

Geoff Kwan
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20 June 2023

Dear Geoff,

Proposed IESBA Strategy and Work Plan, 2024-2027

The Financial Reporting Council (FRC) welcomes the opportunity to comment upon the IESBA's consultation paper on its Strategy and Work Plan (SWP) for 2024-27. The FRC has a strong interest in ensuring that the IESBA Code supports the global integrity of the accountancy and audit professions. The FRC does not mandate the International Independence Standards (IIS) for UK audit and assurance providers, and instead issues its own *Ethical Standard*. However, this is intended to be as least as stringent as the requirements included within the IESBA Code with respect to auditor independence. Additionally, professional accounting bodies in the UK adopt the Code as the basis of their codes of professional ethics. In consequence, the FRC strongly supports the IESBA's strategic vision to ensure that its ethical standards are a cornerstone for ethical behaviour to the accounting profession and beyond.

We have two general observations to make about the proposed SWP. Firstly, as the consultation document notes in paragraph 27, the IESBA has been engaged in a period of considerable change, with several enhancements having been introduced to the Code. In our view, it is strategically important for the IESBA to now focus on ensuring that change is satisfactorily embedded in the ethical practices of accountants. There is a risk that an excess of additional projects could serve to distract from the proper implementation of new requirements as well as a thorough appraisal of their effectiveness. It is also essential that the IESBA's resources are not diverted away from projects that will meet the urgent needs of practitioners, investors, regulators, and the wider community of public interest. From this perspective, it is especially important to ensure adequate resources are earmarked with respect to the IESBA's ongoing work streams relating to sustainability.

Secondly, the IESBA should also take care to ensure that sufficient time and resource is devoted to the widening of its stakeholder universe. The consultation correctly identifies that quality imperatives and the need for global acceptance and global operability of its standards are key strategic drivers. The proposals to seek input from a wider and more diverse set of stakeholders is welcome. This is particularly important with respect to the development of high-quality ethics and independence standards for sustainability and assurance reporting. However, the IESBA should not underestimate the time and effort that this will require.

Our specific responses to the questions set out in the consultation are included as an annex to this letter. If you have any questions relating to this response, please contact myself or Peter Kitson (p.kitson@frc.org.uk).

Yours sincerely,



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Annex: Responses to the questions set out in the consultation document

Strategic drivers, themes and actions

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

We consider that the IESBA's proposed strategic drivers accurately represent the strategic and operational environment in which it is operating. In particular, we highlight the growing demand for sustainability assurance, for which the proposed development of profession-agnostic standards is an appropriate response.

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

We agree with the proposed strategic themes and actions, though we query the implied ranking of importance in which they have been set out in the consultation. We strongly agree with the focus on enhancing trust in sustainability reporting and assurance. We also concur with the need to further enhance the diversity of stakeholder perspectives and the global operability and acceptance of the standards issued by IESBA. These actions are a strategic enabler for the Board's work on enhancing trust in sustainability assurance and should be accorded a higher priority than it currently occupies within the consultation. We would also welcome more detail on how the IESBA will achieve this aim. In particular, the extent to which the proposed changes will require time and resource to establish ongoing channels of communication which are beyond the IESBA's traditional stakeholder universe should not be underestimated.

We also question the balance between the proposed strategic action to strengthen the Code or respond in other areas beyond sustainability reporting on the one hand; and widening the influence of the IESBA's standards on the other. In our view, a continued and enhanced focus on adoption and implementation should come before activities aimed at strengthening the Code. As the consultation itself notes, there has been a period of extensive change to the Code over recent years, and we believe that the Board should focus on effective implementation. This is not to say that the IESBA should refrain from further action to strengthen the Code. Instead, such action should only be taken where there is a strong and immediate public interest case for doing so. This approach acknowledges the finite resources at the disposal of the Board, and the strategic importance of delivering appropriate revisions to the Code which will enhance trust in sustainability reporting and assurance.

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.

We would encourage the IESBA to primarily focus on matters which pose urgent public interest considerations. There are three projects that we would particularly highlight. We welcome the proposed work on the audit firm – audit client relationship, since moving the terminology away from 'audit client' is an important aspect of strengthening a public interest mindset amongst auditors. We also consider that the proposed workstream on threats to independence arising from business relationships is an important one. Finally, we also support the proposed work

to align where possible the definitions and descriptions of terms within the Code with the corresponding IAASB definitions.

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.*

The IESBA's proposed workstreams as set out in the consultation document are reasonable, though we do have some suggestions with respect to the overall pace of work. In Table A, we suggest that the workstream on Collective Investment Vehicles, Pension Funds and Investment Company Complexes should be deferred. We also support the high priority accorded to the two sustainability workstreams.

With regard to the potential workstreams under consideration and set out in Table B, we suggest that public interest considerations are highest for the following projects: business relationships, the audit firm – audit client relationship, and definitions and descriptions of terms. Of the other items, we suggest that the project on the role of CFOs and other PAIBs is important to progress because of the importance of 'tone from the top' within organisations. The other two projects are not without merit, but do not possess the same level of public interest.

Given the recent volume of change to the Code, it is important that the IESBA maintain activities to review the effectiveness of these changes. Accordingly, we consider that all the pre-committed workstreams set out in Table 3 should be retained as priorities.

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 have not identified other topics that the IESBA should consider as potential new workstreams.

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 have been encouraged to see the recent efforts at co-ordination between the IAASB and the IESBA, both in terms of workstreams on matters such as sustainability assurance as well as independence considerations in group audits. We welcome the efforts that have been made to ensure that concepts and terminology are similar in standards issued by the two bodies. Where there are clear opportunities for the Boards to work together, we would encourage them to harmonise their timetables to avoid any sense that co-ordination is lacking between the two bodies. We also suggest that both seek continuous improvement and mutual feedback on how they co-operate with each other.

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 to make on this Consultation Paper or any other significant matters that the IESBA should consider in finalising the SWP for this period.