

IESBA Meeting Highlights and Decisions

September 2019

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This summary of decisions of the International Ethics Standards Board for Accountants (IESBA) has been prepared for information purposes only. Except for documents approved for public exposure and issuance of final pronouncements, decisions reported on technical matters are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IESBA.

A podcast recording that provides a short audio summary of the main outcomes of the [September](#) IESBA meeting is also available on the IESBA website.

Non-assurance Services (NAS)

The IESBA further deliberated proposed revisions to Section 600, *Provision of Non-assurance Services to an Audit Client* and related conforming amendments, including to Section 950, *Provision of Non-assurance Services to Assurance Clients Other than Audit and Review Engagement Clients*. Among other matters, the IESBA deliberated:

- The proposal to prohibit firms and network firms from providing a NAS that will create a self-review threat to an audit client that is a public interest entity (PIE).
- How and when the Code should be revised to reflect new and emerging NAS that firms are providing as a result of advances in technology.
- The extent to which the following prohibitions that apply to audit clients that are PIEs, irrespective of materiality, should be extended to audit clients that are not PIEs:
 - Tax planning and tax advisory when the effectiveness of the tax advice is dependent on a particular accounting treatment or presentation.
 - Tax services that involve assisting in the resolution of tax disputes when the services involve acting as an advocate for the client before a public tribunal or court.
 - Providing corporate finance services to an audit client when the effectiveness of such advice depends on a particular accounting treatment or presentation.
- The proposals to enhance transparency about auditor independence through improved firm communications with those charged with governance (TCWG) about NAS-related matters, including a proposed requirement for the firm to obtain the concurrence of TCWG to provide a NAS to a PIE audit client.

At its December 2019 meeting, the IESBA will consider a revised set of proposals with a view to approving an exposure draft (ED).

Fees

The IESBA considered a second-read draft of the proposed changes to the fee-related provisions in the International Independence Standards, Section 410, *Fees*, and the related conforming amendments,

including those that are relevant to assurance engagements other than audit and review engagements in Section 905, *Fees*.

Among other matters, the IESBA deliberated:

- The articulation of the rationale for addressing fee-related issues pertaining to audit clients in the International Independence Standards.
- Whether the Code should establish a threshold that would require a firm to evaluate and address a threat to independence that might be created by the proportion of the fee for the audit and fees for services other than the audit, including fees for NAS provided to the audit client.
- The proposals to strengthen the provisions relating to fee dependency for audit clients that are PIEs, including the proposed revisions requiring public disclosure about fee dependency and withdrawal from the audit engagement in specific circumstances.
- For audit clients that are PIEs, the proposed requirement to communicate information pertaining to fee-related matters to TCWG and to the public to enhance transparency about such matters.

As part of this project, the IESBA is engaging in coordination with the International Auditing and Assurance Standards Board (IAASB) on issues that overlap the remits of both Boards, including considerations relating to public disclosure of fee-related information in the auditor's report. In this regard, the Chair of the Fees Task Force and IESBA Staff attended the IAASB's September 2019 meeting during which the overlapping issues were discussed.

The IESBA will consider a revised set of proposals with a view to approving an exposure draft at its December 2019 meeting.

Technology

The IESBA received an update on the Technology Working Group's Q3 2019 activities and briefing on the Working Group's preliminary report.

Among other matters, the IESBA considered the Working Group's preliminary findings and recommendations relating to five broad focus areas, which include the critical role of ethics and professional judgment; complexities of the professional environment; suitability of the Code's fundamental principles; competencies and skills necessary; and auditors' independence.

During Q4 2019, the Working Group will finalize its information gathering and analysis under Phase 1 of the initiative and release an update to inform stakeholders of developments pertaining to this initiative to date.

The IESBA will consider the Working Group's Phase 1 Final Report in December 2019.

Alignment of Part 4B with ISAE 3000 (Revised)

The IESBA unanimously approved the revisions to Part 4B of the Code, *Independence for Assurance Engagements other than Audit and Review Engagements*, to align it to changes to terms and concepts in the IAASB's International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

Subject to Public Interest Oversight Board (PIOB) approval, the final pronouncement is expected to be issued in early January 2020 and will be effective June 15, 2021, with early adoption permitted.

Tax Planning and Related Services

The IESBA approved the Terms of Reference for its Tax Planning and Related Services Working Group. The objective of the initiative is to identify and analyze the ethical implications of developments in tax planning and determine whether there is a need for enhancements to the Code or further actions.

The IESBA's Tax Planning initiative is multi-phased. As part of Phase 1, the Working Group will focus on engaging with a broad range of stakeholders as part of its information gathering activities. The IESBA anticipates considering the Working Group's final report for Phase 1 in Q3 2020, which will inform the IESBA's future work and deliverables in this area.

The IESBA will receive an update on the Working Group's activities at its December 2019 meeting.

IAASB-IESBA Coordination

The IESBA received an update on coordination activities with the IAASB during Q3 2019 and provided input on certain aspects of the IAASB's proposals in relation to its Quality Management (QM) projects. Among other matters, IESBA members exchanged views about the ethics- and independence-related aspects of respondents' feedback on the IAASB's EDs, including:

- The approach to addressing the issue of objectivity for an individual who served on an audit engagement moving directly into the role of an engagement quality reviewer, and whether to establish a requirement for a "cooling-off" period.
- How best to achieve a pathway to convergence regarding the revised definition of the term "engagement team" in proposed International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*. The term "engagement team" is currently used in both the IAASB's standards and the Code.
- The independence disclosure requirements that should apply to practitioners who perform engagements in accordance with the IAASB's International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*.

The IESBA was also briefed on the IAASB's plan to approve an ED of proposed conforming changes to its standards arising from the revised and restructured Code.

The IESBA will consider matters arising from its coordination activities with the IAASB at the December 2019 IESBA meeting.

Third Annual Joint IAASB-IESBA Plenary Meeting

Building on their commitment for enhanced connectivity and coordination to better serve the public interest, the IAASB and IESBA met for the third time in a joint session. The Boards discussed matters of mutual interest in the development and execution of their future strategies and work plans, with a focus on identifying opportunities for more joint thinking.

IESBA and IAASB members and official observers also participated in Discussion Groups and exchanged views on selected policy issues, including exploring a pathway to convergence regarding the concepts of "entity of significant public interest" (used in IAASB standards) and "public interest entity" (defined and used in the Code).

The IAASB and IESBA also welcomed the U.S. Securities and Exchange Commission (SEC) Chief Accountant and the Monitoring Group Co-Chair, Mr. Sagar Teotia, as a guest speaker. Mr. Teotia briefed

the Boards on the SEC's current priorities and the Monitoring Group's current activities, including in relation to the development of [reforms to the governance and oversight of international audit-related standard setting](#).

The Boards have committed to meeting again in 2020.

Next Meeting

The next meeting of the IESBA will be held in New York, USA on December 3-6, 2019.