

# IESBA'S Future Strategy and work Plan Survey

Response ID:133 Data

## 2. Section A

### 1. 1. Please provide the following information:

Name : Peter Oastler

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Role : Global Ethics and Independence Leader

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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.

In our view the IESBA should place high importance on dedicating strategic focus to responding through standard-setting action to the developments in sustainability reporting and assurance in its next strategy period as well as broader aspects related to Environmental, Social and Governance requirements as set out in question 3. below. This is because:

- This is a new and emerging area and it is important that the IESBA is informed in this area in order to respond quickly and effectively
- Sustainability reporting is important to the public interest and will become more and more relevant to public trust in organisations
- It is important that the IESBA remains relevant and fit-for-purpose and so it needs to respond to this trend
- It is likely that Professional Accountants will have significant involvement in sustainability reporting. For example, Professional Accountants will be involved in developing standards, in ensuring that organisations comply with associated regulations, in reporting on compliance with standards and providing consultancy services on and providing assurance with respect to compliance with those standards
- The IESBA has a vital role to play in helping ensure ethical behaviour of Professional Accountants involved in matters that impact the public interest.

A key issue associated with sustainability reporting is ensuring that there is consistency in the way that associated data points across an organisation's supply chain and operations is measured, how the subject matter associated with the data points is assessed and how this is governed and reported.

There will be challenges in agreeing on and setting up the structures internationally to ensure consistency.

It is therefore important that the IESBA does not develop requirements and application guidance in isolation. The IESBA should continue to work closely with the IAASB, the International Organization of Securities Commissions, other relevant international bodies and regulatory bodies in major jurisdictions.

It is also important that there is a level playing-field for those organisations that provide assurance on sustainability reporting as set out in the response to number 2 below.

### 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?**

Consistency is needed in the way that assurance is derived through the application of internationally recognised engagement standards in order to allow for a level playing-field for those organisations who provide assurance. Providers of assurance should be required to follow the same engagement standards and uphold the same level of ethical standards in order to derive assurance. For example, all providers of assurance should be bound by the international independence requirements.

Having to comply with engagement and ethical standards comes at a cost and so service providers that are not required to follow these requirements will be able to offer the service at a lower price. This could in turn result in a barrier to entry for Professional Accountants in Public Practice ("PAPPs") to operate in this area.

As such, we believe it is important that the IESBA explores the concept of expanding the scope of the Code or other alternatives to ensure that there is a level playing field for all assurance providers including PAPPs.

The preconditions associated with expanding the ethical requirements to non-accountants include the following:

- Consistency in the way that data points associated with sustainability are measured;
- Consistency in the reporting standards associated with sustainability reporting;
- Consistency in qualifications for those who provide assurance;
- Consistency in the engagement and ethical standards that are followed by those who provide assurance engagements;
- Consistency in the way in which assurance providers are regulated and monitored.

However, these preconditions would also apply to the IESBA introducing ethical standards in this area generally. There will be challenges in agreeing on and setting up the structures internationally to ensure these preconditions.

As stated above, we therefore think that the IESBA should continue to work closely with the IAASB, the International Organization of Securities Commissions, other relevant international bodies and regulatory bodies in major jurisdictions.

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

We believe that the IESBA should also focus on the broader aspects of Environmental, Social and Governance ("ESG") requirements and reporting and not just Sustainability. There will likely be different threats to the fundamental principles of the IESBA Code depending on the subject matter of the information being assured and so it is important that the IESBA focuses on what organisations are required to measure and report on to the public.

Again, it is important that the IESBA collaborates with other international bodies to understand what is measured and reported on, and play a role in promoting consistency before developing standards in this area.

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**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.**

As above, we believe that the IESBA should focus on the broader aspects of Environmental, Social and Governance ("ESG") requirements and reporting and not just Sustainability. The focus should be linked to what organisations are required to measure and report on to the public.

We also think that the IESBA should continue to focus on the consequences of the development and use of technology by PAIBs.

One area described in the development of non-authoritative material ("NAM") relates to the suggestion that the IESBA should consider developing NAM that provides expanded explanation of the eight examples of bias as well as other types of biases that may also be relevant to the exercise of professional judgment.

This will become increasingly relevant as artificial intelligence and the use of other technology-based solutions such as use of a

virtual workforce through automation. We think it is important that the IESBA focus on how Professional Accountants should identify ethical considerations associated with these and other technology solutions developed, being developed and to be developed, that support organisations with the ongoing and sustained pace of change.

The IESBA may consider the structures, support and resources it needs to enable it to keep pace with the dynamic change environment facing all of us.

## 9. Section B: Strategic Direction and Priorities

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**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.**

As outlined in the background to this survey, the IESBA has made significant changes to the IIS for audit engagements over recent years. It is important that time is given to enable these requirements to be bedded in and become business as usual. Our view is that it is now more important to focus on training and communication to facilitate the adoption of the Code internationally and the effective implementation of the Code by those that follow it.

We also believe that the IESBA should strive to facilitate/achieve consistency with the standards of regulatory bodies in the major jurisdictions that have well-established standards in this area. If all organisations and service-providers of audits are held to the same standards internationally, this would likely help improve public understanding and trust.

## 11. Section B: Strategic Direction and Priorities

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**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 think that it is important that the IESBA rules are adopted globally as consistency in standards helps ensure understanding of the users of the assurance reports and therefore helps increase public trust in the profession. 120 jurisdictions had adopted the Code before its restructuring but only 85 jurisdictions had adopted the code after the restructuring. The IESBA should seek to understand the reasons for this so that it can take action to encourage international adoption of the Code.

There has been significant change in the IESBA Code in recent years and it is important that different jurisdictions and those that comply with the Code understand its application. We support the Post-Implementation Review projects on the changes made as we believe that this will help demonstrate the value in the changes made and identify areas where further change is required.

With the significant change it is important that the IESBA focuses on how effectively the Code is being implemented to help determine what further action is needed.

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

The IESBA Code covers a wide-range of ethical issues, has different sections for Professional Accountants in Business and Professional Accountants in Public Practice and contains within it different standards on independence depending on the service provided.

While this is very helpful, it can be difficult to follow and comprehend. This then impacts the effectiveness of its implementation. We therefore feel that a significant area of focus should be on what action can be taken and how the Code can be amended to allow it to become more understandable to all those who need to comply with it.

**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.**

As noted above it is important that the IESBA keeps pace with change and the changing complexities of the business environment today such that it becomes increasingly current rather than reactionary.

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

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12. How would you rate Independence of External Experts 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.

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

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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

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14. How would you rate Business Relationships 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 believe that business relationships are complex, are increasingly common in multi-disciplinary practices and can create threats to independence. We would therefore welcome more guidance in this area.

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

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

We agree with the position of the IESBA Code that requires different standards relating to the audit of Public Interest Entities and we feel that there should be consistency in the definition of audit client relating to Public Interest Entities.

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

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18. 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

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.

We believe that consistency across the different standards is important as this helps ensure understanding and if the IESBA has become aware of matters to help address this then this should be a high priority.

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

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

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

21. How would you rate Professional Appointments 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.

Having access to all relevant information is a pre-requisite for a Professional Accountant in Public Practice to do their job effectively. Changes to professional appointments will increase with the introduction of audit firm rotation in some jurisdictions. We therefore think that the IESBA should focus on the actions a proposed accountant should take in the circumstance where they are unable to access relevant information.

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

23. How would you rate Breaches of the Code as a strategic priority on a scale of 1 – 5?

4

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.

In recent years the IESBA has strengthened the Code and implemented more requirements that would cause a breach of the Code. We agree that it is important that focus is given on actions to take where a breach of the Code is identified.

## 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?

4

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 believe that consistency across the different standards is important as this helps ensure understanding and if the IESBA has become aware of matters to help address this then this should be a high priority.

## 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

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**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.**

We think that non-authoritative materials is important as it helps understanding of the application of the Code. The use of examples is often very helpful to increase application of the rules. We feel that increased understanding of the Code will facilitate its adoption and implementation.

As outlined in question 4 above, we feel that a particular area of focus should be developing NAM that provides expanded explanation of the eight examples of bias as well as other types of biases that may also be relevant to the exercise of professional judgment, particularly as it relates to ethical considerations associated with use and reliance on artificial intelligence.

## 24. Section C

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**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.**

Focus on keeping abreast with changing business practices and the ethical and independence challenges associated with this such that the IESBA is well placed to act timely.

## 25. Thank You!

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### New Send Email

Jul 08, 2022 08:56:16 Success: Email Sent to: GeoffKwan@ethicsboard.org,dianavasquez@profstds.org