

IESBA Strategy 2019-2023 Survey—Matters for Consideration**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 key stakeholders to obtain views about issues that they believe should be addressed by the PIAC 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. For reference, the *Strategy and Work Plan 2014-2018* issued in September 2014 is attached as Agenda Item 9-B.

Approach to Strategy Survey*2014-2016 Strategy Survey*

3. The approach to the survey for the current SWP was generally open-ended. The survey sought:
 - (a) Stakeholder views on the prioritization of a number of specific projects or initiatives that had already been identified as possible items to include in the work plan; and
 - (b) Suggestions for other matters that stakeholders believed the IESBA should address.
4. The survey was distributed electronically to over 700 contacts across a wide range of stakeholder categories in early January 2013:
 - Current and former IESBA members and technical advisors
 - Representatives of the IESBA CAG
 - Members and technical advisors of other PIACs
 - National standards setters (NSS)
 - IFAC member bodies
 - Regulatory and oversight bodies
 - Firms
 - Members and technical advisors of IFAC's PAIB Committee and Small and Medium Practices (SMP) Committee
 - Investors
 - Academics
 - Professional accountants in government
 - Respondents to recent IESBA exposure drafts

The survey was also posted on the IESBA website.

5. The survey closed on March 15, 2013 and 116 responses were received, including from Committee 1 of the International Organization of Securities Commissions (IOSCO), a member of the Monitoring

Group. The survey is attached for reference as Agenda Item 9-C. The table below provides an indication of the level of actual participation in the survey based on the category of respondents.

Stakeholder Group	# Responses	Percentage
Representatives of IFAC member bodies	32	28%
PAs in public practice	27	24%
Users of financial statements other than regulators and audit oversight bodies	12	10%
National standard setters (NSS)	12	10%
Regulators and audit oversight bodies	9	8%
Academia	4	3%
Professional accountants in business (PAIBs), excluding PAs in government	4	3%
PAs in government	2	2%
Other	14	12%
TOTAL	116	100%

6. The Planning Committee (PC) recommends that a similar approach be taken for the next strategy survey.

Matters for Consideration

1. IESBA members are asked:
 - (a) Whether they agree with the PC recommendation; and
 - (b) Whether there are other stakeholder groups or specific stakeholders who should be included in the distribution list for the survey.

Content of Next Strategy Survey

7. Broadly, the survey can be designed to solicit stakeholder views in the following two areas to inform the development of the next SWP:
- (a) New standard-setting projects; and
 - (b) Adoption and implementation initiatives.

These areas are outlined further below.

STANDARD-SETTING PROJECTS

8. Currently, the Board is pursuing two topics in relation to standard setting that may potentially extend beyond the end of the current strategy period, subject to formal projects being approved:
- Professional skepticism (i.e., a potential “longer term” project)

- Fee-related matters
9. There are also two outstanding commitments under the current SWP that will likely involve work extending into, or commencing in, the new strategy period:
- Collective investment vehicles
 - NOCLAR post-implementation review
10. In addition, arising from the Long Association project, the Board has committed to reviewing the experiences and effects regarding the implementation of mandatory firm rotation in the EU and other jurisdictions.
11. More broadly, there will be a need for ongoing coordination with the International Auditing and Assurance Standards Board (IAASB) in relation to topics or issues that overlap both Boards' remits.
12. Beyond the above commitments, there is a wide range of topics that the Board could consider for inclusion in its next SWP. These include:
- (a) Matters for Board attention identified as part of the Structure and Safeguards projects;
 - (b) Matters identified in other current projects for future Board consideration;
 - (c) Matters raised by stakeholders;
 - (d) Selected matters identified during the previous strategy consultation that did not make it into the final SWP; and
 - (e) Selected matters identified by the Part C Working Group in its December 2012 final report.¹
13. The Appendix sets out details of these topics, distinguishing those that longer-term in nature from those that are shorter term. Shorter-term projects or initiatives are those that are relatively narrow in scope where the issues are well defined. They would not require detailed research or extensive consultation with stakeholders, and could be undertaken on an accelerated time scale within the parameters of due process.
14. With respect to each identified topic, the Appendix also indicates whether or not the PC supports inclusion of the topic in the survey. The PC based its assessment on the following main criteria:
- The topic has strong public interest relevance.
 - The topic has global relevance.
 - The issues are capable of being adequately defined and scoped.
 - Standard setting on the topic would be impactful in terms of benefits relative to the resources that would need to be committed.
 - The degree of urgency in addressing the particular issue(s).
 - Known inconsistencies in interpretation or application that would be resolved in addressing the topic.

¹ With a view to enhancing the robustness of extant Part C of the Code, the IESBA formed the Part C Working Group in February 2012 to undertake fact finding regarding the ethical issues about which PAIBs most frequently contact their member bodies for support and guidance. The Working Group presented its final [report](#) containing key recommendations for a review of Part C at the December 2012 IESBA meeting.

15. Depending on the prioritization of topics for inclusion in the final SWP, consideration will be given to the need for coordination with other international standard setting boards, particularly the IAASB.
16. In addition to the above, stakeholders may have particular topics or issues they believe the Board should address on a priority basis. Given capacity constraints, it will be necessary to weigh and prioritize the various topics on their merits along the criteria noted above for purposes of developing the final SWP.

Matters for Consideration

2. IESBA members are asked:
 - (a) For views on which of the topics in the Appendix (whether they are of a longer term or shorter term nature) are sufficiently important to be included in the strategy survey for purposes of seeking stakeholder views on whether to include them in the next SWP; and
 - (b) Whether there are other topics that should be considered for inclusion in the survey.

ADOPTION AND IMPLEMENTATION INITIATIVES

17. The current SWP includes several activities in the area of adoption and implementation (A&I). These include:
 - Engaging with regulatory stakeholders to better understand their concerns on enforceability and related matters, and to communicate the Board’s views on those topics.
 - Monitoring and documenting the extent of global adoption of the Code.
 - Pursuing an active stakeholder outreach agenda.
 - Commissioning the development of appropriate staff publications in support of A&I.
 - Speaking out more on ethics-related developments that have the potential to lead to greater divergence in standards, and seek to influence debates towards greater international convergence.
 - Exploring deeper cooperation opportunities with key stakeholders, particularly NSS.
18. Most of these activities will continue to be relevant for the next strategy cycle. However, the PC recommends that the Board take the opportunity of the strategy survey to seek stakeholder input on other A&I activities which they believe it would be important for the Board to include in its next SWP.

Matters for Consideration

3. IESBA members are asked whether they agree that the survey should invite stakeholder input on specific A&I activities which they believe the Board should include in its next SWP, in addition to those listed above.
4. Are there other matters relating to A&I which should be included in the survey?

Period Covered by Next Strategy and Work Plan

19. The PC noted that the IAASB’s current SWP covers the period 2015-2019. Given the overlap between the two Boards in a number of strategic and standard-setting areas, the PC reflected on

whether there would be merit in considering aligning the period covered by the IESBA's next SWP with that of the IAASB's, i.e., for the period 2020-2024. Another reason for doing so is that with the restructured Code coming into effect some time in 2019, it might be appropriate to allow a grace period for the restructured Code to bed down before further substantive changes are contemplated.

20. The PC noted that this matter need not be finalized at this time for purposes of the survey but recommends that it be further considered during the development of the SWP consultation paper.

Matter for Consideration

5. Are there any other matters that should be covered in the survey?

Anticipated Timing

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

Milestone	Expected Timing
Approval of strategy survey	December 2016
Publication of survey	Mid-January 2017
Close of survey	End March 2017
Full IESBA review of survey responses	June 2017
First read draft SWP consultation paper	September 2017
Approve SWP consultation paper	December 2017
Update to CAG and IESBA	March 2018
Full IESBA review consultation paper responses	June 2018
CAG consideration of final draft SWP	September 2018
First-read of final SWP	September 2018
Final SWP approval	December 2018
PIOB approval	March 2019
Release of SWP 2019-2023	April 2019

Topics for Possible Inclusion in Strategy Survey

#	Topic	Nature of Topic/Description of Issue(s)	Long Term/ Short Term	PC Support?	Comments
A. Matters for Board Attention Identified as Part of the Structure and Safeguards Projects²					
1.	Alignment of extant Section 291 with revised ISAE 3000	<ul style="list-style-type: none"> A review of extant Section 291³ will be needed in light of the IAASB's 2013 release of ISAE 3000 (Revised).⁴ The revised ISAE 3000 contains changes of substance and terminology regarding assurance concepts included in extant Section 291. 	Short term	Yes	<ul style="list-style-type: none"> The Board decided that this topic is outside the scope of the Structure project. Accordingly, it has been deferred for future consideration.
2.	Public interest	<ul style="list-style-type: none"> The Code refers to public interest in several places, notably in Part 1 (extant Part A) and the new NOCLAR provisions. The draft restructured Code, consistent with the extant Code, does not expand upon individual public interest obligations and therefore contains little application material relating to a professional accountant's public interest responsibilities. 	Long term	No	<ul style="list-style-type: none"> In responding to the December 2011 Conflicts of Interest ED, IOSCO suggested that the IESBA explicitly recognize the concept of "public interest" as a fundamental principle in paragraph 100.5 of the Code, and then detail it in further provisions in the Code. There has been lengthy Board discussions on this topic in the past. In addition, IFAC issued in June 2012 a

² As summarized in Agenda Item 3-I of the September 2016 IESBA meeting

³ Extant Section 291, *Independence – Other Assurance Engagements*

⁴ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

Strategy 2019-2023 Survey – Matters for Consideration
 IESBA Meeting (December 2016)

#	Topic	Nature of Topic/Description of Issue(s)	Long Term/ Short Term	PC Support?	Comments
					<p>related Policy Position, A Definition of Public Interest.</p> <ul style="list-style-type: none"> • This topic was included in the previous strategy survey but did not make it into the final SWP. • This topic has also been identified by the Emerging Issues and Outreach Committee (EIOC) as a matter for future Board consideration, particularly with respect to the outcome of the MG Rover case in the UK. • The PC noted that this topic would likely prove challenging as the concept of the public interest varies depending on the context and circumstances. In addition, if it were to be addressed, it would be necessary to coordinate with the IAASB and the International Accounting Education Standards Board (IAESB), which would compound the challenge given the potential for varying views from their different perspectives. • The PC agreed that the EIOC should continue to monitor developments on the topic and advise the Board accordingly.

#	Topic	Nature of Topic/Description of Issue(s)	Long Term/ Short Term	PC Support?	Comments
3.	Definition of “public interest entity”	<ul style="list-style-type: none"> • 400.9 (extant 290.26) – The Code encourages firms and member bodies to determine whether to treat additional entities, or certain categories of entities as PIEs. A respondent to Structure ED-1 recommended that this be made a requirement.⁵ 	Long term	Yes	<ul style="list-style-type: none"> • In its response to the IAASB’s ISA 800/805 ED, the International Association of Insurance Supervisors (IAIS) noted the following: “The IAIS believes it is noteworthy to reiterate two important points that have been consistently brought to the attention of the IAASB, in particular in its previous letters regarding auditor reporting: <ul style="list-style-type: none"> ○ The IAIS believes that the definition of “public interest entities” should be extended to financial institutions. ○ ...” • The current SWP includes the following commitment: <ul style="list-style-type: none"> ○ “The Board will seek a better understanding of the nature of regulatory concerns regarding the definition of a PIE in the Code, and consider whether there is a need to revisit the definition. IOSCO, in particular, has noted that many jurisdictions do not appear to have the capacity to tailor the definition to their specific national circumstances. In addition, the

⁵ South African Institute of Chartered Accountants (SAICA)

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					<p>Basel Committee on Banking Supervision has also suggested that the Board reexamine the definition from the perspective of banks.”</p> <ul style="list-style-type: none"> • This topic is related to item 14 below regarding the definition of “listed entity.” • Potentially would require coordination with the IAASB.
4.	Elaboration on the fundamental principles	<ul style="list-style-type: none"> • There is little explanatory material underpinning the fundamental principles in Subsections 111-115 (Extant Sections 110-150). For example, regarding the fundamental principle of integrity, truthfulness is not contrasted to honesty, which is a requirement. 	Long term	No	<ul style="list-style-type: none"> • During the development of the IAASB’s Audit Quality Framework, concerns were raised within the joint IAASB-IESBA-IAESB Task Force regarding the lack of guidance in the Code in relation to the fundamental principles. This issue comes into particular focus in relation to the fundamental principle of professional competence and due care, given that the IAESB has developed new standards addressing the topic of competence, for example, IES 8, <i>Competence Requirements for Audit Professionals</i>. • The PC noted that some enhancements may arise in this area through the Board’s current work on the topic of Professional Skepticism, in particular through articulation of the linkage

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					between the fundamental principles and professional skepticism.
5.	Communication with those charged with governance (TCWG)	<ul style="list-style-type: none"> Future considerations about possible enhancements to the Code regarding auditor communication with TCWG (including whether to expand the scope of required communications about certain matters, e.g., going beyond listed entities to cover all public interest entities). 	Long term	Yes	<ul style="list-style-type: none"> See also item 12 below. May require coordination with the IAASB.
6.	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.⁶ 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.⁷ 	Short term	Yes	

⁶ Fédération des Experts Comptables Européens (FEE)

⁷ IOSCO

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		<ul style="list-style-type: none"> • Section 120⁸ and R400.81⁹ (extant Section 100 and 290.45) – The disclosure required when breaches occur and the professional accountant is unable to end a service is not specifically addressed in the conceptual framework. 			
7.	Documentation	<ul style="list-style-type: none"> • The Code’s documentation requirements and application material are located in various areas of the Code dealing with particular topics. Some stakeholders have asked that the documentation requirements be reviewed, and have in some cases provided specific suggestions. For example a respondent¹⁰ raised the following: <ul style="list-style-type: none"> ○ 110.3 A6 (extant 100.22) – The application material dealing with ethical conflict resolution encourages documentation. A respondent to Structure ED-1 recommended that documentation be required. ○ R400.60 (extant 290.29) – Certain documentation of independence is required. In addition to material in the Code, the ISAs establish audit 	Potentially long term	Yes	<ul style="list-style-type: none"> • In commenting on the previous strategy consultation, IOSCO suggested that the Board consider making the documentation requirements in paragraph 290.29 of the 2013 Code applicable to any threats to independence requiring analysis, not only those requiring significant analysis. • It also suggested that there should be consistency between the general documentation requirement in paragraph 290.29 and the specific documentation requirements in other paragraphs of the Code. As an example, IOSCO highlighted paragraph 290.38 as only requiring documentation of certain interests and/or relationships which have not been successfully terminated

⁸ Part 1, Section 120, *The Conceptual Framework*

⁹ Part 4A, *Independence for Audits and Reviews* (Extant Part B, Section 290, *Independence – Audit and Review Engagements*)

¹⁰ IOSCO

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		<p>documentation standards. A respondent to Structure ED-1 recommended that the Code require independence documentation to be of a standard that would enable another professional to understand the judgments made, and the reasoning.</p> <ul style="list-style-type: none"> ○ 400.60 A1 (extant 290.29) – The draft restructured Code, consistent with the extant Code, states that “a lack of documentation does not determine whether a firm has considered a particular matter or whether it is independent.” A respondent to Structure ED-1 expressed the view that this paragraph is unnecessary, and can undermine the documentation requirements and their enforceability. 			<p>by the effective date of the merger or acquisition for situations described in paragraphs 290.34 to 290.36.</p>
8.	Materiality	<ul style="list-style-type: none"> • Materiality is a concept that is applicable across the Code, both relating to non-assurance services (NAS) and for example in the independence standards. For example, paragraph 510.3 notes that the “Section 510, Financial Interests refer to the “materiality” or “significance” of a financial interest. Section 510 states that “for the purposes of determining whether such an interest is material to an individual, the combined net worth of the individual 	Potentially long term	Yes	<ul style="list-style-type: none"> • In commenting on the previous strategy consultation, IOSCO suggested that the Code provide guidance on how to evaluate materiality with respect to material contraventions. It also suggested that the Code prohibit the following arrangements irrespective of materiality and significance: <ul style="list-style-type: none"> ○ A firm, a member of the audit team or a member of that individual's

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		<p>and the individual’s immediate family members may be taken into account.” A broader consideration of how the concept of materiality should apply in the context of the full Code, and not just NAS, might be needed and would require coordination with the IAASB and the International Accounting Standards Board.</p>			<p>immediate family may make or guarantee a loan to an audit client, provided the loan or guarantee is immaterial to the firm or individual and the client (paragraph 290.122 of the 2013 Code).</p> <ul style="list-style-type: none"> ○ A firm, or a member of the audit team, or a member of that individual’s immediate family may enter into certain business relationships with the audit client or its management and hold a financial interest arising from such relationships provided the financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management (paragraphs 290.124 and 290.125 of the 2013 Code).
9.	Professional appointments	<ul style="list-style-type: none"> • 320.3 A3 (extant 210.5)¹¹ – The Code encourages a professional accountant to conduct periodic reviews of acceptance decisions for recurring client engagements. A respondent to Structure ED-1 recommended that this be a requirement.¹² 	Short term	Yes	

¹¹ Proposed Section 320 – *Professional Appointments* (Extant Section 210 – *Professional Appointment*)

¹² Independent Regulatory Board for Auditors, South Africa (IRBA)

#	Topic	Nature of Topic/Description of Issue(s)	Long Term/ Short Term	PC Support?	Comments
		<ul style="list-style-type: none"> R320.5 (extant 210.14) – 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.¹³ 			
10.	Contingent and overdue fees	<ul style="list-style-type: none"> 330.3 A3, (new paragraph)¹⁴ R410.8 (extant 290.222)¹⁵ and R410.9 (extant 290.223) – A respondent to Structure ED-1 suggested that certain contingent fees might be prohibited as follows:¹⁶ <ul style="list-style-type: none"> “notwithstanding the paragraphs above, a professional accountant shall not charge contingent fees for assurance services provided to clients, or for the preparation of an original or 	Short term	Yes	<ul style="list-style-type: none"> These specific fee-related matters are not related to the broader fee-related topic on which the Board is currently undertaking fact finding. (The broader fee-related topic is addressed separately under Agenda Item 6.)

¹³ IRBA

¹⁴ Section 330 – *Fees and Other Types of Remuneration*

¹⁵ Section 410 – *Fees*

¹⁶ IRBA

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		<p>amended tax return, as these services are regarded as creating a self-interest threat to objectivity for which appropriate safeguards cannot be applied to eliminate the threats or reduce them to an acceptable level.”</p> <ul style="list-style-type: none"> • R410.7 (extant 290.218) and 410.7 A1 (extant 290.220) – The Code refers to fees due from an audit client remaining unpaid for a long time, the significance of overdue fees”, and “generally appropriate” for the firm to require payment before releasing the audit report. A respondent to Structure ED-1 recommended further clarification.¹⁷ 			
11.	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. A list of these definitions was brought to the attention of the Board in January 2015: Assurance engagement; Engagement quality control review; Financial statements; Firm; Independence; Review engagement; and Special purpose financial statements. Subsequent to that discussion, certain stakeholders have 	Short term	Yes	

¹⁷ SAICA

#	Topic	Nature of Topic/Description of Issue(s)	Long Term/ Short Term	PC Support?	Comments
		<p>suggested that the Code find an alternative to the word “audit client.”</p> <ul style="list-style-type: none"> <li data-bbox="485 397 1045 1166">• 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 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. <li data-bbox="485 1193 1045 1291">• Employee – It has been noted that the term “employee”¹⁸ only covers employees of an audit client and does not clearly include 			

¹⁸ Examples of this can be seen in paragraphs 521.4 (b) (extant 290.127) and 521.6 (b) 290.130

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		<p>others who may act in the capacity of an employee (e.g. a contractor).</p> <ul style="list-style-type: none"> • 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.¹⁹ • 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.²⁰ • 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 have for employees others than professional accountants.²¹ • Network Firm – A respondent to Structure ED-1 suggested that consideration be 			

¹⁹ IOSCO

²⁰ IOSCO

²¹ CPA Canada

#	Topic	Nature of Topic/Description of Issue(s)	Long Term/ Short Term	PC Support?	Comments
		<p>given to a definition which requires the exercise of judgement rather than providing a list of examples.²² 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.²³</p> <p>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.²⁴</p> <ul style="list-style-type: none"> • Professional Accountant – A respondent to Structure ED-1 suggested that the definition might not adequately include retired or inactive professional accountants.²⁵ • Professional Judgement - A respondent to Structure ED-1 recommended that this be defined as “the application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in 			

²² UK Financial Reporting Council (FRC)

²³ IFAC Small and Medium Practices (SMP) Committee

²⁴ CPA Canada

²⁵ CPA Canada

#	Topic	Nature of Topic/Description of Issue(s)	Long Term/ Short Term	PC Support?	Comments
		making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagements.” ²⁶			
B. Matters Identified in Other Current Projects for Future Board Consideration					
12.	NAS	<ul style="list-style-type: none"> The PIOB, in approving the limited changes to certain NAS provisions in the Code in March 2015, called for the IESBA to revisit issues on auditor’s independence from a broader perspective such as prohibited NAS, related fee issues, and the role of TCWG in approving NAS. 	Long term	Yes	<ul style="list-style-type: none"> The PC believes there is merit in considering a review of the permissibility of NAS in the Code in the light of regulatory developments in a number of jurisdictions, including the EU, relating to auditor independence. The Board started exploring fee-related matters in the second half of 2015 in response to the call from the PIOB, leading to the establishment of the Fees Working Group in March 2016 to undertake fact finding on the relevant matters (see Agenda Item 6).
13.	Familiarity threat in relation to extant Part C	<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.” Extant 	Long term	Yes	

²⁶ IRBA

#	Topic	Nature of Topic/Description of Issue(s)	Long Term/ Short Term	PC Support?	Comments
		<p>Part C of the Code currently does not address familiarity threat with respect to employers in the context of PAIBs, other than a brief mention in paragraph 300.11 which is not further developed:</p> <p>Examples of circumstances that may create familiarity threats for a professional accountant in business include:</p> <ul style="list-style-type: none"> • Being responsible for the employing organization's financial reporting when an immediate or close family member employed by the entity makes decisions that affect the entity's financial reporting. • Long association with business contacts influencing business decisions. • Accepting a gift or preferential treatment, unless the value is trivial and inconsequential. <ul style="list-style-type: none"> • 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 extant Part C addresses issues of PAIBs' familiarity with their employers. This matter has not yet been considered by the Part C Task Force and is outside the scope of the Part C project. 			

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C. Matters Raised by Stakeholders					
14.	Definition of listed entity	<ul style="list-style-type: none"> The IAASB’s revised auditor reporting standards include a new requirement that, for the audit of a complete set of general purpose financial statements of a listed entity, the auditor communicate key audit matters in the auditor’s report. As they implement these new standards, some firms have questioned the meaning of a listed entity as defined in the IAASB standards. <p>Specifically, some are wondering what the term “recognized stock exchange” in the definition means. The IAASB adopted the definition of a listed entity in the Code when it developed ISQC 1. The question arises because in Europe, the definition of “listed companies” is linked to “regulated” exchanges. There can be a difference in practice as there can be exchanges that exist that are informal and outside of the scope of regulation. For example, there may be a number of companies in Eastern Europe that may have debt on an unregulated market in Ireland or Luxembourg.</p> <ul style="list-style-type: none"> The Institute of Singapore Chartered Accountants has also raised the following 	Long term	Yes	<ul style="list-style-type: none"> The PC acknowledged the need to review the definition given developments in capital markets in various jurisdictions as well as newer forms of capital raising such as crowd funding. The PC believes this topic is related to, and needs to be considered with, the definition of “public interest entity” (item 3 above). Potentially would require coordination with the IAASB.

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		<p>questions with IESBA staff regarding the current definition of a listed entity in the Code:</p> <ul style="list-style-type: none"> ○ What does IESBA consider to be a “recognized stock exchange” and an “other equivalent body?” For instance, in the Singapore context, does “recognized stock exchange” only refer to the Singapore Exchange? ○ Is a subsidiary of the Singapore exchange which provides integrated clearing, settlement and depository facilities for their customers in the securities market of the Singapore Exchange considered a “recognized stock exchange”? ○ Are overseas stock exchanges automatically considered “recognized stock exchanges” or “other equivalent bodies” or are these something determined by the regulatory bodies in each country? ○ Supposing that the regulatory bodies in each country do not have a pre-determined list of what constitutes “recognized stock exchange” or “other equivalent body”, does IESBA have 			

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		<p>any guidance on what would be considered an “other equivalent body”?</p> <ul style="list-style-type: none"> • A member of the Forum of Firms has noted that for periods beginning on or after June 17, 2016, the UK FRC's Revised Ethical Standard has relaxed the old UK rules on providing accounting services to small AIM audit clients in the interests of achieving better quality corporate reporting by the AIM market. As a result of this change, a concern has been raised that this relaxation of the UK rules creates a conflict with the IESBA requirements. Accordingly, there has been a suggestion that the IESBA provide a similar easing of the requirement for Forum of Firms members, consistent with the FRC's objective of improving financial reporting by SME AIM companies. • There has also been questions among stakeholders in Europe. The Code refers to "recognized" stock exchanges, but in the EU legislation the definition of public interest entities refers to "regulated" markets. Questions have been raised as to whether there is an intended difference or whether the definition in the Code is intended to be the same as the definition in the EU legislation. FEE has indicated that 			

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		the concept of "recognized" markets is broader than the concept of "regulated" markets in the EU.			
D. Selected Matters Identified During the Previous Strategy Consultation But Not Included in Current SWP					
15.	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 audit clients. ○ Whether there should be an extension to the 12-month cooling off period for retiring audit partners who join an audit client that is a PIE to 2 years (paragraphs 290.139 and 290.140 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. 	Potentially short term	Yes	
16.	Internal audit services	<ul style="list-style-type: none"> • In commenting on the previous strategy consultation, IOSCO suggested the 	Long term	Yes	<ul style="list-style-type: none"> • Part of item 12 above (NAS).

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		<p>following in relation to the matter of internal auditors providing direct assistance on the external audit:</p> <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. ● IOSCO also suggested that the Board: <ul style="list-style-type: none"> ○ Amend the Code to prohibit the auditor from providing internal audit services where there is any self-review threat, not only where management functions are assumed. ○ Consider prohibiting internal audit services despite the provisions in paragraph 290.198, given the remaining self-review threat and the perception of a lack of independence. 			

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17.	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 (e.g. escrow services) are provided by an accounting firm, an entity associated with an accounting firm or under common control, or by an accountant who is employed by a fiduciary services provider. 	Short term	Yes	
18.	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. 	Long term	No	
E. Selected Matters Identified in the Part C Working Group’s December 2012 Final Report					
19.	Conflicting business partner vs. controller roles	<ul style="list-style-type: none"> The traditional role of the PAIB as controller requires skepticism and objectivity in questioning and challenging others within the employing organization. In recent years, PAIBs have been encouraged to be a “business partner” and to be part of the team which creates shareholder value. These roles overlap, and may be in conflict to some degree; they thus may provide a challenge for the PAIB who is required to be both an advocate and a skeptic. This issue was 	Potentially long term	No	

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		<p>rated 6th out of 9 priorities in the survey of IFAC member bodies with a significant PAIB constituency. Also, it was rated with an importance of 3.86 (on a scale of 1 to 6, where 1 is high and 6 low).</p> <ul style="list-style-type: none"> The WG took the view that the business partner vs. controller role creates a self-review threat which could be included in extant Section 300, with examples of safeguards, or be the subject of a staff alert recognizing the existence of the threat and possible safeguards. It also recognized that it is beyond the remit of the Code to mandate the way a business should organize its finance function. 			
20.	Independence requirements for internal auditors	<ul style="list-style-type: none"> Sections 290 and 291 of the Code address independence requirements for professional accountants in public practice. The Board could consider whether guidance is needed on the independence requirements that could apply to other professional accountants who perform assurance engagements, such as internal auditors in businesses or in government. This issue was rated 7th out of 9 priorities in the survey and was rated with an importance of 4.46 (on a scale of 1 to 6, where 1 is high and 6 low). The CAG noted 	Potentially long term	No	

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		<p>that there is already an IIA requirement for internal auditors to be independent. One of the IFAC member bodies surveyed indicated that the focus should be on objectivity rather than independence.</p> <ul style="list-style-type: none"> The Working Group noted that the Code does not include an independence requirement for Internal Auditors, and that the independence requirement in the IIA guidance was different from Sections 290 and 291 in the Code. The Working Group took the view that the Code could include a new Section on Independence for Internal Auditors, although it is unclear how this could be enforced as PAIBs are not regulated. Alternatively, such a new section could focus on specific threats and safeguards that apply to internal auditors. 			
21.	Advocacy threats to fundamental principles	<ul style="list-style-type: none"> Extant paragraph 300.4 of the Code recognizes that a PAIB has a responsibility to further the legitimate aims of the employer. However advocacy may create a threat to the fundamental principles if a PAIB promotes an employer's position to the point where objectivity is compromised. The fundamental principle of Integrity requires information should not omit or 	Potentially short term	No	<ul style="list-style-type: none"> Considered as part of the Safeguards Task Force's review of the threats and safeguards approach to the conceptual framework.

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		<p>obscure information where such omission or obscurity would be misleading.</p> <ul style="list-style-type: none"> • Further guidance could be useful on how these principles apply to commercial negotiations, the presentation of forecasts and projections, and the preparation and agreement to budgets where tactics, positioning and motivational factors may come into play which may produce a tension with the fundamental principle of objectivity. • The comments at the IFAC PAIB Committee demonstrate that advocacy is both internal and external and that many internal reports are used to propose, support, defend or critique business proposals. Budgets and forecasts are often iterations in a negotiation, and often use optimistic or pessimistic assumptions set at a group level over which the PAIB may have no control. PAIBs may also be required to provide a business case which supports a management proposal. A business plan seeking private equity funding is unlikely to be neutral but also should not be misleading. 			
22.	Other issues or suggestions	<ul style="list-style-type: none"> • The UK member bodies, the Accounting Professional Ethics Standards Board 	Short term	No	<ul style="list-style-type: none"> • Best coordinated among IFAC member bodies and NSS.

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	raised by survey respondents	(APESB) and the Association of Chartered Certified Accountants (ACCA) have produced a number of case studies to assist PAIBs facing ethical dilemmas. In addition to any changes in the Code or Q&As proposed, the IESBA website could provide links to case studies produced by IFAC member bodies and NSS.			
		<ul style="list-style-type: none"> Some issues are difficult to address in an organization because of the culture. A related CGMA survey included ethical culture as their top business challenge. The report stated that “Corporate leadership appears to be less actively engaged in reviewing and taking responsibility for ethical performance compared to 2008. A weakened ‘tone from the top’ has potentially serious implications for the overall ethical operating culture of an organization.” 	Short term	No	<ul style="list-style-type: none"> Enhanced provisions addressing an organization’s ethics-based culture already finalized for inclusion in the restructured Code under Phase 1 of the Part C project.
		<ul style="list-style-type: none"> The level of corporation taxes paid was the subject of a UK Public Accounts Committee meeting with executives from three large multi-national businesses in November 2012 and is an ongoing issue worldwide. The ethics of tax minimization (particularly in a cross-border context) raises fundamental issues concerning the 	Long term	No	<ul style="list-style-type: none"> The topic of taxation legality and the related ethics issues remain highly polarized, even among governments.

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		relationship between ethical and legal considerations and corporate social responsibility. As such, the working group concluded that it is beyond the remit of a review of Part C of the Code.			