

IESBA Strategy Survey Questionnaire

April 2017

About the IESBA

The International Ethics Standards Board for Accountants (IESBA) is a global independent standard-setting board. Its objective is to serve the public interest by setting high-quality ethics standards for professional accountants (PAs) worldwide and by facilitating the convergence of international and national ethics standards, including auditor independence requirements, through the development of a robust, internationally appropriate *Code of Ethics for Professional Accountants* (the Code).

The IESBA believes that a single set of high-quality ethics standards can enhance the quality and consistency of services provided by PAs throughout the world, thereby contributing to public confidence in the accountancy profession. The IESBA sets its standards under the oversight of the Public Interest Oversight Board (PIOB), and with advice from the IESBA Consultative Advisory Group (CAG).

Request for Input

As the first step in developing a new strategy and work plan for its next planning horizon beyond 2018, the IESBA is seeking the views of stakeholders, through this survey, as to the key issues that it should address. The input from this survey will inform the IESBA as it develops its proposed new strategy and work plan, which it expects to issue for formal public consultation in 2018.

This survey sets out a number of potential topics that could be future strategic priorities for the IESBA. Each topic description provides an indication of the nature of the ethical issues that the IESBA may need to explore or research in establishing the merits of a potential standard-setting project or other initiative on the topic. This survey is not intended to lay out the full scope of any project or initiative that the IESBA might undertake with respect to any of the topics nor present a comprehensive analysis of all the ethical issues that might need to be addressed. Respondents will have an opportunity to comment on the overall prioritization of the IESBA's future work in the light of its strategic objectives and prioritization criteria when it issues its strategy consultation paper in 2018.

Respondents are asked to indicate their **top six** priorities out of this list of potential future priorities, and whether there are other topic(s) that should be prioritized. As they consider the various topics, respondents are also invited to provide any comments they may have on each topic and, in particular, why a given topic should be prioritized over another.

In a section towards the end of the survey, the IESBA has set out for information a number of pre-existing commitments related to standard setting (or the Code more broadly) that will likely continue beyond the end of its current strategy period (i.e., 2018) or start in the new strategy period. The IESBA would welcome any comments respondents may have on these pre-existing commitments.

Finally, the survey provides an opportunity for respondents to comment on any other strategic matters they believe the IESBA should consider as it develops its next strategy and work plan.

Please complete this survey by **July 18, 2017**.

Although the IESBA prefers that the survey be completed online, comments can also be emailed to Ken Siong, IESBA Technical Director at KenSiong@ethicsboard.org. All responses, whether complete or partial, will be accepted and considered a matter of public record.

Section A: Classification

1. From which perspective are you providing this feedback?

- Academia
- Audit oversight body
- Corporate governance
- Investor or investor representative
- Other users of financial statements (e.g., customer, creditor/supplier, lender), please specify:

- Professional accountant in business – preparer of financial statements
- Professional accountant in business – other
- Professional accountant in public practice
- Representative of an IFAC member body
- Regulator
- Standard setter**
- Other, please specify: _____

Please provide the following contact information:

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Your organization's name, if applicable:	APESB

2. In which country or jurisdiction do you or your organization work or serve? (If international, please indicate so; if a region of the world, please indicate which region.)

Australia

Section B: Possible Future Standards-Related Projects or Initiatives

This part of the survey describes the following possible future projects or initiatives:

- I. KEEPING THE CODE RELEVANT IN AN EVOLVING GLOBAL ENVIRONMENT
 1. Trends and developments in technology and innovation
 2. Emerging or newer models of service delivery
- II. MAINTAINING A HIGH-QUALITY CODE FOR APPLICATION BY PAS GLOBALLY
 3. Concepts of “public interest entity” and “listed entity”
 4. Collective investment vehicles
 5. Tax planning and related services
 6. Materiality
 7. Communication with those charged with governance
 8. Documentation
 9. Familiarity threat in relation to extant Part C
 10. Breach of the Code
 11. Definitions and descriptions of terms
 12. Post-implementation review of the restructured Code
- III. GENERAL
 13. Meaning of public interest in the global context

Not all initiatives the IESBA decides to undertake will necessarily result in changes to the Code as a proper needs analysis supported by appropriate study will be required. In some cases, for example, the IESBA might decide to commission the development of IESBA Staff publications as opposed to making changes to the Code.

Pause in Any New Changes to the Code Becoming Effective

The IESBA is currently in the final stage of a project to restructure the Code to enhance its understandability and usability. This project is expected to be completed by the end of 2017, with the restructured Code issued by the end of Q1 2018. While the restructuring of the Code is not intended to change the substance of the extant Code, substantive changes have been included in a number of areas as a result of the completion of other projects that have been proceeding concurrently with restructuring work. Given the volume of these changes, the IESBA has been sensitive to concern among stakeholders regarding standards overload. Accordingly, the IESBA has decided that any new changes to the Code after the completion of the restructuring project will not become effective before June 15, 2020 unless there is an urgent need to respond to new or unforeseen circumstances. This pause will allow time for accountancy firms (“firms”), national standard setters, IFAC member bodies and PAs to consider and implement the changes that will be reflected in the restructured Code.

Further information about the restructuring of the Code can be accessed [here](#).

I. KEEPING THE CODE RELEVANT IN AN EVOLVING GLOBAL ENVIRONMENT

B.1 Trends and Developments in Technology and Innovation

This initiative would seek to understand the transformative effects of trends and developments in technology and innovation on the assurance, accounting and finance functions, and explore their ethical implications.

Recent trends and developments in technology and innovation such as data analytics, emergent artificial intelligence, social networks, cloud computing and cyber-security are causing disruptions in how PAs and firms undertake their work, including how they carry out their duties, deliver professional services, and transform their business and fee-charging models. Data analytics, for example, is impacting how firms perform audit engagements, with stakeholders such as the audit oversight community and the International Auditing and Assurance Standards Board (IAASB) actively considering how they should respond. A number of major jurisdictions have also in recent years introduced legislation or regulation governing cyber-security.

As a result, questions may need to be addressed regarding the ethical implications of these trends and developments, for example:

- Would new ethics standards be needed to address emergent patterns of social behavior caused by technological disruptions?
- Would there be a need to reconsider the concept of independence of mind and the fundamental principles of integrity, objectivity and professional behavior when reliance is placed on machine anticipation, synthesis and deduction (for example, in the context of assessing audit evidence, providing strategic, financial or operational advice to clients, or preparing or presenting information)?
- Are there any ethical issues from developments in information and communication technologies, for example, with respect to compliance with data privacy or intellectual property laws and regulations, or in terms of compliance with the fundamental principle of confidentiality?
- Are there any ethical implications from newer types of services such as cyber-security advisory services or data analytics that firms may provide to clients?
- Are there any ethical implications with respect to ownership of data when the information is stored in the “cloud” or processed and transmitted by third party service providers located in different parts of the world?

Because the application of technology is changing in response to experience and new developments, it is likely that any IESBA initiative on this topic would involve the IESBA exploring the issues through the development of discussion papers or thought pieces.

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

APESB’s Response

We believe that this should be a high priority project and should be looked at subsequent to the issue of the restructured Code. Technological developments such as artificial intelligence, data analytics and cloud computing are significantly influencing the current and future working environment. Accordingly, there will invariably be a need for ethics standards to address these technological developments which impact on the work performed by professional accountants.

Due to the significant change in the future work environment and automation of work there will be a need to assess whether the five fundamental principles and five threats are still valid in this technologically driven future work environment.

Where machines are processing information and there is less visibility on how the information is processed, the professional accountant's critical thinking and application of professional scepticism to the information he or she receives is going to be of great importance. We believe that the professional accountant will also need moral fortitude to challenge the information produced by machines or artificial intelligence.

In this future work environment, threats may also be created in respect of the professional competence of accountants with the level of automation and complex calculations being performed by artificial intelligence. In the longer term this reliance on automation and artificial intelligence may impact the development of professional judgement of the accountant.

A future code may also need to address emerging services such as cyber-security advisory services and data analytics.

Due to the matters noted above, we believe that this should be a high priority project.

B.2 Emerging or Newer Models of Service Delivery

This initiative would seek to explore the ethical implications of emerging or newer models of service delivery such as managed services that firms may provide or outsourced services that firms may use, and the related ethical implications for any PAs in business who are involved in decisions about such services. Some of the changes are being influenced by rapid developments in technology and changing views on the future of work, for example, the use of so-called "contingent workers"¹ in providing services to clients. The questions that arise might concern all five of the fundamental principles in the Code as well as independence, for example:

- While the Code prohibits firms from assuming management responsibility when providing non-assurance services to audit clients, are there any particular threats to independence when firms enter into contracts to manage entire operating functions of client entities, such as company secretarial or corporate taxation?
- Are there any ethical implications such as threats to objectivity and conflict of interest issues at the staff level when firms absorb entire staff teams on their payroll from their clients as a result of entering into a contract for a managed service, for example, managing the corporate taxation function of a multi-national client?
- Are there any implications with respect to compliance with the fundamental principles when businesses outsource parts or aspects of their accounting or finance functions to third party service providers located in or outside their jurisdictions?
- Are there any implications with respect to compliance with the fundamental principles and/or independence when firms rely on shared service centers based in or outside their jurisdictions for the performance of selected parts or aspects of professional services?
- What do the concepts of "office" and "engagement team" in the Code mean from an independence perspective when the organizational model and ways of working (e.g. flexible workforce, contingent workers) are changing and the concept of a physical office gradually becomes less relevant?

¹ Contingent workers are generally freelancers, independent contractors, consultants, or other outsourced and non-permanent workers who are hired on a per-project basis. They can work on site or remotely.

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

APESB's Response

We are of the view that where a Firm is managing entire operating functions (such as company secretarial or corporate taxation) for an audit client that this creates threats to independence and that it should not be performed for audit clients. Absorbing an audit client's staff teams who manage payroll and taxation matters would also create independence threats and should be avoided. Where the client is not an audit client, the threats will need to be evaluated on a case by case basis and will depend on the services provided by the Firm.

When a professional accountant provides or utilises an outsourced service, the fundamental principle of confidentiality is pertinent, particularly in relation to information. This is particularly relevant when outsourcing is used and it is across jurisdictions. Relying on service centres impacts upon the confidentiality of information and raises privacy concerns. For example, whether the client has been informed that their information is being sent to another jurisdiction. Professional Accountants needs to be aware that certain jurisdictions may have prohibitions or restrictions on sending information to another jurisdiction.

The concept of "office" and "engagement team" would require revision based on the future work environment and the roles played on the engagement by different parties. We agree that the concept of an office being a specific physical location is becoming less relevant.

In Australia, we have issued a guidance note [APES GN 30 Outsourced Services](#) to provide professional accountants with guidance on Outsourcing arrangements.

We believe that this should be a high priority project.

II. MAINTAINING A HIGH-QUALITY CODE FOR APPLICATION BY PAs GLOBALLY

B.3 Concepts of "Public Interest Entity" and "Listed Entity"

The extant Code defines the term public interest entity (PIE) as either a listed entity or an entity (a) defined by regulation or legislation as a PIE or (b) for which the audit is required by regulation (which may be promulgated by any relevant regulator, including an audit regulator) or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities.

Some regulatory stakeholders such as the International Association of Insurance Supervisors (IAIS) and the Basel Committee on Banking Supervision have suggested that the definition of a PIE should be re-examined from the perspective of financial institutions, including banks. In addition, other regulatory stakeholders such as the International Organization of Securities Commission (IOSCO) have noted that many jurisdictions do not appear to have the capacity to tailor the definition to their specific national circumstances.

Other stakeholders, particularly the small and medium practices (SMP) community, have expressed concern that the independence requirements are increasingly disproportionate in those circumstances where audit and review services are provided to small entities that fall within the PIE definition.

In this connection, the extant Code also defines a "listed entity" as an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body. Some stakeholders have questioned the meaning of the term "recognized stock exchange" in this definition, for example, whether it is intended to be the same as, or broader than, the concept of a "regulated

market” in the definition of PIEs in the EU audit legislation. It was noted that some might perceive a difference as in practice exchanges exist that are informal and outside of the scope of regulation. In addition, there might be a need to reconsider the definition given broader developments in capital markets in various jurisdictions and newer forms of capital raising, such as crowd funding.

This initiative would therefore seek to explore whether the definitions of these two terms should be revised and the implications of any changes on how the Code addresses PIEs and listed entities, for example, in relation to prohibitions.

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

APESB’s Response

In the Australian Code, APESB has defined what is a PIE (which includes a listed entity) in the Australian context. The Australian definition has additional guidance and captures banks, insurance companies, and other entities that raise funds from the public – i.e. disclosing entities.

Accordingly, this is a low priority project from an Australian perspective.

B.4 Collective Investment Vehicles (CIVs)

This is a commitment in the current strategy and work plan on which the IESBA has not yet commenced work. The IESBA planned to start exploring issues related to CIVs during the current strategy period, recognizing the importance of CIVs such as unit trusts and mutual funds given their global reach and size. The issues center on the application of the “related entity” definition in the Code to CIVs when firms audit the underlying funds, the sponsor/advisor of the funds, or both.² The initiative would consider whether changes to the independence provisions of the Code are needed or whether further guidance should be developed.

At the time the current strategy and work plan was being developed, the topic was regarded as important by a number of stakeholders, including from the regulatory community and CAG member organizations. However, since then, the external environment has evolved and the IESBA has determined that it should seek stakeholders’ views as to whether the topic should remain a priority during its next strategy cycle, or whether there are other ethical aspects relating to CIVs that should be studied.

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

APESB’s Response

We understand that the definition of Related Entity in the Code can be problematic when applied to unit trusts and mutual funds. We believe that clarification of the application of independence provisions to these entities should be given priority in IESBA’s future strategy and accordingly believe that this should be a medium priority project.

² The definition of a related entity in the Code is based on control and significant influence. This construct does not work well with CIVs such as mutual funds. For example, a Fund (such as a unit trust), its Asset Manager and its Trustee may not have financial interest links, and may therefore not be “related entities” within the definition of a related entity in the Code. In such a case, the question is whether there should be additional guidance on how the definition should be applied in certain common Fund-Asset Manager-Trustee relationships.

B.5 Tax Planning and Related Services

This initiative would seek to understand developments in tax planning by companies and related professional services, and explore the associated ethical questions that may arise. For example, in recent years there has been much public attention on the topic of aggressive tax avoidance notwithstanding the legality of the tax mitigation schemes or related transactions to achieve desired tax outcomes. Questions have in particular been raised regarding the ethical implications for professional behavior when PAs in business (PAIBs) are involved in developing tax minimization strategies that are perceived as “aggressive,” or when firms provide advice to their clients on such strategies. The issue has risen to such a level of importance that it has been discussed on the G-20 agenda.

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

APESB’s Response

We are of the view that this should be a high priority project for the IESBA. In recent times there has been an increased global focus on the taxation arrangements of Multi-National Companies (MNCs) and in particular where profits may have been shifted to a lower taxing jurisdiction which is different from the jurisdiction in which the revenue is generated.

Some governments have already taken action in this regard and have introduced new legislation and punitive taxes in an effort to address this issue. As professional accountants will be involved in administering taxation arrangements in various jurisdictions it is imperative that IESBA address this issue for professional accountants in public practice as well as in business.

A reassessment will need to occur of the current provisions of the Code that deal with taxation services and whether it adequately address these emerging issues.

B.6 Materiality

Materiality is a concept that applies across the Code. While the IESBA is proposing new application material in the Exposure Draft of Phase 2 of its Safeguards project (paragraph 600.5 A1) to explain materiality in relation to non-assurance services (NAS) provided to audit clients, the Code refers to materiality in other areas, for example, in relation to other independence matters. For instance, proposed restructured Section 510 addressing financial interests states that “for the purposes of determining whether such an interest is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.”

During its previous strategy consultation, the IESBA had also received suggestions relating to the topic of materiality, for example, the possible provision of guidance on how to evaluate materiality in the context of considering breaches of the Code.

Accordingly, a broader consideration of how the concept of materiality should be applied in the context of the full Code, and not just in relation to NAS, might be needed and might require coordination with the IAASB and the International Accounting Standards Board.

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

APESB's Response

In this instance, we believe that IESBA should consider linking to or leveraging of the existing guidance on materiality in the accounting and auditing standards. We agree that there should be a co-ordinated effort with IAASB and IASB in order to develop consistency with the existing standards literature on materiality.

Accordingly, we believe that this should be a low priority project.

B.7 Communication with Those Charged with Governance (TCWG)

The extant Code requires auditors to communicate with TCWG in relatively few and specific circumstances, for example:

- When a breach of a provision in Section 290 or 291 occurs.
- When an audit client is a PIE and for two consecutive years the total fees from the client and its related entities represent more than 15% of the total fees of the firm.

The extant Code also encourages regular communication between the firm and TCWG regarding relationships and other matters that might reasonably bear on independence.

During its current project to review the safeguards in the Code, the IESBA considered whether strengthening the provisions in the Code regarding communication with TCWG would promote stakeholder confidence in the audit profession. The IESBA determined that a review of such provisions would fall outside the scope of the Safeguards project.

Strengthening the communication provisions could in particular increase transparency around the identification and evaluation of threats to compliance with the fundamental principles, and the actions or measures taken to eliminate or reduce those threats to an acceptable level. Doing so could also clarify that auditor independence is a joint responsibility, and respond to regulatory stakeholders who have expressed views that a party other than the auditor itself (generally TCWG) should consider the auditor's independence.

Such a review would include consideration of:

- Whether to require specific matters to be covered in the communication.³
- The role, if any, of TCWG in approving NAS provided to audit clients.

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

APESB's Response

We believe that IESBA first needs to determine the exact scope of the project as there is a related Auditing Standard that addresses this topic. Once the scope is determined it will be easier to evaluate the benefits of progressing further. Alternatively, IESBA could consider

³ Paragraph 17 of International Standard on Auditing (ISA) 260 (Revised), Communication with Those Charged with Governance, already requires that in the case of listed entities, the auditor communicate with those charged with governance a statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence, and:

- i. All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and
- ii. The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

developing guidance on matters to be communicated to those charged with governance for non-assurance services and for professional accountants in business.

B.8 Documentation

The Code's documentation requirements and application material are located in various areas of the Code dealing with particular topics. During its Safeguards project, the IESBA considered whether the extant Code includes sufficient and appropriate documentation requirements related to safeguards. In the light of this discussion, the IESBA identified a need to reconsider the nature, extent and location of material relating to documentation in the Code holistically. In addition, the IESBA has received some specific suggestions from respondents to its Structure of the Code project for matters to be considered, for example:

- Whether the application material that encourages documentation with respect to ethical conflict resolution (extant paragraph 100.22) should be elevated to a requirement.
- Whether the Code should require independence documentation to be of a standard that would enable another professional to understand the judgments made, and the reasoning supporting those judgments.
- The merit of continuing to retain the statement in the Code (extant paragraph 290.29), or clarifying the intent, that "a lack of documentation does not determine whether a firm has considered a particular matter or whether it is independent," as it might undermine the documentation requirements and their enforceability.

Other related matters had also been raised during the IESBA's previous strategy consultation, for example, whether the requirement with respect to documentation of threats to independence that necessitate significant analysis (extant paragraph 290.29) should be extended to any threats to independence requiring analysis.

In addition, the MG Rover case in the UK has raised the question as to whether PAIBs should be subject to a documentation requirement in certain circumstances. The Code currently only encourages documentation for PAIBs.

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

APESB's Response

APESB is supportive of IESBA's intent to develop requirements for documentation for ethical conflict resolutions as well as for professional accountants in business.

APESB has issued non-assurance service standards that deal professional and ethical considerations for different services such as taxation, valuation, forensic accounting and due diligence committees. Some of these specialised standards are also applicable to professional accountants in business. Where there is a requirement, it is expected that the professional accountant documents how they satisfied that requirement in the standard irrespective of whether they are in public practice or in business.

From an Australian perspective, given the existing APESB standards addressing various non-assurance services and professional activities undertaken by professional accountants in business, this is a low priority project.

B.9 Familiarity Threat in Relation to Extant Part C

During its Long Association project, the IESBA reconsidered the concept of a "familiarity threat" in relation to client financial information in the context of an audit of financial

statements. The IESBA noted that the extant definition contains a reference to “employer.”⁴ Extant Part C (Part 2 of the restructured Code) currently does not address familiarity threat with respect to employers in the context of PAIBs, other than a brief mention in paragraph 300.11 which is not further developed:

Examples of circumstances that may create familiarity threats for a PAIB include:

- Being responsible for the employing organization’s financial reporting when an immediate or close family member employed by the entity makes decisions that affect the entity’s financial reporting.
- Long association with business contacts influencing business decisions.
- Accepting a gift or preferential treatment, unless the value is trivial and inconsequential.

The IESBA noted that there may be a need to revisit the definition of familiarity threat in that regard, and in particular consider whether additional guidance should be provided regarding how PAIBs should address familiarity threats in the context of their work for employing organizations.

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

APESB’s Response

As noted above, in Australia APESB has developed a range of pronouncements that apply to all professional accountants whether they are in public practice or in business. Some of these pronouncements deal with ethical conflicts in the context of those services. From an Australian perspective, this is a low priority project.

B.10 Breach of the Code

This topic involves consideration of specific matters that respondents to the Structure of the Code project have raised with respect to breaches of the Code for the IESBA’s consideration, including:

- The need for guidance on actions to eliminate circumstances that cause a breach of the Code as other than in the context of independence, the extant Code requires a PA to address the consequences of a breach and determine whether to report it, but no specific action to stop the activity that caused the breach.
- Eliminating any optionality as to whether a PA has to report a breach to, for example, those who might have been affected by it, a professional body or a regulator.

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

APESB’s Response

APESB agrees that it would be useful for the code to have application guidance on how to deal with breaches of the Code that occur in respect of non-assurance services and for professional accountants in business. We believe that this project should be assigned a classification of medium priority.

⁴ The extant Code defines “familiarity threat” as the threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work.

B.11 Definitions and Descriptions of Terms

There are certain differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB's standards. These terms include "assurance engagement," "engagement quality control review," "financial statements," "firm," "independence," "review engagement," and "special purpose financial statements."

In addition, during the Structure of the Code project, the IESBA received a number of suggestions from respondents to reconsider how certain terms are currently defined in the Code, for example:

- Reconsidering the use of the term "employee" as it appears to cover only employees of an audit client and not others who may act in the capacity of an employee (e.g. a contractor).
- Not limiting the concept of "engagement period" to the date when the audit report is issued as the auditor has further responsibilities in an audit of financial statements, such as addressing the effect on the audit opinion of matters that come to the auditor's attention after conclusion of the audit.
- Revisiting the definition of "financial interest" to, for example, clearly cover interests in a trust.
- Defining the concept of a "network firm" to focus more on the exercise of judgement rather than on a list of examples of situations that might indicate the existence of a network.

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

APESB's Response

We strongly support the view that the standard setting boards should have consistent definitions. Generally in Australia we make our definitions consistent with the definitions issued by the other standards setting boards in Australia as this facilitates the application of standards.

Accordingly, from an Australian perspective this will be a low priority project.

B.12 Post-implementation Review of the Restructured Code

The objective of the Structure of the Code project is to enhance the understandability and usability of the Code, thereby facilitating its adoption, effective implementation, consistent application, and enforcement. The project, which is expected to be completed by December 2017, has involved extensive restructuring and redrafting of the Code. Further information about the current status of the project, including its different work streams and how these are being coordinated with other concurrent projects, is provided in the January 2017 IESBA Update.

Given the importance of the restructuring project, the purpose of a post-implementation review of the restructured Code would be to assess whether the restructured Code has effectively met the project's objectives.

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

APESB's Response

We believe that this is a low priority as the jurisdictions are likely to vary on their implementation of the new Code and thus to perform a proper evaluation, firstly a significant

number of jurisdictions needs to adopt the restructured Code. Potentially IESBA could perform this task to the latter stages of its next strategic period.

We are strongly of the view that the post-implementation review of the Long Associations provisions should have a higher priority than the review of the restructured Code.

III. GENERAL

B.13 Meaning of Public Interest in the Global Context

The Code refers to the concept of “public interest” in a number of places, notably in extant Part A (Part 1 of the restructured Code) and in the new NOCLAR provisions.

The draft restructured Code, consistent with the extant Code, does not expand upon individual public interest obligations and therefore contains little application material relating to a PA’s public interest responsibilities. Questions have been raised regarding the meaning of the concept, for example, in the relatively recent MG Rover case in the UK (see Section A of the IESBA’s April 2014 issues paper and related background material).

A view has been expressed by some within the regulatory community in the context of the IESBA’s previous public consultation on its Conflict of Interest project that the concept of public interest should be recognized as a fundamental principle in the Code. The IESBA has had lengthy but inconclusive discussions on the topic in the past. In addition, IFAC issued in June 2012 a related Policy Position, A Definition of Public Interest.

Notwithstanding the difficulty of defining the concept, this initiative would seek to explore a number of questions such as:

- The meaning of the concept of “public interest” in the global context.
- The different expectations of different categories of PA with respect to the responsibility to act in the public interest.
- Whether perceptions of the public interest vary with time, across cultures, and from the lens through which it is viewed.
- Whether the evolution of the accountancy profession affects the nature of its public interest responsibility.

This initiative might involve the IESBA exploring the topic through the development of a discussion paper or thought piece, taking into account work that has been done by others on the topic as well as relevant external developments.

Any such work would likely necessitate coordination with the other standard-setting boards overseen by the PIOB, i.e., the IAASB and IAESB.

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

APESB’s Response

Given IFAC’s previous work on this topic and issue of the 2012 policy paper, it is not clear whether further clarity on what is public interest can be developed in the short term. We believe that IESBA’s limited resources could be spent on other projects and IESBA should only consider this if there is spare capacity.

If IESBA determines to progress this project then it should be linked with topic 3 as then there will be a useful practical application of the concept.

We consider this project to be a low priority.

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

Item	Topic	Rank in Order of Priority
B.1	Trends and developments in technology and innovation	1
B.2	Emerging or newer models of service delivery	2
B.3	Concepts of “public interest entity” and “listed entity”	
B.4	Collective investment vehicles	4
B.5	Tax planning and related services	3
B.6	Materiality	
B.7	Communication with those charged with governance	
B.8	Documentation	
B.9	Familiarity threat in relation to extant Part C	
B.10	Breach of the Code	5
B.11	Definitions and descriptions of terms	
B.12	Post-implementation review of the restructured Code	6
B.13	Meaning of public interest in the global context	

Are there any trends, developments or issues not otherwise covered in this section that you would rank in your top six priorities? If so, please explain why.

APESB’s Response

As noted above, we consider the post-implementation review of the Code to be of medium to low priority. However, we are of the view that the revised Long Association provisions need to be considered as soon as possible.

Section C: Adoption and Implementation (A&I)

With the anticipated issuance of the restructured Code by Q1 2018, the IESBA intends to pursue vigorous outreach efforts to raise awareness of the significant improvements to the Code and promote its further adoption and effective implementation globally. Among various initiatives the IESBA will consider prioritizing with respect to A&I are the following:

- Developing and executing a robust communication strategy.
- Pursuing a proactive stakeholder outreach agenda, including consideration of stakeholder feedback on the implementation of the restructured Code.
- Tracking and reporting on the progress of global adoption of the Code.
- Commissioning the development of appropriate staff publications in support of A&I.
- Pursuing cooperation opportunities with key stakeholders, including national standard setters (NSS), regulators and firms.
- Speaking out on ethics-related developments that have the potential to lead to greater divergence in standards, and seeking to influence debates towards greater international convergence.

Do you have any comments on any of the above activities or initiatives? In particular, do you believe any of them should not be a strategic priority for the IESBA and, if so, why? Please be as specific as possible.

APESB's Response

We are supportive of IESBA's proposed approach of pursuing outreach efforts in respect of the new Code. We encourage IESBA to establish a separate section on its website in respect of adoption and implementation material and other useful tools in a similar manner to NOCLAR.

The issue of staff publications on implementation matters would be a useful practical tool for professional accountants.

Are there any specific activities or initiatives you believe the IESBA should undertake to promote further adoption and more effective implementation of the Code? If so, please explain why.

APESB's Response

We believe that the activities IESBA has laid out above will support global adoption and implementation of the Code. We also encourage IESBA to develop webcasts on specific sections of the restructured Code to assist stakeholders with their understanding.

Section D: Pre-existing Commitments

The IESBA has a number of pre-existing commitments related to standard setting or the Code more broadly that will likely continue beyond 2018 or start in the new strategy period. These include the following:

Commitment	Description
Commitments Arising from Decisions on Recently Finalized Standards and PIOB Input	
<p>1. Non-assurance services</p>	<p>In January 2015, the IESBA completed a project to revise certain independence provisions in the Code pertaining to the provision of NAS to audit and assurance clients. The main changes included:</p> <ul style="list-style-type: none"> • The removal of provisions that permitted a firm to provide certain bookkeeping and taxation services to PIE audit clients in emergency situations. • New and clarified guidance regarding what constitutes management responsibility. • Clarified guidance regarding the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs. <p>The Basis for Conclusions includes background to the project.</p> <p>At the time the IESBA undertook the project, the IESBA had concluded, based on a benchmarking exercise focused on G-20 countries and a select number of other jurisdictions in early 2013, that there was no evidence that the Code’s NAS provisions were at significant variance from those of most or all of these jurisdictions. In approving the changes to the Code from this project in March 2015, however, the PIOB called on the IESBA to revisit issues on auditor independence from a broader perspective, including prohibited NAS and the role of those charged with governance in approving NAS.</p> <p>Preliminary work on this initiative will include a review of updated benchmarking data as well as the results of the fact-finding work on the Fees initiative (see below) to determine the scope of any potential project on this topic.</p>
<p>2. Fee-related matters</p>	<p>This is a commitment in the IESBA’s current strategy and work plan. The IESBA has begun to explore fee-related matters raised by the regulatory community to determine whether there is a need for further enhancements to the Code or the commissioning of staff guidance.</p> <p>Fact finding work commenced in 2016 in response to PIOB input and is aimed at identifying whether there are trends or other factors that indicate a relationship between fees and threats to auditor independence and compliance with the fundamental principles, or whether there are reasonable perceptions that such threats exist, and how they might be addressed. The fact finding is</p>

	<p>focusing in particular, on whether such relationships exist in the following areas:</p> <ul style="list-style-type: none"> • Level of audit fees for individual audit engagements. • Relative size of fees to the partner, office or the firm, and the extent to which partner(s) remuneration is dependent upon fees from a particular client. • The ratio of non-audit services fees to audit fees paid by an audit client. • The provision of audit services by a firm that also has a significant non-audit services business. <p>Pending the outcome of the fact-finding work, the IESBA has not yet determined whether it should launch a standard-setting project or undertake any other initiative on this topic. The IESBA most recently discussed the topic at its March 2017 meeting.</p>
3. NOCLAR post-implementation review	<p>In April 2016, the IESBA finalized the provisions in the Code addressing the topic of non-compliance with laws and regulations (NOCLAR). The new provisions come into effect July 15, 2017. In completing that project, the IESBA committed to undertake a post-implementation review to assess how effectively the implementation of the provisions around the world is meeting the objectives of the project.</p> <p>The IESBA has not yet considered the approach to, and timing of, the post-implementation review.</p>
4. Long association post-implementation review	<p>In December 2016, the IESBA finalized revisions to the provisions in the Code addressing the long association of firm personnel with an audit or assurance client. These provisions are currently being redrafted to align with the new structure and drafting conventions of the Code. The revised and restructured provisions are expected to be issued by Q1 2018.</p> <p>In completing the revisions project, the IESBA committed to review the new provisions to take account of, among other matters, relevant legislative and regulatory developments relating to long association (including mandatory firm rotation and mandatory retendering) as well as experience of the application of the new provisions in practice.</p> <p>The IESBA has not yet considered the approach to, and timing of, the post-implementation review.</p>
Active Projects or Initiatives, and Commitments in the Current Strategy and Work Plan	
5. Professional skepticism (PS)	<p>The IESBA is participating in a tripartite Working Group with the International Auditing and Assurance Standards Board (IAASB) and the International Accounting Education Standards Board (IAESB) to explore appropriate standard-setting responses to calls from regulatory and other stakeholders to enhance auditors' application of PS.</p>

	<p>Separately, the IESBA has been exploring how best to respond to calls from the PIOB and certain stakeholders for enhancement to the application of PS among PAs more broadly in the Code. For example, some respondents to Phase 1 of the IESBA's Part C project have suggested that the Code should emphasize the need for PAIBs to exercise adequate PS throughout the process of preparing, presenting or filing information. Other stakeholders have argued that PAIBs should always maintain PS and that the concept should not be limited to auditors.</p> <p>In addition, at its March 2017 meeting, the IESBA considered proposals to develop application material to (a) explain how the fundamental principles in the Code support the effective application of PS as defined in IAASB standards, and (b) emphasize the importance of PAs obtaining an understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework in the Code. The IESBA will further consider these proposals with a view to possible issuance for exposure by Q2 2017.</p>
<p>6. Coordination with the IAASB on cross-over topics or issues (in addition to work on professional skepticism)</p>	<p>As part of its current strategy and work plan, the IESBA has committed to considering the need for appropriate action to complement any actions the IAASB may undertake to contribute to enhancing audit quality.</p> <p>In this regard, the IESBA has been maintaining ongoing coordination with the IAASB on a number of topics where there are issues that overlap the remits of both Boards. Coordination is taking place at the leadership, Board and staff levels. In addition, the IESBA has appointed one of its members to act as Board liaison to the IAASB.</p>
<p>New Commitments Arising from Discussions on Current Projects</p>	
<p>7. Alignment of extant Section 291⁵ (Part 4B of the restructured Code) to ISAE 3000 (Revised).⁶</p>	<p>This involves a review of extant Section 291 for any changes needed to align the provisions in that section with the revised assurance terms and concepts in ISAE 3000 (Revised). The need for this review has been identified during the restructuring of the Code but is outside the remit of the Structure of the Code project. To avoid delaying completion of that project, the IESBA has agreed to defer the review until after the extant Code has been restructured.</p>
<p>8. Development of the e-Code</p>	<p>This involves leveraging the new structure of the Code and developments in technology to explore additional features and tools that could be developed to increase the accessibility, ease of use and value of the Code. An initial version of the e-Code with basic search functionality, hyperlinked sections and pop-up definitions of key terms is available on the IESBA website.</p>

⁵ 5 Extant Section 291, Independence – Other Assurance Engagements

⁶ 6 International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

Are there any particular matters you believe the IESBA should consider in relation to any one of these pre-existing commitments? Please be as specific as possible and explain your reasoning.

APESB's Response

We are supportive of IESBA's pre-existing commitments and in particular the following two projects and would like to raise a few matters in respect of these two projects.

Fee-related matters

- APESB's recent engagement with stakeholders have highlighted a need for additional guidance on fee-related matters.
- We believe that professional accountants in public practice are looking for additional guidance on fee related matters which is practical and could assist practices of varying size and who are in different stages of its business growth cycle (i.e. start-ups vs well established firms)

Long Association Post-implementation review

- As noted previously, we believe that IESBA needs to address this topic as soon as possible and in a timely manner.
- Planning for audit rotation is a long ranging matter and firms need ample time to plan and adapt resource requirements to meet any changes in rotation requirements.
- We believe that the final position must be linked to empirical evidence that supports the assertion that audit quality is improved based on specific cooling-off periods.

Section E: Any Other Strategic Matters

Are there any other matters of strategic importance not covered elsewhere in this survey or your earlier responses that you believe the IESBA should consider as it positions the Code for 2025? Please be as specific as possible.

APESB's Response

The IESBA Code focuses on auditors and then has some coverage for other services and professional accountants in business. IESBA should consider the development of professional and ethical standards for non-assurance services and develop pronouncements other than the Code in a similar manner to what APESB has done in Australia.

When you consider the range of professional activities undertaken by professional accountants in public practice and in business, there is a wide range of matters such as specialised services (e.g. Valuation Services, Forensic Accounting, Tax Services etc.) that are not specifically addressed by the IESBA Code.