

To: IAESB

From: S. Thomadakis

Chair, International Ethics Standards Board for Accountants (IESBA)

International Ethics Standards Board for Accountants (IESBA) – 2018Q1 Activity Report

Professional Skepticism

The IESBA considered a “first-read” draft consultation paper dealing with longer-term issues concerning the topic of professional skepticism, following the finalization in December 2017 of [enhanced application material](#) addressing professional judgment and professional skepticism in the short term. Among other matters, the consultation paper explores the behavioral characteristics comprised in professional skepticism, whether all professional accountants should apply these behavioral characteristics, and whether the Code should be further developed as a result.

The IESBA also was briefed on coordination with representatives of the International Auditing and Assurance Standards Board (IAASB) and the International Accounting Education Standards Board (IAESB) in the development of the draft consultation paper.

The IESBA asked that the Working Group share a revised draft of the consultation paper, inclusive of its input, with the IAASB and IAESB representatives for comment on a “fatal flaw” basis. Subject to this feedback, the IESBA asked the Working Group to present the final draft consultation paper for consideration with a view to approval at a teleconference scheduled for May 4, 2018. (The IESBA approved the consultation paper at that teleconference.)

The IESBA will use the consultation paper as a basis for engaging with a wide range of stakeholders on the issues at a series of three global [roundtables](#) in Washington, DC, USA on June 11, 2018; Paris, France on June 15, 2018; and Tokyo, Japan on July 12, 2018.

Non-Assurance Services

The IESBA considered a paper outlining the Non-assurance Services (NAS) Working Group’s planned approach to a fact-finding initiative aimed at further understanding matters related to the permissibility of NAS to audit clients. Among other matters, the IESBA discussed whether:

- The permissibility of certain NAS in the Code should continue to be dependent on the extent to which the outcome of the NAS will have a material effect on the financial statements.
- The Code should continue to have different NAS provisions for audit clients that are public interest entities versus those that are not.
- New requirements for auditor communications with those charged with governance about NAS, including fees charged for NAS, should be included in the Code.
- The Code should establish limits and required disclosures about fees charged by audit firms for NAS relative to audit fees.

The IESBA agreed to seek stakeholders’ input about the NAS issues at the three global roundtables to be held in Washington, DC, Paris and Tokyo in June and July 2018.

The IESBA will receive an update on the Working Group’s activities, including highlights from the Washington, DC, and Paris roundtables, at its June 2018 meeting.

Inducements

The IESBA considered significant comments received on the September 2017 Exposure Draft, [Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements](#) and the Task Force's related responses and proposed revisions to the text (i.e., Part 2 – Professional Accountants in Business, Section 250, *Inducements, Including Gifts and Hospitality*; Part 3 – Professional Accountants in Public Practice, Section 340, *Inducements, Including Gifts and Hospitality*; Part 4A – Independence for Audit and Review Engagements, Section 420, *Gifts and Hospitality*; and Part 4B – Independence for Assurance Engagements Other Than Audit and Review Engagements, Section 906, *Gifts and Hospitality*).

Topics discussed included: the definition of an inducement, the concept of improperly influencing behavior, the approach to inducements that are trivial and inconsequential where there is improper intent, relevant factors when considering intent and evaluating the level of threats, the offer of inducements by or to immediate or close family members, and the interaction between Section 340 and Sections 420 and 906.

The IESBA considered and approved the final inducement provisions at a teleconference held on April 23, 2018. Subject to Public Interest Oversight Board (PIOB) approval, the final provisions will be included in, and have the same effective date as, the [revised and restructured Code](#).

Fees

The IESBA received a high level overview of the early responses to the IESBA's [Fees Questionnaire, categorized among investors and other users, firms, those charged with governance, regulators, national standard setters, and IFAC member bodies](#). The IESBA also was briefed on the Working Group's intention to coordinate its work with the NAS Working Group with respect to overlapping issues.

At its June 2018 meeting, the IESBA will consider the Working Group's final report and recommended way forward in relation to the fee-related matters.

Technology

In the context of its strategic focus on responding to developments in technology, the IESBA received a presentation from Ms. [Rebekah Brown](#), Manager of Membership Development and Engagement, Maryland Association of CPAs Business Learning Institute on the impact of new technologies on the accounting profession. Among other matters, the IESBA was briefed on, and exchanged views about, the technological trends that are impacting the accounting profession; how accounting and finance skills will need to evolve to remain relevant; and the implications for international standard setting.

The IESBA will continue to be briefed by subject matter experts on developments in technology throughout 2018 as a prelude to future work in this area as part of its Strategy and Work Plan 2019-2023.

E-Code

The IESBA considered possible features that might be included in an International e-Code to be based on the recently approved revised and restructured Code. Among other matters, the IESBA agreed to the Working Group's proposals to undertake a multi-phased approach and to seek input from stakeholders, including national standards setters, regarding the design and functionality of the e-Code.

At its June 2018 meeting, the IESBA will receive an update on the Working Group's further thinking on the proposed approach to, and timeline for, the development of the e-Code.

Rollout and Implementation of the Restructured Code

In anticipation of the release of the revised and restructured Code in early April 2018, the IESBA received a briefing from its Rollout and Implementation Working Group regarding plans for raising awareness of the new

Code and promoting its adoption and implementation worldwide. Among other matters, the IESBA noted the Working Group's collaboration with the IFAC Communications Department to develop a global communication strategy and action plan for 2018. The IESBA also supported the Working Group's proposals to develop tools and resources to support global adoption and implementation of the new Code.

The [Restructured Code](#) section of the IESBA's website will include the first components of "Tools and Resources" when the new Code is released. Additional resources will be subsequently released throughout the period up until the new Code becomes effective in June 2019.

The IESBA will receive an update from the Working Group at its June 2018 meeting.