

IESBA'S Future Strategy and Work Plan Survey

Response ID:130 Data

2. Section A

1. 1. Please provide the following information:

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

Regulator

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

Europe

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 IESBA should place a very high level of importance on the need to respond to developments in sustainability reporting and assurance. The development of an ecosystem based around reporting and assurance standards is progressing in response to the requirements and expectations of multiple stakeholders. This ecosystem requires a robust ethical dimension to ensure sufficient levels of public trust in the information being reported and assured.

The development of sustainability reporting is likely to require the development of new assurance skills, concepts, and business models for accountants, whether they are reporting under new standards or assuring that reporting. Ensuring that these are developed and delivered with a robust ethical mindset from the outset, consistent with current requirements for professional accountants, will help prevent negative outcomes which could undermine public confidence in sustainability reporting as well as the accountancy profession more generally.

In addition, the IESBA should not underestimate the level of resource successfully developing and delivering a project will require, especially given the ambitious timetable set by the ISSB. In considering the next strategy period, the IESBA will need to have a clear understanding of projects that can either be cancelled or postponed.

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?

We believe that IESBA should explore the concept of expanding the scope of the Code to cover assurance service providers other than PAPPs. This should anticipate the provision of assurance on subject matters which may be outside the traditional range of the accountancy profession. There should be clear indications that the market has begun to move towards the widespread provision of assurance services by providers other than PAPPs, and that the subject matter relates to areas of clear public interest.

We note the following challenges and drawbacks to this approach. The IESBA will need to ensure that the Code's provisions are relevant to assurance providers that do not conform to the traditional accountancy firm model. These providers may not be partnerships, and exhibit different reporting structures. They may also comply with quality and assurance standards issued by bodies which do not participate within IFAC. The Code may also need to engage with questions of equivalence with the ethical frameworks of other professions. Additionally, many of the concepts included within the Code may not translate straightforwardly to new and evolving forms of non-financial assurance. Careful thought and consultation will be required to make sure that these

concepts can be used more widely. Additionally, there may be issues arising from legal requirements for assurance as opposed to voluntary reporting which require robust investigation.

One further challenge is to ensure that any expansion of the Code is proportionate and enforceable. It is worth considering, for example, that accountancy firms providing a range of assurance services to an entity may be at higher risk of ethical breaches, whereas a bespoke assurance provider that only provides assurance one area may not be exposed to the same level of risk. At the same time those bespoke assurance providers may be unfamiliar with the current requirements of the Code and the mindset, controls and compliance monitoring required to implement them.

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

The potential emergence of new forms of assurance on subject matters outside the traditional horizons of professional accountants creates challenges around expertise. The IESBA may therefore wish to consider reviewing requirements around professional competence for both PAIBs and PAPPs to ensure that the Code remains fit for purpose.

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.

The FRC believes that the relationship between professional accountants and third-party suppliers is one area which would be worthy of strategic focus. The growth in the use of third-party tools creates risks where an assurance provider sells on services without fully understanding the potential limitations to those tools. Ensuring that professional accountants retain a reasonable working understanding of how these tools work, and how their results may be interpreted, will help maintain public confidence in the profession.

In addition, the current growth in financial crime – in particular, technology-related fraud – in many jurisdictions should be an area of focus. The potential for this form of criminality to undermine public confidence in business and the accountancy profession is considerable. Professional accountants are already often co-opted by the authorities into the fight against financial crime through anti-money laundering regulations and international sanctions. Indeed, recent international events may have increased the responsibility of the accounting profession in preventing the avoidance of trade sanctions. There has been a strong focus on strengthening the auditor's responsibilities over fraud in recent years. However, there does not appear to have been an equivalent focus on PAIBs, and the IESBA could consider whether the Code does all it can on this matter.

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.

We believe that the IESBA should continue to devote strategic focus on strengthening the IIS. The main areas of strategic focus, other than those set out elsewhere in this document, should be on the ongoing benchmarking of the IESBA Code against other similar ethical requirements applicable in other jurisdictions. This process will drive further improvements in the Code by identifying potential areas of improvement or best practice. It will also allow the realization of benefits from ongoing convergence between these different ethical requirements, while at the same time enabling individual jurisdictions to include specific provisions for their own circumstances. It will also assist with wider adoption of the Code in other jurisdictions.

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 FRC supports the IESBA in devoting its energies on promoting timely adoption and effective implementation of the Code. This should represent business as usual rather than a distinct strategic workstream, since the overall effectiveness of the Code

rests upon this work.

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

We are not aware of any specific operability issues. We identify any concerns that we may have in our response to specific consultation issues.

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.

We are not aware of other environmental trends or developments other than those noted in the consultation document that the IESBA should focus upon.

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 this to be a high priority, due to the high levels of public interest benefits that will accrue from this workstream. The topic is also highly relevant due to the linkages to ISA 540, and it should be feasible to derive a reasonable outcome.

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?

5

15. 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 this to be an area of high priority. There is scope for significant public interest benefits through clarifying that audit services are for the benefit of the entity's owners. In particular, we would welcome the removal of the term "audit client" from the Code's glossary. Here, the underlying language matters. The proposed project is highly relevant at a global level, and an appropriate outcome should be achievable within a reasonable timeframe.

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

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

4

17. 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.

This project will clearly have public interest benefits, and support the implementation of the Code through providing a conceptual framework for understanding business relationships. This will enhance public trust in the Code on a matter which is clearly of ongoing relevance to the global profession.

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

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

5

19. 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.

public interest benefits and relevance of this topic at a global level. Taking steps to understand the potential consequences of extending the definition of audit client for PIEs should enhance public trust in the profession by broadening the scope of related entities that comprise the "audit client". We would also suggest that this is a matter which needs to be addressed with relative urgency, considering the importance of private equity and sovereign wealth funds to the modern global economy.

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

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

4

21. 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 this project to be of high importance. The issues over how networks may be defined, as well as the desirability of ensuring that the Code aligns to ISQM 1 as much as possible, have important public interest considerations.

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

22. How would you rate Familiarity Threat in Relation to Part 2 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.

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

23. How would you rate Professional Appointments 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.

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

24. How would you rate Breaches of the Code 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.

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

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

5

26. 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 strongly encourage the IESBA to work closely with the IAASB to ensure that wherever possible their definitions are consistent, since this will support the implementation of the Code. Where it is not possible to adopt consistent definitions, there should be a clear exposition for the underlying rationale, and a discussion of the practical consequences. PAs should not have to reconcile and address differences of view between IESBA and IAASB.

The suggestions around "audit team", "employee", "engagement period", "firm" and "network firm" would all benefit from reconsiderations for the reasons set out above.

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

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

4

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

28. 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.

The suggested topics for Non-Authoritative Material would provide public interest benefits and are of relevance to Professional Accountants. In particular, the proposed workstream for developing NAM on the alignment of Part 4B of the Code with ISAE 3000 (Revised) would support the effective implementation of these changes. The proposed work would also strongly align with the Board's aim of promoting timely adoption and effective implementation of the Code. Additionally, the proposed guidance on what constitutes "an enquiring mind" would serve to strengthen professional standards for professional accountants engaged in assurance activities. The FRC believes that such guidance supports and enhances professional standards, and has recently published a framework on professional judgement for auditors which may be of interest to the IESBA.

24. Section C

29. 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.

There are no other specific ethics or independence related topics that we consider should be given a high priority by the IESBA.

25. Thank You!

New Send Email

Jul 08, 2022 05:21:31 Success: Email Sent to: GeoffKwan@ethicsboard.org,dianavasquez@profstds.org