

## 2. (untitled)

**1. From which perspective are you providing this feedback? [\* Required where indicated]**

Representative of an IFAC member body

**Please provide the following contact information:**

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**2. In which country or jurisdiction do you or your organization work or serve? (If international, please indicate so; if a region of the world, please indicate which region)**

**If country, please select country?**

Germany

**OR if a region of the world, please indicate which region:**

**OR if international, please indicate by ticking the box:**

## 3. (untitled)

**B.1 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?**

Priority no. 3: It essential for the IESBA to ensure a stable platform in the immediate future. The IAASB concluded that the ongoing rapid pace of developments means substantial changes to auditing standards at this point in time would be premature. Coordination between IESBA and the IAASB is essential in this area. Whilst, the IESBA should actively monitor developments, as their disruptive impact on the profession may create ethical issues the Code will need to address at a suitable future point in time, it would be premature for the IESBA to work on specific changes to the Code in relation to this theme.

**B.2 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?**

Priority no. 4: It essential for the IESBA to ensure a stable platform in the immediate future. Coordination between IESBA and the IAASB is essential in this area. New and emerging models of service delivery do

constitute an issue for certain firms and certain jurisdictions. The IESBA should actively monitor developments, and consider any related ethical issues the Code will need to address at a suitable future point in time. However, it would be premature for the IESBA to work on changes to the Code.

***B.3 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

No immediate priority: We believe other projects demand higher priorities at this time. The IAASB has defined "listed entity" for specific purposes (i.e., EQCR), but this definition was not intended to be relevant to ethics-related purposes. PIE definitions are far more challenging and they also differ significantly between jurisdictions. We do not believe it is the role of the IESBA to act in this regard on a global basis. If the IESBA were to consider the term "listed entity" for the purposes of the Code, it should work together with the IAASB.

***B.4 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

No immediate priority: We believe other projects demand higher priorities at this time. Furthermore, this topic is highly complex and we caution the IESBA as to unintended consequences should it seek to deal with ethical issues specifically associated with CIVs within the Code.

***B.5 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

No immediate priority: We appreciate that this is an important topic as far as the profession's reputation is concerned. Appropriate terminology is also a key issue in explaining the tension between legitimate rights of taxpayers and tax authorities. However, we believe it needs to be dealt with in taxation legislation, possibly using a test of "reasonable commercial reason" or similar so as to be recognized by the courts in individual jurisdictions. This is not a separate issue necessitating new treatment in the Code.

***B.6 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

Priority no. 6: The issue of significance is also relevant in the context of inadvertent breaches of the Code. A threshold is needed to identify minor breaches that have no real impact on an individual's ethical behavior. We would encourage the IESBA to work with the IAASB on any project on significance. We recommend that IESBA seek to not use the term "materiality" (and use "significance" instead) because this would mean that there are different meanings of materiality for financial reporting (and hence auditing) and for ethical matters .

***B.7 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

No immediate priority: We believe other projects demand higher priorities at this time. In the EU, recent changes have addressed the auditor's overall communication with audit committees etc. The ISAs also require specific communication regarding auditor independence in certain circumstances.

***B.8 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

No immediate priority: We believe other projects demand higher priorities at this time. We accept that a requirement to document is warranted for compliance with the Code's independence standards. However, any increase in documentation requirements is associated with a significant increase in work effort for professional accountants and would need to be justified from a cost: benefit perspective. We have not identified any pressing need for requirements in further areas of the Code or compliance with other fundamental principles.

***B.9 Do you have any specific comments on this topic and, in particular, why***

***this topic should or should not be prioritized?***

No immediate priority: We believe other projects demand higher priorities at this time

**4. (untitled)**

***B.10 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

Priority no. 5: The IESBA ought to deal with specific aspects of this theme, in particular, a realistic consideration of materiality or significance (see our comments on B6) so as to allow recognition that a minor and inadvertent breach may have no real impact on a professional accountant's adherence to the fundamental principles.

***B.11 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

Priority no. 2: Auditors in the many jurisdictions where ISAs are applied are already familiar with the terminology used therein and its practical application. From the viewpoint of the Code's the practical application as well as its acceptance going forward, it does not make sense for the IESBA to use the same terms as IAASB standards but accord them with different meanings, nor to use different terms for matters with the same meaning. Accordingly a joint project between IESBA and the IAASB is essential

***B.12 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

Priority no. 1: From the point of view of the Code's success in terms of practical application, it increasingly essential for the IESBA to ensure a stable platform in the immediate future. Thus further changes should not be introduced in the immediate future. Other standards setters who have sought to ensure some form of moratorium from standard setting have also derived significant benefit from post-implementation reviews in the past. The IESBA should take the opportunity after having completed its re-structuring initiative to gauge both the ease of application and relative success of the Code, including, in particular, key aspects of the Code such as NOCLAR.

***B.13 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

Others, including IFAC, have attempted to explain or define the phenomenon "public interest", but have not been entirely successful. Global diversity means there is a range of individually correct but different answers to the fundamental questions such as "who are the public?" and "what are their needs?" As the survey points out attempting to "solve" this issue is not without contention and also not confined to IESBA Code. As a consequence, IESBA is unlikely to be the appropriate body to attempt a project on "public interest".

***Are there any trends, developments or issues not otherwise covered in this section that you would rank in your top six priorities? If so, please explain why.***

Individual cases of audit failure or the use of aggressive tax strategies have led to a loss of credibility, especially for auditors and accountants in public practice. In today's global business environment, the reputational impact on the profession is not restricted to those jurisdictions affected. Whilst it is easy to understand the desire of regulators in affected jurisdictions to tighten specific areas and requirements, these desires are based on a reaction to national events and circumstances that do not necessarily apply world-wide. The IESBA therefore needs to be careful that its activities respond to global rather than national needs or the needs of a limited number of jurisdictions. Indeed, given the role as a global standard setter, IESBA needs to bear in mind more than it has been evident in the past, the impact of environment, including culture, national laws and regulations and degree of development. Concerns have recently been voiced about the balance of influence apparent in standard setting boards. As far as the IESBA is

concerned, the influence of certain regulators has been highly evident in a number of more recent projects. Going forward, besides considering the potential for unintended consequences – e.g., the impact on concentration in certain audit markets, such as being experienced in the EU – IESBA should carefully differentiate between projects that may be more appropriately dealt with at national vs international level.

***Please rank your top six priorities among items B.1 to B.13 above (1 being highest and 6 being lowest).***

1. B.12 Post-implementation review of the restructured Code
2. B.11 Definitions and descriptions of terms
3. B.1 Trends and developments in technology and innovation
4. B.2 Emerging or newer models of service delivery
5. B.10 Breach of the Code
6. B.6 Materiality

**5. (untitled)**

***C.1 Do you have any comments on any of the above activities or initiatives? In particular, do you believe any of them should not be a strategic priority for the IESBA and, if so, why? Please be as specific as possible.***

We fully support the activities listed above. We also refer to our comment on the need for a post implementation review of the Code (B12). It is essential for the IESBA to ensure a stable platform in the immediate future, and thus the immediate focus of the IESBA should be on taking stock of the Code in its entirety to establish any need for change arising from difficulties in application or ineffectiveness of specific provisions.

***C.2 Are there any specific activities or initiatives you believe the IESBA should undertake to promote further adoption and more effective implementation of the Code? If so, please explain why.***

IESBA should not only take stock of the Code in terms of its content, but also undertake a fact finding exercise to establish where the Code is applied, where a modified version is applied and where it is not applied in order to obtain an understanding of its acceptance and reasons for non-acceptance. This information would be valuable to the future development of the Code.

In general, acceptance of the Code is impacted by perceptions that the national environment has not been sufficiently taken into account by the IESBA. A global standard setter is expected to respond to global environment and not that of selected jurisdictions. Ease of practical application and potential unintended consequences are further matters the IESBA may need to consider more thoroughly in the context of certain projects.

As far as legitimacy of standard setting is concerned, we refer to our comment on the previous page concerning the need to guard against any apparent lack of balanced influence on standard setting within the IESBA and the need to consider the potential for unintended consequences.

Development of implementation support material is not within IESBA's remit as a standard setter.

**6. (untitled)**

***D.1 Are there any particular matters you believe the IESBA should consider in relation to any one of these pre-existing commitments? Please be as specific as possible and explain your reasoning.***

Coordination between standard setters is increasingly necessary as projects impact one another. This coordination has not worked very well in the past, but does appear to be improving. Appropriate consultation between the relevant standard setting boards and a willingness to work together at an early

stage will be key in this context going forward.

## 7. (untitled)

### **Section E: Any Other Strategic Matters**

***E.1 Are there any other matters of strategic importance not covered elsewhere in this survey or your earlier responses that you believe the IESBA should consider as it positions the Code for 2025? Please be as specific as possible.***

We refer to our comments elsewhere in responding to this survey questionnaire. In particular:

- the need for a moratorium in standard setting activities impacting the content of the Code
- an immediate focus on "stock-taking" activities designed to inform the IESBA as to difficulties in practical application, or measures not delivering intended effectiveness and unintended consequences
- addressing A&I issues such as perceived influence imbalances within the IESBA's activities.

## 8. (untitled)

### **3. Please confirm that you have completed all your responses?**

Yes