

IESBA'S Future Strategy and Work Plan Survey

Response ID:125 Data

2. Section A

1. 1. Please provide the following information:

Name : Sharon Walker

Organization : External Reporting Board

Role : Senior Project Manager - Assurance Standards

Email address : sharon.walker@xrb.govt.nz

2. 2. Please specify the stakeholder you/your organization represents:

National standard setter

3. 3. Please specify the geographical region where you or your organization is based:

Oceania

5. Section B

4. 1. What level of importance do you believe the IESBA should place on dedicating strategic focus to responding through standard-setting action to the developments in sustainability reporting and assurance in its next strategy period (2024-2027)? Please be as specific as possible and explain your reasoning.

The XRB considers this should be a dedicated strategic focus area of the highest possible importance. This is an evolving area where leadership and inclusivity of a broader range of subject matter and assurance expertise is needed. The pace of change in both sustainability reporting and assurance demands an urgent response from a standard setting perspective. We encourage the IESBA to engage broadly, including with other professionals.

In NZ, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act introduces mandatory climate-related disclosures (CRD) for most New Zealand listed issuers and large banks, non-bank deposit takers, insurers, and investment managers. Climate reporting entities (CREs) will be required to disclose CRD for accounting periods that start on or after 1 January 2023.

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act also has assurance implications, in that the disclosures relating to greenhouse gas (GHG) emissions will be required to have independent assurance, performed in accordance with the XRB's assurance standards. The XRB's assurance and professional and ethical standards are not limited to professional accountants, rather the XRB's mandate extends to non-professional accountants providing assurance in this space.

We consider that work on this initiative cannot wait until the next strategy period. Work should commence immediately.

5. 2. Do you believe the IESBA should explore the concept of expanding the scope of the Code to cover assurance service providers other than PAPPs? What preconditions would need to be in place and what potential challenges or drawbacks do you foresee if the Code's provisions were scoped to the nature of the assurance services provided as opposed to who is providing the assurance services?

- There is a need for ethical standards for a broader type of assurance practitioner, not limited to professional accountants, without compromising on competence, independence and quality.
- We support the IESBA exploring how to open the Code up. A challenge for the IESBA will be to get buy-in/acceptance from other players in this area. The IESBA cannot assume that other professions will adopt the Code.
- In New Zealand we are exploring ways to be more inclusive, and recognise the ethical requirements of other professions, recognising that increasingly this space will include a number of subject matter professionals.
- The wording "at least as demanding" in ISAE 3000 is challenging as it is unclear who makes that assessment. Comparing

ethical requirements across professions is no easy task, and it is not possible to make a statement that one profession's requirements are better or worse than another. However, it is in the public interest that there is a level playing field, and a clear understanding by users of either what those requirements are or how they differ if there are to be multiple players in this space. We encourage an inclusive approach, that recognises and respects other professions' requirements.

6. 3. Are there other matters the IESBA should consider with regards to this strategic focus area?

- With the trend towards reporting and assurance of ESG information, we believe there is a need for the IESBA to consider the concept of PIE in this context.
- We also encourage the IESBA to consider the implications of the definition of engagement team and the independence of experts in the context of this evolving landscape, recognising that going forward there will be an increasing need for a broader range of expertise.

7. Section B: Strategic Direction and Priorities

7. 4. Beyond sustainability reporting which is covered under the first strategic focus area above, do you believe the IESBA should dedicate strategic focus on further raising the bar of ethical behavior for PAIBs in its next strategy period (2024-2027)? Please be as specific as possible and explain your reasoning.

- As described in the previous section, we consider sustainability reporting to be the area of highest priority. Ethical considerations for sustainability reporting will extend to the PAIB.
- We recognise that PAIBs are an important part of audit quality – i.e., the quality of an audit is linked to the quality of the information prepared.
- Part 2 of the Code is outside the remit of the XRB. Accordingly, we have no further comment on this topic.

9. Section B: Strategic Direction and Priorities

8. 5. Do you believe the IESBA should continue to dedicate strategic focus on strengthening the IIS for audit engagements in its next strategy period (2024-2027)? If so, what specific developments or issues do you believe the IESBA should focus on beyond the matters outlined above and in Section C? Please be as specific as possible and explain your reasoning.

- While we have not identified specific areas of strategic focus that require strengthening, the core business of the IESBA is to continually monitor International Independence Standards and to respond to developments as needed. However, there have been significant changes in the IIS in the past few years and we consider that there is a need to allow time for the new provisions to come into effect and to embed in order to understand what impact the revisions will make. We therefore consider that dedicated strategic focus on strengthening the IIS for audit engagements in the next strategy period is not the highest priority for the IESBA.
- We support the IESBA undertaking a holistic review of the collective investment vehicles and other "non-corporate" legal structures such as mutual funds, private equity funds, pension funds and trusts to assess whether the independence provisions in the Code appropriately cover audits of such vehicles or structures. In New Zealand we have applied the new "top-down, bottom-up" approach in considering which entities should be PIEs. As a result, we have proposed to retain these types of entities within our definition of PIE.
- We further consider that implementation support on non-assurance services is necessary to add clarity to the revised provisions in the Code and to drive consistency in practice.

11. Section B: Strategic Direction and Priorities

9. 6. Do you believe the IESBA should devote strategic focus on promoting timely adoption and effective implementation of the Code in its next strategy period (2024-2027)? Please be as specific as possible and explain your reasoning.

- The XRB supports the efforts of the IESBA in promoting timely adoption and effective implementation of the Code.

10. 7. Are there specific operability issues or concerns with respect to the Code you believe the IESBA should be made

aware of?

- Through our outreach and consultation on the NAS provisions we are aware of concerns about the operability and consistency of interpretation of the provisions, specifically, around tax services. Concerns included the distinction between what is tax return preparation and what is tax planning and advice – tax return preparation rarely involves simply taking audited numbers and dropping them into a tax return form without the use of professional judgement. Similarly, how much can the PAPP advise the audit client on the tax return treatment of past transactions before such advising becomes a tax planning and advisory service, and therefore subject to the self-review threat prohibition for a PIE audit client? In addition, concerns were raised about consistency of interpretation of the "confident is likely to prevail" wording. We consider that there is a need for global consistency and encourage the IESBA to provide guidance to support consistency via non-authoritative guidance.

11. 8. Are there key environmental trends or developments, beyond those already noted above, you believe the IESBA should focus on in its next strategy period (2024-2027)? Please be as specific as possible and explain your reasoning.

- In New Zealand there are significant pressures on audit firms in terms of attracting and retaining staff.. We consider that the Code plays a key role in reinforcing the value of the profession.
- The impact of the pandemic created many changes in the work environment, for example, working from home, inability to travel to client premises. There is a need to consider the impact of this change, for example, how is client confidentiality maintained in this changed work environment?

13. Section C: Possible Future Standards-Related Projects or Initiatives

12. How would you rate Independence of External Experts as a strategic priority on a scale of 1 – 5?

5

13. If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

We consider the need for the IESBA to consider the implications of the definition of engagement team and the independence of experts and other practitioners in the context of sustainability reporting is a high priority, recognising that going forward there will be an increasing need for a broader range of expertise

14. Section C: Possible Future Standards-Related Projects or Initiatives

14. How would you rate Audit Firm – Audit Client Relationship as a strategic priority on a scale of 1 – 5?

2

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

15. Section C: Possible Future Standards-Related Projects or Initiatives

15. How would you rate Business Relationships as a strategic priority on a scale of 1 – 5?

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

16. Section C: Possible Future Standards-Related Projects or Initiatives

16. How would you rate Definition of Audit Client for PIEs as a strategic priority on a scale of 1 – 5?

2

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

17. Section C: Possible Future Standards-Related Projects or Initiatives

17. How would you rate Matters Arising from Quality Management (QM)-Related Conforming Amendments to the Codeas a strategic priority on a scale of 1 – 5?

3

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

18. Section C: Possible Future Standards-Related Projects or Initiatives

18. How would you rate Familiarity Threat in Relation to Part 2 of the Codeas a strategic priority on a scale of 1 – 5?

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

19. Section C: Possible Future Standards-Related Projects or Initiatives

19. How would you rate Professional Appointments as a strategic priority on a scale of 1 – 5?

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

20. Section C: Possible Future Standards-Related Projects or Initiatives

20. How would you rate Breaches of the Code as a strategic priority on a scale of 1 – 5?

3

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

21. Section C: Possible Future Standards-Related Projects or Initiatives

21. How would you rate Definitions and Descriptions of Terms as a strategic priority on a scale of 1 – 5?

3

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

22. Section C: Possible Future Standards-Related Projects or Initiatives

22. How would you rate Non-Authoritative Material (NAM) as a strategic priority on a scale of 1 – 5?

2

23. Section C: Possible Future Standards-Related Projects or Initiatives

If you rate this topic as either 4 or 5 (i.e., high priority), please provide your reasons including any specific areas of focus as well as other relevant information.

24. Section C

23. 9. Are there specific ethics or independence-related topics not otherwise covered in this Section or this survey that you believe should be given a high priority by the IESBA? If so, please explain and be as specific as possible.

We have not identified other high priority areas.

25. Thank You!

New Send Email

Jul 05, 2022 19:09:05 Success: Email Sent to: GeoffKwan@ethicsboard.org,dianavasquez@profstds.org