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Sent by email:
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Brussels, 13 July 2018

Subject: Accountancy Europe's response to the IESBA Consultation Paper on the *Proposed Strategy and Work Plan, 2019 – 2023*

Dear Mr. Ken Siong,

Accountancy Europe is pleased to provide you with its comments on the IESBA Consultation Paper on the Proposed Strategy and Work Plan, 2019 – 2023.

We welcome the IESBA's dynamic approach to its strategy and workplan that considers emerging trends and developments impacting the environment in which the profession operates. We also very much welcome the affirmation that the IESBA will continue to vigorously promote the fundamental principles and the conceptual framework which are the stable pillars underpinning the Code. We are strong believers that only principles-based standards will provide a solid basis to ensure the Code is future ready.

We consider that the proposed Strategy and Work Plan are ambitious and we recommend focussing on key priorities. In particular, we note that the Board's agenda is very ambitious, especially for the second half of the Work Plan period. Considering the current context of reassessing the global structure of the standard-setting model, a longer timeframe should be projected to implement the proposed Strategy and Work Plan. Sufficient time should also be allocated to address unexpected developments that may arise.

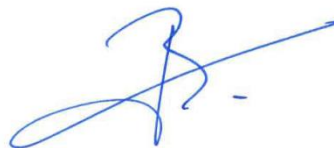
We expect the IESBA to adopt a transparent process for analysing the responses received from stakeholders and for the conclusions drawn following this public consultation.

For further information on this Accountancy Europe letter, please contact Noémi Robert on +32 2 893 33 80 or via email at noemi@accountancyeurope.eu or Mihai Calin on +32 488 55 25 44 or via email at mihai@accountancyeurope.eu.

Sincerely,



Edelfried Schneider
President



Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 37 countries that represent **1 million** professional accountants auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18)

ANNEX – RESPONSES TO THE IESBA REQUEST FOR SPECIFIC COMMENTS

Section II: Key considerations guiding the establishment of the work plan

CRITERIA FOR DETERMINING ACTIONS AND PRIORITIES

Question 1: Do you agree with the proposed criteria for the IESBA to determine its actions and priorities over the strategy period?

We agree with the proposed criteria – i.e. the benefits to the public interest, the pervasiveness of the matter, the degree of urgency, the global relevance of the matter and the proposed action’s feasibility.

The criteria of ‘global relevance’ and ‘global operability’ should be made more prominent than the other criteria. These criteria are strategically important in determining the IESBA’s actions and priorities due to the diversity of the profession and in the context of the recent revision of the Code. The global relevance of the Code is supported by high-quality principles-based standards that can operate on a global level. We highlight that the IESBA’s commitments should be aligned with these strategic criteria.

Section IV: PROPOSED ACTIONS, PRIORITIES AND TIMING

PROPOSED ACTIONS FOR 2019-2023, PRIORITIES AND TIMING

Question 2: Do you support the actions that have been identified with respect to each strategic theme? If not, please explain why.

We agree with the strategic themes and generally support the proposed actions.

STRATEGIC THEME: Advancing the Code’s Relevance and Impact

SUB-THEME: MAINTAINING A GLOBAL CODE FIT FOR PURPOSE IN THE EVOLVING ENVIRONMENT

We welcome trends and developments in technology as a new priority on the IESBA’s agenda. We also support the identified actions.

Technology transforms and disrupts the global business environment. It is imperative for professional accountants to understand and address the implications of the new trends and developments in technology to ultimately keep the services provided by the accountancy profession relevant.

The Code will have to recognise and support the use of new trends and developments in the work of professional accountants. The following developments will have deep implications on professional ethics:

- a. placing reliance on artificial intelligence (machine anticipation, synthesis and deduction), and, in particular the role of professional accountants in view of potential bias in artificial intelligence
- b. changing patterns of social behaviour prompted by new technologies
- c. the impact of implementing new technology tools in the service delivery model

Monitoring relevant external developments to make sure to identify emerging issues is aligned with the broader aim of making sure the Code is fit for purpose in the evolving environment. Hence, we support the identified actions.

New technologies will impact both the service delivery model in audit, assurance and other related services, as well as the type of services that will be delivered. We note that the Board’s project on *Non Assurance Services* will be finalized before the ongoing projects on *Technology* and *Service delivery models*. In our view, these projects are interconnected and should be synchronized, to avoid further updates for consistency.

Evolving trends and developments in technology may not necessarily need extensive sets of new requirements: indeed, the increasing pace of change emphasises the strengths of the principles based approach. However, it is important to ensure that existing requirements remain fit for purpose and, to this end, examples are relevant.

SUB-THEME: FURTHER RAISING THE BAR ON ETHICS

We welcome the IESBA's ambition to further raise the bar on ethics to advance the Code's relevance and impact. Given the recent revisions and restructuring of the Code, any further efforts to enhance the Code should be restricted to the new areas that the IESBA has identified. There is a trade-off between raising the ethical bar for the sake of it and enhancing global adoption.

We caution the IESBA that further revisions, changes or adjustments of the Code to fill any potential gaps risk compromising the IESBA's objective of global adoption and implementation, which is directly linked to the strategic goal of expanding the Code's influence. Furthermore, this also risks diluting the broader objective from the stakeholder feedback for the IESBA to focus on the new items identified.

For the new priority sub-theme 'tax planning and related services', this topic is high on the agenda in the European Union. The IESBA should follow the debate, promote the existing fundamental principles in light of that debate and consider whether in this respect the issuance of further guidance is warranted. We think, however, that as political reactions are very different around the world, expanding guidance beyond the current requirements within the Code should be undertaken only with caution.

We welcome the IESBA's plan to re-examine the definitions of 'PIE' and 'listed entity' and therefore support the identified actions. As highlighted in our response to the strategy survey, the regulatory environment has moved from listed/non-listed entities to PIE/non-PIE ones and the IESBA needs to assess what this means for the International Code of Ethics.

The concept of 'materiality' should be clear and its use should be consistent throughout the Code. However, we do not think that the IESBA should develop its own definition of materiality.

'Communication with those charged with governance' (TCWG): We acknowledge that communication with TCWG is important given the good impact it has on audit quality. It should be encouraged and promoted as best practice, in particular in those situations where TCWG are independent from management. Nevertheless, given the diversity of legal frameworks around the world, we do not believe that it is up to the IESBA to address this topic further in its International Code of Ethics.

'Documentation': We refer to our initial response to the strategy survey where we indicate that documentation is an important means used by auditors to demonstrate how professional judgement has been exercised. The requirement to document is acceptable in terms of independence standards.

Furthermore, documentation plays an important role in the professional accountant's own interest and, where applicable, should therefore be encouraged. The IESBA should, however, not introduce new documentation requirements. Such requirements may not be in line with a principle-based Code and would not impact a professional accountant's ability to safeguard the fundamental principles. Guidance on documentation should be considered in *section 120* (concerning the exercise of professional judgement) or within the Guide to the Code.

Pre-commitments for advancing the Code's relevance and impact

We broadly support the identified actions.

Professional skepticism is increasingly highlighted as behavioural competencies that will be highly relevant for professional accountants in the digital age. Therefore, we encourage the IESBA to prioritise any related initiatives.

Regarding fee-related matters, as emphasised in our response to the fees questionnaire, we do not think that the IESBA has a specific role to play on this issue, except awareness-raising and best practice sharing on the level of fees to perform qualitative services.

The Code should be kept principles-based and avoid setting rules determining what is acceptable and what is not. Each situation is different, and any threat associated with fees is different. Therefore, better guidance on how to assess threats and apply safeguards is welcomed as a potential enhancement. The current provisions and principles in the Code are sound and appropriate.

STRATEGIC THEME: Deepening and Expanding the Code's Influence

We support the Board's strategic objective of deepening and expanding the Code's influence. We support the identified actions to pursue vigorous outreach efforts to raise awareness of the improvements to the Code and promote its global adoption. To make sure these actions are fruitful, the IESBA should be cautious with the other actions taken. It will indeed be difficult to promote global adoption whilst the Code is constantly being revised.

Pre-commitments for deepening and expanding the Code's influence

The post-implementation reviews for both 'NOCLAR' and 'long association provisions' will be very important going forward. The timing of the post-implementation review is key. The Board should allow appropriate time to first review how the implementation of the revised Code was transposed globally and should factor-in the time necessary to monitor the challenges brought by applying the new requirements.

It will require resources from the IESBA that should not be neglected. In particular, the Board should have sufficient resources available at Board Member level, to make sure that projects are prepared with sufficient involvement from the Board and are not delegated to its staff.

STRATEGIC THEME: Expanding the IESBA's Perspectives and Inputs

We support the identified actions. Coordination with the other independent boards is more and more to be expected by stakeholders. This is particularly important in relation to professional skepticism.

Question 3: Recognizing that this proposed SWP is ambitious, do you believe the IESBA should accelerate or defer any particular work stream(s)? If so, please explain why.

Except for the comments above, we do not have further observations.

Question 4: Do you have comments on any other matters addressed in this consultation paper or any significant matters not covered in this consultation paper that you believe the IESBA should address?

The Paper mentions the importance of taking into account the particular perspectives of the SMP and SME consistency when setting standards.

Besides liaison with the IFAC SMP Committee, the IESBA's intention in this regard is little evident. Recent initiatives e.g. the Briefing Note prepared for the three Global Roundtables on Non-Assurance Services even state a particular focus on audit clients that are public interest entities. The circumstances prevalent in SME/SMP constituency deserves equally a balanced consideration.

We consider it vital for the IESBA to obtain views that are relevant for the global audit markets on its proposed Strategy and Work Plan from a broader base of the profession, including SMPs. Therefore, the Board should avoid falling into the trap of favouring perspectives which are relevant only to the PIE audit market.

We consider the Board's Strategy and Work Plan very ambitious. Planning for a longer timeframe, in line with the strategic criteria set-out by the Board is vital in order to ensure the finalisation of the Board's commitments. In the context of the current reassessment of the global structure of the standard-setting model, we consider that the Board should leave room for additional cushion-time in its Work Plan to address urgent matters that might come up during the strategy period.

We are confident that the IESBA will be transparent in analysing the comments received from its stakeholders in this public consultation. We expect the Board to adopt a transparent process for analysing the responses received from stakeholders and for the conclusions drawn following this public consultation.