

IESBA'S Future Strategy and Work Plan Survey

Response ID:138 Data

2. Section A

1. 1. Please provide the following information:

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Role : Principal

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

IFAC member body or other professional accountancy organization

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

Global

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.

Overall, the SMPAG supports IESBA focusing on developments in sustainability reporting and assurance in its next strategy period and exploring its potential role and actions, which may not involve standard setting.

The SMPAG is made up of members from 22 countries in regions around the world, so views on the timeline for addressing sustainability reporting and assurance matters are currently very jurisdiction specific. Sustainability reporting is already a priority in developed countries, particularly the US, the EU, and the UK, whereas, driven by developments at the ISSB, it is expected to become a priority elsewhere in future. Some believe this should be a top priority and consider that 2024 may be a bit late. We therefore support the establishment of the Sustainability Working Group and consideration of non-authoritative guidance. It is key that the IESBA should work in parallel with the ISSB and IAASB. Furthermore, for SMPs whose main clients are SMEs, consideration of scalability will be also necessary.

We would also ask the Board to consider whether there are changes needed to the Code itself to address sustainability reporting and assurance. For example, there are PAs currently doing this work and applying the conceptual framework and other guidance already applicable to assurance services in the Code. Perhaps the Board should explore how the current Code could be applied when providing sustainability assurance and what sections are being used by PAs in providing those services, rather than focusing on additional standard-setting actions. The Board may find that developing non-authoritative guidance to address specific issues around sustainability assurance may be all that is necessary. The SMPAG believes that changes to the Code should only be introduced if it is found that the current conceptual framework and related sections of the Code that apply to assurance services are not adequate to address sustainability services.

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 would support the IESBA exploring the concept of expanding the scope of the Code to cover assurance service providers other than PAPPs, but caution that it should proceed carefully.

We support a level playing field for all assurance service providers and believe they should also be subject to other professional requirements, or requirements in law or regulation regarding their responsibility for a system of quality management and

adherence to a code of ethics which are at least as demanding as ISQM 1 and the IESBA Code. In addition, we suggest the IESBA should not focus solely on the issue of whether assurance service providers, who are non-professional accountants, should be encouraged/ required to apply the Code or similarly stringent requirements, but also from a quality perspective consider whether other preparers of sustainability related reporting (who may not be PAIBs) should do so as well. Ultimately, it is up to legislators to decide to whom a stringent code of ethics shall apply

We are concerned that enforcement of non-PAs will be a challenge for national standard setters or regulators. For example, PAPPs are routinely subject to practice inspections. There is question of whether this could be similarly applied to other assurance service providers, together with consideration of an equivalent sanction mechanism for a code of ethics. A lack of a sanction mechanism would create an unlevel playing field, which may not ensure consistency of practice. We believe that the IESBA will need to undertake a lot of outreach and engagement to ensure policy makers are aware of the role of the Code in terms of helping to protect the public interest.

The IESBA should carefully consider whether to require compliance with FP and CF (i.e., Part 1) so that the expansion to non-PAs does not become an extremely small part. of the Code. In this regard, it could be more realistic to retain the Code as a global baseline and additional details should be left to the regulators and standard-setters in each jurisdiction.

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

We suggest IESBA consider the issue of supply chains with regard to sustainability services. The definition of engagement team (it could include supply chain auditors/ assurers too) could come into play with the IESBA's other recently issued ED related to the definition of engagement team and deserves a thorough consideration.

One additional concern is that recent projects have had a very strong PIE focus, and we would ask the Board to ensure that non-PIEs are considered during outreach (in particular in relation to sustainability) and that scalability is considered with any new projects that are introduced. This may involve outreach beyond just comment letter feedback as many SMPs do not have the resources to respond to exposure drafts by issuing a formal comment letter.

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.

We recognize that PAIBs play a significant role in the preparation of financial information and increasingly non-financial information. As noted above, this may also involve individuals in a company who are not already subject to the Code, and this could be an issue that could warrant further exploration and consideration.

It should also be noted that in recent years, we are seeing more changes to the portions of the Code that cover PAIBs. We are curious whether post implementation reviews have been done on this sector as it can be harder to perform outreach and gather data from the PAIB community. We believe it is important for the Board to have a strong evidence base before considering introducing additional changes to the Code that apply to PAIBs. It would be beneficial for the Board to look into how the implementation of recent changes are working in practice with the PAIB constituency. Such a review would inform the IESBA about any practical difficulties experienced in applying the provisions, whether unintended consequences have resulted from any specific provisions, and also whether specific aspects of the Code are as effective as IESBA had intended it to be. It may be that other initiatives could be undertaken to support PAIBs outside of changes to the Code that could address certain issues (e.g. practical tools, guidance and training by Professional Accountancy Organizations).

We strongly recommend that the Board engages with IFAC's PAIB Advisory Group as part of its outreach activities.

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 do not believe that further changes to the Code focused on strengthening the IIS for audit engagements are needed at this time. We believe a post-implementation review of recently issued changes to the Code would be helpful before any further changes or new requirements are considered for what are already stringent independence standards. We do not see a gap right now that needs to be addressed.

We believe there may be a decrease in adoption rates due to the pace of change and complexity of recently issued changes, which should be strategic focus of the Board (see response to question 4).

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.

Yes, we believe the IESBA should devote strategic focus on promoting timely adoption and effective implementation of the Code, and this will need to involve extensive outreach efforts and dedicated resources.

There is a risk with all of the recent changes that not all the requirements of the currently effective Code will be adopted in certain jurisdictions. The recent rapid pace of change is also an issue that impacts the adoption of the Code, in particular with translations, and we would strongly suggest a period of stability to allow policy makers and impacted professional accountants to catch up. This is a view that is consistent with what the SMPAG has been continuously requesting over the past few years. The pandemic only made keeping up with the pace of change more challenging. That, now coupled with some regions experiencing hyperinflation and rising interest rates, has put a huge burden on the SMP community in that many are just trying to assist their clients in any way they can to help them stay afloat and keeping up with changes in standards can be especially difficult. As the IESBA is already aware, the SMPAG would like the IESBA to continue with evidence-based standard-setting. Evidence can be based on academic literature and surveys, and it is not practical to simply incorporate the laws and regulations of a certain jurisdiction into the Code. For example, the IESBA is currently doing a benchmark survey against SEC/PCAOB rules, whereas the rules are for US public companies.

Furthermore, composition of the Board is also important. One of the main user categories is the SMP community whose clients are primarily SMEs, and the Code should not be set specifically for larger firms and PIEs. It is important that going forward the Board includes members who have extensive experience in the areas of SMPs/SMEs.

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

Keeping up with the pace of change (as noted in our response to question 6), as well as all the interactions and different definitions used in the Code can be extremely challenging.

We have received some concerns that the Code has become less principles-based and more rules-based, as well as being too lengthy and complex for SMPs whose main clients are SMEs.

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.

Opening up the market to non-PAs will be challenging and may be difficult to enforce, as discussed in our response to question 2.

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?

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.

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

13. How would you rate Audit Firm – Audit Client Relationship 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.

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

14. 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

15. How would you rate Definition of Audit Client for PIEs 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.

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

16. 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?

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

17. How would you rate Familiarity Threat in Relation to Part 2 of the Code 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.

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

18. How would you rate Professional Appointments 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.

This is a practical issue affecting practitioners in firms of all sizes and is also a key issue in practice not already addressed in national legislation.

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?

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?

4

22. 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.

Clear definitions and descriptions of terms are essential in being able to apply the Code and should also be used consistently throughout the Code to avoid confusion. However, we believe a potential project on this area should have a narrow scope with the aim of clarifying current definitions rather than introducing new terms.

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

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

5

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

24. 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.

Guidance and clarification are always helpful. We believe that using non-authoritative materials to address fraud and other issues that have come up in recent years would be helpful.

24. Section C

25. 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 could not think of any additional topics that should be given high priority at this time.

25. Thank You!

New Send Email

Jul 13, 2022 19:17:34 Success: Email Sent to: GeoffKwan@ethicsboard.org,dianavasquez@profstds.org