



**The Japanese Institute of
Certified Public Accountants**

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July 7th, 2023

Mr. Geoff Kwan
Director
International Ethics Standards Board for Accountants
529 Fifth Avenue,
New York, NY 10017
USA

Dear Mr. Kwan:

Re: JICPA comments on the IESBA Consultation Paper, *Proposed Strategy and Work Plan 2024-2027*

The Japanese Institute of Certified Public Accountants (JICPA) appreciates this opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) Consultation Paper, *Proposed Strategy and Work Plan 2024-2027*.

Our responses to the specific questions raised by the IESBA are as follows:

Strategic Drivers, Themes and Actions

1. Do you agree with the IESBA's Proposed Strategic Drivers (see pp.9-13)?

(Comment)

We agree with the IESBA's Proposed Strategic Drivers. In particular, we agree with the views described in paragraph 27 of the Consultation Paper. We believe that the development of resources including non-authoritative material (NAM) would play an extraordinarily important role to assist users in understanding and applying new or revised provisions of the International Code of Ethics for Professional Accountants (*including International Independence Standards*) (the Code).

The ongoing impact of technological transformations is cited as one of the environmental drivers. We suggest that the situations described below should also be taken into account when considering strategic themes and strategic actions based on these environmental drivers. With partial revisions and refinement, we have restated our comments made in response to the Exposure Draft of

“Proposed Technology-related Revisions to the Code” as follows.

We believe that the revised Code considers the ongoing impact of technological transformations, appropriately establishing new requirements in the Code pertaining to such technology-related issues as the acquisition of the relevant knowledge and its application, having an inquiring mind, and identifying and addressing threats. On the other hand, the revised Code has been more stringent for professional accountants with regard to non-assurance services related to IT systems, deleting the existing requirements such as those related to technological tools (off-the-shelf package software) that had been considered not to create threats to independence. Going forward, the impact of the use of technology on the behavior of professional accountants is likely to become increasingly significant.

There is also a view that, where firms or network firms offer automated services, in some cases, threats to independence would not be created. For example, in the case of the provision of non-assurance services for secretarial document management, if automation were implemented under certain conditions, threats to independence could be prevented from being created without any change to the value of the provision of the services.

In response to the advance of technology, firms and network firms have been developing new services in a variety of forms. Furthermore, it is generally said that clients eagerly expect firms and network firms for the provision of non-assurance IT systems services, especially when the clients are seeking to introduce a cutting-edge technology for the purpose of ensuring and strengthening the robustness of their operations (e.g., managing the spread of infectious diseases or using AI to detect fraud and harassment-related emails). In these situations, we believe that there is a need to set up the Code that responds to technological developments, in order for professional accountants to use their years of experience and meet the demands of society.

There is an argument that setting rules for technology in areas other than those related to accounting tools would have limited benefits in practice. Now that firms and network firms are expected to make contributions to a variety of areas, we believe that the advantages of clarifying standards would be very significant.

Finally, while we acknowledge that some elements of this suggestion are challenging, this is our suggestion for the benefit of the next generation who will lead the profession. With the progress of development in AI and other technologies, it is possible that operations performed by humans in the field of accounting will be replaced. If the accountancy profession becomes one in which requirements only ever become more stringent, we concern that the profession will become less attractive than other professions that can compete through the use of free thinking, thus hindering individuals with cutting-edge skills in technology joining the profession. We hope that standards-setting activities will keep pace with new technology and take into account the areas in which such technology can be leveraged.

2. Do you agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions (see pp.13-18)?

(Comment)

We agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions. To have a significant impact on adoption and implementation going forward, it is desirable that stakeholders are involved in the careful consideration of developing the profession-agnostic Code of Ethics, including independence standards, as part of enhancing trust in sustainability reporting and assurance.

In order to increase the operability and acceptability of the Code in an environment where change is being driven by the rapid advance of technology and the acceleration of digitalization, and to enhance its robustness and relevance by taking into account the varied perspectives of stakeholders, we believe it is important to take a principles-based approach to setting standards. However, we believe that the recent revisions to all kinds of requirements have come close to a rules-based approach. As IESBA prepares for the formulation of its next strategy and work plan, we strongly recommend a return to a principles-based approach.

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.

(Comment)

We support the IESBA considering the topics set out in Table B as potential work stream.

With regard to "Role of CFOs and Other Senior PAIBs", we suggest that the IESBA should include in its consideration enhanced guidance on the familiarity threats that may be faced by PAIBs.

As for "Custody of Data," we believe that it is necessary to move forward with consideration in accordance with the materiality of data and its operational status in practice, such as data as a professional resource described in 400.53 A8 and other sections of the current Code, and as a separate matter from consideration of the relevancy to current confidentiality requirements and by the categories of financial and non-financial data. It may also be necessary to discuss the definition of the "materiality" of data.

In terms of "Communication with Those Charged with Governance" (TCWG), it is of great interest for TCWG who are not professional accountants. We suggest that the IESBA should develop appropriate guidance to enable it to be referred to not only by professional accountants using the Code but also by TCWG with whom they communicate, who are not professional accountants.

In "Definitions and Descriptions of Terms", it is extremely important to align the definitions of

terms used in the Code and those used in standards created by the IAASB and others. We also suggest that the IESBA should clarify the scope of related entities. We believe that clarifying the concept of the term “control” as used in the definition of related entities will be important in determining the scope of related entities.

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.

(Comment)

We have no comment.

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).

(Comment)

We have no comment.

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?

(Comment)

When deciding effective date of revised provisions, we suggest both the IAASB and IESBA should coordinate the schedule so that there is sufficient time to ensure the adoption and implementation of the revisions in all jurisdictions.

We also believe that there is an urgent need to build a process for systematic and coordinated consideration between the two parties to enable smooth progress in projects that relate to both the IAASB and IESBA, including sustainability.

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?

(Comment)

In Appendix 3, NAM in Other Activities has an anticipated demand on resources of “L” (Low), but we believe that the development of NAM will require considerable amount of resources. We believe that it is highly desirable to publish a NAM at the earliest possible time to support the adoption of the revised Code. However, the release of the “Staff Questions & Answers” document on “Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code” was delayed

until 2023, which was originally scheduled to be in July or August 2022. We are concerned about significant delay in publication, while acknowledging that it depends on the state of discussions. The Code is a principles-based framework, and so guidance such as NAM that serves as a reference during application is of great interest not only for professional accountants but also for TCWG and senior levels of corporate management as they need to refer to the Code. We believe that it is important to consider whether appropriate resources have been allocated to the prompt development of NAM to ensure sufficient preparation for the application of the Code.

Further, we believe that irrespective of the topics, the principle-based standard-setting will better facilitate the adoption of the Code by taking into sufficient consideration the legislation, culture, and custom that would differ across jurisdictions in the IESBA's discussions including those in the task force.

Also, translation needs in non-English speaking jurisdictions should be taken into account when developing the Code. We suggest the IESBA should avoid lengthy sentences and use concise and easily understandable wording.

We hope the comments provided above will contribute to the robust discussions at the IESBA.

Sincerely yours,

Toshiyuki Nishida
Executive Board Member - Ethics Standards
The Japanese Institute of Certified Public Accountants