - Independence and Ethics and Use of External Experts and the already committed work streams. The pace of change in the Code has been an on-going concern and the PTC believes that a "longer shelf life" Code is desirable and that it would likely enhance adoptability and usability. Instead of adding more potential work streams, the PTC believes that managing the pace of change to the Code may enable more effective implementation, including through IESBA issued supporting guidance, increased compliance, and enforceability through stability.

The PTC thinks that the following potential work streams under consideration should advance with relative priority:

- Role of CFOs and Other Senior PAIBs (i.e., including consideration of PAPPs who take on the role of CFO)
- Business Relationships
- Custody of Data
- Communication with Those Charged with Governance (i.e., to the extent not otherwise addressed in the Use of Experts project)

The PTC does not think Audit Firm – Audit Client Relationship and Definitions and Descriptions of Terms should be prioritized as explained below in Question 4 in reference to Table B.

**4. Do you believe the IESBA should accelerate or defer any particular ongoing, potential or pre-committed work streams(s) set out in Tables A, B and C? Please explain your reasons.**

*Table A*

The PTC thinks that a Post-Implementation Review (PIR) is very important in determining whether a standard has been implemented as expected and is effective. The PIR can be informed by the regulation and enforcement experience that has occurred and provide insight as to whether changes are required or if guidance support from the IESBA is warranted. In this regard, we are eager to see the Responding to Non-compliance with Laws and Regulations (NOCLAR) PIR advance quickly to inform those jurisdictions where NOCLAR has been implemented, in full or in part, as to the standard's effectiveness and to assist those jurisdictions where it remains under consideration.

*Table B*

The PTC does not think that the consideration of Audit Firm – Audit Client Relationship should be a priority. Independence requires consideration beyond this and includes being responsible to investors, creditors and other third parties. It is not clear what would be accomplished by changing terminology because audit fees will be negotiated and paid for in the same manner in any event.

The PTC also does not think that Definitions and Descriptions of Terms should be prioritized because continuing coordinated work with the IAASB should allow for enhancing consistency and if a focused project is needed, then a completion milestone should be established by which full consistency will be achieved followed by continued close coordination with the IAASB to maintain consistency.

*Table C*

The PTC thinks that the PIR for Non-assurance Services (NAS) should take place before 2027 which is considered to be too long to begin reviewing these revisions. On the other hand, the PTC views a PIR of the restructured Code as a lesser priority and suggests that this review should be internally conducted focusing on maintaining conformity with the restructured drafting approach. The PTC thinks that users experiencing unintended consequences or implementation issues related to the restructuring have likely already surfaced and been identified to the IESBA.

- 5. *Are there other topics the IESBA should consider as potential new work streams? If so, please indicate whether these topics are more important than the topics identified in Table B (pages 22-24), and the needs and interests that would be served by undertaking work on such topic(s).***

The PTC thinks that independence issues involving employees that work for more than one employer, particularly contractors where it may be difficult to effectively monitor all of their relationships and interests, may need further consideration in the Code as they are becoming more commonplace.

- 6. *The IESBA's proposed Strategy and Work Plan emphasizes the importance of close coordination with its sister Board, the IAASB. Do you have views or suggestions as to how coordination between the IESBA and IAASB could be enhanced to better serve the public interest?***

The PTC is very supportive of ongoing IESBA efforts to coordinate with the IAASB. We believe that such efforts that include building consistent terminology and definitions is in the public interest allowing for effective regulation including enforcement.

As the Boards closely coordinate, we believe there should be opportunities to share contacts (e.g., those noted as difficult to engage including investors and TCWG) and leverage outreach opportunities so that the same stakeholders may be engaged in multi-faceted issues including ethics and assurance. For example, conducting roundtables together on topics of mutual interest would allow for combined effort in obtaining participants and a more efficient outcome for all parties involved.

The PTC also notes that proxy firms that may represent a significant influence on voting and major institutional holders are a stakeholder group that could be engaged on a combined basis by IESBA and IAASB.

**7. Do you have comments on any other matters addressed in this Consultation Paper or any significant matters not covered that you believe the IESBA should consider in finalizing the SWP 2024-2027?**

*National Standard Setters*

There are several areas within the Consultation Paper where the implementation of the Monitoring Group recommendations are referenced. The PTC remains cautious and looks forward to timely updates about the new Board operating model including a reduced size and adequate technical staff complements, including secondees, in the context of achieving the SWP. We are supportive of the IESBA's plan to monitor its available resources with the intent to adjust project timelines as needed and would welcome regular updates at NSS meetings in this regard.

The Consultation Paper indicates that the IESBA will remain flexible and agile regarding adjusting its priorities to address urgent or unexpected issues. The PTC would welcome insights as to how prioritization of issues or topics is/will be undertaken and what transparency of the costs and benefits will be provided in making such adjustments should they be needed. We believe this would be a useful discussion item for an NSS meeting in follow-up to this consultation process.

In considering this Consultation Paper, we noted that there was a significant shift in the Vision included compared to the last proposed Strategy and Work Plan for the period 2019-2023. In the current SWP, the IESBA's Vision is provided and notably it does not reference accounting, accountants or the accounting profession. In the 2019-2023 Consultation Paper, IESBA's Vision was as follows: "The IESBA's vision is for the Code to 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." While we note the shift relative to a focus on sustainability and related ethics for service providers who are not professional accountants, we believe the core focus of IESBA is and clearly should remain ethics standards for the global accountancy profession. We would have welcomed a discussion of the evolving Vision at an NSS meeting in advance of the

Consultation Paper and now look forward to an opportunity following this consultation process.

As we look forward to the SWP period of 2024-2027, we are hopeful that a regular and frequent meeting cadence will be established for the NSS as has been previously discussed. The Consultation Paper scopes out the dynamic environment for standard setting and we believe the NSS can make important contributions to the IESBA's efforts.

*Comment periods for IESBA Exposure Drafts and Consultations*

As outlined in our previous communications with the IESBA, the PTC would like to reemphasize that a 90-day comment period is highly challenging in a multi-jurisdictional country such as Canada. The challenge of responding within a relatively short time frame is even more acute in our circumstances, as our due process for providing comments includes the public exposure of IESBA proposals to revise the International Independence Standards in French and English and presented compliant with accessibility legislation. The issue is further exacerbated when multiple IESBA consultations occur concurrently or in close proximity to each other.

As the IESBA continues its important work in encouraging and promoting global adoption of the Code, we recommend it consider whether longer public consultation periods would result in more comprehensive and considered input leading to a more rigorous standard-setting process in the public interest. As indicated in the Consultation Paper, the IESBA acknowledges the continuing challenge of adequately engaging some stakeholders such as investors and TCWG. The PTC believes that a 90-day comment period may contribute to this ongoing challenge of not being able to adequately engage with some stakeholders.

In Canada, the IESBA proposals must be considered in the context of multi-jurisdictional laws and regulation. We remain concerned that a 90-day comment period does not allow sufficient time to coordinate and prioritize the resources required for robust consultation in all jurisdictions and request again, that the IESBA increase the length of comment periods going forward.

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We thank you for the opportunity to comment on this Consultation Paper and we appreciate that further revisions to these proposals may result through the feedback provided by stakeholders.

Yours truly,



Jamie Midgley, FCPA, FCA  
Chair, Public Trust Committee