

Development of IESBA Strategy & Work Plan 2024-2028— Preliminary Considerations

Background

1. In accordance with the due process and working procedures for the Public Interest Activity Committees (PIACs) supported by IFAC, a PIAC's strategy review involves a formal survey of its stakeholders to obtain views about issues that they believe the PIAC should address in its next strategy period. The development of the PIAC's Strategy and Work Plan (SWP) includes the subsequent issuance of a consultation paper for public comment for ordinarily no less than 60 days. The PIAC considers the results of the public consultation in formulating its final SWP.
2. The current [SWP 2019-2023](#) was released in April 2019.

Development of Next SWP – Timing and Potential Topics for Survey

TIMING

3. The anticipated timeline for the development of the next SWP is as follows:

Milestone	Timing
IESBA consideration and approval of survey	March 2022
Publication of survey	Mid-April 2022
Close of survey	End June 2022
Discussion of survey responses with CAG	Sept 2022
Full IESBA review of survey responses	Sept 2022
First read draft SWP consultation paper (CP)	Dec 2022
IESBA approval SWP consultation paper	March 2023
Discussion of CP responses and draft SWP with CAG	Sept 2023
Full IESBA review CP responses and draft SWP	Sept 2023
IESBA approval final SWP	December 2023
PIOB approval	March 2024
Release of SWP 2024-2028	April 2024

TOPICS FOR POTENTIAL INCLUSION IN THE SURVEY

4. The Appendix sets out a number of topics for potential inclusion in the strategy survey. These topics are grouped under the following categories:
 - Developments in the external environment
 - Matters identified during current and recent projects or initiatives (including matters raised by the PIOB)

- Other matters raised by the PIOB
 - Matters raised by respondents to the Structure of the Code Exposure Draft
 - Selected matters identified during the development of the SWP 2019-2023 but not included in the final SWP
5. Given capacity constraints, it will be necessary to prioritize these topics. Accordingly, stakeholders' views will be sought on such prioritization, assuming the strategic themes in the current SWP remain broadly appropriate:
- Advancing the Code's relevance and impact
 - Deepening and expanding the Code's influence
 - Expanding the IESBA's perspectives and inputs
6. Stakeholders will also have an opportunity to suggest any other strategic matters they believe the IESBA should consider as it develops its next SWP.
7. In addition to potential new strategic priorities, the Planning Committee anticipates that there will likely be a number of current or upcoming initiatives within the SWP 2019-2023 that will extend into the new strategy period. These include:

Potential Standard-setting Projects

- Emerging or newer service delivery models
- Documentation
- General maintenance of the Code

Post-implementation Reviews

- NOCLAR
- Restructured Code
- Long Association Phase 2

Other Initiatives

- Technology thought leadership and fact finding
 - IAASB-IESBA coordination
 - Benchmarking
 - EIOC updates
8. The current SWP also includes several activities in the area of adoption and implementation (A&I) that will continue to be relevant for the next strategy period. These include:
- Monitoring and documenting the extent of adoption of the Code
 - Executing a robust communication strategy
 - Pursuing a proactive stakeholder outreach agenda
 - Commissioning the development of appropriate staff publications in support of A&I, having regard to appropriate coordination with IFAC

- Seeking to extend and deepen engagement and cooperation with stakeholders, including NSS, regulators and audit oversight bodies, and firms
 - Speaking out on ethics-related developments that have the potential to lead to greater divergence in standards, and seeking to influence debates towards greater international convergence
 - Proactively engaging with the academic community
9. The survey can be used to seek stakeholders' input on other A&I activities they believe the IESBA should prioritize.

OTHER MATTERS FOR INCLUSION IN THE SURVEY

10. In addition to seeking stakeholder views on strategic priorities for the SWP 2024-2028, the survey will ask for views on a broader set of questions to help inform the strategic orientation of the Board and the formulation of its strategic objectives. These questions may focus, for example, on stakeholder expectations regarding the role and relevance of the Code, the effectiveness of the IESBA, and trends, developments or challenges in the external environment the IESBA should consider addressing.

Matters for Consideration

Having regard to the topics set out in the Appendix, IESBA members are asked for views on:

- (a) Which topics should be included in the survey, either because of strategic importance or otherwise;
- (b) Which topics should be excluded from the survey, either because they are of lesser strategic importance or otherwise; and
- (c) Whether there are any other topics or matters that should be considered.

Next Steps

11. Subject to the Board's preliminary feedback, staff will develop the draft strategy survey in consultation with the Planning Committee for discussion at the March 2022 IESBA CAG and IESBA meetings.

APPENDIX

Possible Topics for Inclusion in the Strategy Survey

#	Topic	Nature of Topic/Description of Issue(s)	Comments
<i>Developments in the External Environment</i>			
1.	Preparation and presentation of, and reporting on, Environmental, Social and Governance (ESG) information	<ul style="list-style-type: none"> Consideration of the ethics and independence challenges relating to the preparation and presentation of, and reporting on, ESG information 	<ul style="list-style-type: none"> EIOC briefed the Board on recent significant developments in the ESG area at the September 2021 IESBA meeting. The IAASB Chair has written to the EC to seek a dialogue on the development of global sustainability reporting assurance standards (see Agenda Item D1). In its November 2021 update on IESBA public interest issues, the PIOB has commented that the IESBA, together with the IAASB, should take a “leadership role to identify key ethical and independence challenges that arise from these services and provide a global framework to guide professional accountants on how to navigate them.” Consideration could be given to whether to expand the scope of Part 4B to cover parties other than professional accountants who issue assurance reports on ESG information, especially for publicly traded entities. This would require securities regulators to mandate that assurance providers comply with the Code in relation to such engagements.

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Matters Identified During Current and Recent Projects or Initiatives (Including Matters Raised by PIOB)			
2.	Collective investment funds (CIVs) and pension funds (PFs)	<ul style="list-style-type: none"> The definition of a related entity in the Code was developed with a corporate structure in mind. Concepts such as control and significant influence, on which the related entity definition is based, are not easily applied to other structures. For example, in the case of CIVs and other entities with “non-corporate” legal structures (e.g., mutual funds, pension funds, trusts, etc.), it is often unclear how the independence requirements apply when a firm audits one or more funds in the fund family, the trustee/sponsor/manager/advisor of the funds, or both. Further, the corporate governance over such funds usually resides outside the funds, which raises questions about the objectives of communication with TCWG in relation to the audits of such funds and about obtaining information concerning related entities required by the auditor to comply with independence requirements. 	<ul style="list-style-type: none"> Actions on topics #2 and 3 are components of the proposed package of complementary IESBA measures following the anticipated finalization of the PIE project at the November-December 2021 IESBA meeting. A holistic project on CIVs and PFs will require research into the various types of CIVs and PFs around the world and the relationships that exist among the funds and their trustees, sponsors, managers and advisors. A potential independence project on CIVs was considered as part of the development of the SWP 2019-2023 but did not make it into the final SWP. Consideration should be given to the US SEC approach to addressing “investment company complexes” from an independence perspective.
3.	Post-implementation review (PIR) of revised PIE definition	<ul style="list-style-type: none"> Undertake a PIR to assess the extent of adoption of the revised PIE definition and the nature and extent of any implementation challenges 	
4.	PIE transparency requirement	<ul style="list-style-type: none"> Subject to the outcome of the IAASB’s project to deal with how to meet the transparency requirement in the revised PIE provisions, consider whether there is a need for further revision to the Code 	<ul style="list-style-type: none"> The transparency requirement addresses the disclosure of the application of the PIE independence requirements to stakeholders who have access to the auditor’s report. The near-final proposals in the PIE project do not

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			<p>include requirements or guidance as to how the disclosure should be made, leaving it to the IAASB to explore the matter in the first instance.</p> <ul style="list-style-type: none"> This “open matter” will need to be explained in the Basis for Conclusions for the final PIE provisions.
5.	Review of the related entity provision in extant paragraph R400.20	<ul style="list-style-type: none"> Consider whether the scope of related entities included with an audit client should be broadened by specifying that an audit client includes all its related entities when it is a PIE instead of limiting this to only when the audit client is a listed entity as in the extant paragraph R400.20. 	<ul style="list-style-type: none"> This matter was identified in the PIE project but is outside the scope of that project. Addressing this topic would likely require significant research given the broader range of entities included in the revised PIE definition, including potentially the addition of CIVs, PFs and sovereign wealth funds in local definitions.
6.	Public interest assurance engagements	<ul style="list-style-type: none"> Consider whether it is possible to define a class of “public interest assurance engagements” to which more stringent independence requirements should apply beyond the extant Part 4B. 	<ul style="list-style-type: none"> This matter was identified in the PIE project but is outside the scope of that project. Prior to undertaking any such project, it would be helpful to reflect on what additional independence requirements (if any) might be imposed on assurance practitioners for such engagements to meet stakeholders’ heightened expectations regarding their independence.
7.	PIRs for revised NAS and Fees provisions	<ul style="list-style-type: none"> Undertake PIRs to assess the impacts of the revised provisions in terms of benefits and improved perceptions of independence, as well as to understand the nature of any implementation challenges, taking into consideration the revised PIE definition 	<ul style="list-style-type: none"> The revised NAS and Fees provisions will become effective for audits of financial statements for periods beginning on or after December 15, 2022.
8.	Firm – audit client	<ul style="list-style-type: none"> During the Fees project, a few respondents noted that the 	<ul style="list-style-type: none"> A related matter is whether it continues to remain

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	relationship	inherent risk related to the audit client payer model is part of the broader issue of the “firm–audit client” relationship and it is not exclusively a fee-related issue. <ul style="list-style-type: none"> • Consideration should therefore be given to whether to address the inherent threats arising from the client relationship more broadly. 	appropriate for the Code to use the term “audit client” as opposed to the “audited entity,” recognizing that the ultimate client is not the entity itself but the entity’s owners or shareholders.
9.	Independence of appropriate reviewers	<ul style="list-style-type: none"> • One of the actions that might be a safeguard in the revised Fees provisions is to have a professional accountant, who is not a member of the firm, review the work performed. • It has been suggested that consideration be given to whether to develop provisions concerning an appropriate reviewer’s independence from the firm as well as from the audit client and the audit client’s related entities when that appropriate reviewer is external to the firm. 	<ul style="list-style-type: none"> • This matter was raised by IFIAR in response to the Fees Exposure Draft.
10.	Independence of external experts	<ul style="list-style-type: none"> • Consideration of whether external experts used on audit and assurance engagements should be subject to specific independence requirements under the Code, especially given the expected increase in involvement of external experts under ISA 540 (Revised)¹ and sustainability assurance standards. 	<ul style="list-style-type: none"> • This matter arose during Board and CAG discussions on the Engagement Team – Group Audits Independence (ET-GA) project. • Under the IAASB’s definition of “engagement team,” external experts are not part of the engagement team for an audit or assurance engagement. As such, they are not scoped in for purposes of the IIS. They are, however, subject to objectivity requirements under ISA 620² in the context of an audit of financial statements.

¹ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

² ISA 620, *Using the Work of an Auditor’s Expert*

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			<ul style="list-style-type: none"> In its most recent list of public interest issues, the PIOB has recommended that the IESBA and IAASB address this matter as part of their next SWPs.
11.	Business relationships	<ul style="list-style-type: none"> The Code does not define or describe the term “business relationship.” Section 520 is focused on business relationships but most of its requirements focus on “close business relationships.” There is a view that “business relationship” is a broader concept, i.e., consisting of any commercial arrangement, whereas a “close business relationship” focuses on a “mutuality of interests.” Accordingly, consideration should be given to revisiting Section 520 more comprehensively from an independence perspective. 	<ul style="list-style-type: none"> This matter was identified as part of the Technology project but is outside the scope of that project.
12.	Matters arising from Benchmarking Phase 1	<ul style="list-style-type: none"> Consider whether there are any significant matters arising from the completion of Phase 1 of the Benchmarking initiative that would warrant standard-setting actions relative to the Code 	<ul style="list-style-type: none"> Phase 1 covers the independence rules and provisions of the US SEC and PCAOB. The Benchmarking Phase 1 report is expected to be finalized for the Q1 2022 IESBA meeting.
13.	Part 4B non-authoritative material (NAM)	<ul style="list-style-type: none"> Development of NAM to illustrate the application of Part 4B to the various parties involved in an assurance engagement, according to the type of assurance engagement and situation. 	<ul style="list-style-type: none"> This matter was suggested by several respondents to the Revision of Part 4B Exposure Draft.
14.	Inducements	<ul style="list-style-type: none"> Consideration of whether the scope of the independence provisions should be expanded to cover all inducements, the offering of inducements as well as immediate or close family members, instead of being limited currently to the acceptance of gifts and hospitality by the firm, network 	<ul style="list-style-type: none"> This matter was suggested by respondents to the Inducements Exposure Draft but was outside the scope of that project.

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		firm, or an audit or assurance team member	
15.	Definitions of professional accountant in public practice (PAPP) and professional accountant in business (PAIB)	<ul style="list-style-type: none"> • Whether to revisit the definitions of a PAPP and a PAIB and to clarify how and to whom Part 2 (formerly Part C) could apply, directly or indirectly. • The Code defines a PAPP to be a PA, irrespective of functional classification, in a firm that provides professional services. It has been brought to the Board’s attention that there is no clear limitation in the definition of a PAPP to those who actually provide professional services, although that seems to have been the Board’s intent. As drafted, however, the definition appears to include any PA in a firm that provides professional services. This could be read to include PAs in roles other than providing professional services, such as in finance or IT. • Conversely, the Code defines a PAIB to include any PA employed or engaged in a variety of areas including service. If the intent behind the definition is that a firm providing professional services is in a “service” industry, then prima facie any PA working in that service organization, including those providing professional services, is also a PAIB. 	<ul style="list-style-type: none"> • This matter was raised by a few respondents to the Applicability of Part C Exposure Draft.
16.	Relationship between the concepts of “inquiring mind” and “professional skepticism”	<ul style="list-style-type: none"> • Whether to develop NAM to explain the relationship and differences between these two concepts 	<ul style="list-style-type: none"> • Topics #16 and 17 were raised by respondents to the Role & Mindset Exposure Draft

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17.	Types of bias	<ul style="list-style-type: none"> Whether to develop NAM to discuss types of bias more comprehensively beyond the principles-based provisions on bias in Section 120 	
18.	Matters arising from Quality Management (QM)-related conforming amendments to the Code	<ul style="list-style-type: none"> Address substantive matters of alignment raised by IAASB staff that are beyond the scope of the limited conforming amendments to the Code arising from the finalization of the IAASB's QM projects 	<ul style="list-style-type: none"> A few matters were raised during coordination with IAASB staff in finalizing the QM-related conforming amendments, including: <ul style="list-style-type: none"> Whether networks can be defined by common requirements or services as opposed to common policies and procedures Whether references to network firm in the Code, including in the definition of "audit team," should be extended to include "the network," given that ISQM 1 contemplates that there is the network, other firms in the network, and other structures or organizations within the network.
19.	Familiarity threat in relation to Part 2	<ul style="list-style-type: none"> During the Long Association Task Force's consideration of a potential revision of the definition of the term "familiarity threat" in relation to the issue of over-familiarity with client information in an audit context, the Task Force noted that the extant definition contains a reference to "employer." Part 2 of the Code does not address familiarity threat with respect to employers in the context of PAIBs, other than a brief mention in paragraph 200.6 A1(d) which is not further developed: <p style="margin-left: 40px;">Examples of facts and circumstances that might create familiarity threats for a professional accountant when undertaking a professional activity:</p> 	

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		<ul style="list-style-type: none"> • A professional accountant being responsible for the financial reporting of the employing organization when an immediate or close family member employed by the organization makes decisions that affect the financial reporting of the organization. • A professional accountant having a long association with individuals influencing business decisions. • The Task Force noted that there may be a need to revisit the definition of familiarity threat in that regard, and potentially the broader question of how Part 2 addresses issues of PAIBs' familiarity with their employers. 	
Other Matters Raised by PIOB			
20.	Sufficiency of certain safeguards that involve using other teams or appropriate reviewers	<ul style="list-style-type: none"> • In its October 2020 list of public interest issues, the PIOB commented that the IESBA should consider the sufficiency and appropriateness of the following actions as safeguards to address threats created by the provision of NAS to audit clients: <ul style="list-style-type: none"> ○ Using professionals who are not members of the audit team ○ Using appropriate reviewers not involved in the engagement to review audit work performed • The PIOB commented that the IESBA should also consider whether additional safeguards and alternatives can be applied whenever an appropriate reviewer is not an available safeguard or is not scalable for SMPs. 	
21.	Audit firms' business models	<ul style="list-style-type: none"> • Address perceptions that the audit firm business model is a barrier to independence, to the effective implementation 	<ul style="list-style-type: none"> • Recognizing that the business model is a complex issue and that ethical issues are just one aspect of

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		of professional skepticism, and to audit quality	it, the PIOB has encouraged the IESBA to coordinate with the IAASB and other stakeholders to continue to identify ways to address the topic from a holistic point of view.
Matters Raised by Respondents to the Structure of the Code Exposure Draft			
22.	Breaches of the Code	<ul style="list-style-type: none"> • R100.4 (extant 100.10) – A respondent to Structure ED-1 suggested that the Code include a reference to actions to prevent a breach of the Code.³ The respondent noted that the extant Code requires a professional accountant to address the consequences of the breach and determine whether to report the breach, but no specific action must be taken to stop the activity that causes the breach. • R100.4(b) – A respondent to Structure ED-1 commented that there should be no optionality as to whether or not an accountant has to report a breach.⁴ • Section 120⁵ and R400.81⁶ – The disclosure required when breaches occur and the professional accountant is unable to end a service is not specifically addressed in the conceptual framework. 	
23.	Professional appointments	<ul style="list-style-type: none"> • 320.3 A3⁷ – The Code encourages a professional accountant to conduct periodic reviews of acceptance 	

³ AE

⁴ IOSCO

⁵ Part 1, Section 120, *The Conceptual Framework*

⁶ Part 4A, *Independence for Audits and Reviews* (Extant Part B, Section 290, *Independence – Audit and Review Engagements*)

⁷ Proposed Section 320 – *Professional Appointments* (Extant Section 210 – *Professional Appointment*)

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		<p>decisions for recurring client engagements. A respondent to Structure ED-1 recommended that this be a requirement.⁸</p> <ul style="list-style-type: none"> • R320.5 – The draft restructured Code requires “other reasonable steps to obtain information” if a proposed professional accountant is unable to communicate with the existing professional accountant. A respondent to Structure ED-1 recommended that, where a proposed client refuses to give permission for the proposed auditor to communicate with the existing auditor, or fails to do so, the proposed auditor shall decline the appointment, unless there are certain exceptional circumstances.⁹ 	
24.	Definitions and Descriptions	<ul style="list-style-type: none"> • Alignment with ISAs – There are certain differences between the definitions in the Code and the definitions of the same terms in the ISAs. These terms include: Financial statements; Firm; Independence; Review engagement; and Special purpose financial statements. • Audit team – a respondent to Structure ED-1 noted that it has allowed for a broader and more flexible definition of this term to include individuals who may be in a position to influence the conduct or outcome of an audit. It was argued that this would better reflect the complexity of organization and influence within audit firms. The respondent therefore suggest that Board reconsider the definition of “audit team” to remove references to individuals in a position to directly influence’ the outcome 	

⁸ IRBA

⁹ IRBA

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		<p>of an engagement. It was felt that this would help address the risk that an ability to influence is seen purely as a structural consideration (related to the position of an individual in a firm), whereas instead the assessment should be driven by a consideration that captures <u>all</u> of those who have the ability to influence and are relevant to the engagement.</p> <ul style="list-style-type: none"> • Employee – It has been noted that the term “employee”¹⁰ only covers employees of an audit client and does not clearly include others who may act in the capacity of an employee (e.g. a contractor). • Engagement Period – A respondent to Structure ED-1 recommended that the period not be limited to the date that the audit report is issued as the auditor has further responsibilities, such as addressing the effect on the opinion of matters that come to the auditors’ attention after conclusion of the audit.¹¹ • Financial Interest – A respondent to Structure ED-1 suggested that the definition might need to be revised, for example, to clearly cover interests in a trust.¹² • Firm – It has been suggested that the definition is quite narrow, with a respondent indicating that it is not clear whether a firm could have non-member employees, and it is not clear what responsibility professional accountants 	

¹⁰ Examples of this can be seen in paragraphs R521.5(b) and R521.7(b)

¹¹ IOSCO

¹² IOSCO

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		<p>have for employees others than professional accountants.¹³</p> <ul style="list-style-type: none"> • Network Firm – A respondent to Structure ED-1 suggested that consideration be given to a definition which requires the exercise of judgement rather than providing a list of examples.¹⁴ A respondent expressed the view that borders between associations and networks are increasingly diffuse, and recommended consideration of any potential Code implications that might impact on the definition of network firm.¹⁵ The description of network firm is sufficiently broad but the description of firm potentially narrow in its references to structures known to exist today – this might become limiting for the future.¹⁶ • Professional Accountant – A respondent to Structure ED-1 suggested that the definition might not adequately include retired or inactive professional accountants.¹⁷ 	
Selected Matters Identified During the Development of the SWP 2019-2023 But Not Included in the Final SWP			
25.	Business, employment and financial relationships	<ul style="list-style-type: none"> • In commenting on the previous strategy consultation, IOSCO suggested the following: <ul style="list-style-type: none"> ○ The need for prohibitions on business, employment and financial relationships between auditors and their 	

¹³ CPA Canada

¹⁴ UK FRC

¹⁵ IFAC SMPC

¹⁶ CPA Canada

¹⁷ CPA Canada

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		<p>audit clients.</p> <ul style="list-style-type: none"> ○ Whether there should be an extension to the 12-month cooling off period for former audit partners who join an audit client that is a PIE to 2 years (paragraphs R524.6 and R524.7 of the Code). ○ Requiring a 5-year cooling off period before a former partner of the firm can become an officer or director of an audit client, when another former partner of the firm at the time when the firm audited the client is an officer or director of the client. 	
26.	Internal audit services	<ul style="list-style-type: none"> • In commenting on the previous strategy consultation, IOSCO suggested the following in relation to the matter of internal auditors providing direct assistance on the external audit: <ul style="list-style-type: none"> ○ In relation to the matter of using internal auditors to provide direct assistance on an external audit, IOSCO suggested that the Board further consider how auditors use internal auditors as part of the external audit work. IOSCO commented that, notwithstanding an external auditor’s review of internal auditors’ work and other safeguards, some of its members believe that internal auditors should not be part of the external audit process as they are employees of the entity. 	
27.	Fiduciary services	<ul style="list-style-type: none"> • A suggestion was received during the previous strategy survey to clarify the application of the Code when fiduciary services are undertaken by an accounting firm, an entity associated with an accounting firm or under common control, or by an accountant who is employed by a 	

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		fiduciary services provider.	
28.	Scope of the Code	<ul style="list-style-type: none">• A suggestion was received during the previous strategy survey to consider whether the scope of application of the Code should be expanded to include students of member bodies.	