

26 June 2023



**Response to IESBA
Consultation Paper:
Proposed IESBA Strategy and
Work Plan, 2024 - 2027**

1. Introduction

ICAS is a professional body for more than 23,600 world class businesspeople who work in the UK and in more than 80 countries around the world. Our members have all achieved the internationally recognised and respected CA qualification (Chartered Accountant). We are an educator, examiner, regulator, and thought leader.

Over half of our working membership work in business; the others work in accountancy practices ranging from the Big Four in the City to the small practitioner in rural areas of the country.

We currently have over 4,400 students striving to become the next generation of CAs under the tutelage of our expert staff and members. We regulate our members and their firms. We represent our members on a wide range of issues in accountancy, finance and business and seek to influence policy in the UK and globally, always acting in the public interest.

ICAS was created by Royal Charter in 1854. The ICAS Charter requires its Boards to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Ethics Board has considered the IESBA Consultation Paper: 'Proposed IESBA Strategy and Work Plan 2024 - 2027' and I am pleased to forward its comments.

Any enquiries should be addressed to Ann Buttery, ICAS Head of Ethics.

2. Key Points

Overall, we are generally supportive of IESBA's proposals outlined in the above Consultation Paper.

We agree with IESBA that it should primarily be focusing on progressing and completing on-going projects in a timely manner, particularly its sustainability work streams and, in addition, seeking to enhance the level of input from the wider stakeholder community; promoting further adoption of the Code; and undertaking post-implementation reviews.

We believe that, other than in relation to sustainability matters and completion of other existing projects, IESBA should have a 'slow down' period for now in terms of creating new provisions to the Code.

Sustainability

Whilst we note IESBA's intention that its sustainability workstreams will cover the whole spectrum of sustainability matters, in order to be clear to users that this is the case we suggest that the new provisions within the Code would benefit from examples covering a range of sustainability-related matters i.e. across the full Environmental, Social and Governance (ESG) spectrum. This would mean capturing not just climate related matters within the "E", but other environmental matters such as nature and biodiversity, as well as social and governance elements of the "S" and the "G".

Technology

We agree that IESBA should continue its ongoing monitoring function of technology developments (particularly given the speed of change in this area, and for example the

concerns around privacy and the use of data by AI), but also other emerging issues or developments other than those related to sustainability and technology.

We do however note that there currently appears to be no plans to carry out a Post-Implementation Review of the technology related revisions to the Code (effective from December 2024) in the period 2024-2027 and suggest that, given the speed of change in relation to AI, it might be better to schedule this earlier.

Extending the Code to others

We further note that if IESBA is successful in extending the Code to others providing assurance services on sustainability, then perhaps this approach could also be considered to ensure a level playing field for other areas. For example, the requirements of the Code might also be extended to others providing tax planning services e.g. lawyers etc. We do however appreciate that there would be a need to involve other bodies to achieve this particular goal – IESBA would in the first instance need to develop a strategy for gaining regulatory support around the globe.

3. Responses to the specific questions

Strategic Drivers, Themes and Actions

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

Yes – we agree with the Proposed Strategic Drivers.

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

Enhancing trust in sustainability reporting and assurance

As noted in our response to the IESBA Strategy Survey 2022, given the growth in the disclosure of sustainability information, and increasing calls for assurance to be provided on such information, we believe that it is of a high level of importance that the IESBA should focus on standard-setting in relation to sustainability reporting and assurance in the next strategy period. This should also be supported by non-authoritative material as appropriate.

Whilst we note IESBA's intention that its sustainability workstreams will cover the whole spectrum of sustainability matters, in order to be clear to users that this is the case we suggest that the new provisions within the Code would benefit from examples covering a range of sustainability-related matters i.e. across the full Environmental, Social and Governance (ESG) spectrum. This would mean capturing not just climate related matters within the "E", but other environmental matters such as nature and biodiversity, as well as social and governance elements of the "S" and the "G".

We believe that the public interest would be best served by having the same or equivalent ethics and independence standards apply to all parties providing assurance on sustainability related information. However, we do have concerns around how, in practice, IESBA will be able to expand the scope of the Code to cover assurance providers other than Professional Accountants in Public Practice (PAPPs). We believe this can only be achieved if assurance providers other than PAPPs are to be required by respective jurisdictional regulators to adhere to the IESBA Code of Ethics or equivalent standards.

We therefore agree with IESBA that obtaining the support or endorsement of its new standards addressing ethics and independence issues pertaining to sustainability reporting and assurance, as well as the related but broader standard addressing the use of experts, from global regulators and oversight bodies and other key jurisdictional bodies

is key to IESBA being able to expand the scope of the Code to cover assurance providers other than PAPPs in practice. All the accountancy profession itself can do is highlight its professional standards to the regulatory and investment communities. It would then be for local regulators to determine whether they need to put in place requirements to cover others external to the accountancy profession.

We further note that if IESBA is successful in extending the Code to others providing assurance services on sustainability, then perhaps this approach could also be considered to ensure a level playing field for other areas. For example, the requirements of the Code might also be extended to others providing tax planning services e.g. lawyers etc. We do however appreciate that there would be a need to involve other bodies to achieve this particular goal – IESBA would in the first instance need to develop a strategy for gaining regulatory support around the globe.

Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance

We believe that, other than in relation to sustainability matters and completion of other existing projects, IESBA should have a ‘slow down’ period for now in terms of creating new provisions to the Code and agree with IESBA that there is a need to instead primarily focus on progressing and completing on-going projects in a timely manner, and particularly the sustainability workstreams.

As noted in our response to the IESBA Strategy Survey 2022, a potential activity for IESBA out-with standard setting would be to highlight to key stakeholders, e.g. members of the Monitoring Group, that the NOCLAR provisions in isolation are not sufficient but rather supporting measures need to be put in place by other bodies to complement these provisions. In this regard, jurisdictions need to ensure that they have in place, or put in place, appropriate mechanisms to provide adequate protection to individuals (including professional accountants) who are placed in a situation where they are considering reporting a matter of non-compliance in the public interest.

We agree that IESBA should continue its ongoing monitoring function on technology developments (particularly given the speed of change in this area, and for example the concerns around privacy and the use of data by AI), but also other emerging issues or developments other than those related to sustainability and technology.

We do however note that there currently appears to be no plans to carry out a Post-Implementation Review of the technology related revisions to the Code (effective from December 2024) in the period 2024-2027 and suggest that, given the speed of change in relation to AI, it might be better to schedule this earlier.

Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA’s standards

We agree that IESBA should seek to enhance the level of input from parts of its stakeholder community it has not historically heard from to any significant extent, particularly investors and those charged with governance (TCWG), and agree that, particularly in the context of sustainability assurance, it will be important for the IESBA to engage with assurance service providers that are outside the accountancy profession if it is to achieve the goal of developing profession-agnostic ethics, including independence, standards that are widely accepted.

ICAS also agrees that coordination with the International Auditing and Assurance Standards Board (IAASB) and other standard setting bodies such as the International Sustainability Standards Board (ISSB) and Global Sustainability Standards Board (GSSB), and having proactive engagement with the global regulatory and oversight community, is important.

Widening the influence of the IESBA's standards through a continued focus on adoption and implementation

We note that as per IESBA's 'Report of IESBA accomplishments – 2020-2021': "As of December 2021, the 2018 edition of the Code is being used in almost 90 of the 136 IFAC member jurisdictions. In addition, several other jurisdictions have stated plans to consider adoption".

As noted in our response to the IESBA Strategy Survey 2022, it might be that this gap indicates that too much standard setting has been taking place, and therefore professional accountancy organisations (PAOs) are not wanting to continually have to respond to consultations or revise their respective Codes, or some countries might be finding it more difficult to translate the Code, so they are taking more time to implement it. This time lag for implementation might grow if new provisions are continually introduced.

We therefore agree that IESBA should be promoting further adoption of the Code, devoting attention to those countries that have not yet implemented the Restructured Code. This could take place during outreach discussions, and be coordinated with IFAC, and it may be necessary to specifically target certain jurisdictions. The support of the Monitoring Group in promoting the need for jurisdictions to adopt the IESBA Code would be beneficial in this regard.

We also agree with IESBA regarding conducting post-implementation reviews to assess how effectively the implementation of the IESBA's recently issued standards meets the original objectives for developing them, and to identify any need for further enhancements.

Proposed Work Plan for 2024 – 2027

- 3. Do you support the IESBA considering the topics set out in Table B as potential work streams (see pp.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.**

As noted above, we believe that, other than in relation to sustainability matters and completion of other existing projects, IESBA should have a 'slow down' period for now in terms of creating new provisions to the Code, however, we note the following for consideration in relation to each of the potential workstreams set out in Table B of the consultation paper.

Role of CFOs and Other Senior PAIBs

As noted in our response to the IESBA Strategy Survey 2022, in recent years IESBA has undertaken a number of projects which have impacted on the ethical requirements that are applicable to PAIBs. Indeed, there has just been the project on technology and there are currently projects on tax and sustainability which will further impact PAIBs. Other than the work being undertaken in relation to these current projects, which potentially have significant implications, we do not believe that there is a need for IESBA to dedicate strategic focus on raising the bar of ethical behaviour for PAIBs in the next strategy period. If anything is to be done, the development of some non-authoritative material may be helpful to build on some of the recent changes made to the Code e.g. those resulting from the Role and Mindset project.

Business Relationships

This is an area which does not appear to have been reviewed for a number of years and issues were identified during the Technology project. There is therefore an argument that this section needs to be subject to a full-scale review to ensure that it remains fit for the purpose in the current business environment.

Audit Firm – Audit Client Relationship

There may be merit in considering the specific matter raised - i.e. whether it is still appropriate to use the term “audit client” in the Code – the rationale for this being that we believe the use of the term “audited entity” gives a greater impression of independence.

Definitions and Descriptions of Terms

There may be merit in undertaking a project in this area. The public interest would be better served by having consistent definitions and descriptions of terms, where possible, in the Code of Ethics and IAASB standards, as this would help to promote user understanding.

Custody of data

As there may be significant consequences, including reputational damage, to an employing organization or client if data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access, as illustrated by various recent cyber-attacks, we believe there is a need for IESBA to investigate the ethics implications of a PA’s custody of financial or non-financial data belonging to clients, customers, or other third parties. New provisions may be required in the Code to guide users in relation to the custody of client data both prior to accepting custody as well as after taking custody.

Communication with Those Charged with Governance

There would appear to be merit in undertaking a project in this space. We make reference to the “IESBA Technology Initiative Phase 2 Report” (November 2022) to support this view, which recommends the following:

“To strengthen the concepts of transparency and accountability, add new material to the Code as part of the subsections on “communication with TCWG” in Parts 2 and 3 to encourage, or require, meaningful communication with TCWG by PAs (including individual Professional Accountants in Public Practice (PAPPs) and firms) about technology-related risks and exposures that might affect PAs’ compliance with the fundamental principles and, where applicable, independence requirements.”

These concepts are not unique to technology-related risks and exposures, but rather are broadly applicable whenever there are risks and exposures that might affect PAs’ compliance with the fundamental principles and, where applicable, independence requirements (e.g., technology, tax planning, sustainability). There is an opportunity to incorporate such communications into the Code more generally in the future, so that it can be considered under all circumstances.”

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

As noted earlier, it would appear that a significant number of IFAC member jurisdictions have not yet adopted the Restructured Code, and therefore we would suggest that the Post-Implementation Review of the Restructured Code should be a priority over the Long-Association Post-Implementation Review.

Also as noted above, there currently appears to be no plans to carry out a Post-Implementation Review of the technology related revisions to the Code (effective from December 2024) in the period 2024-2027 and suggest that, given the speed of change in relation to AI, it might be better to schedule this earlier.

- 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 (see pp.22-24), and the needs and interests that would be served by undertaking work on such topic(s).

We do not believe there are any other topics IESBA should consider as potential new work streams at the moment. As noted earlier, we believe IESBA should be primarily focusing on progressing and completing on-going projects and work streams in a timely manner, particularly its sustainability work streams; promoting the further adoption of the Code; and undertaking post-implementation reviews.

Additional information

- 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?**

We agree that there is a need for proper coordination between the IESBA and IAASB in relation to various work streams, including those covering sustainability issues and we are supportive of continued on-going engagement in that regard. As part of this, the boards should seek to ensure that, as far as possible, they use consistent terms and definitions.

- 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?**

We have no further comments.



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