

IESBA'S Future Strategy and Work Plan Survey

Response ID:135 Data

2. Section A

1. 1. Please provide the following information:

Name : Karen Bjune

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Role : Executive Director, Global Independence Group

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

Accounting/Audit firm or network

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.

We believe the IESBA should prioritize this as a matter of strategic focus with a high level of importance. The demand for high quality information and for assurance over such information, as well as the activity of other standard-setters, regulators and other bodies in this area all support this prioritization.

We agree with the IESBA that it would be helpful to consider matters such as the relevance and applicability of the PIE concept to sustainability assurance engagements, the independence provisions that should apply to those involved, and the involvement of PAPPs in the preparation and reporting of sustainability-related information.

We encourage the IESBA to work closely with other standard setters involved, given the pace of change in this area. We note, for example, that matters such as the meaning of materiality are already under close consideration by IAASB, IASB and ISSB, so it is important that any IESBA initiatives are closely aligned with the work of other boards.

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 do believe exploring the expansion of the scope of the Code to cover assurance service providers other than PAPPs would be a worthwhile endeavor of the IESBA.

As a precondition, the IESBA would need continued outreach with national standard setters and regulators to obtain both their support and their agreement to require compliance with not only the Code, but also with an assurance standard framework such as ISAE 3000 (Revised) for all providers of sustainability assurance.

However, we do see significant challenges in contemplating such a change. Challenges include how to achieve the authority of binding ethical/independence standards for non-PAs and how enforcement would be achieved. We also highlight that use of ISAE 3000 (Revised), as an example, is premised on the practitioner being bound by the Code and the practitioner's firm being subject to ISQC 1/ ISQM 1 and 2, as these standards work in concert to drive engagement quality. We find it difficult to envisage a scenario whereby the Code could be imposed on a broader range of practitioners who are not using ISAE 3000 (Revised) or are not members of a firm with a system of quality management that would comply with ISQC 1/ISQM 1 and 2. The assurance concepts which are fundamental requirements of ISAE 3000 (Revised) (e.g., the exercise of professional skepticism and

professional judgment, including consideration of bias when considering the relevance and reliability of evidence to be used for assurance purposes; the exercise of assurance skills and techniques; determining whether the preconditions for an assurance engagement have been met, including whether there is a rational purpose to the engagement, whether the underlying subject matter is appropriate, and whether the criteria are suitable; reporting considerations; and applying the concept of materiality) complement requirements set out in the Code (e.g., complying with the fundamental principles and the independence standards). It would be very challenging to apply certain requirements of the Code in isolation, if not also embedded in the assurance framework being used. Similarly, requirements set out in ISQC 1 and ISQM 1 and 2, at a firm level, work together with these standards. We do not think it would be feasible to mandate use of the IESBA Code when the professional standards or system of quality management applicable are not as robust as ISAE 3000 (Revised) or ISQM 1 and 2, as practitioners would have an insufficient foundation to support them in compliance with the Code (refer to the current developments in the EU with the Corporate Sustainability Reporting Directive).

If the preconditions (support and agreement from standard setters and regulators) cannot be obtained, then given the challenges noted, continued effort on such a change may not be worthwhile for the IESBA to spend the time and resources.

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

As touched on in our response to question 1, the IESBA should consider the applicability of the PIE concept to sustainability assurance engagements and evaluate how the expectations and requirements of the Code should be differentiated for PIEs and non-PIEs.

The IESBA should also consider if the requirements in Part 4B need to be strengthened as it specifically relates to sustainability disclosures, especially if such disclosures are given the same weight as financial disclosures.

We also note that PAIBs also have a key role to play in preparing high-quality, reliable information to stakeholders in the sustainability arena and we believe it would be helpful to look at the provisions in the Code directed to PAIBs to ensure these are appropriate given the significant increase in focus on this area (also see question 4).

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.

Given the vital role PAIBs play in financial reporting (and reporting of other information), we consider it important that the Code is robust in driving appropriate ethical behavior of PAIBs in preparing and reporting information. Evaluating whether revisions to the provisions of the Code applicable to PAIBs are necessary to drive improvements in the reliability of information would be an important focus and would serve the public interest. Specific areas for consideration would be use of experts and relying on the work of others. When using experts, PAIBs need more guidance to direct their level and extent of involvement. Considering the proposals in the Technology exposure draft, which present 10 factors to consider when relying on information in technology, the section now seems imbalanced related to relying on the work of others where only 2 factors are presented.

When considering changes in the Code for PAIBs, the IESBA needs to be mindful of whether the PAIBs are in a senior role in an organization, including whether they have governance responsibilities, as compared to PAIBs at more junior levels who would not have the same sphere of influence or authority. Thus, any proposed changes need to be clearly linked to whether the PAIB is in a senior role or be drafted such that expectations are scalable based on the role of the professional, so that they are practicable to implement and to enforce. This is consistent with other requirements in the Code relating to PAIBs that are similarly differentiated for those in a senior role.

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.

Keeping independence standards strong should always be the focus of the Board. However, with the currently issued standards that will result in substantial changes to the IIS (e.g., issuance of the NAS, Fees and PIE standards), and the standards that will be issued in the near-term that will result in further changes to the IIS (e.g., Engagement Teams-Group Audits and Technology) there should be thoughtful consideration of the pace of change in the IIS on balance with the needs of the public interest. Allowing time for PAPPs and national standards setters to adopt and implement the current substantial and significant changes to the Code will facilitate effective adoption and implementation of such standards. This also aligns with the high level of importance we believe is necessary to assign to the strategic focus on sustainability (both from the perspective of the users of the Code to consider and onboard Code revisions related to sustainability and the utilization of the capacity of IESBA staff resources for that focus). We believe the Board's focus on the IIS should thus only be on topics and projects that are of highest priority and/or address an emerging urgent issue (e.g., sustainability reporting).

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.

We believe this would be an appropriate area of strategic focus. The consistent use of the Code across many jurisdictions on a global basis is critical to support the provision of high-quality information to investors and other stakeholders, and to driving audit quality and the performance of high-quality assurance engagements. We therefore support efforts to further drive consistency on a global basis. We are also supportive of the proposed post-implementation reviews. Given the significant revisions to the Code in recent periods, we believe it is critical to understand the implications/effects of these revisions as they are adopted and implemented.

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

We don't have any comments on specific operability issues or concerns of the Code that would correlate to a strategic focus.

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 don't have any comments on key environmental trends or developments, other than those already noted by IESBA.

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?

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.

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?

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

14. How would you rate **Business Relationships** 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.

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?

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.

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?

4

18. 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 are supportive of exploring further whether additional guidance would be helpful regarding familiarity threats in relation to PAIBs in the context of their work for employing organizations. We consider that PAIBs play a vital role in financial reporting (and provision of other information), and therefore, it is important that provisions in this area are fit for purpose.

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?

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

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?

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.

We are supportive of the proposals to align definitions / descriptions used in the Code (e.g., financial statements, firm, etc.) to terminology used in the IAASB standards. As the Code is designed to work in concert with the IAASB standards, we consider it key that terminology is aligned. We also agree that it would be helpful to explore the definitions of PA, PAPP and PAIB, and how these terms interact and interrelate in practice (e.g., regarding the definition of PA and how this applies to PAs who work in professional services firms but are not part of the provision of services by those firms, instead working in administrative functions). We are not supportive of reconsidering how certain terms are used in the Code (e.g., audit team) and would not consider that aspect of this topic to be a high priority.

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?

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

24. 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 do not have other topics that we believe should be given a high priority.

25. Thank You!

New Send Email

Jul 08, 2022 21:02:26 Success: Email Sent to: GeoffKwan@ethicsboard.org,dianavasquez@profstds.org