



Paul Korolkiewicz
Global Head of Quality, Risk
and Regulatory
KPMG International Limited

KPMG IFRG Limited
15 Canada Square
London E14 5GL
United Kingdom

Correspondence Address
KPMG
15 Canada Square
London E14 5GL
United Kingdom

Ken Siong
Program and Senior Director
International Ethics Standards Board for
Accountants (IESBA)
529 Fifth Avenue, 6th Floor
New York, NY 10017
USA

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Consultation Paper: Proposed IESBA Strategy and Work Plan, 2024 – 2027

Dear Mr Siong,

We appreciate the opportunity to comment on the above Consultation Paper issued by the International Ethics Standards Board for Accountants (IESBA or the Board). We have consulted with, and this letter represents the views of, the KPMG global organization.

We are aligned with the Board on the need to keep ethical and independence standards strong and robust in order for the Code to be a cornerstone to ethical behavior. We consider it of utmost importance, to that aim, that the Board carefully weigh the impact of taking on multiple projects in the strategy period that are rooted in exploration and without critical need, in lieu of prioritizing post-implementation reviews (PIRs). PIRs and development of non-authoritative material that help professional accountants successfully implement new standards support the Board's vision to achieve global acceptance and adoption of the Code, serving the public interest.

We believe the Board's focus should primarily be on topics and projects that are of highest priority and/or address an emerging urgent issue (e.g., sustainability reporting). Ongoing projects and work streams being carried forward into the new strategy period are significant undertakings, specifically related to sustainability. We believe these sizeable projects will consume the Board in 2024 and beyond and will require substantial effort by practitioners to implement. Allowing time for professional accountants and national standard setters to adopt and implement the significant changes to the Code will facilitate effective adoption and implementation of such standards.

Additionally, we suggest the IESBA consider a mechanism to address unintended consequences that may arise from revisions to the Code. Such a mechanism is needed in the short term while newly effective standards await post-implementation review. Without such, the window between standard issuance and post-implementation review may need to be tightened, especially when issues are identified before a standard's effective date. The

IESBA should also consider leaving capacity in its Strategy and Work Plan to accommodate any emerging topic or issue that needs standard setting in short order.

The appendix to this letter provides our responses to the specific questions posed in the Consultation Paper.

Please contact Karen Bjune at kbjune@kpmg.com if you have questions on any of the points raised in this letter. We would be happy to discuss our views with you.

Yours sincerely



Paul Korolkiewicz
Global Head of Quality,
Risk and Regulatory

Appendix: Responses to Specific Questions

Strategic Drivers, Themes and Actions

1. Do you agree with the IESBA's Proposed Strategic Drivers?

In general, we agree with the proposed strategic drivers.

2. Do you agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions?

In general, we agree with the four proposed strategic themes and the proposed strategic actions.

Proposed Work Plan for 2024 – 2027

3. Do you support the IESBA considering the topics set out in Table B as potential work streams?

- a) Role of CFOs and Other Senior PAIBs - We do not see this project as a priority for the Board's limited resources. Modifying certain areas of the Code that may be unique to senior levels within an employing organization presents a risk of making the Code too granular. It is vital for the Code to remain principles-based and then allow non-authoritative material to expand the application to specific roles, such as the CFO, which is traditionally held by a professional accountant (PA).

We believe the larger issue is not the need for expanded ethical requirements for CFOs, but rather that CFOs in some organizations are not part of a professional accountancy organization and thus, may not be modeling ethical behavior as they are not subject to the Code or any other ethical framework. We encourage the IESBA to engage with policy makers and regulators who would have the authority to consider requirements for individuals in these roles.

- b) Business Relationships - We believe the Code continues to be relevant in addressing independence considerations relating to business relationships and do not feel additional guidance is critically needed.

If, however, this project moves forward to consider independence issues stemming from business relationships with audit clients, we do not think loans and guarantee arrangements under Section 511 of the Code should be included as part of the project's scope.

- c) Audit Firm – Audit Client Relationship – We do not support this project in the 2024-2027 workplan. The term “audit client” is widely recognized and understood, and our concern is that a change, especially in the current workplan period, would cause significant disruption when much is already changing in the Code. We believe this topic is a conceptual point and the public interest can be addressed in alternative ways.

- d) Definitions and Descriptions of Terms - We are supportive of the proposals to align definitions / descriptions used in the Code (e.g., financial statements, firm, etc.) to terminology used in the IAASB standards. As the Code is designed to work in concert with the IAASB standards, we consider it key that terminology is aligned to help drive understanding and compliance. Although we see it as a lesser priority, we also agree that it would be helpful to explore the definitions of PA, PAPP and PAIB, and how these terms interact and interrelate in practice (e.g., regarding the definition of PA and how this applies to PAs who work in professional services firms but are not part of the provision of services by those firms, instead working in administrative functions).
- e) Custody of Data - We believe this concept is currently captured by the Code's fundamental principles which cover the use and disclosure of confidential information. Thus, we do not believe a separate carve-out project is necessary.
- f) Communication with Those Charged with Governance – As a precursor to a potential project on communication with those charged with governance (TCWG), we encourage the Board to first engage with governance bodies to understand their perspective on the need for additional disclosures from the PA. Not all disclosures to TCWG are equal in impact and merit. While adding more disclosures could be viewed as producing greater transparency, an overload of information to TCWG, who do not have the time to properly digest it, does not improve audit quality or serve the public interest. Rather, it may risk obscuring the focus of TCWG, drawing their attention toward information that is not crucial.

We believe the extant Code provides sufficient application guidance on communications with TCWG and appropriately encourages transparent, meaningful communications about independence requirements and threats to the firm's independence. The need for additional, relevant disclosures should be left to the professional judgment of the PA.

If this project goes forward, there should be a focus on the quality and impact of any new information to be disclosed to TCWG, limiting the communication to what is truly useful and balancing any benefit with the effort it would take the PA and, oftentimes management, to prepare it, and the time spent by TCWG to consume it.

4. Do you believe the IESBA should accelerate or defer any particular ongoing, potential, or pre-committed workstream(s) set out in Tables A, B and C?

We recommend that after the ongoing projects that are being carried forward to the new strategy period (Table A) are completed, the IESBA consider accelerating post-implementation reviews (Table C) rather than taking on several of the proposed potential workstreams (Table B).

We believe it is more important for the IESBA to dedicate resources toward post-implementation assessment and creation of non-authoritative material or application guidance that assists practitioners in successfully implementing the newly issued standards than to take on new projects. Accelerating the post-implementation reviews will help to facilitate effective adoption of the new standards, which is crucial in light of the volume and rate of recent changes, including those from the PCAOB, and the amount of information to be digested by PAs and audit clients.

Additionally, we propose the Board institute a longer transition period for pronouncements with a tight timeframe between approval and effective date. Considering the time and effort involved in implementing new standards, full compliance from day one may not be practicable as adaptation is still needed in that first year. To illustrate, if there is a proposal around public disclosure for greater transparency, in the first year that disclosure could be limited to TCWG before becoming a public disclosure the following year. This is similar to requiring limited assurance on sustainability in initial years of adoption before requiring reasonable assurance.

This approach allows PAs to work towards compliance as early as possible while providing time for controls and processes to be fine-tuned after the effective date. A longer transition time is especially crucial for the sustainability project given the intent to apply the requirements to non-PAs, necessitating increased effort and thus, time, on the part of national standard setters. This illustration is not unlike the adoption timeline of the system of quality management standard which required implementation in 2022 and operating effectiveness in 2023.

5. Are there other topics the IESBA should consider as potential new work streams?

We do not have other potential new work streams to recommend for the IESBA's consideration.

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 continue to support the IESBA's coordination with the IAASB and appreciate the efforts to date to align on key terms and requirements. We would caution the IESBA to not get ahead of the IAASB in relation to requirements for the client that revert to the auditor because the IESBA lacks authority to compel the client to comply.

We recommend that the IESBA consider coordination with the International Accounting Standards Board (IASB) for matters impacting the audit client where the IESBA has no remit. This would include, for instance, the disclosure of fee-related information in financial statements. With the pathway created for coordination with the International Sustainability Standards Board (ISSB) through the IESBA's sustainability project, we encourage the IESBA to pursue future coordination with the ISSB's sister board, the IASB.

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?

In correlation with our comment to consider prioritizing post-implementation reviews of effective standards, we would urge the IESBA to consider a mechanism to address unintended consequences that may arise from revisions to the Code. Such a mechanism is needed in the short term while newly effective standards are awaiting post-implementation review. We realize that there is a time-lag in adoption globally at the national standard setting level. Thus, to make this process most effective, the Board should have direct dialogue with the Forum of Firms specifically to help identify any such unintended consequences, as the firms will be actively

implementing changes to the Code across their networks. Without such dialogue and a mechanism to address unintended consequences, the window between standard issuance and post-implementation review may need to be tightened, especially when issues are identified before the effective date of a standard.

The IESBA should also consider leaving capacity in its Strategy and Work Plan to accommodate any emerging topics or issues that may require standard setting in short order.