

30 June 2023

Gabriela Figueiredo Dias
Chair
International Ethics Standards Board for Accountants
539 Fifth Avenue
New York, 10017
USA

Dear Gabriela,

The IESBA's Proposed Strategy and Work Plan 2024-2027

Thank you for the opportunity to comment on the Proposed IESBA Strategy and Work Plan 2024-2027. We submit the feedback from the New Zealand External Reporting Board (XRB).

The XRB is a Crown Entity responsible for developing and issuing climate, accounting, auditing and assurance standards (including professional and ethical standards in New Zealand). The XRB enables high-quality, credible and integrated reporting by providing robust frameworks and standards that are internationally credible, while being relevant to Aotearoa, New Zealand. This ensures reporting and assurance in New Zealand promotes trust, confidence, transparency and accountability.

The XRB's mandate is to develop ethical standards for assurance practitioners. Our consideration of the IESBA's Proposed Strategy and Work Plan 2024-2027 is therefore informed in this context.

The XRB agrees with, and supports, the IESBA's proposed strategy for 2024-2027 as outlined in section II of the consultation paper.

While supportive of the strategic direction, we recognise that there are significant challenges ahead for the IESBA in achieving its strategy. It is critical that the IESBA is, and is seen to be, an independent standard setter, transparent and operating free from bias. We consider this to be particularly important in the context of developing profession agnostic, globally accepted standards for ethics and independence requirements for those preparing or assuring sustainability information.

Comparing ethical requirements across professions is not an easy task, and it is not possible to make a statement that one profession's requirements are better or worse than another. However, it is in the public interest that there is a level playing field and a clear understanding by users of either what those requirements are or how they differ if there are multi-disciplinary practitioners providing assurance. To meet the challenge of globally accepted profession agnostic standards we encourage the IESBA to:

- Clearly articulate what profession agnostic ethical standards mean in the context of the IESBA's mandate, which is limited to professional accountants and to clarify who it expects to apply these standards beyond the profession. If the intent is for other professionals to use these standards, we encourage the IESBA to consider if and how other professionals will see themselves in the standard or whether this standard is creating barriers to entry, which would not be in the public interest.
- take an inclusive approach that recognises and respects other professions' requirements in order to overcome challenges related to gaining acceptance and adoption by other professionals.
- think broadly and recognise those standard setters who set ethics standards for other professions operating in this space. The XRB have been developing a standard for assurance (including ethics requirements) over-mandatory GHG emissions disclosures, taking care to take an inclusive approach that can learn from others, recognising that assurance practitioners in this area is broader than professional accountants.

- explore what can be learnt from other established assurance practices (which have associated ethics requirements) and collaborate with a far broader range of stakeholders and not only financial markets regulators to gain wider acceptance. For standards to be globally accepted they should not deter other participants in the market. The IESBA needs to be curious to learn about the ethics and independence standards of these other assurance practitioners, taking an inclusive approach, to ensure they can see themselves in the standards.
- ensure its due process is profession agnostic, including non-accountants in the membership of the board and task forces and in broad consultation from the project proposal stage.

These actions are important because global support for the IAASB's assurance standard on sustainability, that links to the IESBA's ethics standards, will depend on the IESBA's ability to develop an ethics standard for sustainability that is truly profession agnostic.

We encourage the IESBA to develop performance-based metrics against which the success of its proposed strategic actions can be measured. For example, how will the IESBA assess whether it is progressing and completing projects in a timely manner?

Our responses to specific questions in the CP are set out in Appendix A. Should you have any queries concerning our submission please contact either myself at the address details provided below or Misha Pieters (misha.pieters@xrb.govt.nz).

Yours sincerely,



Marje Russ
Chair - NZAuASB
Email: marje.russ@tonkintaylor.co.nz

Submission of the New Zealand External Reporting Board

Appendix A: Responses to specific questions 1,2,3,4 and 6 in the CP

The IESBA's Strategy and Work Plan 2024-2027

1) Do you agree with the IESBA's proposed strategic drivers? (pp. 9-14)

Q1 Response

Yes. We agree with the IESBA's proposed strategic drivers.

2) Do you agree with the IESBA's proposed strategic themes and proposed strategic actions (pp.22-24)

Q2 Response

We support the IESBA's proposed strategy for 2024-2027 as outlined in section II of the consultation paper.

While supportive of the IESBA's strategic direction, we recognise that there are significant challenges ahead for the IESBA in achieving its strategy. We set out our responses below.

Strategic Theme – Enhancing trust in sustainability reporting and assurance

Strategic action: developing fit-for-purpose profession-agnostic ethics (including independence standards)

We consider that the IESBA needs to clearly articulate what it means by profession agnostic ethics (including independence) standards in the context of its mandate (which is limited to professional accountants) and to clarify who it expects to comply with these standards beyond members of the accounting profession. If the intent is for other professionals to use these standards, we encourage the IESBA to consider if and how other professionals will see themselves in the standard or whether this standard is creating barriers to entry, which would not be in the public interest.

We appreciate that comparing ethical requirements across different professions is not an easy task, and it is not possible to make a statement that one profession's requirements are better or worse than another. However, it is in the public interest for there to be a level playing field and a clear understanding by users of what the requirements are or if they differ because there are multi-disciplinary practitioners providing sustainability assurance.

Strategic action: obtaining the support or endorsement of its new standards from global regulators, oversight bodies and other key jurisdictional bodies

In fulfilling this strategic action, we encourage the IESBA to engage with a broader range of regulatory and oversight bodies than those who oversee financial information. By engaging more broadly with these bodies, the IESBA is more likely to gain greater acceptance of the standards and therefore uptake of their use.

Strategic Theme – Strengthening the Code

Strategic action: progressing and completing projects in a timely manner

We encourage the IESBA to develop performance-based metrics against which the success of its proposed strategic actions can be measured.

How is the IESBA going to achieve its strategic object of completing projects in a timely manner? For example, is the IESBA contemplating using narrow scope amendments (an approach used by the IAASB and other standard setting Boards) to ensure that projects are progressed in a timely manner.

Strategic action: maintaining an ongoing monitoring function relating to technology

With developments in artificial intelligence and other technology evolving at a rapid pace, we support the IESBA's strategic action of maintaining an ongoing monitoring function on technology developments and considering how best to address the public issues identified.

We also support the IESBA's careful consideration of the Technology Working Group's Phase 2 recommendations.

Strategic Theme – Enhancing global operability and acceptance of the IESBA standards

Strategic action: proactively engaging with a broad range of stakeholders

For standards to be globally accepted they should not deter other participants in the market. The IESBA needs to be curious to learn about the ethics and independence standards of other assurance practitioners, taking an inclusive approach, to ensure they can see themselves in the standards.

One way of achieving this will be to ensure its due process is profession agnostic, including non-accountants in the membership of the board and task forces and in broad consultation from the project proposal stage.

Engagement with other standard setters, regulators and oversight bodies outside of those responsible for financial statements will also be important in gaining acceptance of the IESBA's standards. This will ensure that interoperability occurs to the greatest extent possible.

We note the strategic action to 'promote the understanding, acceptance and use of those standards by those independent assurance providers' seems to presume that these other independent assurance providers will apply the requirements developed by the accounting profession. In our experience, that will not necessarily be the case if there has not been adequate engagement from the outset.

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.**

Q3 Response:

We support the IESBA considering the Table B potential workstreams. Our comments are set out below.

- **Role of CFOs and Other Senior PAIBs**

We recognise that it is important for the IESBA to gather information on the evolving roles of CFOs and other PAIBs given rapidly developing changes in their environment. This is especially so given rapidly developing changes in technology as well as an increasing market demand for sustainability information which will require CFOs to have a much broader focus on non-financial information. The dynamics of the new sustainability environment will require CFOs and PAIB's to acquire new skills to work in a multi-disciplinary manner in teams with other experts.

- **Business Relationships**

We consider this to be an important potential workstream for the IESBA given the findings of the Technology Working Group (Final Phase 2 Report) – that the profession is experiencing a rise in strategic and commercial relationships between accounting firms and technology and other companies, and that section 520 of the Code does not address these broader business relationships.

We encourage the IESBA to think beyond technology to all strategic commercial relationships. For example, there will be strategic commercial relationships in the sustainability space as well.

This is an important area for the IESBA to address given the impact of close business relationships on independence and the importance of maintaining trust and confidence in the profession.

- **Audit Firm – Audit Client Relationship**

Given the significant impact of this relationship on independence we are supportive of the IESBA exploring whether the Code as a whole continues to provide a framework that addresses the potential ethical impact arising from the firm-client relationship.

- **Definitions and Descriptions of Terms**

While supportive of this project, we consider it should be extended more broadly than consistency in the definitions and descriptions used in standards issued by the IESBA and IAASB to ensure the appropriateness of definitions and descriptions for other professions.

Ensuring terminology is accepted by all professions is particularly important if the IESBA is to develop fit for purpose, profession-agnostic globally accepted standards for ethics and independence requirements for those preparing and assuring sustainability information.

- **Custody of Data**

We are supportive of this project, especially as data is the foundation of all financial and non-financial (e.g., sustainability) reporting. It is important that the IESBA addresses the ethics challenges related to data governance and management (including cybersecurity). This project could help improve data security by providing guidance on safeguards that should be in place to protect data.

- **Communication with Those Charged with Governance**

We consider this potential workstream to be important given the increasing reliance that will be placed on both the use of technology and experts in the sustainability reporting and assurance space.

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.

Q4 Response:

The XRB considers that the sustainability workstreams should be focus areas of the highest possible importance.

We note the IAASB's sustainability work stream also considers the use of experts and other assurance practitioners. We encourage the IESBA to keep the IAASB engaged with the work on its use of experts project to align the work efforts, avoid overlap and ensure the public interest is served.

Recent revisions to the Code (Long Association, NAS, Fees, PIE etc) have resulted in significant changes for stakeholders to implement in practice. We encourage the IESBA to identify areas where further implementation support (e.g., Q&As, staff alerts, fact sheets etc.) can be provided. For example, we consider more implementation support is needed for NAS. Through our outreach and consultation on the NAS provisions we are aware of concerns about the operability and consistency of interpretation of the provisions, specifically around tax services.

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).

Q5 Response:

We note the recent examples of significant ethical failures in large firms that have occurred in Australia, the United States and Canada which have indicated leadership and cultural issues. As these ethical failures have occurred in several major jurisdictions, the XRB encourages the IESBA to reflect on whether this relates to deficiencies in the IESBA Code and, if not, if there is a need for increased awareness activities that reinforce the principles of the Code.

We encourage the IESBA, in coordination with the IAASB, to consider thought leadership activities or guidance material which emphasizes the firm culture and leadership requirements in the IESBA Code and the IAASB's quality management standards.

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 the IAASB could be enhanced to better serve the public interest?**

Q6 Response:

We are supportive of the two Boards, coordinating the development of their strategy and work plans, continuing to coordinate closely at a technical level as well as coordinating at an operational level. However, the coordination efforts will need to be broader, beyond the IESBA and IAASB, so that lessons can be learned from other international standard setters (including the ISSB) in the sustainability space.

As we have noted throughout the submission, wide consultation and cooperation are incredibly important to ensure acceptance by other professions. This will also ensure that profession-agnostic standards for ethics and independence are developed on a framework-neutral basis.