

**Finale Minutes of the 61th Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
Held on September 17-20, 2018 in New York, United States**

Voting Members

Present: Stavros Thomadakis (Chairman)
Richard Fleck (Deputy Chair)
Michael Ashley
Brian Caswell
Brian Friedrich
Hironori Fukukawa
Kim Gibson
Liesbet Haustermans
Robert Juenemann
Winifred Kiryabwire
Alden Leung
Caroline Lee
Myriam Madden
Ian McPhee
Reyaz Mihular
Patricia Mulvaney
Jens Poll
Sylvie Soulier

Technical Advisors

Saadiya Adam (Mr. Mihular)
James Barbour (Mr. Ashley)
Denise Canavan (Ms. Haustermans)
David Clark (Ms. Soulier)
Gregory Driscoll (Ms. Lee)
Jens Engelhardt (Mr. Poll)
Ellen Gorla (Mr. Caswell and Ms. Madden)
Ian Hutchinson (Mr. Friedrich)
Selene Ho (Mr. Leung)
Gina Maldonado-Rodek (Ms. Gibson)
Andrew Pinkney (Ms. Mulvaney)
Sundeep Takwani (Ms. Kiryabwire)
Toshihiro Yasada (Mr. Fukukawa)

Apology: Josephine Haste (Mr. McPhee)

Non-Voting Observers

Present: Kristian Koktvedgaard, IESBA Consultative Advisory Group (CAG) Chair, and Yoshiharu Kawada, Japanese Financial Services Agency (FSA)

Public Interest Oversight Board (PIOB) Observer

Present: Aileen Pierce

IESBA Technical Staff

Present: James Gunn (Managing Director Professional Standards), Ken Siong (Senior Technical Director), Diane Jules (Deputy Director), Geoffrey Kwan, and Szilvia Sramko

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Dr. Thomadakis welcomed all participants and public observers to the meeting. He also welcomed Mr. Don Thomson, Chair of the e-Code Working Group (WG), Mr. Gary Hannaford, Non-assurance Services (NAS) WG member, and Mr. Peter Hughes, former IESBA member who is providing technical support to the Part 4B¹–ISAE 3000 (Revised)² Alignment WG.

Among other matters, Dr. Thomadakis highlighted the following in his introductory briefing to the Board:

- The topics that are on the agenda of the meeting, in particular the four project proposals for discussion and approval by the Board. He also noted other important topics such as the revisions to the proposed Strategy and Work Plan 2019-2023 (SWP), the update on IAASB-IESBA coordination, the initiative on Technology, and the planned demonstration of the e-Code prototype.
- The fruitful and lively discussion at the September 2018 IESBA CAG meeting. Mr. Koktvedgaard briefly shared his observations on the CAG meeting.
- The outreach activities since the last Board meeting, including the four roundtables held in Washington DC and Paris in June; Tokyo on July 12; and Melbourne on July 16. Dr. Thomadakis thanked all who were involved in organizing the roundtables. He especially conveyed his appreciation to the Accounting Professional & Ethical Standards Board (APESB) of Australia, and the New Zealand External Reporting Board (XRB) for organizing the Melbourne roundtable and providing the ground support.
- The recent discussion and cooperation with the International Forum of Independent Audit Regulators (IFIAR) regarding inclusion of a question in the IFIAR annual survey of audit inspection findings to better document and report instances where the Code was perceived to have failed to address certain ethical situations adequately.

APPROVAL OF MINUTES

The Board approved the minutes of the June 2018 public session meeting as presented.

2. Restructured Code Rollout

Ms. Gibson introduced the topic and briefed the Board on the status of the “rollout” initiatives aimed at promoting awareness and adoption and implementation of the revised and restructured Code. The Board was also briefed by Mr. Gary Hannaford and Mss. Kiryabwire, Lee and Soulier about recent outreach events in which they had participated. Those outreach events were held in Indonesia, Thailand, Myanmar, Japan, Hong Kong, Malaysia and South Africa. Dr. Thomadakis then briefed the Board on a meeting that he and Mr. Siong had attended with the National Association of State Boards of Accountancy (NASBA) in the US.

Among other matters, IESBA participants noted that:

- Outreach is an impactful way to promote awareness of the Code and its adoption. It was noted that

¹ International Independence Standards, Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements

² International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

there is a need to focus future activities on jurisdictions that were not covered in 2018, e.g., Europe.

- The resources and tools on the website, in particular, the slide deck were very useful to prepare for outreach events.
- Adoption of the Code by certain major jurisdictions provide a clear signal for others with respect to adoption.

STAFF Q&A PUBLICATIONS

Ms. Gibson then asked the Board for input on potential topics that might be considered for purposes of commissioning IESBA Staff Q&A publications.

Among others, IESBA meeting participants raised the following comments:

- There is a need to determine topics that will be most impactful to stakeholders. In this regard, care is needed in not re-opening issues that are already decided by the Board.
- Most of the current resources deal with the technical questions that national standard setters (NSS) or firms may have. There is a need to consider topics that will help focus non-professional accountants (non-PAs) (e.g., those charged with governance (TCWG) and investors) on the changes that were made to the Code. In this regard, it was noted that NSS need support to help socialize the changes made to the Code among stakeholders within their jurisdictions.

WAY FORWARD

The WG plans to provide a further update on the rollout activities at the December 2018 IESBA meeting.

3. IFAC Anti-Corruption and Taxation Initiatives

Dr. Thomadakis introduced the session and welcomed Mr. Amir Ghandar, Deputy Director, Public Policy Regulation at IFAC, as guest presenter to brief the Board on IFAC's initiatives on anti-corruption and international tax policy.

GLOBAL FIGHT AGAINST CORRUPTION

Mr. Ghandar introduced the topic by emphasizing the importance of the fight against corruption in protecting public trust. He cited the G20 High Level Principles on Corruption and Growth which, among other things, states that "Corruption damages citizens' confidence in governance institutions and their supporting integrity systems, and weakens the rule of law." He also pointed out that it is important for the accountancy profession to play its part given accountants' connection with transactions in general, and the potential impact corruption has on the reputation of the accountancy profession. In this regard, he congratulated the IESBA on developing the NOCLAR and inducements standards.

Mr. Ghandar noted that since his presentation to the Board in March 2017 on this topic, IFAC has continued to be involved in the global conversations as an informed voice for the profession and in promoting public policy solutions, such as giving PAs the legal framework to do what is needed.

Mr. Ghandar noted that IFAC has been appointed as a Network Partner of the B20's Integrity and Compliance Task Force. That Task Force deals with corruption and has, in 2018, successfully proposed to include in the B20 and G20 policy papers a range of accounting measures and standards such as the International Public Sector Accounting Standards and the IESBA Code. He also mentioned that IFAC signed

an [anti-corruption mandate](#) in July 2018 with the International Bar Association that calls for collaboration and a shared commitment to combat corruption in all its forms.

INTERNATIONAL TAX POLICY AND PUBLIC TRUST

Mr. Ghandar provided an overview of some of the policy activities at a global level such as implementation of the OECD and G20's [Base Erosion and Profit Shifting Package](#), which involved the collaboration of over 100 countries and jurisdictions.

Mr. Ghandar noted that the 2016 report "[G20 Public Trust in Tax Study](#)" (public trust report), jointly published by IFAC, the Association of Chartered Certified Accountants (ACCA) and Chartered Accountants Australia and New Zealand (CAANZ), was well received by policy makers. He also provided the Board with a preview of the 2018 update of this report, which summarizes the results of a survey of 8,400 individuals from the G20 countries. This survey sought public views on a range of tax-related questions, such as whether paying tax is primarily a matter of laws and regulations or morals and fairness, whether different classes are paying enough tax, and how important it is for governments to compete on tax to attract businesses. Mr. Ghandar further noted that, based on the findings of the 2018 update, the public continues to have a high level of trust in accountants on tax matters compared to a high level of distrust in politicians and the media. He concluded by acknowledging the complexities and diversities of the issues as highlighted in the IESBA's Consultation Paper, [Proposed IESBA Strategy and Work Plan, 2019-2023](#), and the need to distinguish between ethical practice and morality in tax systems.

Among other matters, the following were raised:

- Whilst PAs must comply with the NOCLAR provisions in the Code, other professionals might not be subject to the same ethical requirements. It was suggested that other professionals should be encouraged to follow standards that are similar to NOCLAR.
- In response to queries raised by a few IESBA members, Mr. Ghandar noted that the next step of the public trust report would be to conduct a drill down of the information.
- The issues being explored should also include the use of tax revenue by governments.

Dr. Thomadakis thanked Mr. Ghandar for his insightful presentation, noting that it will help inform the IESBA's future initiative on tax planning and related services.

4. Fees

Mr. McPhee introduced the session and briefed the Board on the CAG's and the IFAC SMP Committee's (SMPC's) input on the draft project proposal. He then walked the Board through the draft project proposal.

In addition to several drafting refinements, the following matters were raised or agreed:

- It was determined that the project should focus on the issue of level of fees in the context of audits engagements only.
- It was suggested that the project proposal signal that national confidentiality and anti-competition laws might preclude any global fee provisions in the Code relating to the level of fees or their transparency.
- It was suggested that the project should involve a consideration of whether the provisions in the Code

relating to pressure set out in Section 270³ might be relevant to clarifying the responsibilities of PAIBs in relation to audit fees, in particular those responsible for appointing or reappointing auditors.

- Taking into consideration the revised provisions that are being developed as part of the IAASB's Quality Management Projects, in particular proposed ISQC 1 (Revised)⁴ and proposed ISA 220 (Revised).⁵

Mr. Gunn noted that audit quality should be a key issue to this project. He briefed the Board on the relevant proposal in proposed ISQC 1, and asked the Board to monitor and provide input to the IAASB in relation to that project.

WAY FORWARD

The Board will receive an update on the fees project at the December 2018 IESBA meeting.

5. IAASB-IESBA Coordination

Ms. Soulier, IESBA Board Liaison to the IAASB, introduced the session, highlighting the key ethics and independence-related matters that were discussed with IAASB representatives in relation to proposed ISQC 1 (Revised), proposed ISQC 2⁶ and proposed ISA 220 (Revised) (collectively the QC standards); as well as proposed ISRS 4400 (Revised).⁷ She explained that those discussions centered on the following key topics:

- Determining the appropriate provisions relating to compliance with the fundamental principle of objectivity when engagement partners move into an engagement quality reviewer (EQR) role on the same audit engagement, including whether a requirement for a cooling off period should be established. Ms. Soulier summarized the Joint Working Group (JWG)⁸ recommendations, including proposed examples for inclusion in the Code to assist the EQRs in identifying threats to compliance with the fundamental principle of objectivity.
- Addressing the issue of responsibility for compliance with independence requirements within a firm, including how proposed ISQC 1 deals with independence considerations in a network context.
- Aligning the material in the QC standards with revised terms, concepts and drafting conventions used in the revised and restructured Code.

The Board then had a preliminary discussion about the approach to, and planned timing for, consequential and conforming amendments to the Code as a result of revisions to those IAASB standards.

The Board observed that the volume of IAASB material on which the IESBA Representatives provided input during Q3 was significant, in particular in relation to the QC standards. The Board complimented Ms. Soulier and the other IESBA Representatives for their diligent work. After a general discussion about operational

³ Part 2 – Professional Accountants in Business, Section 270, *Pressure to Breach the Fundamental Principles*

⁴ Proposed International Standard of Quality Control (ISQC) 1 (Revised), *Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Engagements*

⁵ Proposed International Standard on Auditing (ISA) 220 (Revised), *Quality Control for an Audit of Financial Statements*

⁶ Proposed ISQC 2, *Engagement Quality Reviews*

⁷ Proposed International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-upon Procedures Engagements*

⁸ In September 2017, the IAASB and the IESBA established the JWG to explore how best to address issues relating to the objectivity of the EQR.

and resourcing matters related to coordination, the Board agreed that on an interim basis, additional IESBA resources should be devoted to IAASB-IESBA coordination initiative.

With respect to the topic of an engagement partner moving into an EQR role, IESBA members:

- Agreed that the IESBA should provide input on any new material that is developed to clarify how EQRs are to comply with the fundamental principle of objectivity.
- Agreed that the Code should continue to be principles-based with respect to the determination of objectivity of EQRs, and should not include a requirement for a cooling-off period. There was also a view that the revised provisions for identifying, evaluating and addressing threats in the conceptual framework already provide appropriate guidance as they are principles-based and scalable.
- Supported the recommendation for having additional application material in the Code, by way of illustration to help EQRs identify threats. However, IESBA members emphasized the need to maintain an appropriate balance between audit-specific and non-audit examples in Part 3 of the Code, which applies to all PAs in public practice. Therefore, they suggested that the Code should include only one EQR-related example versus the four presented.

Ms. Soulier explained that the various drafts of the QC standards were still evolving and that the IAASB is planning to consider the various comments provided by the IESBA Representatives during its September meeting. She noted that future interactions are being planned with IAASB Representatives to consider the IAASB's and QC Task Forces' responses, and to provide final input on the ethics and independence matters in the revised drafts of the QC standards, in advance of their being approved for exposure at the December 2018 IAASB meeting.

WAY FORWARD

The Board will receive a further progress report at the December 2018 IESBA meeting.

6. Future Strategy and Working Plan

Dr. Thomadakis and Mr. Siong briefed the Board on the input received from respondents to its Consultation Paper, [Proposed Strategy and Work Plan 2019-2023](#) and the Planning Committee's (PC's) analysis of the significant comments received and its preliminary recommendations for the way forward. The Board noted that overall, there was wide acceptance among respondents for the proposed SWP, including the proposed actions and priorities. The Board also was briefed on the feedback received at the September 2018 IESBA CAG meeting and from the IFAC SMP Committee.

Overall, the Board broadly supported the PC's analysis and recommendations in response to comments received on the CP. Among other matters, IESBA participants made a number of comments and suggestions for the PC's consideration in refining the SWP, including the following:

- Elaborating on the relationship and avenues of collaboration with IFAC.
- On the topic of technology, taking a more systematic, risk-based approach to the work effort given the breadth of the field.
- Regarding the review of the definition of a public interest entity (PIE), recognizing explicitly the need for coordination with the IAASB.

- On the topic of tax planning and related services, acknowledging (a) the need to consider the work done by IFAC and policy-making organizations on international tax policy, and (b) the reality of tax competition among jurisdictions.
- On the topic of service delivery models, highlighting that the priority and scope of, and approach to, this work stream are to be determined once there is greater clarity regarding the nature and scope of issues arising from the fact finding regarding developments in technology.
- Regarding the review of the documentation provisions in the Code, making it clear that this would be subject to Board agenda time and resources being available.

WAY FORWARD

The Board will consider the final draft of the SWP for approval at the December 2018 IESBA meeting.

7. Technology

Ms. Mulvaney introduced the session and welcomed Ms. Sylvia Tsen, Executive Director of Knowledge, Operations and Technology at IFAC as guest presenter to provide an overview of the role and work of the IFAC Technology Advisory Group (TAG).

PRESENTATION ABOUT THE ROLE AND WORK OF THE IFAC TAG

Ms. Tsen commenced her presentation by noting that the TAG was formed in 2017 and that its objectives are to:

- Identify key technology trends that will impact the global accountancy profession. In this regard, the TAG is focusing on the following technology trends:
 - Artificial intelligence and robotics
 - Blockchain (distributed ledgers)
 - Cybercrime and cybersecurity
 - Data (big data, data analytics)
- Raise awareness, speak out, and demonstrate the profession's expertise.
- Support IFAC in providing input or submissions to the OECD, G20 and other global public policy forums with respect to technology.

Ms. Tsen noted the changing role of PAs in light of the digital transformation, and highlighted the importance for PAs to have appropriate education, skills and competencies. She also provided an overview of the lessons learnt from presentations and demonstrations by technology industry leaders including IBM, Microsoft and the Wall Street Blockchain Alliance. Against this background, Ms. Tsen gave examples of how IFAC is supporting its member bodies, such as through its IFAC Gateway articles and its recent collaboration with the Forum of Firms to provide a series of technology-related videos in French and Spanish. She also informed the Board that IFAC will be launching its virtual technology series, with the first session to be held in mid-October 2018 on the topic of data analytics. Ms. Tsen suggested that ethics may be considered as a future session topic. She noted that the TAG will continue to focus on education as part of its future strategy.

Feedback from IESBA Participants

In response to a question about the future role of PAs in light of emerging technologies such as cryptocurrencies, distributed ledger technologies and artificial intelligence, IESBA participants exchanged views about the matter. In particular, there was a view that with advancing technologies, the exercise of professional judgment by PAs would become even more critical to identify, evaluate and address ethics issues that might arise, for example from the use of robotics and machine learning. It was agreed that it would be important to consider whether the Code provides sufficient guidance in this regard.

Ms. Mulvaney and Dr. Thomadakis thanked Ms. Tsen for the informative presentation.

CONSIDERATION OF THE TECHNOLOGY-SPECIFIC COMMENTS ON THE PROPOSED SWP

Ms. Mulvaney noted that there was strong overall support from respondents to the IESBA's SWP consultation paper for prioritizing the topic of trends and developments in technology. She further noted that there was strong support to maintain a principles-based approach. She added that there was a view that the fundamental principles of ethics and the provisions in the conceptual framework are sufficiently robust and remain relevant to the changing context of developments in technology. Ms. Mulvaney then highlighted some specific comments that were raised by respondents to the proposed SWP as matters to be considered as part of this work stream.

FOCUS AND APPROACH OF THE WG

Ms. Mulvaney briefed the Board on the WG's initial thinking about the possible areas of focus and approach for progressing its work. She then sought input from the Board in order to further refine the WG's thinking.

Among other matters, the following were raised by IESBA participants:

- Respondents to the SWP CP did not appear to have suggested a need for significant revisions to the Code in order to effectively deal with technology-related ethical issues. It was suggested that one way to approach the topic would be to determine the threats that advancing technologies pose to compliance with the fundamental principles and to independence, and to explain how they might be evaluated and addressed.
- It was suggested that the WG should first consider developing non-authoritative material in the short term to respond to stakeholder expectations for IESBA thought leadership on the topic. Mr. Kocktvedgaard supported this suggestion and added that an IESBA Staff publication that highlights the ethical issues associated with the use of artificial intelligence, and how the Code currently addresses these issues, would help generate meaningful discussions with stakeholders.
- The technology of "machine learning" is likely to emphasize human biases because it is designed to focus users only on the information that aligns to their interests.
- It was suggested that the WG and the Board should plan to leverage the work done by others, including IFAC member bodies.
- In terms of a possible approach, it was suggested that the WG initially focus on a few of the emerging technologies, for example, artificial intelligence, data analytics and predictive analysis, cryptocurrencies, blockchain and cyber security. It was emphasized that in sharpening its focus, the WG should limit its work to matters that are within the Board's remit.

WAY FORWARD

The Board asked the WG to develop proposed Terms of Reference for the WG for its consideration and approval at the December 2018 IESBA meeting.

8. Role and Mindset Expected of Professional Accountants

Mr. Fleck commenced the session by noting that the final two global roundtables held in Tokyo, Japan and Melbourne, Australia in July 2018 were well attended, with participants providing useful feedback for the Working Group's consideration. He noted that, in addition to providing feedback to the Consultation Paper, [*Professional Skepticism – Meeting Public Expectations*](#) (CP), participants at all the roundtables had also discussed the suggestion of inserting into the Code an overarching statement of what it means to be a PA, a concept that was developed during the first roundtable in Washington DC, USA.

Mr. Fleck reported that the four global roundtables, attended by over 150 senior representatives from a broad spectrum of stakeholders around the globe, had been very fruitful for both the NAS and Professional Skepticism initiatives as they provided a forum for an open, interactive and rich discussion by all participants. This, in turn, allowed the Working Groups to develop their thinking at an accelerated pace. The roundtables also generally led participants to become more aligned with the IESBA's direction of travel as they became more familiar with the issues. He suggested the use of roundtables be also considered for other high profile projects.

Mr. Fleck reported that at its September 2018 meeting, the CAG was generally supportive of the Working Group's assessment of the comment received and the project proposal. In particular, he highlighted the following:

- The PIOB Observer had conveyed the PIOB's support for the project proposal in light of the significant public interest in the topic.
- There was a general consensus that the focus should be on changing PAs' mindset and behavior, and not on developing new terms. It was noted during the CAG meeting that behavioral changes cannot be achieved by enhancing the Code alone but by also bringing into play supporting elements such as education and the IAASB's ISQC 1.
- With regards to the suggestion of an oath taken by PAs or affirmation given by them, he had clarified that this was only one element being considered as part of the project proposal.
- Some CAG participants have suggested that the Working Group should also consider the development of non-authoritative material that would support application of the expected behaviors.
- With regards to the title of the project, a view was expressed within the CAG that it should reflect mindset and behavioral change.

Mr. Koktvedgaard confirmed that the CAG had a robust discussion on the topic. He reiterated the need for the project to focus on changing mindset.

Mr. Fleck noted that the SMPC was also generally supportive of the project proposal.

RESPONSES TO THE CONSULTATION PAPER

Mr. Fleck provided a summary of the feedback to Q.1 – Q.10 in the CP from both the comment letters received and the global roundtables, including responses to the five options suggested in the CP regarding

how the Code address the behavior expected of PAs. Mr. Fleck reported that overall, there was broad support for the initiative and the direction of travel. He further noted the following:

- There was clear encouragement from the roundtable participants for the Working Group to explore the merits of an overarching statement of purpose which would be inserted at the beginning of the Code and which might take the form of a mission statement or professional oath.
- There was general support for the proposition that the public expects information with which a PA is associated to be capable of being relied upon for the intended use.
- There was general support for the behavior articulated in paragraph 10 of the CP and that such behavior should be expected of all PAs as it will serve the public interest. However, some suggested that the concepts of a “questioning mindset” and the “public interest” should be included. Some commentators also queried if the term “impartial” is appropriate given PAs’ allegiance to their clients or employers. There were mixed views on introducing the concept of scalability.
- There was clear support that the fundamental principles should drive the desired behavior and that if such behavior is not displayed by PAs at large, more guidance is required.
- Strong views that the term “professional skepticism” should be reserved for the audit and assurance context as using this term for the purposes of this project would undermine the role and importance of professional skepticism for audit and other assurance engagements. A number of commentators also suggested the focus should be on behavior and desired outcomes instead of on new terms.
- Whilst most agreed that the fundamental principles provide a sound foundation for the behavioral characteristics identified in the CP, there was support for the development of application material to promote the fundamental principles.
- There was clear support for additional material in the Code to address bias, pressure and other impediments to the proper exercise of “professional skepticism.”

Working Group Assessments

Mr. Fleck reported that, based on the input received, the Working Group has formed the view that the term “professional skepticism” has become more or less a general term used by stakeholders to encapsulate behavioral characteristics they expect from all PAs. Further, he noted that the real exhortation is for PAs to fulfill their duty to the public by consistently meeting the responsibilities of their role and actively demonstrating the behavioral characteristics set out in the CP.

PROJECT PROPOSAL

Mr. Fleck noted that the project proposal was developed taking into consideration the Working Group’s assessment of the input received from stakeholders. He further noted that, in conformity with the due process and working procedures, the Working Group had also sought feedback to the project proposal from other SSBs’ and IFAC committees’ staff and received their general support.

Mr. Fleck explained the key elements of the project proposal to the Board, in particular the project objective and scope. He also drew the Board’s attention to the introductory material of the 2001 version of the Code, which discussed at some length the role and expectations of PAs and the profession, which he then contrasted with the brief discussion included in paragraph 100.1 A1 of the Code. He noted that having been apprised of the material in the earlier Code, the Working Group will consider developing new material that explains upfront in the Code to whom the Code applies, the importance of firm culture in promoting

compliance with the Code, and the role and purpose expected of PAs. The project would then develop the theme throughout the Code.

With regards to the terms “purpose and role” and “core value and behavioral characteristics,” Mr. Fleck noted that any use of these terms in the proposed material will need to be consistent with the relevant IAASB and IAESB standards. Some IESBA members suggested that whereas the fundamental principles set the standards of behavior, values relate to a person’s beliefs and are difficult to assess. In this regard, Dr. Thomadakis agreed that “value” is difficult to observe and ascertain, and that the term “purpose and role” are more appropriate. He noted that adding “value” to the Code might create confusion as the value of the Code is the fundamental principles. He further noted that the term “mindset” should also be maintained. An IESBA member expressed a concern that if new terms such as “behavioral characteristics” are used to underpin the Code, these would detract from a focus on the fundamental principles. Mr. Fleck acknowledged the comments made by IESBA members. He noted that the project will consider these terms and their implications once the drafting process begins.

The Board generally agreed with the strong sentiment from respondents to the CP and the roundtable participants that the term “professional skepticism” is a term of art and should be reserved for audit and other assurance engagements. An IESBA member, however, held the view that “professional skepticism” should be applied more broadly to all PAs. Responding to this view, Dr. Thomadakis and Mr. Siong noted that the Board had made considerable efforts to explore the feasibility of extending use of the term more broadly across the Code. However, in light of the concerns raised by IAASB and other stakeholders including IOSCO, the Board might not see clear public support in pursuing this avenue.

Ms. Pierce noted that whilst she accepts that “professional skepticism” might not be the term used, the concept of the questioning or critical mindset should not be lost. In this regard, Mr. Fleck emphasized that PAs, in satisfying themselves that the information they are associated with is fit for purpose, need to apply a questioning mindset and critical examination, the level of which will depend on the nature of the engagement.

Among other matters, the following were also raised:

- When developing new material, the Working Group should be mindful of the efforts of the Structure of the Code Project to streamline material in the Code.
- The project proposal should clearly state that the term “professional skepticism” is reserved for audit and other assurance engagements, and that non-authoritative material could be a possible output.
- How the Code should reconcile the tension between setting a level of expectation applicable to all PAs on the one hand and the differences in their experience and roles on the other. Mr. Fleck acknowledged that this is the issue surrounding the concept of scalability. He indicated that the Working Group will work on how to articulate this expectation.
- Whether an objective of the new material is to encapsulate all the fundamental principles, similar to how paragraph 110.2 A1 of the Code ties in all the fundamental principles.
- Whilst the material on firm culture in the draft IAASB exposure draft of ISQC 1 only applies to PAs performing certain types of engagement and is not applicable to other PAs, the Working Group should nonetheless be mindful of its content to avoid any unnecessary misalignment.

PROJECT APPROVAL

After duly considering the refinements, the Board approved the project proposal, retitled “[Promoting the Role and Mindset Expected of Professional Accountants](#)” with the affirmative votes of 17 out of 18 members present. Mr. Juenemann did not support the project proposal as specified as he was of the view that the project should focus on how to apply the concept of professional skepticism, as the public generally understands the term, to all PAs.

9. Non Assurance Services

Mr. Fleck introduced the session and presented a [summary of the feedback](#) on the [NAS issues](#) discussed at the [four global roundtables](#) held in the Washington DC, Paris, Tokyo and Melbourne. He explained that the draft project proposal was prepared based on the feedback from roundtable participants. Mr. Fleck then summarized the feedback from the CAG on the draft project proposal as well as the comments provided by the SMPC. He also summarized the results of a benchmarking exercise for NAS provisions that involved comparing the provisions in the Code to (a) Article 5 of the European Union Regulation,⁹ and (b) the independence rules of the US Public Company Accounting Oversight Board and the US Securities Exchange Commission.

Mr. Fleck explained that the project will involve a full review of the NAS provisions in the Code, and will seek to provide a clear and principles-based approach, consistent with the conceptual framework, to the circumstances in which firms and network firms may be permitted to provide NAS to audit clients. He explained the key aspects of the project proposal, including the plan to consider the threats, in particular self-review threats, that are created by providing a NAS to an audit client and whether such service should be prohibited.

In addition to several drafting refinements, IESBA participants discussed and considered the following matters in finalizing the project proposal:

- Some of the NAS issues overlap with other work streams – Fees and proposed future strategic initiatives, including on technology, definition of a PIE, materiality and communication with TCWG. Accordingly, effective internal coordination will be an important.
 - In relation to materiality, it was agreed that the scope of the future materiality project would be impacted by the direction taken in the NAS project.
 - It was agreed that the NAS project scope would not include a review of the definition of a PIE in the Code.
- Providing NAS to audit clients may create a distraction for engagement partners. This may have implications for the quality of the audit engagement. There was view that in addition to determining the firm’s responsibilities with respect to the provision of NAS, it is important to also consider the responsibilities for individuals and clarify the periods for which independence is required.
- In developing revised NAS provisions, the application of the conceptual framework should be reinforced. Any new provisions should continue to align with the conceptual framework.

⁹ Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC

- There is a need to consider the implications of any proposed revisions on Part 4B of the Code, in particular Section 950.¹⁰
- Exploring whether all NAS that create self-review threats should be prohibited without a clear rationale appears to be inconsistent with the conceptual framework approach. If such a path were taken, it might not allow for the exercise of professional judgment that is necessary for the accountancy profession to operate in a dynamic and evolving world. Several IESBA members sought clarity about which types of NAS would be prohibited if taking a policy decision relating to self-review threats. It was felt that most types of NAS set out in the Code are likely to create self-review threats.
 - It is also important that the Code include clear and enforceable NAS prohibitions to help in the determination of the types of services that should not be provided to audit clients.
 - In contrast to the “black list” approach taken in the EU Regulation, in revising the NAS provisions in the Code, the explanations for each type of NAS as well as application material to explain how the related provisions should be applied will not only be retained, but also expanded as deemed appropriate. Such explanations provide the rationale for the NAS prohibitions that are included in the Code and which are linked to the proper application of the conceptual framework. In relation to self-review threats, it is noted that some stakeholders believe that the concept of “self-review” is incompatible with an independent audit engagement, in particular in relation to audits of entities that are PIEs.
 - Having clear and commonly understood descriptions for the various types of services that are provided by firms are important to ensure that NAS provisions are well understood and will be properly applied.
- There is need to consider the provisions of NAS to audit clients in a group audit context, in particular when the group entity is subject to provisions for audit clients that are PIEs and the related entities are non-PIEs.

PIOB Observer’s Remarks

Ms. Pierce was generally supportive of the scope for the project, noting that it takes into account some of the PIOB’s strongly held views. With respect to the project proposal, she encouraged the Board to approach the project with a view as to how the NAS provisions would change. She also suggested that sufficient flexibility be built in to deal with matters that are not expressly contemplated as part of the project scope.

In response, the Board agreed to add the following statement to the project proposal, “The project will involve a consideration of any other matters that are deemed relevant to achieve the objective of the project.”

PROJECT APPROVAL

Having duly considered the feedback and advice from its CAG, the IESBA agreed to revisions to the draft project proposal in light of the discussion. The Board then unanimously approved the NAS [project proposal](#). The Board agreed that:

- The objective of the project is to ensure that all the NAS provisions in the Code are robust and of high quality for global application, thereby increasing confidence in the independence of audit firms.

¹⁰ Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements, Section 950, *Provision of Non-assurance Services to Assurance Clients Other than Audit and Review Engagement Clients*

- The project scope will encompass the International Independence Standards related to the provision of NAS to audit clients.
- Consideration will be given to the consequential and conforming amendments for the rest of the Code, including Part 4B, Section 950.

WAY FORWARD

The Board asked the Task Force to develop an issues paper and initial proposals for consideration at the December 2018 IESBA meeting.

10. E-Code

Mr. Thomson introduced the session and invited co-presenter Mr. Jeff Nordstedt of Finn Partners to demonstrate a prototype of a proposed e-Code that leverages technology to support and facilitate the adoption and implementation of the revised and restructured Code. It was explained that the e-Code will be a digital platform that will better demonstrate the “building blocks” approach in the revised and restructured Code and its scalability. Mr. Nordstedt presented the various design elements, features and functionalities of the proposed e-Code. Mr. Thomson then explained the proposed timeline for launching the product.

IESBA members were generally supportive of the overall design for the proposed eCode and offered several suggestions for further enhancements in order to make it more dynamic and visually engaging.

Among other matters, the following were raised by IESBA participants:

- It is important that IFAC responds to the Working Group’s concerns relating to the mechanism for user access to materials on the IFAC website in a timely manner in order to minimize the risk of such access mechanism being an impediment to the use of the eCode.
- Having an appealing version of the eCode available to users by the mid-June 2019 effective date of the revised and restructured Code is important. However, this may require the WG to weigh a trade-off between having more features and timely delivery of the eCode to market.
- With respect to Phase 1, it was suggested, among others, that:
 - Consideration be given to exploring how the web-based eCode may be downloaded for use on local computer so that certain features could be available without an internet connection.
 - Filters or other features should be used to help visually distinguish the various Parts and sections of the Code. For example, it was suggested that having an overview of the contents of the Code, by Parts, Sections and Sub-headings might be useful.
 - The WG plan to beta test the product in advance of its being launched. In this regard, some IESBA Technical Advisors volunteered to be beta testers.
 - With respect to leveraging non-authoritative material, it was suggested that IESBA Staff publications and other tools and resources, including slide presentations, should be linked to the eCode as appropriate.
 - The eCode should allow for some customization, bookmarking, notations, copying and pasting. It was also suggested that the product should include a print icon.

- Rather than allowing users to “ask a question” in the eCode, general contact information such as what is already available on the IESBA website should be provided.
- With respect to future phases, it was suggested that consideration should be given to making the eCode available to IFAC member bodies and firms that supplement the Code with their own add-ons for their national or firm-specific purposes. There was a view that future versions of the eCode might help:
 - Compare the provisions in the IESBA Code to those in national Codes.
 - Accelerate the adoption and implementation process because jurisdictions will be able to more easily customize the IESBA Code to take into account legal and regulatory circumstances.
 - Provide a vehicle for IFAC member bodies to be more closely engaged with users of the Code within their jurisdictions – PAs, regulators, preparers, TCWG etc.

Mr. Koktvedgaard noted that the proposed features, in particular the mobile-friendly platform, reflect how an increasing number of people read and access information. Such features will make the Code available on the go. He suggested that the CAG representatives should be provided an opportunity to try out the proposed eCode in March 2019.

PIOB Observer's Remarks

Ms. Pierce complimented the WG and the Board for the progress made on the eCode initiative. She noted that placing emphasis on having more people use the Code and making it easier to use is in the public interest. Therefore, the issues around user access and permissions should be explored even if they go beyond the remit of the WG and developer. Ms. Pierce also noted the need to maintain a balance between ensuring the integrity to Code's content and responding to the issues around open access.

WAY FORWARD

The Board will receive a further progress report at the December 2018 IESBA meeting.

11. Alignment of Part 4B with ISAE 3000 (Revised)

Ms. Haustermans introduced the topic, leading the Board through the various issues and the draft project proposal. She also outlined the proposed timeline for the project.

Except for a few drafting refinements which were agreed to during the meeting, the IESBA unanimously approved the project proposal as presented. There were no substantive matters raised. The IESBA agreed that the objective of the project will be to align the terms and concepts in Part 4B of the revised and restructured Code with ISAE 3000 (Revised). Among other matters, the project will also seek to clarify the independence provisions that apply to the various parties involved in an assurance engagement.

PROJECT TIMELINE

The IESBA agreed that the first-read of the proposed changes to Part 4B be moved up to December 2018 and Exposure Draft approval to March 2019, given the clarity and limited nature of the scope of the project.

WAY FORWARD

The Board asked that that the Task Force develop an issues paper for its consideration in December.

12. PIOB Observer's Remarks

Ms. Pierce thanked the Board for the opportunity to observe the deliberations. She acknowledged that the topics the PIOB had been previously referred to the IESBA for consideration were now coming to the top of the list of the discussions, in particular fees, NAS and professional skepticism. She accepted the Board's view with respect to the issue of the audit firm business model, but noted that the topic is important to many stakeholders. She suggested that the IESBA and the IAASB jointly consider how the issue might be addressed.

Ms. Pierce complimented the Board on the IAASB-IESBA coordination initiative, noting that coordination efforts were now are a lot more visible and impactful. Regarding the Monitoring Group review of the governance and oversight of the international audit-related standard-setting boards, she pointed out that she and others at the PIOB are not supportive of the Monitoring Group's suggestion for having a single board. She was of the view that the enhanced communication and coordination between the two boards would help illustrate the merits of the current structure.

Ms. Pierce complimented the Board and Staff on the excellent quality of the papers presented and thanked IFAC for its hospitality.

13. Next Meeting

The next Board meeting is scheduled for December 3-5, 2018 at the IFAC offices in New York, USA.

14. Closing Remarks

Dr. Thomadakis thanked the IESBA meeting participants for their contributions, wished them a safe journey back home, and closed the meeting.