

## 2. (untitled)

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

Professional accountant in public practice

#### ***Please provide the following contact information:***

##### **First Name**

Jan

##### **Last Name**

McCahey

##### **Job Title/Role**

Global Regulatory Leader

##### **Email Address**

jan.e.mccahey@pwc.com

##### **Organization Name (if applicable)**

PricewaterhouseCoopers International Ltd

### 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?*

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

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

International

## 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?***

It is evident that changes in technologies and technological innovations are having a huge impact on companies and professional service firms. Technology is playing an increasingly important role in the way firms provide professional services and the nature and scope of those services. We believe that there is merit in the Board considering this topic but the Board should be mindful to focus on the ethical implications of these developments.

This could be best achieved by developing a clear link to the relevant fundamental principles, notably objectivity, professional competence and due care, and confidentiality, illustrated by examples. The fundamental principles should be used as a basis to determine if and how behavior is expected to be influenced and what changes to the code might therefore be warranted.

Some of the examples cited in the survey might better be considered as part of the project on the independence implications of emerging non-audit services. As an illustration of issues arising – Are there

any ethical and independence implications with respect to multiple stakeholders from different legal entities collaborating via a technology platform (i.e., resulting in an "ecosystem") for which an auditor of one or many of the entities is being engaged to perform services for a non-audit client that is participating in the "ecosystem"?

It will be important to avoid duplication with the work of the IAASB in relation to audit quality but also to ensure that the standards are aligned and consistent (see our comments on the ED on professional skepticism and professional judgement for example).

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

Equally, we agree that technological developments are impacting firms' service delivery models and leading to business acquisitions and strategic alliances. Similarly, companies are influenced in their operating model with increased use of outsourcing, managed services and, for example, use of cloud technology.

To illustrate, we are seeing certain topics present themselves in independence assessments driven by the merger of significant audit clients with significant non-audit clients. We have recently seen several non-audit relationships where we've been involved in assisting clients leverage managed service centers and move towards having financial data in the cloud rather than behind the walls of a traditional data center.

We concur that these types of questions are worthy of consideration by the Board, again with a clear link to the relevant fundamental principles.

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

We concur that this topic warrants consideration. The relevant definitions are increasingly coming under question, not least in terms of the definition of "listed" (e.g. which markets are caught or not).

With regulatory bodies, such as those in Europe, clearly defining financial institutions, including banks, as PIEs, there is increasing divergence across the globe as to what types of entities are regarded as a PIE and this is worth re-visiting.

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

We recognise that the "related entity" definition used in the code is not clearly applicable in the context of CIVs but we are not aware that this is given rise to practical issues. Networks, such as ours, will have developed internal guidance, based on the principles in the Code.

Due to the relationship between a fund manager and a CIV (fund), the entity that is managing the investments of the fund (an asset management or investment management company) is in most cases not considered to be a "controlling entity" of the funds it manages and therefore not a related entity (although that is rebuttable depending on the facts and circumstances).

We do not believe, given the other demands, that this should be prioritized.

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

The purpose of tax planning by companies is to manage their compliance obligations and tax risks, and also one of their most significant costs of doing business, and it is therefore consistent with management's responsibilities as stewards of corporate resources. Related to this is also recognition of the long-term importance of the integrity of tax systems around the world. Professional advisers that understand both of these fundamental needs play an important role in advising their clients, helping them to understand their obligations and to make informed business decisions on tax issues.

There can be significant challenges for tax professionals undertaking this role in an environment in which tax rules and the interpretations of those rules are subject to continuous change and wider stakeholder interest.

Ethical principles and/or codes of conduct can play an important part in guiding professional judgements that are made. They can therefore be part of a holistic solution to public interest concerns but only a part, given that those concerns are inherently a combination of (a) concerns about the systems themselves (whether the rules put in place by Governments around the world are fit for purpose) and (b) concerns about perceived behaviour of those operating within the systems (i.e. taxpayers, tax advisors, and tax authorities). Other parts of a holistic approach would include reviews of relevant parts of the tax system (as in the case of the recent OECD BEPS review and recommendations) and greater transparency on the policy reasons driving the introduction of particular reliefs.

Given the breadth of this topic, we would suggest that any review is undertaken in collaboration with other bodies so as to bring together different experiences and perspectives.

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

We do not believe this should be a priority. We are not aware that the absence of guidance on the use of materiality considerations, outside of NAS, is giving rise to practical issues or concerns and there is already broad and consistent understanding within at least the forum of firms of how to apply the concept.

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

We believe that further guidance on the types of issues and matters that should generally be discussed with audit committees might be helpful, including the form and timing of such communications. The Board should be mindful that this is a code for professional accountants, at least in terms of independence analysis, and that it has no jurisdiction over any approvals that might be required of TCWG in this context - that is a matter for local law and regulations related to corporate governance or independence related standards established by the relevant regulator. It could be helpful, however, to add application material in Part 2 of the Code dealing with the PAIB's responsibilities in acquiring and overseeing the provision of services (assurance or otherwise) to the entity (recognizing the limitation that TCWG may not be professional accountants and therefore not subject to the code).

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

While we concur that a holistic review of the approach to documentation may be appropriate, we caution the Board against establishing specific documentation requirements in a code of ethics. The code should influence ethical behavior, not documentation. Each firm or individual should continue to use professional judgement to establish what is appropriate documentation of fact/decisions etc recognizing that they may be subject to subsequent review and questioning. Documentation as regards audit matters should remain the purview of the ISA.

Firms will, not least for effective risk management, set their own policies and practices regarding adequacy of documentation, for example in the case of an evaluation of actual or potential conflicts of interest.

We do not believe this should be a priority.

***B.9 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We observe that the examples cited above do not clearly give rise to familiarity threats. The first and third could be seen as creating a self-interest threat.

That said, we agree that the extant code lacks application material addressing these types of issues but foresee some difficulty in addressing some of the more obvious threats, such as when a PAIB has been finance director of the same company for say 10 years (and indeed where self-review may be equally relevant) or where a PAIB has been chair of the audit committee for a long period of time.

We suggest that the Board may wish to reconsider the guidance in Part A of the code in the context of familiarity more generally.

However, we do not believe this should be a priority.

#### 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?***

We believe that the guidance in the code today is appropriate and we see no need for further consideration of this material which was established fairly recently after following due process. We do not believe this should be a priority.

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

We concur that it would be helpful if the terms used by IAASB and IESBA were consistent and that any obvious differences should ideally be resolved.

However, some of the examples cited above go beyond definitions and deal with important concepts.

For example the use of the "engagement period" is a key concept in terms of the application of the independence provisions. To establish an open-ended concept that the period may extend to a future date, after completion of the final audit, would be unworkable and limit the ability of companies to obtain professional services, where potentially two or more firms were required to maintain independence. Financial interests held through or in a trust are already caught by the definition of an "indirect financial interest" in the code.

Significant due process was followed in determining the application of the "network firm" material in the code and we are not aware that this is giving rise to practical issues.

Accordingly, while we support alignment of terms/definitions used we do not see this as a priority (or indeed a project).

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

We concur with this but question whether it should be framed as a project. We would regard this as a normal consequence of the introduction of an important revision to the code. This is something that perhaps staff, in conjunction with the compliance committee, could undertake and report to the Board. We would not class this as a priority.

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

We concur that this is worthy of further consideration but recognise the difficulties in coming to a clear and common view on such very judgmental questions. However, we do not see the concept of the "public interest" as a fundamental principle. This is a matter that would require consultation with all the Public Interest Standard Setting Boards and indeed the profession as a whole.

Given the list of potential projects we could see this as an important initiative that the Board might undertake in conjunction with others.

##### ***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.***

As mentioned in prior comment letters we continue to be of a view that it would be helpful if the Board could articulate clearly its "purpose" and "vision", recognizing the purpose of standard setting in the area of ethical behavior, together with the development of a supporting framework and operating principles. This would assist the Board in:

- Achieving a common understanding, internally and externally, of its role and objectives as a standard setter and "why it does what it does"
- Making decisions about new work-streams or areas of focus and in providing a sound basis for assessing if there is a real problem to solve and if, and when, there is a need to "strengthen the code".

We strongly believe that a code of ethics should focus on appropriate behavior and that application of the fundamental principles should drive any necessary changes to the code. For example, as noted in relation to B1/B2 above, those fundamental principles will be important in assessing the need for enhancements to the code due to technological developments and in the light of changing factors given that past approaches may no longer be appropriate.

This is a strategic consideration for the Board, not a project in itself.

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

1. B.1 Trends and developments in technology and innovation
2. B.2 Emerging or newer models of service delivery
3. B.13 Meaning of public interest in the global context
4. B.3 Concepts of "public interest entity" and "listed entity"
5. B.7 Communication with those charged with governance

**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 support the proposed activities.

***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.***

No additional comment.

**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.***

We provide brief comments on certain existing commitments below:

Non-Assurance services (1)

The emphasis here seems to be benchmarking the code against other local regulations. Our comments above in relation to clarifying the "purpose" of the Board's activities and how it sets its standards are relevant. Rather than conducting further benchmarking we recommend that the Board develops its own analysis of the ethical issues, considerations and possible solutions, which it could then discuss with relevant stakeholders. Proposed projects B1 and B2 will be highly relevant and we suggest that these initiatives be aligned, including in terms of timing.

## Fee-related matters (2)

We recommend that the Board re-considers its commitment to look at fee-issues or at least reviews its proposed approach. It is evident that the academic research that the Board convened did not identify any particular issues or concerns. It is clear, at least in terms of perceptions, that some stakeholders have concerns about the ratio of NAS to audit fees, and that there may be more limited concerns in some quarters about the business model. We do not believe that firms' business model is an ethical issue that a code of ethics should be concerned with.

The ratio of fees is an issue that may be worth providing guidance on. Again the Code of Ethics is not the place to establish any ratio as it cannot govern what companies can do (that has to be in law or regulation) and indeed we do not believe that a ratio is appropriate, not least as this may limit the client's ability to choose its professional advisors. However we recognise that an imbalance of fees may give rise to certain threats to independence, whether in fact or appearance, and additional guidance may be helpful.

We do not believe that further a fact-finding initiative will be productive and recommend that the Board develops its own analysis of the ethical issues, considerations and possible solutions, which it could then discuss with relevant stakeholders. In doing so, the Board should however be mindful that requirements and perhaps even guidance could conflict with legislation, such as US anti-trust laws.

## Professional skepticism (5)

We will be providing our comments on the ED shortly.

## Coordination with IAASB (6)

We reiterate our strong support for such continued co-ordination on all relevant projects.

## 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.***

No further comments

## 8. (untitled)

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

Yes