

**Final Minutes of the 72<sup>nd</sup> Meeting of the  
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS  
Held Virtually on March 15-17, 23 & 31, 2021 via Video Conference**

**Voting Members**

Present: Stavros Thomadakis (Chairman)  
Caroline Lee (Deputy Chair)  
Saadiya Adam  
Michael Ashley  
Vania Borgerth  
Sanjiv Chaudhary  
Laurie Endsley  
Brian Friedrich  
Hironori Fukukawa  
Kim Gibson  
Liesbet Haustermans  
Richard Huesken  
Sung-Nam Kim  
Winifred Kiryabwire  
Ian McPhee (Days 1, 3 & 5)  
Andrew Mintzer  
Jens Poll  
Yaoshu Wu

**Technical Advisors**

James Barbour (Mr. Ashley)  
David Clark (Mr. Huesken)  
Gregory Driscoll (Ms. Lee)  
Jens Engelhardt (Mr. Poll)  
Laura Friedrich (Mr. Friedrich)  
Ellen Gorla (Mr. Mintzer)  
Marta Kramerius (Ms. Haustermans)  
Gina Maldonado-Rodek (Ms. Gibson)  
Ki-Tae Park (Mr. Kim)  
Andrew Pinkney (Ms. Endsley)  
Kemisha Soni (Mr. Chaudhary)  
Sundeep Takwani (Ms. Kiryabwire)  
Jeanne Viljoen (Ms. Adam)  
Kristen Wydell (Mr. McPhee)  
Masahiro Yamada (Mr. Fukukawa)  
Xiaoye Yuan (Ms. Wu)

**Non-Voting Observers**

Present: Gaylen Hansen, IESBA CAG Chair, and Jumpei Kato, Japanese Financial Services Agency (FSA)

**Public Interest Oversight Board (PIOB) Observer**

Present: Jane Diplock

**IESBA Staff**

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Senior Technical Director), Diane Jules (Deputy Director), Geoffrey Kwan, Kam Leung, Szilvia Sramko, Carla Vijian, Misha Pieters,<sup>1</sup> Astu Tilahun, Diana Vasquez

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<sup>1</sup> Seconded from the New Zealand External Reporting Board for the Technology project

## 1. Opening Remarks

### WELCOME AND INTRODUCTIONS

Dr. Thomadakis welcomed all participants and public observers to the meeting. During the meeting, he also welcomed Mr. Richard Fleck, Member of the Non-assurance Services (NAS) & Fees Rollout and Benchmarking Working Groups, and Chair of the Long Association Post-Implementation Review Working Group; Ms. Sylvie Soulier, Chair of the Engagement Team – Group Audits Independence (ET-GA) Task Force, and Ms. Denise Canavan, Member of the ET-GA Task Force.

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

- New Member and Technical Advisor appointments:
  - Ms. Saadiya Adam (South Africa), Board member, public member category (3-year term)
  - Ms. Vania Borgerth (Brazil), Board member, public member category (3-year term)
  - Mr. Sung-Nam Kim (South Korea), Board member, practitioner category (3-year term)
  - Ms. Yaoshu Wu (China), Board member, non-practitioner category (3-year term)
  - Mr. Ki-Tae Park (South Korea), Technical Advisor to Mr. Kim
  - Ms. Jeanne Viljoen (South Africa), Technical Advisor to Ms. Adam
  - Ms. Xiaoye Yuan (China), Technical Advisor to Ms. Wu
- The activities of the Planning Committee during the quarter, including an open exchange of views about forthcoming challenges for the Board and ways to manage them, including the change of leadership of the Board and rotation of several experienced Board members at the end of this year; planning for the two Technology work streams; a review of the status of the other work streams on the Board's agenda and the forward work plan for 2021; and transition planning regarding the Monitoring Group's recommendations.
- With a new Chair now leading the PIOB, an increase in engagement with the PIOB at both the leadership and staff levels.
- Recent activities of the IESBA-National Standard Setters (NSS) COVID-19 Working Group.

### APPROVAL OF MINUTES

The IESBA approved the minutes of the November-December 2020 public session as amended.

## 2. NAS & Fees Rollout

Commencing the session, Ms. Gibson, Rollout Working Group (WG) Chair, presented the proposed rollout plan aimed at raising awareness and promoting the adoption and implementation of the revisions to the NAS and fee-related provisions of the Code. Ms. Gibson invited IESBA members' feedback regarding the proposed activities, starting from the release of the pronouncements to knowledge building, advancement of understanding among stakeholders, and ultimately adoption and implementation.

IESBA members agreed that the rollout plan was comprehensive and supported the proposed activities. It was emphasized that it would be important to reach out to a broad range of stakeholders from different jurisdictions and to seek their input to the supporting materials promoting adoption and implementation. A few IESBA members pointed out that the NAS and Fees revisions would create a greater role for those charged with governance (TCWG), and therefore consideration should be given to targeting outreach and

implementation support at them. Mr. Hansen observed that the WG's plan focused mainly on the profession. From a communication perspective, he felt that investors' insight and support would also be useful.

Dr. Thomadakis suggested that the WG consider involving not only Board members but also stakeholders in the planned outreach activities, in particular in relation to the development of the video presentations.

#### IESBA STAFF FREQUENTLY ASKED QUESTIONS (FAQS)

IESBA members agreed that the FAQs will be important to the effective and consistent implementation of the revisions. Among other matters, the following comments were raised:

- For purposes of identifying FAQ topics, consideration should be given to areas or issues on which the Board held significant deliberation, for example:
  - How firms could address self-interest threats created by fees paid by an audit client, with special regard to the linkage to ISQM 1.<sup>2</sup>
  - The application of the NAS and fee-related provisions in group situations versus standalone entity situations.
  - The provisions addressing greater transparency for fee-related information.
- Whether a fatal-flaw review by the Board would be sufficient. Ms. Gibson responded that the WG had discussed the possible ways for Board involvement and was sensitive to the constraints on Board plenary time. Nevertheless, she added that the WG would consider bringing draft FAQs to the Board for review in open session where appropriate.
- A preference among some stakeholders for practical examples of application of the provisions, either in the FAQs or in the videos. In this regard, it was noted that care is needed as users sometimes treat examples as de facto standards and disregard the Code's principles-based approach.
- The importance of updating the FAQs from time to time as new questions and issues of implementation arise.
- Consideration of accelerating the publication of the FAQs considering their important role in promoting consistent implementation.

Acknowledging the importance of FAQs, Ms. Gibson clarified that the WG intended to balance the FAQs with other methods of communication with stakeholders. Dr. Thomadakis agreed, noting that while FAQs are necessary for new standards with significant technical aspects, FAQs alone are not sufficient to support implementation.

#### OTHER ROLLOUT ACTIVITIES AND SUPPORTING MATERIALS

In relation to the interactive global webinars, an IESBA member suggested that the WG consider also organizing regional webinars with the help of local professional bodies. Ms. Gibson supported the proposal.

There was support for the IESBA establishing dedicated web pages for different topics (e.g, for rollout and technology). Nevertheless, an IESBA member highlighted the need to maintain consistency between the different web pages where they include publications relevant to the same topics.

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<sup>2</sup> International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

An IESBA member also suggested that the WG consider developing different templates to promote consistent implementation of the revised provisions throughout the different jurisdictions, e.g., templates for communication with TCWG and public disclosure of fee-related information by firms.

#### PIOB OBSERVER'S REMARKS

Ms. Diplock supported the rollout plan. She agreed with the involvement of other stakeholders in the rollout activities and encouraged the WG to focus on the widest possible range of stakeholder groups, including investors and the corporate governance community.

#### WAY FORWARD

The IESBA will receive an update on the rollout activities at its June 2021 meeting.

### **3. Benchmarking**

Ms. Friedrich, Benchmarking Working Group (WG) Chair, provided the Board with an update on the progress of Phase I of the Benchmarking initiative. This phase aims to compare the International Independence Standards (IIS) applicable to public interest entities to the relevant independence provisions of the US Securities and Exchange Commission (SEC) and the US Public Company Accounting Oversight Board (PCAOB).

IESBA members acknowledged the inherent complexity of the benchmarking exercise. A few Board members pointed out that in comparing the IIS against a national independence framework, it is essential to make clear that the Code, as a global code, addresses the issues from a different point of view than national frameworks which rely on the legal frameworks of the specific jurisdictions.

Dr. Thomadakis emphasized that it is not the purpose of the initiative to move the Code towards technical alignment with other frameworks, but to understand if the Code covers all the fundamental issues that national frameworks do. He noted that the Code is not a competitive framework to national frameworks. Therefore, the benchmarking exercise should focus on similarities regarding issues covered by the Code and by national frameworks. However, if "gaps" were identified in the Code, he anticipated that these could inform the IESBA's development of its future strategy and work plan. Ms. Friedrich added that the initiative will develop not only mapping tables but importantly also a high-level comparison of the overarching approaches, e.g., the Code's conceptual framework and the general standard in the US SEC/PCAOB provisions.

Regarding the proposed methodology and focus areas, IESBA members raised the following among other matters:

- A concern that it might not be possible to state unequivocally that the Code's provisions and US SEC/PCAOB provisions are "equivalent in effect" because the scope of entities covered might be different, e.g., with regard to the scope of public interest entities and related entities/affiliates. Ms. Friedrich responded that the WG recognized this challenge and planned to approach the issue of equivalence from an outcome perspective. She added that the WG considers the comparison of definitions as a key element of the benchmarking exercise.
- Whether the mapping tables will provide enough information for users to understand and draw their own conclusions about "equivalence." Ms. Friedrich responded that the WG would endeavor to find the appropriate balance regarding the extent of information to provide without overwhelming readers.
- Support for moving away from a paragraph-by-paragraph comparison, which could be overly detailed. In this regard, there was a question as to how the WG would deal with issues that the US

SEC/PCOAB provisions cover but not the Code. Ms. Friedrich clarified that the WG plans to cover the main headings in both the Code and US SEC/PCAOB provisions as main issues.

With respect to the proposed terminology for the mapping tables to describe the similarities and differences, some IESBA members highlighted a risk that the analysis related to the application of the Code's conceptual framework in circumstances addressed by the prohibitions in the US SEC/PCAOB provisions might inadvertently result in "rule-making" outside of the Code. An IESBA member suggested that the mapping tables only state where a "gap" exists and, if appropriate, explain that the application of the conceptual framework to the relevant facts and circumstances might lead to the same outcome.

A few IESBA members suggested possible other terminology to distinguish partial equivalency, such as "possibly prohibited" and "equivalent in coverage." A WG member explained that the WG is still at the early stage of the mapping exercise and plans to develop consistent terminology.

As for the next steps after Phase I, IESBA members expressed support for considering other jurisdictional frameworks as part of further phases. There was a question of whether the WG had considered any other jurisdictions for comparison. Ms. Friedrich responded that depending on the resources available, the initiative would consider different jurisdictions. However, no decision has been made yet.

#### PIOB OBSERVER'S REMARKS

Ms. Diplock emphasized the importance in the public interest of not implying that the lack of equivalence means that the Code is deficient. She acknowledged that the Code and the US SEC/PCAOB framework use different approaches, and therefore it is difficult to make "one-to-one" comparisons. However, she wondered where the initiative was headed in the longer term. She cautioned against considering the lack of equivalence as possible areas for alignment of the Code to national frameworks.

A WG member reiterated that the identification of differences would only serve to inform the IESBA's strategic work program and the possible prioritization of future projects rather than suggesting it is necessary to align the Code to national frameworks.

#### WAY FORWARD

The IESBA will receive the next update on Phase I at its June 2021 meeting.

## 4. Technology

Mr. Friedrich, Chair of the Technology Working Group, briefed the Board on the proposed way forward for the Technology Initiative, including:

- How the new Technology Working Group, established to progress the development of non-authoritative material (NAM) and information gathering, would complement the work of, and collaborate with, the Technology Task Force; and
- The Planning Committee's recommendation to defer seeking Board approval of the exposure draft (ED) by six months to December 2021, taking into account not only the need to allow time for the newly approved revisions to the non-assurance services (NAS) and fee-related provisions of the Code to be adopted and implemented but also the increased pressures on stakeholders in the COVID-19 environment.

Mr. Friedrich then provided an update on the Working Group activities to date and described the scope and focus of the Working Group's remit as outlined in its draft Terms of Reference (ToR).

#### MULTIPLE WORKSTREAMS

Mr. Hansen welcomed the intent of strong collaboration between the two technology groups. He wondered, however, how the two groups would coordinate efficiently.

Mr. Friedrich noted that to facilitate efficient coordination and information sharing, he is both a member of the Task Force and the Chair of the Working Group, and that the same IESBA staff supports both groups. He also noted that technology, in particular Microsoft Teams, is being leveraged to share real-time information and updates between both groups. Finally, members from the Task Force and Working Group are welcome to join each other's meetings.

#### DEFERRAL OF THE ED

With respect to the proposed deferral of the ED, a question was raised as to whether deferring the ED by six months to December 2021 was sufficient, considering stakeholders' call for a period of stability. It was felt that the priority focus should be on developing technology-related NAM to support the rollout of the NAS and fee-related revisions to the Code. On the other hand, there was a view that the ED issuance should not be further delayed as the opportune time for technology-related enhancements to the Code is now. It was also noted that the revised timeline to approve the ED by year end seemed sensible because more than a third of the Board members will complete their final terms this year.

Mr. Friedrich expressed the view that there may not be a 'right' answer but that the recommended timeline of December 2021 was, on balance, a reasonable compromise. He also highlighted that the Working Group will develop NAM as a priority, to be progressed in parallel with the ED. Mr. Siong highlighted the need to strike a reasonable balance between allowing a period of stability in the Code for stakeholders while progressing technology as a high-priority initiative in accordance with the IESBA Strategy and Work Plan 2019-2023 (SWP). He noted in this regard that the PIOB staff had questioned how the revised timeline would reconcile with the strategic priority given to technology in the SWP. Dr. Thomadakis echoed the importance of striking the right balance.

After further deliberation, the Board agreed to the deferral of the ED to December 2021 against the backdrop of all the factors considered.

Ms. Diplock highlighted the PIOB's strong support for the technology project and emphasized the importance of explaining why the issuance of the ED was deferred. She noted that while COVID-19 has increased the burden and pressures on stakeholders, it has also accelerated the use of technology, hence underlining some urgency in pressing forward with the ED. Mr. Friedrich acknowledged the importance of explaining the IESBA's updated pathway to stakeholders, noting the plan to issue an IESBA Update in that regard in April.

#### SCOPE AND FOCUS OF THE WORKING GROUP'S REMIT

The following were raised for the Working Group's consideration:

- An observation that the Working Group had outlined an ambitious plan, and a suggestion for more specificity as to the priority and content of the NAM, especially in the area of independence.
- In relation to the provision in the draft ToR for Board consideration of draft NAM through fatal flaw reviews out-of-session, a concern that some of the proposed NAM content might require Board discussion in plenary session.

Dr. Thomadakis acknowledged the concern and, considering the limitations on Board plenary time, suggested that a level of judgment be exercised in determining whether draft NAM should be discussed in plenary session.

Ms. Diplock complimented the Working Group on exploring potential collaboration or outreach opportunities with the Institute of Electrical and Electronics Engineers (IEEE), especially as data scientists, analysts, developers etc. become increasingly important in the digital world. She also pointed out the need for the Working Group to gather different perspectives from other constituencies such as TCWG, regulators, and investors.

Subject to refinements to (1) acknowledge that some NAM might be brought to the Board plenary session for deliberation; and (2) expressly recognize that outreach will aim to gather a diverse range of stakeholder perspectives, the Board approved the ToR as presented.

#### SURVEY RESULTS

Mr. Huesken, Chair of the Technology Task Force, provided an overview of the key messages from the two global technology surveys that were active in October and November 2020: *Technology and Complexity in the Professional Environment* and *The Impact of Technology on Auditor Independence*.

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

- The survey results demonstrate a clear need for NAM to explain how the revised NAS provisions operate. In this regard, it was noted that while 17% of respondents believed pure products existed, they also contradicted their statements by providing examples which indicate that there is a service attached.
- Guidance is needed to address the “collecting, storing, and hosting of client data,” but the Code generally remains sufficient.
- Support for the Task Force to further address technology-enabled NAS in the Code, and in particular to provide more guidance to support ethical and independence decision-making with respect to business relationships and NAS.

Ms. Diplock noted that the survey results brought out important public interest issues. Considering the rise of non-financial reporting, she highlighted that the issues of (1) where a business relationship starts and finishes, and (2) what is a financial versus non-financial matter, are becoming increasingly important as professional accountants may be making decisions without sufficient guidance from an ethical perspective.

Mr. Siong observed from the survey results that there may be a gap in the Code in some areas and that guidance may be needed, for example, with respect to data hosting and the interaction between business relationships and technology-enabled NAS. He also pointed out that a few of the qualitative survey responses seemed ambiguous and could be interpreted in different ways.

Dr. Thomadakis observed that the responses to the questions in the surveys appeared to be contingent on the respondents' level of exposure and competence with respect to the Code and to technology. He questioned how the Task Force would decide if an issue should be addressed through NAM or Code changes. Mr. Huesken agreed and suggested that if competence is the issue, it would be best addressed by NAM. Mr. Siong elaborated that if the issue is about how to apply the principles of the Code, then it should be addressed through NAM. On the other hand, if the issue is about clarifying the scope or principles of the Code, then it should be addressed through Code changes. Mr. Hansen wondered if a framework that formalizes the criteria for delineating Code changes versus NAM would be helpful. Mr. Huesken agreed that there should be a basis for what is a Code change versus NAM, but noted that it is not always a mutually exclusive decision.

Mr. Friedrich emphasized the importance of the Code having clear and enforceable principles. He noted that NAM can only encourage certain behaviors or seek to augment understanding of existing principles in the Code. He strongly cautioned against issuing NAM which extends beyond that demarcation.

Ms. Diplock observed that practitioners' level of understanding of the Code is of significant public interest. She remarked that the technological revolution is moving at such a pace that regulators and investors have a vital interest in this project. She concluded by noting that she was heartened by how the survey results had been canvassed and addressed to date.

#### WAY FORWARD

The Board asked the Working Group and Task Force to present further updates on the progress of their work at the June 2021 IESBA meeting.

### 5. Engagement Team – Group Audits Independence

Ms. Soulier, Chair of the Task Force, briefed the Board on the Task Force's coordination efforts with IAASB representatives since January 2021 in relation to the IAASB's projects to revise ISAs 220<sup>3</sup> and 600.<sup>4</sup> During the meeting, Ms. Soulier also reminded the Board that the work of the Task Force is dependent on the progress of the ISA 600 Task Force's work.

#### DEFINITION OF ENGAGEMENT TEAM (ET)

Following feedback from the December 2020 Board meeting, Ms. Soulier briefed the Board on the Task Force's proposed refinements to the definition of engagement team (ET). Among other matters:

- The Board was supportive of the Task Force's proposal to retain the reference to ISA 220 (Revised) in the explanatory material attached to the proposed ET definition in the Glossary, as well as the Task Force's editorial refinements to conform with the Structure drafting conventions. Ms. Soulier noted that the IAASB's standards currently do not provide further guidance with regard to the definition of ET in the context of engagements other than audits of financial statements. The Board, however, was in agreement that the reference to ISA 220 (Revised) provides a helpful pointer to users as to where they may find further guidance on the definition of ET in the context of an audit of financial statements.
- Regarding the exclusion of internal auditors who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised),<sup>5</sup> an IESBA member noted that the reference to ISA 610 had been removed from the proposed definition of ET.

Mr. Siong noted that the definition of ET in ISA 220 (Revised)<sup>6</sup> includes the reference to ISA 610 in the footnote to the definition. Ms. Soulier added that the Task Force would consult with the ISA 220 Task Force and consider reinstating the reference to ISA 610 through appropriate application material in the Code.

- Mr. Hansen noted the importance of making clear that individuals in non-network firms performing audit procedures on a group audit are included in the definition of ET.

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<sup>3</sup> International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

<sup>4</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>5</sup> ISA 610 (Revised), *Using the Work of Internal Auditors*

<sup>6</sup> ISA 220 (Revised), *Quality Management in an Audit of Financial Statements*

Ms. Soulier confirmed that the Task Force had already been exploring application material to clarify this matter in the strawman of the proposed new Section 405 addressing group audits independence.

#### INDEPENDENCE CONSIDERATIONS FOR ENGAGEMENT QUALITY REVIEWERS

At the [December 2020](#) meeting, the Task Force noted to the Board a matter which required further consideration relating to the independence considerations for engagement quality reviewers (EQRs) sourced from outside the firm and its network. The extant definitions of “audit team,” “review team” and “assurance team” do not scope in such individuals. Accordingly, to address this gap in the Code, the Task Force proposed to amend the definitions of these three terms to include those individuals.

Overall, Board members were supportive of the Task Force’s proposal. Among other matters, IESBA participants raised the following for the Task Force’s further consideration:

- Whether subparagraph (c) of the definition of audit team (AT) should explicitly refer to the “chain of command” at a network firm, such as those who might be involved in recommending the compensation of the engagement partner in connection with the performance of the audit engagement. It was suggested that this could be clarified through adding more specificity to that subparagraph using the word “including.”
- Whether an individual in a firm outside the network (such as a component auditor firm) who provides consultation regarding technical issues on an engagement should be explicitly included in the AT definition. It was noted that subparagraph (b)(ii) currently does not include the engagement of such an individual but the engagement of the other firm to which the individual belongs.

Ms. Soulier cautioned against a potential “domino effect” in terms of how far to extend the AT definition but noted that the Task Force would consider the matter further.

- With respect to subparagraph (b)(iii), Mr. Hansen suggested making it clear that a quality review and an engagement quality review are not the same.

#### BREACH OF INDEPENDENCE AT A COMPONENT AUDITOR (CA) FIRM

The IESBA was briefed on the Task Force’s analysis of the implications of a breach of independence by a CA firm in the context of a group audit, including the communication expectations with respect to the group engagement team and TCWG.

Among other matters, IESBA participants raised the following for the Task Force’s further consideration:

- The statement in the presentation slides that a breach of independence at the CA level does not translate to a breach of the Group Auditor’s (GA’s) Independence

An IESBA member suggested qualifying this statement by adding the word “automatically” before “translate” as there may be a perception by TCWG that the GA’s independence has been impacted if the breach is significant. Ms. Soulier responded that the GA’s independence is not impacted as the GA can simply avoid relying on the CA’s work.

A few IESBA participants were of the view that there should be no distinction between CAs outside the network and the GA in terms of breaches of independence. It was noted that while actions to remedy the breach may differ based on the significance of the breach to the group audit, the distinction between CAs inside and outside the network does not align with the thrust of the engagement team definition, which treats all individuals performing audit procedures on the engagement, whether from within or outside the network, as engagement team members.

- Terminology: “significant” versus “very significant” breaches

A few IESBA members raised concern regarding the categorization of “significant” versus “very significant” breaches in the flowcharts. It was cautioned that such distinction may create confusion among stakeholders and lead to inconsistent application in practice. Rather, the Task Force was encouraged to consider having the GA determine the best course of action based on the assessment of the breach.

Ms. Soulier responded that the Task Force’s intention was to clarify the different courses of action that the GA could undertake based on the impact assessment of the breach rather than using the terms as measurement of the breach itself. She added that the Task Force would further reflect on the terminology to use to define the nature and extent of the GA’s actions.

- Communication with TCWG

The Task Force was encouraged to revisit the principles in terms of the extent of communication with TCWG when a breach of independence at the CA level is found. An IESBA member was of the view that all breaches should be reported to TCWG and that there should no distinction between the CA and GA as they are all breaches that need to be addressed. Another IESBA member noted that ISA 260<sup>7</sup> requires the communication of all matters that bear on independence with TCWG and that the Task Force might consider referring to ISA 260 instead of building the communication with TCWG into the breach response process.

An IESBA participant also suggested that the breach should be reported to TCWG immediately to allow sufficient time for them to develop a response.

#### PIOB OBSERVER’S REMARKS

Ms. Diplock noted that the PIOB welcomes the work on this project and noted the risk of complexity around the provisions being developed. She observed that the discussion indicated that the proposed concepts could potentially be difficult to apply in practice. She also noted that the project is a clear example of the important coordination efforts between the IESBA and IAASB, as is ongoing engagement with stakeholders. She encouraged the Task Force to further reflect on the matter of communication with TCWG and to develop clear principles as TCWG would be concerned about breaches at the CA level.

#### WAY FORWARD

The IESBA will continue its discussion of the issues at its June 2021 meeting.

### **6. Emerging Issues and Outreach Committee (EIOC) Update**

Dr. Thomadakis introduced the session and invited Ms. Kiryabwire, EIOC Chair, to present the EIOC’s activities since December 2019. Ms. Kiryabwire gave the Board a brief update on those activities. She highlighted the adoption or impending adoption of the revised and restructured Code in China, Saudi Arabia and Singapore. She then introduced presentations by EIOC members on recent significant jurisdictional developments from the United States, United Kingdom, Europe and Australia that might be relevant to the Board’s remit.

The Board received a presentation from Ms. Endsley on recent developments at the US SEC and PCAOB. Among other matters, Ms. Endsley briefed the Board on the SEC independence rule changes and PCAOB’s

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<sup>7</sup> ISA 260, *Communication with Those Charged with Governance*.

standard-setting agenda updates in 2020. Following the presentation, a few IESBA members raised a few comments, including:

- An observation that the SEC's revised definition of "affiliate" was moving closer to the Code's definition of related entity.
- A revision to the mergers and acquisition rule to provide for a transition period to allow a firm to address the situation where an SEC issuer becomes an affiliate as a result of a merger or acquisition. This revision would move closer to the Code's approach in such a situation.
- Some revisions to the SEC rules addressing investment company complexes.
- A clear upward trend in Environmental, Social and Governance (ESG) reporting. In this regard, it was felt that ESG information should not be less reliable because it is more narrative in nature. It was also noted that ESG reporting has clear interfaces with ethics along the dimensions of integrity, reliability and public confidence.

The Board then received an update from Mr. Takwani on developments pertaining to the United Kingdom audit market, following the Kingman review of the UK Financial Reporting Council; ; the Competition and Markets Authority's (CMA) audit market study; and the Brydon review of the quality and effectiveness of audit. Following the presentation, a few IESBA members raised a few observations, including:

- A welcome move in the UK proposals to hold directors accountable for an entity's reported financial information and not only auditors, which would create a more level playing field.
- In the context of "Brexit," the need for the UK to remain close to the EU in the short term given the challenges of unwinding the years of market integration as well as the pragmatic recognition of the need for EU and UK market participants to continue to collaborate.

The Board also received an update from Ms. Kramerius, on the European Union (EU) Audit Policy Developments and EU non-financial/ESG reporting (NFR) initiatives. Following the presentation, a few IESBA members raised a few observations, including:

- Political and legislative discussions in Germany are exploring responses to the Wirecard scandal, including how to enhance the effectiveness of regulatory oversight of market participants.

Finally, the Board heard from Mrs. Wydell on relevant developments in Australia, especially the release of the final report of the [Parliamentary Joint Committee into Audit Regulation](#) and the Australian Securities & Investments Commission's (ASIC's) most recent [audit inspection report](#).

#### WAY FORWARD

The EIOC was asked to consider broadening its updates to include coverage of emerging issues or developments affecting professional accountants in business as well as developments in other jurisdictions.

The Board will receive its next update from the EIOC at the September 2021 IESBA meeting.

### **7. Long Association Post-Implementation Review**

Mr. Fleck introduced the session by providing a brief history of the "long association" project that enhanced the provisions of the Code addressing the long association of personnel with an audit or assurance client. He also highlighted the development of a provision (the "jurisdictional provision") that allows jurisdictions to implement a cooling-off period of less than 5 years for engagement partners (EPs) on audits of PIEs subject to certain conditions. The jurisdictional provision was restructured as paragraph R540.19 in the revised and

restructured Code and is due to expire for audits of financial statements for periods beginning on or after December 15, 2023.

Mr. Fleck reminded the Board of the commitment in the Strategy and Work Plan 2019-2023 to conduct a post-implementation review of the revised long association provisions in two phases. He pointed out that Phase 1 will focus on the implementation status of the 5-year cooling-off period for EPs and any issues arising from the expiry of the jurisdictional provision but will not include any review of the efficacy of the 5-year cooling-off period. The newly established Working Group commenced Phase 1 of the long association post-implementation review (LAPIR) in Q1.

Mr. Fleck noted that as part of its proposed approach, the Working Group aimed to release a stakeholder questionnaire in April 2021 to gather input on the matters under consideration. The Working Group will present its analysis of the responses at the September 2021 IESBA meeting and its final recommendations to the Board in December 2021.

Ms. Diplock noted that the PIOB is supportive of the LAPIR Phase 1 review but queried if it is in the public interest to extend the jurisdictional provision past its expiry date given the anecdotal information that only a small number of jurisdictions have used it. In response, Dr. Thomadakis and Mr. Fleck recognized the need for the IESBA to fulfill its responsibilities in the public interest. However, they stressed the importance of conducting the review without creating a perception that the outcome has been pre-determined.

In broadly supporting the Working Group's proposed scope and approach, IESBA members raised a few comments and suggestions regarding the questionnaire, including the following:

- If jurisdictions have implemented the five-year cooling-off requirement for EPs, the need to draw out any issues or challenges encountered in implementing such a requirement.
- The importance of reaching out to the Forum of Firms (FoF) given that many FoF members have applied the jurisdictional provision.
- A suggestion to gather information about how member states in the EU will transition to the cooling-off period of 5 years for EPs, given that the EU Audit Regulation<sup>8</sup> currently only requires a cooling-off period of 3 years for key audit partners responsible for a statutory audit of a PIE.

In this regard, Dr. Thomadakis noted no indication from the European Commission (EC) that it will extend the legislated cooling-off period to align with the Code's requirement of 5 years when the jurisdictional provision expires. He agreed that there would be merit in reaching out to the EC to draw its attention to the upcoming expiry of the jurisdictional provision so that it may consider what steps, if any, it may need to take in response.

- The need to allow sufficient time for stakeholders to respond given that the Exposure Draft on the proposed revised definitions of listed entity and PIE is open for public comment until May 3, 2021.

Ms. Diplock cautioned not to allow the post-implementation review to be used as a vehicle to reverse an important provision of the Code that was developed in the public interest. She noted the importance of hearing the views of stakeholders across the broader ecosystem and not just predominantly the views of the profession, and that issues of implementation should not outweigh the public interest. In response, Dr. Thomadakis emphasized that the purpose of the post-implementation review is not to undo the Code's requirements but to give the IESBA an opportunity to review the implementation of the jurisdictional

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<sup>8</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0537>

provision and consider any actions that might be warranted to stimulate further adoption of the Code's requirements.

#### WAY FORWARD

The IESBA asked the Working Group to consider the feedback from the Board in refining the stakeholder questionnaire prior to issuance. The IESBA will receive an update at its September 2021 meeting.

### 8. IAASB-IESBA Coordination

Ms. Haustermans briefed the Board on coordination activities with the IAASB since her last report in September 2020. She noted that with regards to current projects, particularly the Definitions of Listed Entity and Public Interest Entity (PIE) and ET-GA projects, coordination matters are being addressed within the projects on an ongoing basis.

With regards to IAASB initiatives that may require coordination, Ms. Haustermans drew the Board's attention to IAASB's Fraud and Going Concern initiatives. She noted that as the IAASB progresses these initiatives, a number of matters such as the definition of fraud and possible additional guidance on the term "professional skepticism" may require input from the IESBA.

Ms. Haustermans also updated the Board on coordination activities regarding the recently completed NAS and Fees projects as well as the IAASB's [non-authoritative guidance](#) on applying ISAE 3000 (Revised) to extended external reporting assurance.

The Board had no comments and thanked Ms. Haustermans for the update.

### 9. Tax Planning & Related Services

Prof. Poll introduced the session, recapping the key activities of the Tax Planning Working Group (WG) in 2020, including outreach to a variety of stakeholders and desk research into developments and publications relating to the topic. He then summarized the key themes emerging from the WG's fact finding efforts to date.

#### TERMINOLOGY

Prof. Poll briefed the Board on the WG's preliminary views regarding terminology that would appropriately describe the focus of the issues to be addressed. He noted that it is difficult to adequately define "aggressive tax planning" on a global scale and that there is a lack of authoritative literature that clearly defines it. He added that the WG was exploring the merit of a principles-based decision-making framework to guide PAs in identifying what would be deemed acceptable or unacceptable tax planning practices.

In supporting the measured approach and direction the WG is taking, IESBA participants raised the following for the WG's further consideration:

- The February 2021 report issued by the Organisation for Economic Co-operation and Development (OECD), *Ending the Shell Game: Cracking Down on the Professionals Who Enable Tax and White Collar Crimes*, focuses clearly on professional advisers who are involved in illegal activities. However, it is more relevant to focus on the grayer areas such as those addressed by the OECD's Base Erosion and Profit Shifting (BEPS) project. Accordingly, the distinction between what is "black" and what is "gray" needs to be clearer. Consideration should therefore be given to making the appropriate linkages to the provisions of the Code addressing responding to non-compliance with laws and regulations (NOCLAR). Equally, the recently released Role & Mindset provisions of the Code could

help emphasize the importance of both professional accountants' (PAs') responsibility to act in the public interest and the organizational culture.

- While the WG has moved away from the term “aggressive tax planning,” there is a question as to whether the same challenges will arise in attempting to define or describe what would be considered “unacceptable tax planning” given that views will vary around the world.
- Perceptions of what is acceptable or unacceptable tax planning practice will vary depending on tax laws and policies as well as the jurisdictional economic framework. The evolving context also may impact perceptions. For example, in the COVID-19 pandemic, some policies or actions that would not be considered acceptable pre-pandemic are now viewed as acceptable.
- As an ethics standard setter, the Board should reflect on where there would be opportunity to codify expected behaviors in the Code regarding tax planning beyond compliance with tax laws and regulations. Equally, there may also be opportunity to develop non-authoritative material on the topic.
- While identifying the appropriate terminology to use may not be a straightforward exercise, it would nevertheless be important for the Board to coalesce around some specific term(s) based on some criteria.
- The shift in terminology from “aggressive” to “unacceptable” tax planning is worth exploring further as there is at least some commonality of perceptions in a number of jurisdictions.
- If going down the path of acceptable vs unacceptable tax planning, it might be worth reflecting on factors that might guide the PA's judgments or feature within a “reason to believe” framework. Also, it might be useful to consider the “intent” model in the Inducements provisions of the Code.
- The importance of awareness raising and education concerning the issues should not be underplayed.
- Consideration should be given to the fact that some tax professionals in a number of jurisdictions are not subject to the Code.

Acknowledging the helpful comments, Prof. Poll noted that the OECD's Professional Enablers report usefully highlighted where the boundaries lie and that ultimately it would be up to the courts to decide what is within law or regulation. He added that there is a need to be attuned to whether the form and substance of a tax transaction or structure conform to the underlying business rationale, especially given that perceptions might arise in the public arena. In this regard, he agreed that some useful linkages to the Role & Mindset provisions of the Code could be made.

Mr. Hansen noted that in practice, those within a firm who are providing tax planning advice to a client tend to be the more senior PAs rather than the more junior ones. Accordingly, there should be a greater focus on the former. Prof. Poll noted that in the WG's outreach to the senior leadership of the tax practices within some of the large firms, there were views that guidance from the IESBA would be helpful in assisting them navigate the relevant ethical considerations in this area.

#### PIOB OBSERVER'S REMARKS

Remarking that the topic is highly complex, Ms. Diplock commented that the initiative is nevertheless a very important one in the public interest. She added that the ongoing challenges in this area impact the reputation of the profession. In relation to Mr. Hansen's comment, she observed that those who are involved in this practice area might not necessarily be paying as close an attention to the Code as auditors might be with respect to the independence requirements. She suggested that making the appropriate linkages to the fundamental principles would help clarify the expectations across the profession. She agreed that it would

be useful to draw appropriate connections to the NOCLAR and Role & Mindset provisions of the Code. Finally, she noted that the PIOB had been disappointed about the delay in the initiative but she was pleased that it was now back on track.

#### TRANSPARENCY AND ACCOUNTABILITY

Prof. Poll recapped the WG's observations about the role of transparency and accountability in relation to tax planning. He briefly highlighted examples of international initiatives that address these important concepts as well as the role of the Code's conceptual framework in guiding ethical behavior for PAs in tax planning. He then summarized the three options the WG had identified for possible Board actions on the topic, namely:

- Option A  
*Develop overarching material in the Code that will assist PAs comply with the FPs and apply the CF.*
- Option B  
*Develop material under one or more specific FPs, such as objectivity and professional competence and due care, to explain the expected behavior of PAs performing tax planning activities.*
- Option C  
*Develop material outside the Code (such as staff Q&As or case studies) on the types and magnitude of the threats that might be created when PAs perform tax planning activities.*

Among other matters, IESBA participants raised the following:

- It is important to coordinate with the Technology work stream when considering the issues of transparency and accountability. However, consideration should be given to how best to achieve such coordination given that the timeline for the Technology work stream envisages Board approval of an Exposure Draft in Q4 2021. Acknowledging that the Technology work stream is taking the lead in considering transparency and accountability, Prof. Poll noted that the Tax Planning WG is applying a broader lens beyond technology and is providing input on these issues from another perspective.
- The option of developing non-authoritative material (Option C) is worthwhile to pursue, especially in support of practitioners. However, consideration should be given to the nature and type of non-authoritative guidance to develop beyond what IFAC has already issued in the form of its *Guide for Professional Accountancy Organizations: Developing Good Practices for Members Providing Tax advice* (IFAC Tax Guide).
- Both Option A (developing overarching material in the Code) and Option C could be further explored together. However, consideration should also be given to the implications of the issues for PAs in business (PAIBs) and not just for PAs in public practice.

In relation to the IFAC Tax Guide, Prof. Poll reminded the Board that the WG had commenced its fact finding by reviewing the issues addressed in that publication before broadening its efforts towards outreach to stakeholders. He suggested that whereas the IFAC Tax Guide takes a high-level approach and draws the connections to the fundamental principles, non-authoritative material the Board might commission could focus more on the gray areas of tax planning. Additionally, whereas the IFAC Tax Guide is targeted at professional accountancy organizations, non-authoritative material the Board could commission would have a broader context and audience and could take into account guidance developed by the EU and others.

## WAY FORWARD

Prof. Poll closed the session by highlighting further matters the WG will consider.

The WG will present its preliminary recommendations to the Board at the June 2021 IESBA meeting.

### **10. PIOB Observer's Remarks**

Ms. Diplock thanked the Board for the opportunity to observe the meeting and provide feedback on behalf of the PIOB. She highlighted that this was her last IESBA meeting, noting her delight at having had the opportunity to observe many IESBA meetings over the past eight years. While her time with the PIOB was coming to an end, Ms. Diplock noted that it has been one of her great honors and pleasures to have had the opportunity to observe these meetings conducted in the public interest, and to have interacted with excellent members of the IESBA. She added that ethics in the brave new world of digitalization and the transformation occurring in the auditing world and profession is very exciting and that she was comforted that it is in such good hands. She also acknowledged that the financial ecosystem at large is also under great transformation and that this will provide both challenges and opportunities for the Code. She indicated that she would continue to observe the Board's work and wished everyone success. Ms. Diplock thanked Dr. Thomadakis with whom she had developed a close working relationship and a personal friendship over many years, and hoped that they would have the opportunity to work together again soon.

In closing, Ms. Diplock thanked the Board on behalf of the PIOB, adding that the meeting was conducted entirely in the public interest with thoughtful insights.

### **11. Closing Remarks**

On behalf of the Board, Dr. Thomadakis conveyed his deep appreciation to Ms. Diplock, noting that she was the most frequent PIOB observer, remaining closely engaged and contributive to the IESBA's work. He acknowledged her experience in public interest endeavors, especially in the areas of market integrity and sustainability. He praised Ms. Diplock's advice, initiatives and ideas which have been a constant source of insight and motivation to the Board as well as to himself.

Dr. Thomadakis also applauded Ms. Diplock's discharge of the PIOB mandate both as a fervent critic of public interest considerations in the IESBA's deliberations and equally fervent and generous supporter of forward-looking thinking, as well as her practice of the oversight mission which has benefited the Board with significant public interest improvements of standards and clarity of purpose. Dr. Thomadakis thanked Ms. Diplock for her long and constructive journey with the IESBA and conveyed the Board's and his personal best wishes for health and success in all that she does.

Finally, Dr. Thomadakis thanked the IESBA meeting participants for their contributions and closed the meeting.

### **12. Next Meeting**

The next Board meeting is scheduled for June 9-11, 14 & 25, 2021.