

IESBA Meeting Highlights and Decisions

December 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 [December 2019](#) IESBA meeting is also available on the IESBA website.

Fees

The IESBA approved for exposure proposed revisions to the fee-related provisions in the Code.

The [Exposure Draft](#) was released on January 21, 2020 and is open for public comment until May 4, 2020.

Non-assurance Services

The IESBA approved for exposure proposed revisions to the non-assurance services (NAS) provisions in the International Independence Standards (IIS).

The [Exposure Draft](#) was released on January 21, 2020 and is open for public comment until May 4, 2020.

Definitions of Listed Entity and PIE

The IESBA approved a project to review the definitions of the terms “listed entity” and “public interest entity” (PIE) in the Code, with the aim of revising them as necessary so that they remain relevant and fit for purpose. The concept of a PIE overlaps with the concept of an “entity of significant public interest” (ESPI) in the standards of the International Auditing and Assurance Standards Board (IAASB) in some respects. Therefore, part of the project objectives is to develop a pathway that would achieve convergence between the two concepts to the greatest extent possible. The IESBA will coordinate this project closely with the IAASB.

As a first step in the project, given that the concept of a PIE is relevant to the NAS provisions in the Code, the IESBA is seeking early input from stakeholders through the NAS [Exposure Draft](#) on key considerations they believe should be taken into account in the project.

The IESBA will discuss initial matters for consideration at its March 2020 meeting.

Technology

The IESBA received the Technology Working Group’s final report setting out its findings and recommendations based on its information gathering activities conducted under Phase 1 of the IESBA’s strategic initiative on technology.

The IESBA agreed to the Working Group's recommendations, including the establishment of a project and Task Force to consider potential enhancements to the Code. As part of this project, the IESBA will address the need to further enhance the IIS in relation to firms' provision of technology-related NAS to audit clients.

The IESBA will consider a project proposal in March 2020.

The IESBA also agreed to pursue further information gathering with respect to other technology-related topics such as blockchain and cyber-security, and to analyze their impact on professional accountants' ethical behavior and the sufficiency of the Code. This effort will proceed under Phase 2 of the initiative.

IAASB-IESBA Coordination

The IESBA received an update on coordination activities with the IAASB during Q4 2019 and provided input on certain ethics- and independence-related aspects of proposals from the IAASB's Quality Management (QM) projects. Among other matters, the IESBA considered:

- The approach to addressing the issue of threats to objectivity for an engagement quality reviewer (EQR), and whether to establish a requirement for a "cooling-off" period before an engagement partner can step into an EQR role on the same audit engagement. Following discussion, the IESBA approved a project to add guidance to Section 120 of the Code, *The Conceptual Framework*, regarding the application of the conceptual framework to address the issue of threats to the objectivity of an EQR. The project will proceed on an accelerated basis to align as closely as possible to the timing of finalization of the IAASB's International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*. In this regard, the IESBA approved an Exposure Draft of the proposed changes to Section 120, to be released for public consultation by the end of January 2020 subject to any input at the December 19, 2019 IESBA Consultative Advisory Group (CAG) teleconference. The Exposure Draft will be open for public comment for 45 days.
- 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. In view of the implications of the proposed change to the engagement team definition for independence provisions applicable to component auditors, including those outside of a group auditor's network, the IESBA established a Working Group to develop a project proposal to address such implications. The IESBA will consider the project proposal with a view to approving it at its March 2020 meeting. This new project will also be coordinated with the IAASB's current project to revise ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*.
- The disclosure requirements relating to independence 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 noted no concerns with the IAASB Task Force's proposals, which were approved at the December 2019 IAASB meeting.

The IESBA will consider further matters arising from its coordination activities with the IAASB at the March 2020 IESBA meeting.

Tax Planning and Related Services

The IESBA received an update on the Working Group's information gathering activities and the preliminary observations from its analysis to date.

Among other matters, the Working Group briefed the IESBA on the inter-related impact of tax planning across all the fundamental principles; the "complexity" risk associated with multi-faceted tax planning strategies; the increasing criticality and value of professional judgment as jurisdictions address the ethical dimension of tax planning; and ethical leadership in today's borderless world of e-commerce.

During Quarter 1 of 2020, the Working Group will focus on engaging with a broad range of stakeholders, including the Organisation for Economic Co-operation and Development (OECD) and national standard setters, as part of its information gathering activities.

The IESBA will receive an update on the Working Group's activities at its March 2020 meeting.

eCode

The IESBA received an update on Phase 2 of the eCode initiative, a collaborative effort between the IESBA and IFAC. Work is underway to build new features, including an "effective date" selection mechanism to enable users to access versions of the Code in effect at different times, and a capability to transfer the platform to national standard setters or others for tailoring to local circumstances, with tracking to indicate local modifications.

The IESBA will receive a demonstration of these new features at its March 2020 meeting.

Revised and Restructured Code Roll-out

The IESBA received an update from Mr. Kevin Dancey, IFAC CEO, and Mr. James Gunn, Managing Director, Professional Standards, on the status of collaboration between IFAC and the international standard setting boards (SSBs) supported by IFAC in relation to adoption and implementation (A&I) of the SSBs' standards. Among other matters, Mr. Dancey highlighted some of the recent IFAC A&I activities relating to the Code such as the [Exploring the IESBA Code](#) short publication series, its [good practice guide](#) for professional accountancy organizations to develop good practices for their members providing tax advice, and IFAC staff's participation in the IESBA's eCode Working Group.

The IESBA also received a report from the Working Group on its key achievements since its inception in 2018. With the revised and restructured Code effective since June 2019, the IESBA agreed with the Working Group's recommendations to disband the Working Group and to ask that IESBA staff take the lead in coordinating A&I efforts with IFAC. The IESBA appointed an IESBA member as advisor to IESBA staff.

IFAC Global Status of Adoption Report

The IESBA received a presentation from IFAC's Quality and Development staff, Mr. Joseph Bryson, Director, and Ms. Sarah Gagnon, Technical Manager, on the status of global adoption of international standards as summarized in IFAC's October 2019 [International Standards: 2019 Global Status Report](#). Among other matters, the IESBA noted different snapshots and breakdowns of the current status of adoption of the Code around the world.

The IESBA also noted that IFAC is planning on releasing a deep-dive report on "Ethics and Investigation and Disciplines" and a regional report focusing on the Middle East and North Africa in 2020.

Role and Mindset

The IESBA noted highlights of the significant comments received from respondents to the Exposure Draft, [*Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants*](#). As of December 2019, the IESBA received a total of 46 comment letters.

The IESBA will undertake a full review of the comments received and the Task Force's revised proposals in March 2020 with a view to approving the final pronouncement in June 2020.

Next Meeting

The next meeting of the IESBA will be held in New York, USA on March 16-18, 2020.