

CONSULTATION PAPER

Comments are due by July 7, 2023

PROPOSED IESBA STRATEGY AND WORK PLAN, 2024 – 2027

TOWARDS A MORE SUSTAINABLE FUTURE: ADVANCING THE CENTRALITY OF ETHICS

APRIL 2023

IESBA

International
Ethics Standards
Board for Accountants®

About the IESBA

The International Ethics Standards Board for Accountants (IESBA) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code).

The IESBA believes a single set of high-quality ethics standards enhances the quality and consistency of services provided by professional accountants, thus contributing to public trust and confidence in the accountancy profession. The IESBA sets its standards in the public interest with advice from the IESBA Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board (PIOB).

About this Consultation

The IESBA is undertaking this consultation to obtain views from stakeholders on its proposed strategy and work plan (SWP) for 2024-2027. The feedback from stakeholders will enable the IESBA to finalize its future strategy and work plan in support of its public interest mandate.

This Consultation Paper has taken into account the feedback from the IESBA's April 2022 Strategy Survey, input from the IESBA CAG and other stakeholders, outputs or matters identified from current or recently completed projects or initiatives, and developments in the external environment. In developing the Consultation Paper, the IESBA has engaged in close coordination with the International Auditing and Assurance Standards Board (IAASB).

This Consultation Paper is structured as follows:

Section I: Request for Comments

Section II: Proposed Strategy 2024 – 2027

Section III: Proposed Work Plan 2024 – 2027



The IESBA will consider the responses to the Consultation Paper in Q3 2023 with a view to approving the final SWP in December 2023.

REQUEST FOR COMMENTS

This Consultation Paper, *Proposed IESBA Strategy and Work Plan, 2024-2027*, was developed and approved by the International Ethics Standards Board for Accountants (IESBA).

The proposals in this Consultation Paper may be modified in light of comments received before being issued in final form.

Comments are requested by July 7, 2023.

Respondents are asked to submit their comments electronically through the IESBA website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file. First-time users must register to use this feature. All comments will be considered a matter of public record and be posted on our website. Although the IESBA prefers that comments are submitted via its website, comments can also be sent to Geoff Kwan, IESBA Director at geoffkwan@ethicsboard.org.

This publication may be downloaded from the IESBA website: www.ethicsboard.org. The approved text is published in the English language.

SUMMARY – PROPOSED STRATEGY AND WORK PLAN 2024–2027

Proposed Strategy 2024-2027

pp.7-16

The IESBA's Vision

pp.7

To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Proposed Strategic Drivers

pp.7-11

- Environmental drivers
 - Rapidly Growing Market and Public Demand for Sustainability Information
 - The Expanding Roles of Professional Accountants in Business
 - Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures
 - Ongoing Impact of Technological Transformations
- Operational drivers
 - Heightened Stakeholder Expectations for Greater Timeliness
 - The Imperatives of Quality and Global Acceptance of the IESBA's Standards
 - Global Operability of the IESBA's Standards
 - Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

Proposed Strategic Themes

pp.11-16

- Enhancing trust in sustainability reporting and assurance
- Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
- Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards
- Widening the influence of the IESBA's standards through a continued focus on adoption and implementation

Proposed Work Plan 2024 - 2027

pp.16-23

Projects/Work Streams Commenced before 2024 (Table A)

pp.17-18

- Sustainability
 - Work Stream 1: Independence
 - Work Stream 2: Ethics
- Use of Experts
- Collective Investment Vehicles, Pension Funds and Investment Company Complexes
- Post-Implementation Review – Non-Compliance with Laws and Regulations (NOCLAR)

Potential New Topics Identified (Table B)

pp.18-21

- Role of CFOs and Other Senior PAIBs
- Business Relationships
- Definitions and Descriptions of Terms
- Audit Firm – Audit Client Relationship
- Custody of Data
- Communication with Those Charged with Governance

Pre-committed Work Streams to Commence during or after Q1 2024 (Table C)

pp.21-22

- Post-Implementation Review – Long Association Phase 2
- Post-Implementation Review – Restructured Code
- Post-Implementation Review – Non-Assurance Services and Fees
- Post-Implementation Review – Definition of Public Interest Entity

SECTION I: REQUEST FOR COMMENTS

1. The IESBA seeks stakeholders' comments on the following:

Strategic Drivers, Themes and Actions	
1.	Do you agree with the IESBA's <i>Proposed Strategic Drivers</i> (see pp.9-13)?
2.	Do you agree with the IESBA's <i>Proposed Strategic Themes and Proposed Strategic Actions</i> (see pp.13-18)?
Proposed Work Plan for 2024 – 2027	
3.	Do you support the IESBA considering the topics set out in Table B as potential work streams (see pp.22-24)? If so, please also share your views on any specific issues or questions you believe the IESBA should consider under these topics. If not, please explain your reasons.
4.	Do you believe the IESBA should accelerate or defer any particular ongoing, potential or pre-committed work stream(s) set out in Tables A, B and C? Please explain your reasons.
5.	Are there other topics the IESBA should consider as potential new work streams? If so, please indicate whether these topics are more important than the topics identified in Table B (see pp.22-24), and the needs and interests that would be served by undertaking work on such topic(s).
Additional Information	
6.	The IESBA's proposed Strategy and Work Plan emphasizes the importance of close coordination with its sister Board, the IAASB. Do you have views or suggestions as to how coordination between the IESBA and IAASB could be enhanced to better serve the public interest?
7.	Do you have comments on any other matters addressed in this Consultation Paper or any significant matters not covered that you believe the IESBA should consider in finalizing the SWP 2024-2027?

SECTION II: PROPOSED STRATEGY 2024 – 2027

Vision

2. The IESBA's vision is:

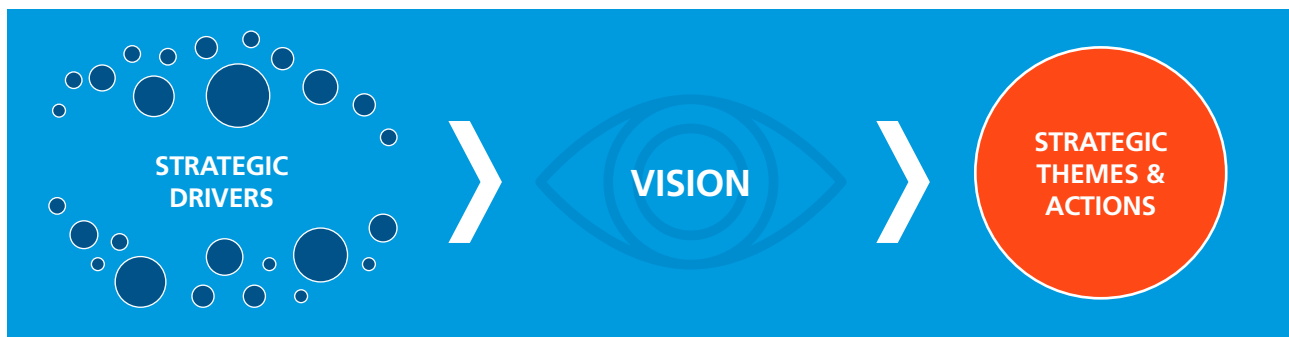
To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

3. This strategic vision will support the IESBA's continued mission to serve the public interest by setting ethics standards, including auditor independence requirements, that seek to raise the bar for ethical conduct and practice for all professional accountants (PAs). It recognizes the high level of public expectations regarding ethical behavior by PAs in light of the wide-ranging roles they play in corporate reporting, assurance and other professional activities, and the confidence businesses, governments and other organizations place in the accountancy profession.

4. In addition, by not limiting the use of the standards exclusively to the accountancy profession, the IESBA's vision is to make the standards available for use by other professions whose members perform the same types of professional activities or services as PAs, especially in relation to sustainability assurance. The IESBA believes that doing so serves the broader public interest in having professionals who perform similar types of work adhere to the same high bar of ethical behavior, regardless of whether they are from the accountancy profession.

5. Whilst the IESBA promulgates the international ethics (including independence) standards, it recognizes that the responsibilities to regulate and supervise the use of its standards and enforce them rest with the relevant regulatory or professional bodies in different jurisdictions.

6. The IESBA's vision is shaped by the strategic drivers and will be achieved through the successful delivery of the actions identified under each of the four strategic themes.



Proposed Strategic Drivers

7. The IESBA has identified a number of strategic drivers that create significant opportunities and challenges to achieving its vision over this strategy period. These strategic drivers can be grouped into two broad categories:

- (a) Environmental drivers relating to market trends or developments that impact the need for, and relevance of, the IESBA's standards; and
- (b) Operational drivers that impact the IESBA's responsiveness to strategic developments as well as the quality, global acceptance and operability, and adoption and effective implementation of its standards.

Environmental Drivers

Rapidly Growing Market and Public Demand for Sustainability Information

8. Market and public demand for sustainability information has risen substantially and rapidly in recent years. Such information is increasingly used to support capital allocation or other decisions by investors, customers, current or potential employees, government agencies and other stakeholders. As demand for sustainability information continues to expand rapidly not only in relation to environmental matters but also in relation to social and governance ones, there is a pressing public interest need to ensure that such information is reliable and comparable, and therefore subject to assurance.
9. In response to this growing trend, regulators in a number of major jurisdictions have prioritized, as a matter of urgency, the development of new regulations governing sustainability reporting and assurance.¹ In this regard, the International Organization of Securities Commissions (IOSCO) has publicly recognized the work of both the IESBA and IAASB as important in meeting the need for robust standards applicable to all providers of sustainability assurance to foster independent, high-quality engagements and consistent practices.² In particular, IOSCO welcomed the two Boards' plans to develop high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability information. In addition, in its report *Supervisory and Regulatory Approaches to Climate-related Risks*, the Financial Stability Board (FSB) also singled out the work of the IESBA and IAASB as relevant to the development of third-party assurance of climate-related public disclosures by corporates.³
10. The Public Interest Oversight Board (PIOB) has also welcomed the IESBA's consideration of developing fit-for-purpose ethics (including independence) standards that could be used by any professionals, whether or not from the accountancy profession, who provide assurance on sustainability reporting. The PIOB has recognized that it is in the public interest that all assurance providers adhere to the same high bar of ethical behavior and independence when engaged to perform sustainability assurance engagements.⁴

The Expanding Roles of Professional Accountants in Business

11. The role of PAs in business (PAIBs) has evolved over time driven by the changing needs of investors and customers, regulatory and technological changes, and the exponential growth in information which can present both opportunities and challenges. In particular, the role of the Chief Financial Officer (CFO) has expanded from being a guardian of a company's financial health to encompassing strategy, enterprise risk management, performance management, and communicating the organization's value proposition to stakeholders.
12. Whilst the CFO's role and responsibilities continue to be reshaped by new technology, the CFO is increasingly at the confluence of how their organization is responding to the rapid growth in market demand for sustainability information. This dynamic is impacting CFOs (and the broader finance function) in ways they have not necessarily been trained or equipped to manage. Specifically, in addition to supporting their organizations in responding to strategic developments in sustainable finance, CFOs increasingly need to understand and work across other disciplines, manage and coordinate the sustainability data supply chain, integrate financial and non-financial information into long term plans, and engage with experts and other professionals beyond those involved in traditional financial reporting, amongst many other new demands and pressures. These developments give rise to a need for a fresh look at whether the Code continues to be relevant and appropriate in guiding PAIBs' mindset and behaviors in this fast-changing environment.

¹ Some recent examples of jurisdictional developments include:

- The European Union's (EU) agreement on its new Corporate Sustainability Reporting Directive (CSRD).
- The United States Securities and Exchange Commission's (US SEC) proposed rules to require issuers to provide climate-related disclosures.
- The UK Financial Conduct Authority's (FCA) new climate-related disclosure requirements for standard listed issuers as well as for asset managers and FCA-regulated asset owners.
- The New Zealand External Reporting Board's (XRB) public consultation on its climate-related disclosure framework.

² In September 2022, IOSCO issued a [statement of support](#) for the work of the IAASB and IESBA to develop profession-agnostic global standards to support assurance of sustainability information.

³ <https://www.fsb.org/2022/10/supervisory-and-regulatory-approaches-to-climate-related-risks-final-report/>

⁴ [January 2023 PIOB's Public Interest Issues: IESBA Projects](#), page 2

13. The expansion of the role of CFOs is not unique to the private sector but is also occurring in the public sector where PAIBs in finance and other equivalent roles are also impacted by technology disruption and the demand for greater transparency in governments' performance in sustainability-related matters.

Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures

14. Recurring headlines about collapses of large public companies due to fraud as well as other financial scandals across the globe have had dramatic impacts on investors, workers, customers, the supply and credit chains, and the broader economic and social systems. These events not only damage public trust in the accountancy profession but also call into question the role of auditors as guardians of public trust in entities' financial statements. Some of these events have raised questions about not only the quality of the audits but also the independence of the auditors. In addition, there continues to be heightened regulatory scrutiny not only on aspects of the performance of an audit, such as the exercise of professional skepticism and professional judgment, but also on broader considerations relating to auditor independence, audit firm culture and the audit firm multi-disciplinary business model.
15. These corporate failures also raise ethical questions regarding the role of PAIBs, including those who are CFOs, notwithstanding that the work and activities of PAIBs are not subject to the same level of independent regulatory oversight as auditors. In this regard, the issue of "greenwashing" has raised questions about the ethical behavior of those who prepare and report sustainability information, and those who are in a management or oversight roles, including CFOs and directors.

Ongoing Impact of Technological Transformations

16. The technology landscape continues to evolve rapidly, transforming the way we live and disrupting organizational norms and processes. The impact of technology, such as automation and cybersecurity, is also pervasive throughout the accountancy profession as PAs interact with data in a variety of roles, for example, as creators, users, stewards, advisors, and assurance providers. Whilst the digital transformation journey better enables PAs to meet the new demands and expectations of their clients and employing organizations in a digital age, the transformations also create ethical questions and challenges that can be complex, with implications for stakeholders' trust in PAs' work.
17. Against this backdrop, the IESBA has taken strategic action to respond to the developments in technology. In April 2023, the IESBA will issue, subject to the PIOB's approval, revisions to the Code, including the International Independence Standards, under its Technology Project. Further, in November 2022, the IESBA released its Technology Working Group's (TWG) [Phase 2 Report](#) detailing the outcomes of the TWG's fact-finding work, including recommendations for further enhancements to the Code and the development of additional non-authoritative guidance for PAs.⁵ Some of these recommendations seek to respond to a number of the ethical questions and challenges arising from the ongoing digital transformations.

Operational Drivers

Heightened Stakeholder Expectations for Greater Timeliness

18. One of the objectives of the Monitoring Group's (MG) July 2020 recommendations, [Strengthening the International Audit and Ethics Standard-Setting System](#) (MG Recommendations) is to foster the development of timely, high-quality standards that respond to an accelerating pace of change.⁶ The MG's expectation for the IESBA to be more timely in its standard-setting work has been echoed within the broader regulatory community where there have been calls for the IESBA to move quickly to address market developments of significant public interest.
19. Recognizing such expectations, the IESBA has taken action to respond quickly to the strategic developments in sustainability reporting and assurance. It established a sustainability work stream in Q1 2022 and [publicly committed](#) in June 2022 to readying global ethics (including independence) standards timely to respond to those developments.

⁵ In this regard, pursuant to its Technology Working Group's Phase 1 Report, the IESBA has facilitated the development of a number of [non-authoritative guidance materials](#) since 2021 (<https://www.ethicsboard.org/focus-areas/technology-ethics-independence-considerations>).

⁶ To ensure responsiveness to the public interest, the MG calls for both the IESBA and IAASB to develop their standards in accordance with the principles of the Public Interest Framework set out in the MG Recommendations.

The IESBA has since been working closely with IOSCO, the IAASB and the International Sustainability Standards Board (ISSB) to ensure a coordinated approach to the development of the global standards infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. In addition, in response to rising stakeholder concerns about greenwashing, the IESBA issued in October 2022 a [Staff publication](#) highlighting the relevance and applicability of the Code in combatting greenwashing.⁷ In December 2022, the IESBA approved a [project](#) to develop ethics, including independence, standards addressing sustainability reporting and assurance, as well as a [related project](#) addressing the use of experts.

The Imperatives of Quality and Global Acceptance of the IESBA's Standards

20. A key ingredient to the quality of the IESBA's standards is input from a diverse range of stakeholders. Whilst the IESBA engages routinely with many stakeholder communities, including regulators and oversight bodies, national standard setters (NSS), international and regional policy-making organizations, preparers, professional accountancy organizations (PAOs) and accounting firms, it has faced a continuing challenge of obtaining a comparatively similar level of input to its projects and initiatives from users of financial and non-financial information, particularly investors and those charged with governance (TCWG). In this regard, the PIOB has continued to encourage the IESBA to pursue efforts to reach out to the investor and corporate governance communities to inform its standard-setting work.
21. The IESBA also acknowledges the importance of an effective enforcement regime as part of the broader reporting ecosystem. The IESBA therefore recognizes the need to work closely with regulators, oversight bodies and other stakeholders to promote effective and consistent enforcement of its standards.
22. The IESBA's Sustainability work stream has highlighted a further imperative in terms of the need to reach out to the community of assurance providers outside the accountancy profession. This is necessary given that a large number of sustainability assurance engagements are already being performed by providers who are independent of the profession,⁸ and the fact that the market for sustainability assurance work has already been opened, or is expected to be opened soon, to all providers (whether or not from the accountancy profession) in a number of major jurisdictions.⁹ The aim of such outreach would be to understand the ethical frameworks the independent providers use in supporting their assurance work and to seek their input to the IESBA's development of profession-agnostic ethics (including independence) standards for sustainability assurance that will be understandable and usable by them. Such input will be important to the global acceptance of the IESBA's sustainability-related standards by assurance providers outside the accountancy profession.

Global Operability of the IESBA's Standards

23. An important factor that the IESBA takes into account in developing its standards is global operability. Global operability entails considerations of not only practicality and whether the standards will be capable of being applied in jurisdictions with different legal and regulatory frameworks, but also whether the standards will be capable of being used seamlessly with international reporting and assurance standards.
24. In this regard, stakeholders, as well as the PIOB, have continued to emphasize the importance of the IESBA and IAASB coordinating their work closely to address topics of mutual interest. Such coordination has already been taking place at a strategic and technical level, and the IESBA and IAASB continue to dedicate efforts to strengthen it so that their standards mutually support each other and are interoperable. This imperative also extends to the IESBA's coordination with the ISSB in relation to sustainability reporting and assurance, given the importance of ensuring global consistency in the use of common concepts, terms and definitions in the IESBA's and ISSB's standards in that area.

⁷ The IESBA has also responded timely to other major global developments in ways other than through standard-setting. In particular, in response to the COVID-19 pandemic, the IESBA collaborated with a number of national standard setters and regulators to produce a series of [staff publications](#) that provide guidance to PAs on dealing with ethics and independence issues arising from the pandemic. In addition, in October 2022, the IESBA released the Staff Alert, [The Ukraine Conflict: Key Ethics and Independence Considerations](#). This non-authoritative guidance highlights a number of important provisions in the Code with which PAs must comply in carrying out their work as they navigate the unprecedented challenges and risks arising from the ongoing Russia-Ukraine war.

⁸ For example, [research](#) published by the Center for Audit Quality in April 2021 indicated that out of the population of S&P 100 companies considered, over 80% had assurance or verification of their Environmental, Social and Governance (ESG) information provided by engineering or consulting firms that were not CPA firms.

⁹ For example, in the EU under the CSRD and in the US under proposed rules being developed by the US SEC.

25. There is also an ongoing need for the IESBA to work closely with standard setters at the jurisdictional level to ensure that the IESBA’s standards will be operable across jurisdictions.

Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

26. To date, 130 jurisdictions have adopted or used the Code, including 17 of the G20 countries.¹⁰ However, not all of these jurisdictions have adopted or are using the latest version of the Code. It is therefore imperative that the IESBA continue to dedicate a focus on supporting jurisdictions adopt or use the latest additions and revisions to the Code, working closely with NSS and the International Federation of Accountants (IFAC) in particular.
27. Noting the volume and frequency of changes to the Code in recent years, some stakeholders have called on the IESBA to temper the pace of standard-setting and focus more on developing non-authoritative material (NAM) to assist users in understanding the new provisions and applying them consistently. The IESBA acknowledges those concerns. The capacity of the market to assimilate new or revised IESBA standards is an important factor amongst others that the IESBA considers in determining the number and prioritization of its standard-setting projects and in setting effective dates for final standards. The feedback concerning a continuing market need for implementation support resources also highlights that effective implementation of the IESBA’s standards is a matter of strategic importance.

Proposed Strategic Themes

28. Based on the identified strategic drivers, the IESBA has developed four strategic themes to guide its actions in support of its strategic vision:
- Enhancing trust in sustainability reporting and assurance
 - Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
 - Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA’s standards
 - Widening the influence of the IESBA’s standards through a continued focus on adoption and implementation
29. The table below illustrates how these strategic themes connect to the strategic drivers, which in turn influence the IESBA’s strategic vision.

	STRATEGIC THEMES	STRATEGIC DRIVERS
STRATEGIC VISION	Enhancing trust in sustainability reporting and assurance	<ul style="list-style-type: none"> • Rapidly Growing Market Demand for Sustainability Information • Heightened Stakeholder Expectations for Greater Timeliness
	Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance	<ul style="list-style-type: none"> • The Expanding Roles of Professional Accountants in Business • Ongoing Impact of Technological Transformations • Heightened Stakeholder Expectations for Greater Timeliness • Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures
	Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA’s standards	<ul style="list-style-type: none"> • The Imperatives of Quality and Global Acceptance of the IESBA’s Standards • Global Operability of the IESBA’s Standards
	Widening the influence of the IESBA’s standards through a continued focus on adoption and implementation	<ul style="list-style-type: none"> • Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

¹⁰ See [2020-2021 Report on IESBA Accomplishments](#), page 14

Enhancing Trust in Sustainability Reporting and Assurance

30. Given the significant and rapidly growing market demand for sustainability information, the IESBA has agreed to take timely action to develop fit-for-purpose, globally applicable ethics (including independence) standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. This recognizes the essential role ethics and independence play in the production, reporting and assurance of sustainability information, and the major role of PAs in this regard. This strategic commitment will complement the sustainability reporting and assurance standards being developed by the ISSB and the IAASB, respectively.
31. As noted in the discussion of the strategic drivers above, a number of major jurisdictions have opened or are expected to open the market for sustainability assurance services to all providers, whether from or outside the accountancy profession. In this regard, as noted above, the IESBA approved a new [sustainability project](#) in December 2022 to develop profession-agnostic ethics and independence standards for sustainability assurance as well as ethics standards for sustainability reporting.

Strengthening the Code or Responding in Other Ways in Areas Beyond Sustainability Reporting and Assurance

32. As the accountancy profession evolves in response to developments such as disruptive technology and sustainability reporting, and in light of recurring major corporate failures around the world, new ethics or independence questions or challenges may arise that impact public trust in the work of PAs.
33. In addition, whilst significant changes have been made to the Code in recent years, regulators and oversight bodies have called on the IESBA to continue to maintain a focus on strengthening the International Independence Standards. The IESBA has also identified through its recent standard-setting work certain topics or areas where the Code could be further strengthened or enhanced.
34. Further, it is necessary for the IESBA to monitor emerging issues or developments in the external environment that may warrant standard-setting or other actions.

Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's standards

35. A rich array of perspectives from its stakeholder community serves the IESBA's goal of developing high-quality standards that are responsive to the public interest. In this regard, the IESBA will seek to enhance the level of input from parts of its stakeholder community it has not historically heard from to any significant extent, particularly investors and TCWG. Additionally, in the context of sustainability assurance, it will be important for the IESBA to engage with assurance service providers that are outside the accountancy profession if it is to achieve the goal of developing profession-agnostic ethics, including independence, standards that are widely accepted.
36. Under this strategic theme, coordination with other global standard setters, including the IAASB, ISSB and the International Public Sector Accounting Standards Board (IPSASB), will be important to develop globally interoperable standards that support trustworthy financial and non-financial reporting. It will also remain key for the IESBA to work closely with NSS to achieve globally operable standards and minimize standards fragmentation.
37. It will also be important for the IESBA to engage proactively with the global regulatory and oversight community to seek its input throughout the life-cycle of standard-setting projects. Given its constituencies, the support of that community will contribute to achieving wider global acceptance of the IESBA's standards.

Widening the Influence of the IESBA's Standards Through a Continued Focus on Adoption and Implementation

38. The Code provides a robust set of standards that govern and guide the ethical behavior of PAs, including the independence of auditors. Therefore, it is in the public interest to increase the extent of adoption of the latest enhancements to the Code across jurisdictions. Equally, it is in the public interest that the Code, with all its latest enhancements, is implemented effectively by PAs and firms.
39. The IESBA's standards play an essential complementary role vis-à-vis the reporting and assurance standards within the financial and non-financial information supply chains. The diagram below illustrates the overarching and complementary nature of the IESBA's standards next to reporting and assurance standards within the sustainability information supply chain.

SUSTAINABILITY STANDARDS INFRASTRUCTURE



Proposed Strategic Actions

Theme: Enhancing Trust in Sustainability Reporting and Assurance

40. The IESBA's proposed strategic actions for this theme include the following:
- In relation to sustainability information:
 - Developing fit-for-purpose ethics standards to support sustainability reporting by PAIBs and PAs in public practice (PAPPs).
 - Developing fit-for-purpose, profession-agnostic ethics (including independence) standards to support sustainability assurance.
 - Obtaining the support or endorsement of its new standards addressing sustainability reporting and assurance, as well as the related but a broader standard addressing the use of experts, from global regulators and oversight bodies and other key jurisdictional bodies.

Theme: Strengthening the Code or Responding in Other Ways in Areas Beyond Sustainability Reporting and Assurance

41. The IESBA's proposed strategic actions under this theme include the following:
- Progressing and completing ongoing projects in a timely manner (see Section III, Proposed Work Plan 2024 – 2027).

- With regards to new projects to commence during the new strategy period (see Section III, Proposed Work Plan 2024 – 2027):
 - Developing project plans to address the identified public interest issues.
 - Progressing the new projects in a timely manner and in accordance with the Work Plan.
- Maintaining an ongoing monitoring function on technology developments and considering how to best address public interest issues identified.
- Monitoring emerging issues or developments outside of sustainability and technology through the IESBA's Emerging Issues and Outreach Committee (EIOC) and responding appropriately to identified public interest issues through enhancements to the Code or other actions such as the development of NAMs in accordance with its general guidelines.

Theme: Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's standards

42. The IESBA's proposed strategic actions under this theme include the following:

- Proactively engaging with a broad range of stakeholders, including investors, regulators and oversight bodies, the corporate governance community, preparers, NSS, PAOs, accounting firms and the academic community. The IESBA will dedicate a special focus on engagement with the investor and corporate governance communities. The IESBA will also continue to engage with small and medium practices (SMPs) to guide its considerations of proportionality in developing the standards, among other matters of relevance to the SMP community.
- Proactively engaging with assurance providers independent of the accountancy profession to seek their input to the IESBA's development of profession-agnostic standards for sustainability assurance, and to promote the understanding, acceptance and use of those standards by those independent assurance providers.
- Pursuing coordination with the IAASB and ISSB to ensure that the new IESBA standards addressing sustainability reporting and assurance and the use of experts align with those of the IAASB and ISSB in an interoperable manner (see also Section "Coordination with the IAASB" below).
- Coordinating closely with the IAASB on matters of mutual interest with respect to other projects and work streams (see also Section "Coordination with the IAASB" below).

Theme: Widening the Influence of the IESBA's Standards Through a Continued Focus on Adoption and Implementation

43. The IESBA's proposed strategic actions under this theme include the following:

- Engaging in outreach around the world to raise awareness of the importance of ethics to the proper functioning and sustainability of financial markets and economies, and to promote further adoption of the Code, including its most recent enhancements, as well as adoption of the IESBA's new standards addressing sustainability reporting and assurance and the use of experts.
- Collaborating with IFAC to document the latest status of adoption of the IESBA's standards.
- Working with IFAC and other stakeholders to encourage more support for timely and accurate translations of the IESBA's standards and publications.
- Developing or facilitating the development of NAM to support the adoption and effective implementation of new or revised standards.
- Conducting post-implementation reviews to assess how effectively the implementation of the IESBA's recently issued standards meets the original objectives for developing them, and to identify any need for further enhancements.

Coordination with the IAASB

- 44.** The IESBA recognizes the strategic importance of working closely with the IAASB in the planning and delivery of its strategy and work program. At a broad level, the public interest concerns of their common stakeholders, such as trust in the work of auditors and in sustainability reporting and assurance, are relevant to both Boards. These broad concerns can in turn be disaggregated into concerns about specific aspects of audit quality, auditor independence, or ethical behavior. Whilst the IESBA and IAASB are independent Boards with separate remits, they need to consider these common matters in a coordinated manner in order to develop global standards that are fully interoperable and mutually reinforcing.
- 45.** Over the last few years, the two Boards have demonstrated a high level of coordination on a number of key projects at Board, Task Force and staff levels. These projects include:
- The IAASB's Quality Management projects
 - The IESBA's Quality Management-related Conforming Amendments and Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers projects
 - The IAASB's Group Audits project
 - The IESBA's Engagement Team – Group Audits Independence project
 - The IESBA's Definitions of Listed Entity and Public Interest Entity project
 - The IAASB's Listed Entity and Public Interest Entity project
 - The IESBA's Role and Mindset project
- 46.** At the strategic level, the two Boards have coordinated the development of their SWPs. Drawing on a number of similar strategic drivers, the IESBA has developed its proposed strategic themes to align broadly with the IAASB's strategic objectives. Such strategic alignment allows both Boards to better identify opportunities for coordination and synergy, whether in their technical projects or on other activities such as stakeholder outreach.
- 47.** At the technical level, the IESBA will continue to coordinate closely with the IAASB with regards to their ongoing projects, pre-committed and new work streams. Going forward, the two Boards will place greater focus on identifying matters of mutual interest at the initial information-gathering stage in their work streams in order that any technical coordination can commence at an early stage.
- 48.** The two Boards will also coordinate closely at an operational level. Such operational coordination is useful in improving the efficiency of their work processes and in the use of shared resources. In this regard, the implementation of the MG recommendations over the next few years provides an opportunity for the two Boards to implement common processes that are more streamlined, efficient and effective.

SECTION III: PROPOSED WORK PLAN 2024 – 2027

Key Considerations in Establishing and Delivering the Work Plan

Establishing the Work Plan

49. In establishing its Work Plan for 2024 – 2027, the IESBA agreed to:
- (a) Continue its ongoing projects, work streams and other activities at the commencement of the new strategy period (See Table A below); and
 - (b) Commence the pre-committed work streams during the new strategy period (See Table C below).
50. In determining the potential new topics for its Work Plan (see Table B below), the IESBA has considered the following, amongst other matters:
- Responses to the [Strategy Survey 2022](#), including feedback from the IESBA Consultative Advisory Group (CAG).
 - The scope and timelines for the Sustainability and Use of Experts projects, including the staff and volunteer resources allocated to the projects.
 - Recommendations from the TWG Phase 2 Report.
 - The Benchmarking Working Group's (BWG) Phase 1 Report, [Comparison of IESBA and US SEC/PCAOB Independence Frameworks](#).
 - The level of importance of each potential topic based on a number of key considerations, including the public interest benefits of addressing the topic, the relevance of the topic at a global level, the degree of urgency in responding to the identified issues, and the feasibility of undertaking the work within anticipated timelines and resources.
 - Discussions with the IAASB on addressing common strategic drivers and other matters of mutual interest.
 - The potential impact of transitioning to the new Board operating model post-MG reforms on matters such as available resources, the number of projects that can be undertaken concurrently, and project life cycle (see Section below "A New Board Operating Model").
51. When considering the length of each project and work stream, the Board has taken into account a number of factors that affect timelines, including:
- The nature, complexity and definition of the scope of the particular topic or matter being addressed.
 - The level of fact-finding, including stakeholder consultation, needed to establish an evidential basis for standard setting.
 - Board and agenda capacity.
 - The length of time required to complete the standard-setting due process, which may be between 12 to 36 months, depending on the nature, scope and complexity of the project.
 - The need for coordination with other standard-setting boards, in particular the IAASB and ISSB.

Delivering the Work Plan

52. To successfully meet the deliverables of the proposed Work Plan and to deliver high-quality standards that will address the identified public interest issues in a timely manner, the IESBA will draw on its full capacity, including plenary board meetings, a full-time Chair and 17 volunteer Board members (transitioning to a Board of 16 members post-MG reforms), and support from technical advisors as well as a team of technical and administrative staff.

A New Board Operating Model

- 53.** The MG Recommendations aim to support and enhance the development of high-quality ethics and auditing standards by the IESBA and IAASB, respectively, through the achievement of a multi-stakeholder Board structure, reinforcement of public interest considerations within the standards development process, and enhanced responsiveness to an accelerating pace of change. Under this new model, the standard-setting activities of both Boards will be undertaken in accordance with the Public Interest Framework (PIF). The PIF sets out how development and oversight of these standards are responsive to the public interest. The MG recommendations also reinforce the importance of close coordination between the IESBA and the IAASB on topics within their respective strategic work plans that are of mutual interest.
- 54.** The two Boards will begin transitioning to the new Board operating model from Q1 2024 to operationalize the MG recommendations. Under the new model, the Boards will focus on strategic matters to ensure public interest issues are addressed whilst the technical discussions and drafting of the standards will largely fall under the expanded role of the technical staff. To accommodate this new role, the Boards will progressively increase their technical staff complements, including securing secondees. In addition, the two Boards will also revise their due process to optimize efficiency whilst maintaining the robustness of the standard-setting process.
- 55.** During the transition period, the IESBA will continue to monitor its available resources and will adjust the timelines of its projects and work streams as needed.

Efficiency in Working Processes

- 56.** The IESBA recognizes the importance of taking stock of its working processes as part of good governance. Accordingly, the IESBA is committed to regularly reviewing its working processes and other governance matters at both Board and Staff levels to identify opportunities for improvement and to ensure that it stays on track to achieving its strategic vision through its four strategic themes.

Flexibility and Agility

- 57.** Throughout the strategy period, the deliverables and milestones within the Work Plan may change due to factors such as changes in project scopes, stakeholder feedback, changes in resources available, and improved working processes as well as the need to be responsive to environmental developments.
- 58.** Whilst committed to delivering its Work Plan, the IESBA will remain flexible and agile by revising its priorities to address urgent or unexpected issues in order to stay on track to achieving its vision.

Project and Work Streams Commenced Before 2024

- 59.** The IESBA anticipates that a number of projects and work streams will be carried forward to the new strategy period and completed during that period (see Table A). Refer to Appendix 1 for a description of these projects and work streams. Refer also to the IESBA's [project webpage](#) for more information about each project or work stream, including status and timeline.

Table A	
Ongoing Projects and Work Streams	Anticipated Status Q1 2024
Sustainability <ul style="list-style-type: none"> • Work Stream 1 – Independence • Work Stream 2 – Ethics 	Exposure draft
Use of Experts	Exposure draft
Collective Investment Vehicles, Pension Funds & Investment Company Complexes	Information gathering
Post-Implementation Review – NOCLAR	Information gathering

Sustainability

- 60. The IESBA approved the [Sustainability project](#) in December 2022. This project is divided into two work streams, one focusing on the development of profession-agnostic independence standards for sustainability assurance, and the other focusing on the development of ethics standards for sustainability reporting and assurance.
- 61. The IESBA is targeting approval of an exposure draft by Q4 2023.

Use of External Experts

- 62. The IESBA approved the [Use of Experts project](#) in December 2022. This project will address ethics and independence issues relating to the use of experts in audit, sustainability and other assurance engagements, and the use of experts in the preparation of financial and non-financial information and in the provision of other services.
- 63. The IESBA is targeting approval of an exposure draft by Q4 2023.

Collective Investment Vehicles (CIVs), Pension Funds and Investment Company Complexes

- 64. The IESBA anticipates commencing the information gathering stage of this work stream in Q4 2023.
- 65. The IESBA will review CIV and pension fund arrangements and their relationships with trustees, managers and advisors to ensure that the independence provisions and the application of the “related entity” definition in the Code remain fit for purpose with respect to these arrangements.
- 66. The IESBA will also review investment company complexes and consider whether the Code should be enhanced to address these structures, such as establishing new terms and definitions, and clarifying which entities or arrangements within such a complex should be considered as related entities of an audit client.

Post-Implementation Review – NOCLAR

- 67. The IESBA released the final pronouncement, [Responding to Non-Compliance with Laws and Regulations](#) (NOCLAR) in July 2016. The NOCLAR standard became effective in July 2017.
- 68. The IESBA will commence laying the groundwork for the NOCLAR post-implementation review in Q4 2023 and will establish the scope of, and approach to, the review.

Potential New Topics Identified

- 69. Table B below contains a list of topics that the IESBA has identified as potential work streams during the new strategy period. Refer to Appendix 1 for a fuller description of these topics.
- 70. The IESBA will consider feedback from stakeholders on the Consultation Paper when determining whether and, if so, which of these topics will be included in the SWP.
- 71. The IESBA will also consider factors including its ongoing assessment of priorities to achieve its vision (including any new topics identified from existing projects or work streams), as well as the need to allow time for adoption and implementation of its standards. When considering staff and Board capacity, the IESBA will take into account, among other things, the pre-committed work streams under Table C below as well as other activities such as rollout of new standards.

72. Whether any work streams will result in standard-setting projects will depend on due fact finding and consultation with stakeholders and establishing an evidential basis for standard-setting work. In some circumstances, the IESBA might determine that the most appropriate way to address identified issues would be through means other than developing new or revised standards, for example, by commissioning non-authoritative guidance material.

Table B
Potential Work Streams Under Consideration
Role of CFOs and Other Senior PAIBs
Business Relationships
Audit Firm – Audit Client Relationship
Definitions and Descriptions of Terms
Custody of Data
Communication with Those Charged with Governance

Role of CFOs and Other Senior PAIBs

73. Under this potential work stream, the IESBA would gather information on the evolving roles of CFOs, including those in equivalent positions within the public sector, and other senior PAIBs to identify and understand the ethics issues and challenges faced by these PAIBs.
74. This potential work stream may also involve the consideration of whether Parts 1 and 2 of the Code need further enhancement to support PAIBs in addressing these ethics issues, taking into account the revisions already made under recent projects, such as the Role and Mindset and Technology projects, as well as issues that are being addressed under the Sustainability and Use of Experts projects.
75. This potential work stream will be undertaken in collaboration with stakeholders such as IFAC’s PAIB Advisory Group and PAOs with a strong PAIB membership base.

Business Relationships

76. Section 520¹¹ of the Code addresses threats to independence arising from business relationships an audit firm, network firms and audit team members might have with an audit client or its management, with the provisions focused on “close business relationships.”
77. Under this potential work stream, the IESBA would review the different types of relationships that firms, network firms and audit team members might have with audit clients and their management and consider whether Section 520 sufficiently addresses the independence issues that may arise from these relationships. In undertaking this review, the IESBA will take into account the revisions already made under the Technology Project. As part of this potential work stream, the IESBA may also consider whether materiality and significance should be retained as criteria for exceptions to certain business relationships as well as loans and guarantee arrangements under Section 511 of the Code.¹²
78. As the IESBA explores these business relationships in a broader context, the IESBA may also consider whether the provisions in Parts 1 and 3 of the Code remain relevant in addressing the ethics implications of business relationships.

¹¹ Section 520, *Business Relationships*

¹² Section 511, *Loans and Guarantees*

Audit Firm – Audit Client Relationship

79. Under this potential work stream, the IESBA would consider whether it continues to remain appropriate to use the term “audit client” in the International Independence Standards as opposed to the “audited entity” or the “entity subject to audit.” This recognizes that the ultimate beneficiary client is not the entity itself or its management but the entity’s owners or shareholders.
80. During its Fees project completed in December 2020, the IESBA acknowledged that the inherent risk related to the audit client payer model is part of the broader topic of the “audit firm–audit client” relationship and that it is not exclusively a fee-related issue. Accordingly, the IESBA determined that the matter of the inherent threats arising from the client relationship was outside the remit of the Fees project. As part of this potential work stream, the IESBA would examine more broadly the “audit firm–audit client” relationship and explore whether the Code in its entirety continues to provide a framework that addresses the potential ethical impact arising from such client relationship. Some of the issues identified under this potential work stream may also have implications on how the IESBA may address the topic of business relationships.

Definitions and Descriptions of Terms

81. There are differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. Under this potential work stream, the IESBA would seek to align the definitions of the terms used in the Code with the corresponding IAASB definitions to the greatest extent possible. As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity and improve the interoperability of the two Boards’ standards, making it easier for adoption and implementation, including translation.
82. A second component of this potential work stream may include a review of how certain terms are currently defined in the Code, such as “employee” and “engagement period.” In addition, this work stream will also review whether the terms “professional accountant in public practice” and “professional accountant in business” in the Code require clarification.

Custody of Data

83. Data is the foundation of all financial and non-financial reporting. It impacts both PAPPs and PAIBs in all their professional activities. If data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access, there may be significant consequences to an employing organization or client.
84. Under this potential work stream, the IESBA would investigate the ethics implications of a PA’s custody of financial or non-financial data belonging to clients, customers, or other third parties, taking into account the recent revisions to the Code under the Technology project. There may also be a consideration of whether the Code sufficiently addresses these issues, including whether there is a need to establish a new section in Part 3 of the Code to capture the ethics considerations relating to the custody of data, similar to how Section 350 of the Code addresses custody of client assets.¹³

Communication With Those Charged With Governance

85. When PAs use external experts or consultants in relying on technology, communication with TCWG could help to further strengthen the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants. This concept is not unique to technology but is also relevant to other areas, such as tax planning as well as sustainability reporting. There is therefore an opportunity to incorporate provisions addressing such communication into the Code more generally so that it can be considered under all circumstances.

¹³ Section 350, *Custody of Client Assets*

86. Under this potential work stream, the IESBA would consider whether there would be merit in adding new provisions relating to “communication with those charged with governance” in Sections 200 and 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PAs’ compliance with the fundamental principles, and, where applicable, independence requirements. The IESBA will also take into account the outputs of its Use of Experts project.

Pre-committed Work Streams to Commence during or after Q1 2024

87. Table C below contains a list of work streams that the IESBA has pre-committed to undertaking as part of the current SWP or as a result of recently completed projects. These pre-commitments will only commence during or after Q1, 2024. Refer to Appendix 1 for a description of these work streams and Appendix 2 for the rationale for the IESBA’s initial assessment of demand on resources.

Table C Pre-committed Work Streams	Anticipated Demand on Resources	Possible Commencement
Post-Implementation Review – Long Association Phase 2	Medium	Q4 2024
Post-Implementation Review – Restructured Code	Medium	Q1 2025
Post-Implementation Review – Non-Assurance Services and Fees	High	Q4 2027
Post-Implementation Review – Definition of Public Interest Entity	Medium	Q4 2027

Post-Implementation Review – Long Association Phase 2

88. In January 2017, the IESBA released the Close-off Document, [Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#) (Long Association close-off document).
89. Phase 1 of the post-implementation review was completed in December 2021 with the Board determining not to extend or vary the “jurisdictional provision.”¹⁴ Phase 2 will review how effectively the other revised long association provisions in the Code are being implemented in practice (taking into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as mandatory firm rotation and mandatory retendering).

Post-Implementation Review – Restructured Code

90. The restructured Code became effective in June 2019. This post-implementation review will assess whether its implementation around the world is effectively meeting the objectives of the project, focusing on the broader issues of usability, translatability and application.
91. To achieve synergies, the IESBA anticipates undertaking the Long Association Phase 2 post-implementation review in conjunction with the post-implementation review of the restructured Code.

Post-Implementation Review – Non-Assurance Services and Fees

92. The IESBA released the final pronouncements, [Revisions to the Non-Assurance Service Provisions of the Code](#) (NAS provisions) and [Revisions to the Fee-Related Provisions of the Code](#) (Fees provisions), in April 2021. The NAS and Fees provisions became effective in December 2022.

¹⁴ Section 540, *Long Association of Personnel (Including Partner Rotation) With an Audit Client*, paragraph 540.19

93. These post-implementation reviews will, amongst other matters, assess the status of adoption and implementation of the revised NAS and Fees provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board’s rationale for those provisions, the application of the provisions at the local level and any other implementation issues.

Post-Implementation Review – Definition of Public Interest Entity

94. The IESBA released the final pronouncement, [*Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*](#) (PIE revisions), in April 2022. The PIE revisions will become effective in December 2024.
95. The post-implementation review will, amongst other matters, assess the status of adoption and implementation of the revised PIE provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board’s rationale for those provisions, refining the definition at the local level and any other implementation issues.
96. To achieve synergies and to gain a holistic understanding of the full impact of these revised provisions, the IESBA anticipates undertaking the NAS and Fees post-implementation reviews in conjunction with the post-implementation review of the PIE revisions.

Other Activities

97. In addition to the standard-setting projects and work streams set out in Tables A, B and C above, the following activities will also continue during this strategy period with dedicated Board and Staff resources as well as Board plenary time as needed.

Environmental Scans

98. The IESBA will continue to monitor relevant external developments through its EIOC with a view to determining whether there is a need for any changes to the Code, the commissioning of IESBA Staff publications, or other actions. The EIOC will advise the Board on (a) any emerging issues that may warrant attention outside of the normal strategic planning process, and (b) the scope and focus of, and approach to, outreach to stakeholders. The IESBA anticipates semi-annual discussions on the relevant matters flowing from this work stream throughout the strategy period.
99. The IESBA will also continue to monitor the changing technology landscape and its ethics impact on the financial and non-financial information reporting ecosystems and the accountancy profession, and determine the need for further information gathering or other action.

Outreach

100. The IESBA will mobilize its Board members, technical advisors and Staff to pursue a proactive and extensive stakeholder outreach agenda to reinforce the centrality of ethics to public trust in business and organizations, raise awareness about the IESBA’s work and socialize its standard-setting proposals and thought leadership, promote the Code and its adoption and effective implementation worldwide, and engage with stakeholders on other matters of mutual interest.

Development of NAMs

101. The IESBA will continue commissioning Staff publications and other implementation resources that address technical matters or explain new or revised standards, such as Bases for Conclusions, Q&As, staff alerts, fact sheets and global webinars.
102. The IESBA will also seek to facilitate the development of other NAMs through partnership with other stakeholders such as IFAC, NSS and PAOs.

Indicative Milestones and Deliverables

103. Appendix 3 presents an illustrative work plan indicating possible milestones for Tables A and C. The IESBA plans to conduct a review of the progress of its work streams and update its work plan as needed, including to reflect any new work streams it determines to prioritize, in Q4 2024. Descriptions of Projects and Work Streams

Descriptions of Projects and Work Streams

Project and Work Streams Commenced Before 2024

Sustainability

In early 2022, the IESBA established a Sustainability Working Group to guide its standard-setting actions in relation to sustainability reporting and assurance. The IESBA expressed a firm commitment to take timely action to develop fit-for-purpose, globally applicable ethics and independence standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting.

In October 2022, the IESBA issued a [staff publication](#) to highlight the relevance and applicability of the Code to several ethics challenges arising from PAs' involvement in sustainability reporting and assurance, especially circumstances related to greenwashing.

In December 2022, the IESBA approved its Sustainability project to develop:

- (a) Profession-agnostic independence standards for use by all sustainability assurance practitioners (i.e., PAs and other professionals performing sustainability assurance engagements).
- (b) Specific ethics provisions relevant to sustainability reporting and assurance.

This project is divided into two work streams, one focusing on the independence issues relating to sustainability assurance and the other focusing on the ethics considerations for both sustainability reporting and assurance.

The IESBA is targeting approval of an exposure draft by Q4 2023.

Use of Experts

A number of stakeholders as well as the PIOB have asked the IESBA to consider whether external experts used in audit engagements should be subject to independence requirements. This question has also arisen in the IESBA's deliberations in other projects, including its recently completed Engagement Team – Group Audits project. Further, the IESBA recognizes that there is a need to consider the ethics and independence implications of using experts in relation to sustainability reporting and assurance as well as in supporting the work of PAIBs in employing organizations and PAPPs in providing other professional services.

In December 2022, the Board approved its Use of Experts project to address:

- The ethics and independence considerations with respect to the use of external experts in audit, sustainability and other assurance engagements.
- The ethics considerations with respect to the use of experts in the preparation and presentation of financial and non-financial information as well as the provision of other services.

This project will be progressed in parallel with the two Sustainability work streams. The IESBA is targeting approval of an exposure draft by Q4 2023.

Collective Investment Vehicles, Pension Funds and Investment Company Complexes

The IESBA had included collective investment vehicles (CIVs) and post-employment benefits (PEBs) in the proposed list of mandatory public interest entity (PIE) categories set out in the exposure draft, [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE ED). Having reflected on the feedback from respondents to the PIE ED, the IESBA agreed to remove CIVs and PEBs from the mandatory list. In reaching this conclusion, the IESBA acknowledged that these types of arrangements are much more diverse in structure, governance and size than deposit-taking institutions and insurers. The IESBA determined that the inclusion of these categories in the list of mandatory PIE categories may inadvertently impose a disproportionate burden on local regulators and NSS to determine what should be scoped in or out. In reaching this conclusion, and with the PIOB's concurrence, the IESBA agreed to conduct a holistic review of CIVs and PEBs.

The IESBA will review CIV and pension funds arrangements and their relationships with trustees, managers and advisors, acknowledging that a better understanding of these arrangements is important to ensure that the independence provisions and the application of the "related entity" definition in the International Independence Standards remain fit for purpose, given the potential significant adverse impact on the public in the event of financial failures amongst CIVs and PEBs.

The IESBA will also consider whether the Code should be enhanced to address investment company complexes, such as whether a new definition should be established in the Code and which entities or arrangements within such a complex should be considered as related entities of an audit client. As part of its review, the IESBA will take into account the United States Securities and Exchange Commission (US SEC) rules on its treatment of investment company complexes, as highlighted in the BWG Phase 1 Report.

Given the complexity of these arrangements or structures and the degree of variation across jurisdictions, the IESBA will proceed cautiously before determining whether there is a need to revise the Code. In the first instance, the IESBA will conduct the necessary research and outreach with key stakeholders to fully understand the issues.

Post-Implementation Review – NOCLAR

The IESBA released the final pronouncement, [Responding to Non-Compliance with Laws and Regulations](#) (NOCLAR), in July 2016. The NOCLAR standard became effective in July 2017.

The NOCLAR standard introduced an ethical framework to guide PAs, including auditors, in deciding how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR. Amongst other matters, the standard provides a clear pathway for auditors and other PAs to disclose identified or suspected NOCLAR to appropriate authorities in certain situations without being constrained by the ethical duty of confidentiality. The standard also places renewed emphasis on the role of senior-level PAIBs in promoting a culture of compliance with laws and regulations and prevention of NOCLAR within their organizations.

Potential New Topics Identified

Role of CFOs and Other Senior PAIBs

The expectations on, and work performed by, PAIBs continue to evolve in response to significant trends, such as:¹⁵

- A recognition that financial reporting no longer delivers all the information required by investors, capital markets and other stakeholders.
- The unprecedented increase in regulatory and compliance requirements as well as business risks stemming from issues such as climate change, cybercrime, fraud and corruption, which in turn have increased uncertainty and complexity in decision-making.
- The increase in pressure by organizations to deliver greater value at a lower cost. Investments in new technology are also driving new ways to create value.

¹⁵ <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/future-fit-accountants-roles-next-decade>

Amidst these trends, the role of CFOs and the financial function within organizations is rapidly changing and expanding beyond just managing the balance sheet.¹⁶ The CFO's remit now extends into strategy, enterprise risk management, performance management, and communicating the organization's story to the outside. New technology has also created both new challenges and opportunities for CFOs and the finance function.

Additionally, market demand for sustainability information requires CFOs to expand their focus on non-financial information. One of the key roles of the CFO and finance function is to establish clear links between financial and non-financial metrics in order to drive financial value linked to revenue and operating margins. With their expanded roles, the CFO must help to deliver trust and confidence in the governance of the organization, the quality of its data and reporting, as well as providing ethical leadership and a constructive challenge mindset.

Under this potential work stream, the IESBA would gather information into the evolving roles of CFOs, including those in equivalent positions within the public sector, and other PAIBs in senior roles, including identifying and understanding the ethics issues and challenges these PAIBs may face due to their changing roles.

The IESBA will consider whether Parts 1 and 2 of the Code need further enhancement to support senior PAIBs in addressing these ethical issues and challenges, taking into account the revisions already made under recent projects, such as the Role and Mindset and Technology projects, as well as those issues that are being addressed under the Sustainability and Use of Experts projects. Part 2 of the Code already contains some provisions that are focused on senior PAIBs, such as those in the NOCLAR standard.¹⁷

Business Relationships

Section 520¹⁸ of the Code addresses threats to independence arising from business relationships that an audit firm, network firms and audit team members might have with an audit client or its management, with the provisions focused on "close business relationships." However, the Code does not define the term "business relationship." Whilst the concept of "close business relationship" in Section 520 focuses on a "mutuality of interests" such as joint ventures and combining services or products with those of an audit client, there is a view that "business relationship" is a broader concept, i.e., consisting of any commercial arrangement.

Some respondents to the Strategy Survey have observed a growing number of activities between firms and their audit clients that involve different business relationships, noting that issues relating to these relationships arise quite often and can be complicated. Similarly, the TWG also noted in its Phase 2 Report that the accountancy profession is seeing the rise in strategic and commercial relationships between accounting firms and technology companies.

In its response to the Strategy Survey, IOSCO also recommended that the IESBA consider whether materiality and significance should be removed as criteria for exceptions to the prohibition of a close business relationship under Section 520 as well as the prohibition of making or guaranteeing a loan to an audit client under Section 511. In this regard, the IESBA noted the findings from its BWG Phase 1 report that highlighted differences between the requirements in the Code and the US SEC rules with respect to such business and financial relationships.

Under this potential work stream, the IESBA would initially gather information on developments in business arrangements between firms and their clients, including further research into the technology-related business arrangements noted in the TWG Phase 2 Report. The IESBA will also conduct a holistic review of Section 520 to determine whether the Code continues to be relevant in addressing the independence considerations relating to these arrangements, including whether there is a need to develop a definition for the term "business relationship." As part of this potential work stream, the IESBA may also consider whether materiality and significance should be retained as criteria for exceptions to certain business relationships (Section 520) as well as loans and guarantee arrangements (Section 511). As the IESBA gains an understanding of these business relationships in a broader context, the IESBA may also consider whether the provisions in Parts 1 and 3 of the Code continue to remain relevant in addressing the ethics implications of these relationships.

¹⁶ <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/vision-cfo-finance-function>

¹⁷ Section 260, *Responding to Non-Compliance with Laws and Regulations*

¹⁸ Section 520, *Business Relationships*

Audit Firm – Audit Client Relationship

Under this potential work stream, the IESBA would consider whether it continues to remain appropriate for the Code to use the term “audit client” in the International Independence Standards as opposed to the “audited entity” or “entity subject to audit.” This recognizes that the ultimate beneficiary client is not the entity itself or its management but the entity’s owners or shareholders.

As part of its [Fees](#) project, the IESBA concluded that the Code should recognize the inherent self-interest threat in the audit client payer model whereby the party responsible for the subject of an examination directly pays the examiner. The IESBA, however, agreed with the view that the inherent risk related to the audit client payer model is part of the broader topic of the “audit firm–audit client” relationship, and that it is not exclusively a fee-related issue. Accordingly, the IESBA determined that this matter of the inherent threats arising from the client relationship was outside the remit of the Fees project. As part of this potential work stream, the IESBA would examine more broadly the “audit firm–audit client” relationship and explore whether the Code in its entirety continues to provide a framework that addresses the potential ethical impact arising from such client relationship. Some of the issues identified under this potential work stream may also have implications on how the IESBA may address the topic of business relationships.

Definitions and Descriptions of Terms

There are differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. These terms include financial statements; firm; independence; review engagement; and special purpose financial statements.

Under this potential work stream, the IESBA would seek to align the definitions of terms used in the Code with the corresponding IAASB definitions to the greatest extent possible. As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity, improve the interoperability of the IESBA’s and IAASB’s standards, and make it easier for adoption and implementation, including facilitating translations. Respondents to the Strategy Survey were supportive of this alignment exercise.

A second component of this work stream may include a review of how certain terms are currently defined in the Code, including:

- **Audit team** – Whether the definition of “audit team” should be broadened to include individuals within the firm who may be in a position to influence the conduct or outcome of an audit by removing references to individuals in a position to “directly influence” the outcome of an engagement. It has been argued that such a broadening of the definition would better reflect the complexity of organization and influence within audit firms. There is also a view that such a change would address the risk that an ability to influence is seen purely as a structural consideration (related to the position of an individual in a firm), instead of driving the assessment through a consideration that captures all those who have the ability to influence and are relevant to the engagement.
- **Employee** – Whether the term “employee” should include individuals who may act in the capacity of an employee, such as a contractor of an audit client, instead of only covering actual employees of an audit client.
- **Engagement Period** – Whether it remains appropriate to limit the concept of “engagement period” to the date the audit report is issued as the auditor has further responsibilities under auditing standards, such as addressing the effect on the opinion of matters that come to the auditor’s attention after the conclusion of the audit.
- **Firm** – Whether the term “firm” is too narrowly defined and whether a firm could have non-member employees, as well as clarifying the responsibility of PAs for employees who are not PAs.
- **Network Firm** – Whether the concept of a “network firm” should place more focus on the exercise of judgment instead of being circumscribed by a list of examples of situations that might indicate the existence of a network. There is also a view that borders between associations and networks are increasingly diffuse, and there is therefore a need to consider any potential Code implications that might impact the definition of a network firm. It has also been noted that whilst the

definition of “network firm” is sufficiently broad in the Code, the definition of “firm” is potentially narrow in its references to structures known to exist today and that this might become limiting for the future.

- **Professional Accountant** – Whether the definition of “professional accountant” should include retired or inactive PAs.

In addition, this work stream may also include a review of whether the terms “professional accountant in public practice” and “professional accountant in business” in the Code require further clarification. The IESBA’s Applicability project, finalized in 2017, addressed the applicability of Part 2 of the Code to PAPPs. As part of this project, there were suggestions as to whether the definitions of a PAPP and a PAIB should be revised.

The Code defines a PAPP to be a PA, irrespective of functional classification, in a firm that provides professional services. It has been brought to the IESBA’s attention that there is no clear limitation in the definition of a PAPP to those who actually provide professional services. The extant definition, however, appears to include any PAs in a firm that provides professional services. This could be interpreted to include PAs in roles other than providing professional services, such as in finance or IT. Conversely, the Code defines a PAIB to include any PAs employed or engaged in a variety of areas, including service. If it is intended that a firm providing professional services is in a “service” industry, then prima facie any PAs working in that service organization, including those providing professional services, are also PAIBs.

Custody of Data

Data is the foundation of all financial and non-financial reporting, and impacts both PAPPs and PAIBs. As highlighted in the TWG Phase 2 Report, holding data is becoming increasingly common and important, given that most organizations are flooded with data, and services provided by firms and activities carried out by PAs are increasingly performed digitally. If data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access (including, for example, a breach of privacy), there is, at the very least, a reputational loss, if not financial and legal consequences, to the organization or firm.

As part of its Technology project, the IESBA introduced new provisions to Subsection 606¹⁹ of the Code clarifying the circumstances under which the storing or hosting of data are examples of IT systems services that will result in the assumption of a management responsibility. The IESBA also strengthened the Code in relation to confidentiality by including new provisions on maintaining the confidentiality of information acquired in the course of professional or business relationships, and seeking consent to use or disclose confidential information.

Under this potential work stream, the IESBA would further investigate the ethics implications of a PA’s custody or holding of financial or non-financial data belonging to clients, customers, or other third parties. There may also be a consideration of whether the Code sufficiently addresses these issues, including whether there is a need to establish a new section in Part 3 to capture the ethics considerations relating to the custody of data, along the lines of Section 350 of the Code relating to custody of client assets.

Communication With Those Charged With Governance

The IESBA’s NAS and Fees projects have enhanced the provisions in the International Independence Standards relating to communication with TCWG on the provision of NAS and fees-related matters, particularly with respect to a PIE audit client. In addition, the revisions arising from the Technology project have further strengthened the Code’s requirement for PAs to

make a client, an employing organization, or other users of the accountant’s professional activities or services aware of the limitations inherent in the activities and explain the implications of those limitations.

As highlighted in the TWG Phase 2 Report, there is potential “over-reliance” on an expert or consultant that a PA uses to develop or implement technology, or to provide advice on a technology-related issue (e.g., cybersecurity risks). The revisions arising from the Technology project provide guidance to PAs when using the output of technology. However, when PAs use experts or consultants in relying on technology, communication with TCWG could help to further strengthen the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants.

¹⁹ Subsection 606, *Information Technology Systems Services*

For example, communication with TCWG could include the nature and scope of a technology expert's service, and the plan for managing and monitoring the system in the future if the expert's service is a limited-term engagement. For PAIBs in particular, strengthening such communication could be helpful given the increasing inter-disciplinary interactions and multi-disciplinary teams involved when developing or implementing technology. This is because such communication can make it explicit to TCWG where the responsibility for the oversight of the development, implementation, or use of technology lies (i.e., it could range from PAs to IT professionals, such as data scientists, technologists, and engineers).

Nevertheless, the concepts of transparency and accountability for PAs to minimize their potential "over-reliance" on such experts or consultants are not unique to technology (i.e., they also apply in tax planning, sustainability reporting, etc.). There is therefore an opportunity to incorporate provisions addressing such communication into the Code more generally so that it can be considered under all circumstances.

Under this potential work stream, the IESBA would consider whether there would be merit in adding new provisions relating to communication with those charged with governance in Sections 200 and 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PAs' compliance with the fundamental principles, and, where applicable, independence requirements. For auditors, this work stream will consider the interaction with requirements already contained in ISA 260 (Revised), *Communication with Those Charged With Governance*. The IESBA will also take into account the outputs of its Use of Experts project.

Pre-committed Work Streams to Commence during or after Q1 2024

Post-Implementation Review – Long Association Phase 2

In January 2017, the IESBA released the Close-off Document, [Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#) (Long Association close-off document).

The final Long Association provisions contain a number of substantive improvements, including a strengthened partner rotation regime for audits of PIEs as well as a "jurisdictional provision" (paragraph R540.19)²⁰ as a transitional measure. This jurisdictional provision is effective only for audits of financial statements for periods beginning prior to December 15, 2023. The jurisdictional provision is intended to facilitate the transition to the required cooling-off period of five consecutive years for engagement partners in those jurisdictions where the legislative body or regulator (or organization authorized or recognized by such legislative body or regulator) has specified a cooling-off period of less than five consecutive years.

The post-implementation review of the Long Association provisions is to be carried out in two phases. At its December 2021 meeting, the IESBA finalized its Phase 1 review and agreed that it should take no action to extend or otherwise vary the jurisdictional provision. Accordingly, the jurisdictional provision will no longer be available for audits of financial statements for periods beginning on or after December 15, 2023.

Phase 2 will review how effectively the other revised long association provisions in the Code are being implemented in practice (taking into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as mandatory firm rotation and mandatory retendering). This phase, originally due to commence in Q2 2023, has been rescheduled as a pre-committed work stream for the Work Plan 2024 – 2027.

Post-Implementation Review – Restructured Code

In restructuring the Code, the IESBA aimed to enhance its understandability and usability, thereby facilitating its adoption, effective implementation, consistent application, and enforcement. The project, which was completed in December 2017, involved extensive restructuring and redrafting of the Code. The restructured Code became effective in June 2019.

²⁰ The jurisdictional provision refers to paragraph R540.19 of the restructured Code:

"Where a legislative or regulatory body (or organization authorized or recognized by such legislative or regulatory body) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraphs R540.11, R540.14 and R540.16(a) provided that the applicable time-on period does not exceed seven years."

The post-implementation review of the restructured Code will assess whether its implementation around the world is effectively meeting the objectives of the project. This implementation review will focus only on broader issues of usability, translatability and application, and not on the substantive changes to various sections that are now included in the restructured Code.

The IESBA had planned for this work stream to commence in Q2 2023 to allow sufficient time for the restructured Code to bed down and for jurisdictions and firms of all sizes to gather sufficient experience in implementing it. This work stream has been rescheduled as a pre-committed work stream for the Work Plan 2024 – 2027.

To achieve synergies, the IESBA anticipates undertaking the Long Association post-implementation review in conjunction with the post-implementation review of the restructured Code.

Post-Implementation Review – Non-Assurance Services and Fees

The IESBA released the final pronouncements, [Revisions to the Non-Assurance Service Provisions of the Code](#) (NAS provisions) and [Revisions to the Fee-Related Provisions of the Code](#) (Fees provisions), in April 2021. The NAS and Fees provisions became effective in December 2022.

The revised NAS provisions contain substantive revisions that enhance the International Independence Standards by clarifying and addressing the circumstances in which firms and network firms may or may not provide a NAS to an audit or assurance client. The revised provisions include new requirements that expressly prohibit firms and network firms from providing certain types of NAS to their audit clients, especially when they are PIEs.

The revisions to the fee-related provisions of the Code include a prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client; in the case of PIEs, a requirement to cease to act as an auditor if the fee dependency on the audit client continues beyond a specified period; communication of fee-related information to TCWG and to the public to assist their judgments about the firm’s independence; and enhanced guidance on identifying, evaluating and addressing threats to independence.

These post-implementation reviews will, amongst other matters, assess the status of adoption and implementation of the revised NAS and Fees provisions across jurisdictions, and identify any key issues relating to the understandability of the provisions and the Board’s rationale for those provisions, their application at the local level, and any other implementation matters.

Post-Implementation Review – Definition of Public Interest Entity

The IESBA released the final pronouncement, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE revisions), in April 2022. The PIE revisions will become effective in December 2024.

The PIE revisions include an expanded definition of “public interest entity” in the Code by specifying a broader list of PIE categories, including a new category “publicly traded entity” to replace the category “listed entity.” The revised provisions also recognize the essential role local bodies responsible for the adoption of the Code play in delineating the specific entities that should be scoped in as PIEs in their jurisdictions. The revised provisions encourage the local bodies to properly refine the PIE categories in the expanded definition and add any other categories relevant to their environments. Further, the revisions introduce a transparency requirement for firms to publicly disclose the application of independence requirements for PIEs where they have done so.

This post-implementation review will, amongst other matters, assess the status of adoption and implementation of the revised PIE provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board’s rationale for those provisions, refining the definition at the local level, and any other implementation matters.

To achieve synergies and to gain a holistic understanding of the full impact of these revised provisions, the NAS and Fees post-implementation reviews will be undertaken in conjunction with the post-implementation review of the revised PIE definition.

Rationale For Anticipated Demand on Resources

The following tables provide the rationale for the IESBA's initial assessment of the level of resources needed for the pre-committed work streams (Table C).

Table C Pre-committed Work Streams	Anticipated Demand on Resources	Rationale
Post-Implementation Review – Long Association Phase 2	Medium	Average amount of research anticipated to understand how Section 540 has been implemented in jurisdictions and its interaction with local regimes (such as mandatory firm rotation and mandatory re-tendering) to address the threats created by long association.
Post-Implementation Review – Restructured Code	Medium	Average amount of research anticipated to understand how effectively jurisdictions have implemented the restructured Code, any further challenges concerning the understandability of the provisions, and any practical challenges concerning the usability and translatability of the restructured Code.
Post-Implementation Review – NAS and Fees	High	Significant effort anticipated in understanding how the revisions have been adopted and implemented at a local level, and any practical challenges firms have encountered in operationalizing the revised provisions.
Post-Implementation Review – Definition of PIE	Medium	Average amount of research anticipated to gain an understanding of how jurisdictions have implemented the PIE revisions at a local level, including any additional PIE categories.

Summary Illustrative IESBA Work Plan 2024-2027

This *illustrative* work plan is only intended to indicate at a broad level possible milestones or deliverables for various projects and work streams based on considerations at the time this SWP is finalized. It will be updated with additional new work streams, subject to stakeholders' feedback on the potential new topics identified and other matters set out in this consultation paper. The nature and timing of milestones and deliverables may change.

Work Stream	Anticipated Demand on Resources	Milestones			
		2024	2025	2026	2027
Current Project					
Sustainability – Independence	H	Final pronouncement	Rollout		
Sustainability – Ethics	H	Final pronouncement	Rollout		
Use of External Experts	H	Final pronouncement	Rollout		
CIVs & Pension Funds	H	Fact finding	ED	Final pronouncement & rollout	
PIR – NOCLAR	M	Fact finding	WG recommendation		
Pre-Committed Work Streams					
PIR – Long Association Phase 2	M	Fact finding	WG recommendation		
PIR – Restructured Code	M		Fact finding	WG recommendation	
PIR – NAS and Fees	H				Fact finding
PIR – PIE	M				Fact finding
Other Activities					
EIOC	L	Discussion	Discussion	Discussion	Discussion
Outreach	M	Ongoing	Ongoing	Ongoing	Ongoing
NAM	L	Ongoing	Ongoing	Ongoing	Ongoing

The *International Code of Ethics for Professional Accountants (including International Independence Standards)*, Exposure Drafts, Consultation Papers, and other IESBA publications are copyright of IFAC.

The IESBA, IFEA and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The 'International Ethics Standards Board for Accountants', '*International Code of Ethics for Professional Accountants (including International Independence Standards)*', 'International Federation of Accountants', 'IESBA', 'IFAC', and the IESBA logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

The 'International Foundation for Ethics and Audit' and 'IFEA' are trademarks of IFEA, or registered trademarks and service marks of IFEA in the US and other countries.

Copyright © April 2023 by the International Federation of Accountants (IFAC). All rights reserved. Permission is granted to make copies of this work to achieve maximum exposure and feedback provided that each copy bears the following credit line: "Copyright © April 2023 by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Permission is granted to make copies of this work to achieve maximum exposure and feedback."

