

**Final Minutes of the 78th Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
Held on September 12-16, 2022 in Nashville, Tennessee, USA in Hybrid Format¹**

Voting Members

Present: Gabriela Figueiredo Dias (Chair)
Caroline Lee (Deputy Chair)
Saadiya Adam
Mark Babington
Vania Borgerth
Sanjiv Chaudhary
Laurie Endsley
Brian Friedrich
Hironori Fukukawa
Richard Huesken
Sung-Nam Kim
Christelle Martin
Andrew Mintzer
Felicien Muvunyi
Luigi Nisoli
Jens Poll
Channa Wijesinghe
Yaoshu Wu

Technical Advisors

Keith Billing (Mr. Babington)
David Clark (Mr. Huesken)
Gregory Driscoll (Ms. Lee)
Jens Engelhardt (Prof. Poll)
Laura Friedrich (Mr. Friedrich)
Ellen Gorla (Mr. Mintzer)
Marta Kramerius (Mr. Nisoli)
Ki-Tae Park (Mr. Kim) (Days 1-4)
Andrew Pinkney (Ms. Endsley)
Kemisha Soni (Mr. Chaudhary)
Bruno Tesnière (Ms. Martin)
Chris Twagirimana (Mr. Muvunyi)
Kristen Wydell (Mr. Wijesinghe)
Jeanne Viljoen (Ms. Adam)
Masahiro Yamada (Mr. Fukukawa)
Xiaoye Yuan (Ms. Wu)

Non-Voting Observers

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

Public Interest Oversight Board (PIOB) Observer

Present: Tshego Modise

IESBA Staff

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Program and Senior Director), Diane Jules (Director), Geoffrey Kwan (Director), Laura Leal, Kam Leung, Carla Vijjan, Szilvia Sramko, Shizuka Kaneda, Astu Tilahun, Diana Vasquez

¹ The September 2022 IESBA meeting was a hybrid meeting during which some participants joined in person and others via videoconference.

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Ms. Dias welcomed all participants and public observers to the meeting, held at the headquarters of the National Association of State Boards of Accountancy (NASBA) for the second time. She extended the Board's gratitude to NASBA's leadership (Messrs. Mike Fritz, Chair, and Ken Bishop, President and CEO) and its senior staff for NASBA's hosting of the Board meeting at its offices. She then welcomed Mr. Richard Fleck, former IESBA Deputy Chair, who is providing technical support to the Technology project; Ms. Denise Canavan, Member of the Engagement Team – Group Audits Independence (ET-GA) Task Force (for the ET-GA session); Mr. James Barbour, Member of the Technology Task Force (for the Technology session); and Mr. Sundeep Takwani, Member of the Technology Working Group (for the Technology session).

Among other matters, Ms. Dias updated the Board on the activities of the Planning Committee during the quarter, including a debrief on recent outreach and plans for upcoming EU outreach; consideration of a staff analysis of the responses to the strategy survey, planning for the September 2022 Board meeting; and planning for the joint IAASB-IESBA Planning Committee meeting in Q4.

APPROVAL OF MINUTES

The IESBA approved the minutes of the June 2022 public session as amended.

2. Sustainability

EXTERNAL PRESENTATION

The IESBA considered a presentation from [Prof. Colin Mayer](#) of the University of Oxford on the topic of sustainability, focusing on the paradigm of “profitable solutions for the people and the planet,” i.e., solving problems for customers, society and the natural world and earning profit from doing so instead of making profits by creating problems for others, society at large or the environment.

Following the presentation, IESBA members participated in a Q&A session. Among other matters, the following were raised:

- Who should be taking the first step on the road to purpose – governments or corporations?

Prof. Mayer explained that laws have sufficient ambiguity around them to allow purpose to be weaved into companies' businesses. In his view, it is not a question of statute but of how the legal profession interprets laws. He added that the problem is a misalignment between the interests of those who have invested in a company and the company's purpose.

- The role the accountancy profession would play in the new environment.

Prof. Mayer responded that in order to facilitate change, it is critical for the accountancy profession to take up the challenge and shift its practices and standards from focusing on evaluating profits and costs towards focusing on the wider impact on society and the natural environment. He added that for this to happen, it would be necessary to have the backing of laws and regulations.

- Which stakeholders the IESBA would need to engage with in this philosophical shift?

Prof. Mayer responded that there is a disconnect between investors and companies because in the notion of purpose-driven companies, purpose is being linked to profit. He added that creating profitable solutions is not the way to drive purpose. In his view, the accountancy profession has a role to play in assisting lawmakers and investors to better appreciate which are the real performance measures.

Ms. Dias thanked Prof. Mayer for the insightful and informative presentation, which would provide important context for the discussion of key topics on the Board agenda, including sustainability.

CONSIDERATIONS IN DEVELOPING SUSTAINABILITY-RELATED ETHICS (INCLUDING INDEPENDENCE) STANDARDS

Mr. Babington, Chair of the Sustainability Working Group (SWG), introduced the session by briefing the IESBA on the recent activities of the SWG. He then explained and sought views on the potential pathways and areas of focus, and the timeline for developing sustainability-related revisions to the Code. As part of the discussion, IESBA members considered the responses to the sustainability-related questions in the IESBA [Strategy and Work Plan \(SWP\) 2024-2027 Survey](#) and the Working Group's preliminary observations and recommendations. IESBA members were also alerted to the International Organization of Securities Commissions' (IOSCO) impending issuance of a statement which would call for the "development of high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability-related information."

IESBA members noted that there is a growing trend of stakeholders seeking assurance of sustainability-related information, either on a voluntary basis or to meet regulatory requirements, in support of their capital allocation decisions. On that basis, the IESBA agreed that sustainability assurance must be underpinned by the same high standards of ethical behavior and independence that apply to audits of financial statements.

Among other matters, IESBA participants exchanged views about:

- The importance of the IESBA coordinating with regulators and other standard setters, especially the IAASB and the International Sustainability Standards Board (ISSB), to ensure that there is a robust system of quality management, oversight, and enforcement in place for *all* sustainability assurance practitioners (not just those who are professional accountants (PAs)).
- The strategic importance of the IESBA developing sustainability-related standards that can be used by assurance providers who are not PAs.
- The possible pathways to developing profession-agnostic ethics (including independence) standards for sustainability assurance engagements. In particular, IESBA participants exchanged views on the following two potential options (measured approaches) in relation to independence:
 - *Integrating sustainability-related revisions into the existing Part 4A* (which applies to PAs when undertaking audit and review engagements), and *developing a guidance document* for sustainability assurance practitioners who are not PAs to assist them in applying other relevant provisions of the Code.
 - *Developing a standalone set of ethics (including independence) standards* (whether as a "Part 4C" or as a separate handbook) that would apply to all assurance practitioners, whether PAs or non-PAs, leveraging relevant material in the Code.

Irrespective of the option taken, IESBA members committed to progressing the work at an accelerated pace so that the outputs will be available around the same time as the sustainability-related standards of the IAASB and ISSB.

- Whether there is a need to enhance the Code to address the evolving role of PAs in business (PAIBs), especially CFOs, who are increasingly involved in preparing and presenting sustainability information, and in this regard, whether certain aspects of the proposed IESBA staff publication on greenwashing should be incorporated into the Code.

- How best to address questions about the ethical and independence obligations of experts who are involved in preparing and assuring sustainability information.

IESBA STAFF PUBLICATION

IESBA members noted that the draft staff publication addressing greenwashing would be issued shortly after the September 2022 IESBA meeting.

PIOB OBSERVER'S REMARKS

Ms. Modise noted that the PIOB is supportive of the IESBA's sustainability initiative. She complimented IESBA members on the open discussion and acknowledged the importance of that dialogue in the public interest.

WAY FORWARD

The IESBA agreed to three sustainability workstreams:

- (a) The development of profession-agnostic ethics (including independence) standards for sustainability assurance engagements.
- (b) Revisions to Parts 2 (for PAIBs) and 3 (for PAs in public practice (PAPPs)) of the Code to address the ethical dimension of PAIBs' and PAPPs' roles in the production, preparation and presentation of sustainability-related information.
- (c) Revisions to the Code to address ethics (including independence) considerations concerning the use of experts in the production, preparation, presentation and assurance of information. This workstream will involve a holistic review of: (i) independence considerations for external experts used in audit and assurance engagements, and (ii) ethics considerations regarding the use of experts in producing, preparing and presenting information, including sustainability information.

To inform the development of the project plan for consideration and approval at the November-December 2022 meeting, the IESBA also agreed to hold a virtual Board meeting on November 1, 2022 to further consider the potential drafting approaches for profession-agnostic ethics (including independence) standards for sustainability assurance engagements.

3. Tax Planning and Related Services

Prof. Poll provided a brief overview of the objectives for the session, starting with a discussion on the proposed new sections addressing Tax Planning and Related Services, followed by conforming amendments to the Code. He reminded the Board that these proposals, as set out in the new Sections 280 and 380, have been drafted in line with the proposed ethical framework, which the Task Force presented to the Board at the [June 2022](#) IESBA meeting.

Prof. Poll reported back on the IESBA CAG meeting held on September 6, 2022. He noted the CAG's general support for the Task Force's direction on the proposed text in Sections 280 and 380.

The IESBA then considered the proposed text. In addition to structural, editorial and other matters, the following were raised:

ROLE OF THE PA IN ACTING IN THE PUBLIC INTEREST (PI)

- In relation to the proposed guidance in paragraph 380.4 A1 indicating that PAs have a responsibility to assist clients in meeting their responsibility to pay taxes, a concern was raised that this implied that the PA has a responsibility for the client's tax return, whereas the PA is just advising the client.
- The public interest in relation to the provision of TP services is largely about compliance with laws and regulations. However, the challenge is about the interpretation of those laws and regulations. Accordingly, it was suggested that the Task Force encapsulate in the guidance more the notion of complying with the spirit of the law vs. the letter of the law. It was also suggested that consideration be given to making more explicit reference to advising on the transaction's business purpose, as determining what is in the PI is not just a matter of compliance with laws and regulations or structuring the transaction in the most tax efficient manner.

Prof. Poll responded that the Task Force's aim in this subsection was to describe the PA's role in the public interest in the context of TP. He indicated that later subsections in the text deal with consideration of matters such as business purpose and the interpretation of tax laws.

- In relation to the statement in paragraph 380.4 A1 that clients do not seek to avoid paying taxes through taking advantage of tax minimization arrangements, a concern was raised about not creating a conflict with practice because in some jurisdictions, tax minimization strategies are not prohibited by law. It was noted that clients are allowed to arrange their tax affairs in their best interests and are not bound to follow approaches that would preclude them from minimizing their tax burden.
- Whether the Task Force intends to capture the responsibilities of individual clients as well as entities in the proposed sections. Prof. Poll confirmed that this is the case.
- A suggestion to clarify paragraph 380.4 A2 to make it clear that the responsibility to comply with the fundamental principles is the PA's, as the last sentence seemed to suggest that it was the client's responsibility.

SCOPE OF THE PROPOSED SECTIONS AND RELATED SERVICES

- A suggestion to consider whether tax compliance work includes some elements of TP, even at a low level.
- A question as to whether the use of technology such as tax software in providing TP services amounts to reliance on a third party.

COMPLIANCE WITH LAWS AND REGULATIONS

- A suggestion to consider clarifying that PAs comply with all laws and regulations, with specific emphasis on tax laws and regulations in the context of the proposed Sections.
- Consideration should be given to clarifying the description of anti-avoidance laws in the application material, as the primary purpose of anti-avoidance rules is to empower the tax authority to deny the tax benefit of transactions or arrangements that do not have any commercial substance.

PROPOSED GUIDANCE ON THE RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

- A suggestion to make it clear that management has a responsibility to decide whether to implement the tax advice.
- There was a concern that the guidance differs from other provisions in the Code as there are no similar descriptions regarding management responsibilities in relation to other professional activities

or services (e.g., in the context of the preparation and audit of financial statements). It was suggested that consideration be given to positioning the guidance as non-authoritative guidance.

- A suggestion to consider that in some jurisdictions, submitting a tax return is an activity performed by the PA and not by management or those charged with governance (TCWG).

RESPONSIBILITIES OF ALL PROFESSIONAL ACCOUNTANTS

- In relation to the requirement for a PA to explain the basis on which the PA has advised or recommended a TP arrangement to a client, whether the PA should convey such explanation via written communication.

ESTABLISHING A CREDIBLE BASIS

- Whether it is appropriate to refer to “establishing a credible basis in laws and regulations” as TP considerations may extend to more than just laws and regulations. In addition, it was noted that not all laws and regulations address all TP arrangements.
- In relation to the second sentence in paragraph 380.12 A2 that states that whether a TP arrangement will prevail is ultimately a matter to be determined by a court or other adjudicative body, whether that sentence should further state that a credible basis can be established even if there is a probability that the TP arrangement may not prevail in a court of law.
- Consideration should be given to clarifying that in certain jurisdictions, consulting with the relevant tax authorities is not an option that is available to the client.
- A suggestion for the Task Force to clarify the distinction between the terminology currently used in the Code, i.e., “likely to prevail,” versus the reference to “credible basis” in the proposed text. Given the reference to “likely to prevail” in Section 600 of the Code, it was noted that it was unclear from proposed Sections 280 and 380 whether the Task Force intended to establish two different bases depending on whether or not the client is an audit client. It was suggested that the distinction be explained in the Explanatory Memorandum (EM) to the Exposure Draft.
- Whether establishing a credible basis would be the conclusion following a sequence of steps that the PA has undertaken or whether it would be determined upfront. The Task Force was also requested to clarify if the responsibility for establishing a credible basis lies with the client or the PA.

STAND-BACK TEST

- A suggestion that the paragraphs on the stand-back test would be better signaled with a sub-heading indicating and clarifying the intent of the paragraphs.
- Whether the stand-back test could be linked to the reasonable and informed third party (RITP) test as the assessment of reputation and commercial risks would be from the perspective of a RITP. The Task Force was also encouraged to provide additional application material to clarify the PA’s application of the stand-back test.

Prof. Poll indicated that the stand-back test is broader than the RITP test and that this could be explained in the EM.

- Consideration should be given to clarifying the timing of the application of the stand-back test. In this regard, it was observed that if the stand-back test comes at the end of the PA’s work, the PA might be subject to bias, given the sunk cost of the work already carried out.
- Whether the PA should inform the client of the outcome of the PA’s application of the stand-back test.

“GRAY ZONE”

- In relation to the application material in paragraph 380.17 A4 regarding examples of actions that might be safeguards to address threats, consideration should be given to not limiting the PA to obtaining an opinion from independent legal counsel only. It was noted that in practice, PAs may also obtain an opinion from legal counsel within their firm, network firms or employing organizations.
- Providing TP services in the gray zone can be challenging as PAs may need to navigate complex and sometimes poorly drafted legislation in different jurisdictions. Also, facts are sometimes unclear and opinions may differ. Hence, the Task Force was encouraged to consider providing further guidance on how PAs can communicate their assessment of the uncertainties and risks around the TP arrangement with the client.
- The Task Force was encouraged to revisit the examples of proposed actions to eliminate threats in paragraph 380.17 A3, as it was felt that some of the actions might not eliminate the threats.

DISAGREEMENTS

- Consideration should be given to clarifying that the TP arrangement with which the PA disagrees is one proposed by the client/management. It was also suggested that the Task Force expand on and clarify the steps the PA should undertake if the PA encounters disagreement with the client/management.
- An observation was made that there are steps a PA can take to resolve the disagreement with the client/employing organization before considering withdrawing from the engagement or resigning from the client relationship or employing organization. In this regard, it was noted that the last resort would be to resign from the client relationship/employing organization if the resolution was unsuccessful.
- Concerning the situation where a PA is requested by a client to prepare the client’s tax return which is based on TP carried out by another service provider and the PA disagrees with the TP arrangement, whether the PA needs to resign from the service.
- Whether a consequential amendment is needed in Section 320² of the Code, as the PA may have an obligation to inform the incumbent of their decision to resign from the client.

DOCUMENTATION

- Whether documentation should be a requirement. Views were expressed that PAs are expected to document their judgments and assessments of various matters, especially regarding uncertainties when operating in the gray zone. At the same time, it was recognized that operationalizing such a requirement would necessitate further consideration as to the extent and timing of such documentation.

It was noted that in the extant Code, documentation is only a requirement in Part 4A concerning audit engagements. To have documentation as a requirement in other Parts of the Code would result in a change in approach in those other Parts of the Code. In this regard, Mr. Siong noted that in finalizing the non-compliance with laws and regulations (NOCLAR)³ provisions of the Code, the Board had undergone a lengthy discussion about the level of responsibility for documentation to be placed on

² Section 320, *Professional Appointments*

³ Section 260, *Responding to Non-Compliance with Laws and Regulations*, and Section 360, *Responding to Non-Compliance with Laws and Regulations*

PAs. The Board came to the view that documentation is a quality management matter and agreed that it would be better positioned in the Code as an encouragement rather than a requirement.

It was also noted that the Code is a principles-based Code and that it does not prescribe procedural actions PAs should undertake to comply with the fundamental principles. The Task Force was encouraged to provide further clarification that it is in the PA's best interest to be able to demonstrate that the PA has carried out the PA's assessments using professional judgment and in good faith.

- Whether communication with clients should also be documented.

After further deliberation, the IESBA agreed that the topic of documentation extends beyond this project and that it would need to be addressed holistically as part of a future strategic work plan.

TAX PLANNING PRODUCTS OR ARRANGEMENTS DEVELOPED BY A THIRD PARTY

- Whether the PA would have the same level of responsibility towards the client for TP products recommended by a third party as in circumstances where the PA has developed the TP products. Views were expressed that it would be unreasonable for the PA to assume the same level of responsibility when recommending the client to the third party provider, especially if the PA was not involved in the development of the TP product.

PIOB OBSERVER'S REMARKS

Ms. Modise commended the TF's diligence in gathering substantive and valuable insights from the global roundtables in April 2022 as it demonstrated the TF's efforts in understanding the different TP practices around the world, the challenges for PAs to determine that there is a credible basis, and the importance of PAs assessing the reputational, commercial and wider economic consequences when it comes to TP. She noted the PIOB's ongoing support for the Task Force's direction in developing a principles-based ethical framework for TP.

Ms. Modise encouraged the TF to consider emphasizing the importance of professional judgment within the proposed text. While the exercise of professional judgment is a requirement in applying the Code's conceptual framework, she was of the view that the application of professional judgment could be made more explicit in PAs' decision-making process. She also noted that the element of transparency, which is a driving principle in other globally accepted frameworks, should also be considered. In this regard, Ms. Modise provided an example where PAs encourage their clients and employing organizations to disclose their tax strategy in the financial statements.

WAY FORWARD

The IESBA asked the Task Force to consider the input received and present a second-read draft of the proposed revisions to the Code with a view to the approval of an Exposure Draft at the November-December 2022 meeting.

4. Technology Working Group Phase 2 Report

Mr. Friedrich, Chair of the Technology Working Group, introduced the session focused on the final draft of the Working Group's Phase 2 Fact-finding Report, which addresses a number of key developments in technology and their impacts or potential impacts on professional accountants from an ethics perspective (Phase 2 Report).

Mr. Friedrich provided a detailed walkthrough of the Working Group's activities and processes, including how the Working Group analyzed and evaluated its findings against the Code, which then informed the

development of the Phase 2 Report. He also reminded the Board of the overarching key themes previously presented at the IESBA's June 2022 plenary session.

Mr. Friedrich then walked through the Phase 2 Report's conclusions and the 10 recommendations and associated insights contained in the Report. Finally, Mr. Friedrich presented the Working Group's suggested four-pillar approach in relation to how the IESBA might continue to maintain a focus on technology in 2023.

IESBA participants were then asked for their input on, and reactions to, the Phase 2 Report, including views on the recommendations and suggested next steps for the IESBA.

Given the Report's length and extensive analysis, IESBA members supported the Working Group's plan to release the full Report and to disaggregate it into smaller, topical publications for different audiences.

In addition to structural and editorial matters, IESBA participants raised the following comments or suggestions:

- How best to explain to stakeholders the interaction among the Technology Project which is soon to be completed, the Strategy Work Plan 2024-2027 Consultation Paper being developed, and the Phase 2 Report recommendations. In this regard, Ms. Dias emphasized the importance of balancing the need to future-proof the Code against developments in technology versus having a never-ending list of further changes to the Code in this respect.
- A caution that the Phase 2 Report does not convey a perception that all PAs are "behind" in technology, as this is always not the case.

Mr. Friedrich noted that whereas this is not always the case, nearly all stakeholders expressed concerns that the significant majority of PAs require significant upskilling in the areas of innovative and transformative technology.

- Whether data can be fully anonymized and whether having the password to a client's cryptocurrency wallet would be considered custody of assets.

Mr. Friedrich observed that while full anonymization of data is possible, it considerably reduces the usefulness of such data. Therefore, as long as the data cannot be personally identifiable, the level of anonymization is generally considered acceptable. Mr. Friedrich also agreed that having the password to a client's cryptocurrency wallet is akin to custody of assets, but questioned whether there is an ethical issue in this regard.

- A suggestion to test whether the recommendations related to enhancements to the Code are already captured in the proposed technology-related revisions to the Code anticipated to be finalized soon.

Mr. Friedrich responded that the recommendations were indeed developed based on an analysis of the Code as updated for the draft proposed technology revisions at the time (i.e., as contained in the Technology Exposure Draft). In August, the Phase 2 recommendations were provided to the Task Force for its consideration together with the ED responses as appropriate.

- The number of recommendations the Board could take on in the context of other priorities and resourcing.

Mr. Siong responded that it is too early to answer this question as the extent of take-up of the recommendations and their sequencing would need to be considered by the Board in December in the context of the development of the SWP consultation paper, the sustainability initiative, post-implementation reviews, and other pre-commitments.

- Who would be executing pillar 4 suggested way forward in the Phase 2 Report, for example, whether it would be IFAC or the EIOC. It was also noted that pillar 3 relating to addressing any technology-related ethics issues appears to stand out as it is dependent on the monitoring of technology developments (i.e., pillar 2).

Messrs. Friedrich and Siong suggested that the Board further discuss the way forward for the technology initiative at the November-December meeting.

CONSIDERATIONS FROM THE PERSPECTIVE OF THE TECHNOLOGY PROJECT

Ms. Dias invited Mr. Huesken, Technology Task Force Chair, to share his perspectives on the recommendations in the Report, specifically those contemplated for the short-term, that could be addressed by the Task Force. Mr. Huesken indicated that the Task Force has made adjustments to its proposed revisions that are consistent with addressing recommendations A and B. He indicated that in regard to recommendation F (Use of Experts), similar comments are being raised in different workstreams and that this should also be considered in the context of other projects. In relation to recommendation C relating to custody of data, he expressed the view that the proposed prohibition on hosting introduced by the technology revisions in Subsection 606 goes in the direction of the recommendation, although it does not totally address the concepts in the Report.

PIOB OBSERVER'S REMARKS

Ms. Modise complimented the Working Group on a well-thought-out presentation, noting that the Phase 2 Report has addressed relevant public interest issues. She pointed out that the use of the term "encourage" in the recommendations might appear to be light, considering that they are recommendations. She also wondered what potential safeguards might exist to address a potential pressure threat; whether the Working Group's recommendation regarding communication with TCWG includes requirements for such communication to be in writing; and whether recommendation J represents the next phase of the technology initiative.

On the question of safeguards against a pressure threat, Mr. Friedrich suggested some possible safeguards to mitigate pressure as a threat. Regarding the matter of whether communication with TCWG should be in writing, Mr. Friedrich noted that this would be for a potential future Task Force to consider if the Board decided to take up the recommendation. Mr. Friedrich added that the awareness raising and advocacy efforts more generally can be considered by the IESBA in the development of the SWP 2024-2027.

PRIORITIZATION OF RECOMMENDATIONS

Mr. Friedrich presented the Working Group's proposed prioritization of the 10 recommendations, focusing on the recommendations that have potential impacts on the Code:

- Short-term priority (Recommendations A, B, and H): Matters that can be quickly addressed as they align with "open" revisions related to the Technology project, or whether the recommendation is considered relatively straightforward to address as a new workstream.
- Medium-term priority (Recommendations E and F): Areas that are currently under consideration by non-technology workstreams, but for which the Working Group believes there is an opportunity to generalize or consider the recommendations more broadly as they are not unique to technology.
- Long-term priority (Recommendations C and I): Matters to be considered in the context of other priorities in the development of the SWP 2024-2027 consultation paper.

Some IESBA participants expressed support for the proposed prioritization and others did not raise any comments. The following key comments were raised for consideration:

- If the short-term priority recommendations A and B would be addressed by the Task Force, whether the remaining recommendations could be brought forward in terms of prioritization.
- Picking up a recommendation as part of a current workstream might create additional work for the related Task Force or Working Group. Accordingly, a careful allocation of resources might be needed.

Recommendation E: Communication with TCWG

- Whether this recommendation is already addressed by International Standard on Auditing (ISA) 260 (Revised).⁴ In this regard, it was noted that the recommendation is broader in scope than just communication of matters arising in an audit of financial statements. The scope of the recommendation is also broader than just technology. It was also noted that this recommendation should be addressed more holistically, which would mean launching a separate workstream instead of packaging it as part of an existing workstream. Accordingly, due reflection is needed to avoid launching too many projects in the same period.
- A few Board members supported a broader workstream in relation to this recommendation, with one Board member expressing the view that it should be of a higher priority.

Mr. Friedrich responded that in the Working Group's view, this recommendation was considered a medium-term priority (rather than a short-term priority) as addressing it was not considered relatively straightforward.

Recommendation F: Use of Experts

- General support for this recommendation was noted, with a few Board members noting that it could be subsumed within the upcoming workstream on sustainability. This workstream could also address the use of experts more broadly and consider both the ethics and independence considerations arising from such use.

Recommendation H: Pressure

- Whether the Working Group's prioritization of this recommendation meant that the Working Group considers it could be addressed now or within the next strategy period.

Mr. Friedrich noted that it would be important to understand what an expedited process might entail in the first instance. He added that the Working Group had not yet discussed this matter.

- Ms. Modise asked for clarification as to why the Working Group had suggested withdrawing the term "objectively" from the definition of an intimidation threat in extant paragraph 120.6.

Mr. Friedrich responded that this is to avoid stakeholders from misconstruing that the intimidation threat is only limited to the fundamental principle of objectivity.

RECOMMENDATIONS RELATED TO NON-AUTHORITATIVE RESOURCES

Regarding the Working Group's recommendations, or aspects of recommendations, related to the development of non-authoritative resources, the following key matters were raised:

⁴ ISA 260, *Communication with Those Charged with Governance*

- Whether recommendation G relating to sufficient competence could be prioritized and developed in collaboration with other parties.

Mr. Friedrich agreed, noting that the topic of sufficient competence through education and awareness raising is a pervasive matter raised by stakeholders. He added that it is one of the key pervasive messages underlying the Phase 2 Report.

- A suggestion to include the prioritization of these recommendations into long, medium or short term within the Phase 2 Report.

WAY FORWARD

Messrs. Siong and Friedrich confirmed that the Board did not have any concerns about taking the recommendations forward, with the specifics regarding the approach to addressing them and their level of prioritization to be determined.

Mr. Friedrich thanked IESBA participants for their input, noting that the Working Group would consider all feedback in finalizing the Phase 2 Report. The Report is expected to be issued by the end of November 2022.

The Board will further consider the recommendations at its November-December 2022 meeting with a view to determining how best to take them forward.

5. Engagement Team – Group Audits

Ms. Lee, Chair of the Engagement Team-Group Audits Independence Task Force, and Ms. Sramko presented the outcomes of the public consultation on the Exposure Draft, [*Proposed Revisions to the Code relating to the Definition of Engagement Team and Group Audits*](#) (ED) and a full analysis of the comments received from respondents. The Board discussed and provided input on the Task Force's responses to significant comments, including the Task Force's proposed revisions to the text of the ED.

Subject to the following matters, the Board generally supported the Task Force's responses and its proposed way forward on the various issues.

DEFINITIONS

Diagrams

IESBA members commended the visual aid and diagrams developed by the Task Force to help understand the complex definitions in the proposals. The IESBA discussed whether these diagrams should be part of the final pronouncement or the basis for conclusions. A few Board members were of the view that the diagrams could even be part of the Code. A Task Force member pointed out that some of the wording and terminology in the diagrams did not repeat the actual definitions word for word; instead, they were drafted in plain English. She highlighted that this difference between the wording of the definitions and that in the diagrams could have unintended consequences should the diagrams be included in the Code.

The Board supported the Task Force's proposal that the visual aids illustrating the definitions of "engagement team" and "audit team" be included in the basis for conclusions and in the eIS as supplementary material.

Mr. Kato supported the Task Force's effort to clarify the definitions and the proposed provisions. Given the complexity of the subject, he emphasized that it is important to avoid redundant and unclear phrases, especially for non-native English speaking jurisdictions.

External Experts

A Board member questioned whether an auditor's external expert would be subject to the same independence requirements as audit team members. Mr. Hansen expressed the view that an auditor's external expert should be independent and therefore be considered as an engagement team member. Ms. Lee responded that, in keeping with the definition in ISA 220 (Revised),⁵ an auditor's external expert would not be part of the engagement team and, therefore, not part of the audit team. She noted that the Task Force's proposals did not include any specific independence requirements for such individuals. She added that the independence of external experts might be a potential project for the IESBA's SWP 2024-2027. Mr. Siong explained that ISA 620⁶ addresses the auditor's responsibilities relating to the work of external experts and that it includes a requirement for the auditor to evaluate the objectivity of an external expert, including inquiring into relevant interests and relationships that might create threats to that expert's objectivity.

Other Matters

A Board member asked why the proposed changes to Part 3 of the Code used the term "team" instead of "engagement team." Mr. Siong and Ms. Sramko clarified that the proposals were intended to avoid using the term "engagement team" in Parts of the Code outside the International Independence Standards. Mr. Siong explained that care was needed about applying the concept of engagement team as defined in the Glossary and in the ISAs to services other than audit and assurance engagements, for example, a consulting service that requires a specific type of expertise.

INDEPENDENCE CONSIDERATIONS

Independence Considerations Applicable to Individuals Involved in the Group Audit

Ms. Lee provided an overview of the Task Force's proposed revisions to the independence considerations applicable to individual audit team members outside the group auditor firm's (GAF) network. The revisions aimed to respond to comments from respondents to the ED raising potential practical challenges. Ms. Lee asked for Board members' views about the proposed options (Option 1-3) for the revisions.

Board members acknowledged the potential practical challenges raised by respondents and supported the Task Force's response. A few Board members were also of the view that in larger, complex groups, applying the same independence approach to each group audit team member is challenging, and they agreed that this could result in small and medium practices (SMPs) being excluded from the market.

Among other matters, the following comments were raised:

- There was a concern about moving away from the ED's approach. There was a question as to whether the revised proposals might affect the GAF's decisions and reliance on a component auditor firm (CAF) outside its network. Ms. Lee explained that the GAF has ultimate responsibility for the CAF's compliance with the relevant ethical requirements. Therefore, she did not believe the different approach for independence considerations would discourage the GAF from using the CAF's work. She also added that the GAF carrying out the audit work at the component instead of the CAF, which was also carrying out the statutory audit, would be a challenge due to the cost consideration. On the other hand, she observed that the ED's proposal might make it less attractive for a CAF outside the GAF's network to be involved in the group audit and could lead to market concentration.

⁵ ISA 220, *Quality Management for an Audit of Financial Statements*

⁶ ISA 620, *Using the Work of an Auditor's Expert*

- There was a question as to whether it could be misleading when the GAF communicates about the group audit team's independence to users of the auditor's report, given that different ethical requirements have been applied to different members of the group audit team. Ms. Lee clarified that the relevant ethical requirements applicable to the group audit would be those set out in the Code. She added that compliance with the Code's provisions could be communicated to users of the auditor's report as compliance with the relevant ethical requirements irrespective of which provisions are applicable to the different group audit team members. She believed that such communication would not be misleading as long as the Code's relevant provisions were clear.
- There was a suggestion for the Task Force to coordinate with the IAASB and confirm if the proposed revisions align with the principles in ISA 220 (Revised) and ISA 600 (Revised).⁷ Ms. Lee informed the Board about ongoing coordination with the Representatives of the ISA 600 Task Force.
- There was a suggestion for the Task Force to consider the relevant national laws and regulations applicable to the audit of the group financial statements and the work of component auditors, for example, in the US or the EU. Ms. Lee responded that these jurisdictions do not have any specific ethical requirements to address independence considerations for CAFs outside the GAF's network. She clarified that the Task Force had previously considered the existing practices of larger firms. She pointed out that one of the objectives of this project is to bring consistency in the practices applied worldwide.
- There was a question as to whether the IESBA would need to re-expose the provisions addressing group audit team members' independence if the Board decides to move away significantly from the ED's approach. Mr. Siong responded that the Board would evaluate the need for re-exposure as part of due process, after considering a full analysis of the final proposals compared with the position in the ED.

Proposed Options for Revisions

Regarding the different options for the proposed revisions, a majority of the Board members initially expressed support for Option 3 in favor of a balanced approach, whilst some expressed support for Option 2 having considered both independence of mind and in appearance. A couple of Board members supported Option 1, especially for listed entities because they felt the other options deviated too far from the ED position.

A Board member explained that given the practical issues raised by some of the respondents, he supported Option 3 because that concept is in line with the proposed independence considerations for CAFs outside the GAF's network. Regarding Option 3, another Board member was concerned that it would not set out straightforward prohibitions in relation to entities below the group audit client but above the component audit client. He was of the view that this could raise a perception of a lower standard of independence and other potential issues.

A Board member suggested that the Board consider Option 3 as a baseline as it is easy to follow, and leave it to national standard setters (NSS) to add further entities as they see best. Ms. Lee agreed that the Board could consider this way forward as a possibility; however, she noted that the different jurisdictional options could create complexity in the case of large, transnational group audits. Mr. Siong cautioned the Board about taking this route, given past criticisms of the Board about taking a "lowest common denominator" approach to setting requirements in the Code.

⁷ ISA 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

Although there were practitioners and professional bodies who raised valid practical challenges, a Task Force member clarified that there was also support for the ED's approach from the regulatory community and a few investor representatives. Regarding Option 3, she believed it would be difficult to explain why the IESBA had moved so far from the approach that regulators supported. She added that perception is also an important consideration because independence in appearance is part of the definition of independence.

Mr. Hansen reported mixed views from CAG Representatives. He noted that Representatives from the profession supported Option 3 while regulator and investor Representatives supported an approach closer to the ED position. Mr. Hansen was of the view that Option 2 could be seen as a compromise. He supported Option 1. Responding to Mr. Hansen's comment, Mr. Siong highlighted that the Task Force's aim was to set a high bar for group audit team members' independence while ensuring that the provisions were as globally applicable as possible.

There was some discussion about the due process concerning when the Task Force's preliminary proposal to move ahead with Option 2 was communicated. A Board member questioned if it was appropriate for the Task Force to move in a direction that was different from what the Board had previously agreed. Another Board member felt that a stronger recommendation from the Task Force ahead of the Board's deliberations would have been useful. Ms. Dias responded that any decision from the Board at this stage would be preliminary as the Task Force was still progressing with its work. She noted that the Task Force was endeavoring to be responsive to comments from various stakeholders and was being flexible and evolutionary in its thinking.

A few Board members who initially expressed a preference for Option 3 subsequently indicated that they found Option 2 to be reasonable as well.

Ms. Lee thanked the Board members for expressing their views. She added the Task Force would consider comments from all key stakeholders and Board members and work to find the appropriate balance between perception and practicality.

Independence Considerations Applicable to Firms Involved in the Group Audit

A few Board members and Mr. Hansen had concerns in relation to the complexity of the proposals regarding CAFs outside the GAF's network. It was suggested that the Task Force provide guidance, especially for SMPs. A Board member highlighted the potential for breaches of these provisions and suggested that the Code clarify who is responsible for compliance with independence provisions at the CAF. Ms. Sramko responded that paragraph 400.4 of the Code already provides guidance regarding the allocation of responsibility within a firm for compliance with the Code's provisions.

Ms. Modise echoed Board members' comments regarding potential stakeholder concerns about complexity. She noted that the clarity of the Code's provisions is an important public interest aspect.

In relation to the proposed guidance on the provision of non-assurance services (NAS) by a CAF outside the GAF's network, IESBA participants raised the following questions:

- Whether the proposed guidance is applicable in the context of the provision of NAS to the component audit client or the group audit client, and whether a CAF outside the GAF's network would be required to apply Section 600 with respect to any parent entities of the component audit client, especially if the group audit client is a public interest entity (PIE).

Ms. Sramko clarified that a CAF outside the GAF's network would be required to apply the provisions in Section 600 with respect to the component audit client and not the group audit client. In the case of a NAS provided to the group audit client, the CAF would be required to apply "the reason to believe" principle as set out in the proposed paragraph R405.10. In this regard, the Task Force was asked to

consider whether this proposal could raise any concerns in terms of the CAF's independence in appearance.

- Regarding the examples provided for the provision of NAS by a CAF to the component audit client, whether the reference to “designing or implementing the information technology systems of a component audit client...” should refer to developing or implementing aspects of the IT systems, which is more common.

Communication Between a GAF and CAF

An IESBA member suggested that as part of the communication between the GAF and the CAF, the Code also require the CAF to confirm that the engagement partner and the audit team members at the CAF are in compliance with the relevant ethical requirements, and notify the group engagement partner about any changes to that compliance. Ms. Lee responded that the Task Force would consider the suggestion.

Period During Which a CAF's Independence is Required

A few IESBA members had concerns regarding the proposed role and discretion of the group engagement partner in determining the period during which the independence of a CAF outside the GAF's network is required. They also pointed out potential issues regarding the enforcement of responsibilities placed on the group engagement partner. A Board member remarked that the group engagement partner might determine and notify different dates to different CAFs.

A Task Force member responded that the proposed revisions are intended to address rare cases. However, she was of the view that without this exception, some CAFs might be unnecessarily tied up in the group audit engagement. Ms. Lee clarified that this possibility would be available for the group engagement partner only in the case of a non-recurring engagement. For example, she raised the situation when a CAF is performing a stock-take at a certain location in a particular year, and there would be no need for subsequent consultation or audit procedures. Nevertheless, she acknowledged the challenges raised regarding the enforcement of the proposed provision.

The Board asked the Task Force to reconsider the proposal.

Breaches of Independence Provisions at a Component Auditor Firm

The IESBA generally supported that the Code promotes effective communication about group audit independence. However, a few IESBA members questioned whether it is necessary to require that the communication between the GAF and the CAF, or between the GAF and TCWG of the GAF, be in writing. They felt that whether this communication is in writing or through any other effective way is not an ethics issue. It was also noted that the Code should provide flexibility as long as the communication is effective and comprehensive.

A Task Force member clarified that the written communication was suggested by some respondents to the ED, such as a few firms and a Monitoring Group member. Another Task Force member added that the Task Force intended to mirror the current approach of the extant Code relevant to the communication of breaches by the firm.

A Board member asked for clarification regarding the difference between requiring communication or discussion, as the proposal used both terms. Ms Sramko responded that the Task Force suggested different ways of communication because the objective of the communication is different depending on whether the CAF is within or outside the GAF's network. She clarified that in the case of communication about breaches in the network, there is a requirement for communication in writing to TCWG because the GAF needs to

provide additional information on the impact of the breach on the firm's policies and procedures to enable TCWG to assess the GAF's objectivity in the context of the group audit. However, in the case of communication about breaches outside the GAF's network, the objective of the requirement is to initiate a discussion between the GAF and TCWG about whether the GAF can use the CAF's work.

PIOB OBSERVER'S REMARKS

Ms. Modise commented that the PIOB had been supportive of the ED, and she added that the Task Force's proposed revisions addressed most of the concerns raised by respondents. However, she noted that the PIOB had concerns about the complexity and potential challenges related to the implementation of the proposals. Therefore, she encouraged the Board to develop diagrams and non-authoritative materials to facilitate understanding and consistent application. She believed that further application material might be necessary for some circumstances to ensure compliance with the Code's provisions.

Ms. Modise also highlighted that the PIOB welcomed that the IESBA intended to address the independence of external experts.

Regarding the proportionality of the provisions, she suggested that the Board carefully weigh the proposals that would set out different independence requirements for CAFs outside the GAF's network.

WAY FORWARD

The Board asked the Task Force to consider the input received and present a second-read of the provisions for consideration with a view to the approval of a final pronouncement at the November-December 2022 IESBA meeting.

6. Technology Project

Mr. Rich Huesken, Chair of the Technology Task Force, introduced the topic by providing a brief recap of, and status update on, the Technology Project.

A brief overview of the respondents to the ED was provided. IESBA participants were informed that, on balance, respondents across stakeholder groups and regions expressed clear support for the proposed technology-related revisions to the Code. In supporting the proposals, respondents generally provided many suggestions to refine the proposed revisions or highlighted areas where in their view clarification was warranted.

Mr. Huesken highlighted six significant issues identified by the Task Force and presented the Task Force's full analyses and responses, including the proposed revised text (proposed September text). In addition, other revisions and matters arising from ED comments were presented.

Mr. Huesken also acknowledged the advance comments on the proposed September text already received from IESBA participants. He also noted that the draft findings and recommendations from the Technology Working Group's Phase 2 Report have been considered in developing the Task Force's responses.

In broadly supporting the Task Force's responses and draft revisions to the ED text, IESBA participants raised the following comments, among other matters:

PROFESSIONAL SKILLS (SUBSECTION 113)

- Whether the use of the term "might" in the proposed September text might lead readers to misconstrue that professional skills are not always needed. Mr. Siong suggested a drafting formulation for the Task Force's consideration in response to the comment.

- Whether the last sentence “activities that involve technology might require knowledge of a particular technology and its operation” in new paragraph 113.1 A2, was unduly narrow in scope, as knowledge relevant to the professional activities performed is wider in scope than just technology.

Mr. Huesken explained that the addition was to respond to ED commenters who pointed out that the ED proposal was not technology-specific. He indicated that the Task Force would further reflect on the statement.

CONFIDENTIALITY (SUBSECTION 114)

- In the context of new paragraph 114.1 A4 which provides guidance in relation to obtaining authorization for the use or disclosure of confidential information, it was suggested that paragraph R114.1 bullet (e), which prohibits a PA from using or disclosing information for the personal advantage of the PA or the advantage of a third party, should include a qualifier such as that contained in extant paragraph R114.1 bullet (d), i.e., “without proper and specific authority, unless there is a legal or professional duty or right to disclose.”

Mr. Huesken responded that the Task Force would take this suggestion into account along with Recommendation A of the the Technology Working Group Phase 2 Report which also speaks to this matter.

- Whether the new paragraph R114.1 bullet (h), which requires a PA to maintain the confidentiality of information that has become publicly available even when such information is improperly disclosed, is overly broad. A Board member argued that this provision seemed to go beyond improper disclosure as it would catch scenarios where information is properly disclosed and therefore no longer confidential. On the other hand, another Board member and Mr. Hansen expressed support for the direction of paragraph R114.1 bullet (h). In this regard, Ms. Figueiredo Dias urged the Task Force to consider the relevant public interest aspects of allowing PAs to use information which was made publicly available through improper disclosure.

Mr. Huesken responded that it is the Task Force’s intent to be broad so as to emphasize a PA’s obligation to maintain confidentiality despite the information being publicly available, unless the client specifically relieves the PA of the obligation of confidentiality. This intent has considered the public interest aspects.

- Whether the NOCLAR provisions would continue to allow for the disclosure of confidential information as Subsection 114 will be revised by the Technology Project. In response, Mr. Fleck confirmed that it would, subject to the relevant laws and regulations and provided that the NOCLAR or suspected NOCLAR is of such a nature or scale as to meet the public interest test.
- A suggestion that the Task Force conduct additional targeted outreach on the new paragraph 114.1 A4.

Mr. Huesken noted that additional outreach with certain Monitoring Group members are scheduled for Q4, among others.

GLOSSARY DEFINITION OF CONFIDENTIAL INFORMATION

- A suggestion that the Task Force consider the interaction between the use of the term “public domain” in the proposed definition of confidential information in the ED, and the use of the term “publicly available” in new paragraph R114.1 bullet (h). It was also noted that the use of the term “publicly available” would appear to encompass more scenarios than necessary, for example, price-sensitive information which is no longer restricted once such information is announced.

Mr. Huesken noted that the term “public domain” has now been removed from the definition contained in the proposed September text. In terms of the scope of scenarios that new paragraph R114.1 bullet (h) encompasses, Mr. Huesken reiterated the Task Force’s intent to be broad to cover a PA’s duty of confidentiality.

COMPLEXITY (SECTION 120)

- Whether the use of a sub-heading would better highlight the distinction between “complex” and “complicated.” In this regard, there was support for the direction of the Task Force’s proposed September text to align the concept of “complex” with that in ISA 315 (Revised).⁸ It was noted that the explanation contained in the Task Force’s analysis and responses to the ED comments should be brought forward to the Basis for Conclusions. Ms. Figueiredo Dias suggested that the Task Force keep the drafting simple and understandable.

Mr. Huesken confirmed that such an explanation would be included in the Basis for Conclusions and affirmed the Task Force’s objective to keep the revisions clear, principles-based and easy to understand.

- Whether an explicit statement is needed to explain that a PA’s judgment is based on facts and circumstances at a point of time.

Mr. Huesken noted that the Task Force would consider the appropriateness of including such explanations when developing the Basis for Conclusions.

ETHICAL LEADERSHIP (SECTIONS 120, 200, 300)

- A few questions were raised as to why the term “business organizations” was removed in respect of new paragraph 120.13 bullet (b).

Messrs. Huesken and Fleck responded that the Task Force would revisit it as the application material is not intended to be limited to individuals only, and was intended to be expanded to include organizations, including in the business and public sectors.

- Whether new paragraph 300.5 A2 was necessary in the context of the preceding few paragraphs referencing Part 2 of the Code, given the building blocks approach of the Code.

IDENTIFYING THREATS (PARTS 2 AND 3)

- It was noted that the Technology Working Group had raised some drafting suggestions to address the matter of “explainability” in the proposed September text.
- How the penultimate bullet (“use of the technology requires the knowledge, expertise or judgments of the accountant or the employing organization”) creates a self-interest or self-review threat.

BUSINESS RELATIONSHIPS (SECTION 520)

- A suggestion that the new paragraph 520.3 A3 would be better explained through non-authoritative material which would enable elaboration on the facts and circumstances.

Mr. Huesken responded that it was the Task Force’s view that such application material be retained as it is responsive to ED comments which suggested other forms of arrangements be included as

⁸ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

examples (such as that outlined in the explanatory memorandum of the ED). He added that the Task Force would consider including further explanation and elaboration in the Basis for Conclusions.

- In relation to new paragraph 520.7 A1, it was noted that it is uncertain whether in all instances, a firm will know if the end customer is an audit client of the firm.

HOSTING (SUBSECTION 606 AND SECTION 900)

- In relation to new paragraph 606.3 A1, why the last bullet “operates an audit client’s network security, business continuity or disaster recovery function” was deleted.

SELF-REVIEW THREAT (SUBSECTION 606)

- It was observed that the term “cybersecurity” added to revised paragraph 606.4 A3 is not as clear and specific as the other term “business continuity.”

Mr. Huesken responded that the Task Force’s use of the term “cybersecurity” is intentionally broad as it would cover a variety of measures, including, “business continuity.” He added that the use of such a term is to remind PAs that a firm cannot design, develop, implement, etc., cybersecurity systems or approaches which form part of or affect an audit client’s accounting records or system of internal control over financial reporting.

PIOB OBSERVER’S REMARKS

Ms. Modise noted that the proposed September text has addressed the PIOB’s public interest comments. She further noted the good collaboration between the Task Force and the Technology Working Group.

WAY FORWARD

The Board asked the Task Force to consider the input received and present a revised draft of the proposed technology-related revisions to the Code for consideration, with a view to final approval, at the November-December 2022 IESBA meeting.

7. Strategy and Work Plan 2024-2027 Survey

Ms. Figueiredo Dias commenced the session by encouraging IESBA members to proactively share views on the feedback received on the [April 2022 survey](#) (the Survey) to inform the development of the Board’s SWP 2024 – 2027.

Mr. Kwan provided a breakdown of the respondents to the Survey and highlighted relevant outreach by Mss. Figueiredo Dias and Jules and Mr. Kwan in September 2022. In response to a query about whether the Board should seek further input from regulators when developing the consultation paper, Mr. Siong reminded the Board that the International Organization of Securities Commissions’ (IOSCO) membership regulates over 95% of the world’s securities markets in some 130 jurisdictions, and that the International Forum of Independent Audit Regulators (IFIAR) comprises independent audit oversight bodies in over 50 jurisdictions. Mr. Kwan also confirmed that IFIAR’s feedback has taken into account its annual audit inspection findings report.

PROPOSED STRATEGIC AREAS OF FOCUS

Mr. Kwan provided an overview of the key feedback received with respect to the four proposed strategic focus areas highlighted in the Survey:

- Enhancing ethics and independence standards for sustainability reporting and assurance

- Raising the ethical bar for PAIBs
- Strengthening independence standards for audit engagements
- Promoting timely adoption and effective implementation of the IESBA Code

The Board reaffirmed its support for the proposed strategic focus areas, taking into account the feedback received from respondents to the Survey.

Focus on Sustainability

The Board did not provide any further input in light of the comments already provided during its discussions on the sustainability workstream at the meeting.

Focus on PAIBs' Ethical Behavior

The Board agreed that PAIBs play a critical role in the financial and non-financial information supply chain and that the attention should be shifted from the work of auditors more towards the work of preparers in light of high-profile corporate failures in recent years.

IESBA members discussed the concern from a few respondents that PAIBs may leave their professional accountancy organizations (PAOs) to avoid having to comply with the Code if it becomes too burdensome. Amongst other matters, the following were raised by IESBA participants:

- Other professions, such as the legal profession, have been drawn to the example set by the accountancy profession, which has adopted the IESBA's standard on responding to non-compliance with laws and regulations (NOCLAR). The IESBA therefore has a leadership role to play in setting high ethics standards. It is also in the public interest for PAIBs to promote ethical business practices more broadly within their employing organizations in key areas such as sustainability reporting.
- Professional accountants whose credentials include adherence to high ethics standards should attract greater recognition and rewards from employers.
- It is important for PAIBs to have a high standard of ethical behavior, and this is particularly relevant in those jurisdictions with a high percentage of PAIBs in the profession, such as Australia and Canada.
- The ethics standards for PAIBs are also relevant to PAPPs.
- In practice, it may be difficult to monitor and enforce compliance by PAIBs with the Code compared to the monitoring and enforcement framework for auditors.

Focus on Independence Standards

The Board acknowledged the comments raised by IOSCO and IFIAR and noted the Planning Committee's initial responses. The Board also noted that the Planning Committee will consider the TWG's Phase 2 final report and the discussion on the sustainability workstream when identifying the potential projects and work streams under this strategic focus.

The Board acknowledged concerns raised by a few respondents about the recent pace and volume of changes to the International Independence Standards (IIS). The Board agreed that it would not be appropriate to introduce a moratorium in light of the importance of independence for audit engagements. However, IESBA members raised the following considerations, among others:

- Whether it would be possible to better align the effective dates of new pronouncements so that stakeholders can better coordinate adoption and training and other implementation activities.

- Whether the timing of projects could be more spaced out, allowing more time for adoption and implementation of new standards.
- The need to consider the different pace of adoption by jurisdictions.
- The need for flexibility in the work program to address new issues.

Focus on Adoption and Implementation

The Board discussed its role with respect to the development of non-authoritative material (NAM). Amongst other matters, the following were raised by IESBA participants:

- NAMs generally have day-to-day practical usage by users of the Code.
- Given its role as a global standard-setter, many stakeholders do look to the IESBA as a source of topical issues.
- From a strategic perspective, the Board should consider its role as being more of a facilitator of the development of NAM. This involves working with stakeholders such as NSS, IFAC and PAOs to facilitate the development of NAM.

LIST OF POTENTIAL PROJECTS AND WORKSTREAMS

Mr. Kwan provided a summary of the prioritization of potential projects listed in the Survey based on the overall scores by all respondents as well as by stakeholder groups.

The Board noted the analysis of the comments received on the list of potential projects and was generally supportive of the Planning Committee aligning with the prioritization by IOSCO and other regulators as a starting point, given the public interest orientation of the regulatory community. Other comments raised by IESBA participants included the following:

- Whether the Board should factor in resources for housekeeping projects to address minor changes and updates to the Code that can be completed in shorter timeframes.
- The potential topic of “the independence of external experts” should be broadened to include the use of external experts in the preparation and reporting of information and should not be limited to sustainability-related issues.
- Similarly, the topic of “business relationships” should be broadened beyond auditor independence-related matters.
- Further consideration should be given to whether to include the topic of “documentation” in the SWP 2024-2027, given that it is a potential workstream in the current Work Plan.
- The availability of staff resources is an important factor when considering the development of NAMs.

PIOB OBSERVER'S REMARKS

Ms. Modise noted the difference in prioritization of the potential projects by stakeholder groups and welcomed the Board's discussions on the input received. She reiterated the PIOB's view that the topic of “independence of external experts” should be given priority.

In response to Ms. Modise's query about whether the lower number of responses to the Survey compared to the response rate in previous surveys may be of concern, Mr. Siong noted that the depth and quality of the responses are predominant considerations and that some respondents, such as IOSCO, represent many constituents and jurisdictions. He also clarified that in addition to the Survey, the IESBA is proactively

seeking input from stakeholders through outreach and that the Board will invite stakeholders' further input when it issues the SWP consultation paper in April 2023.

Ms. Dias and Mr. Babington pointed out that the Survey was released at a time when stakeholders had to dedicate resources to respond to multiple major concurrent public consultations around the world, including the exposure drafts issued by the International Sustainability Standards Board (ISSB), and regulatory proposals in the EU and US addressing sustainability reporting and assurance.

Mr. Kwan noted that the Planning Committee will take into account a number of other factors when developing the draft consultation paper, including the Board's September 2022 discussion, and upcoming discussions with the CAG and the IFAC PAIB Advisory Group.

WAY FORWARD

The Board asked the Planning Committee to consider the input received and present a first draft of the consultation paper for consideration at the November-December 2022 meeting. The consultation paper is targeted for Board approval at the March 2023 meeting.

8. Emerging Issues and Outreach Committee

Ms. Borgerth, EIOC Chair, updated the Board on the activities of the EIOC since June 2022. She then presented the following topics.

ETHICS AND INDEPENDENCE IMPLICATIONS ARISING FROM THE UKRAINE-RUSSIA WAR

Ms. Borgerth recapped the [June 2022](#) IESBA session during which the EIOC highlighted queries from stakeholders about ethical matters arising from the conflict in Ukraine. Notably, with many jurisdictions placing wide-ranging sanctions on Russia, some topics have taken on increased importance, such as NOCLAR, financial interests held by businesses and investors in Russia, and threats to independence relating to audits of Russian entities.

Ms. Borgerth then presented the draft IESBA Staff Alert which the Board had commissioned to raise awareness of provisions in the Code that are especially important in the context of the conflict. The Board noted that the draft Staff Alert was well prepared and did not have any substantive comments.

The Board asked that the Staff Alert be published promptly after the meeting.

EU CONSULTATION ON CORPORATE REPORTING REFORM

Ms. Borgerth invited Ms. Kramerius to provide a brief update on the EU consultation on corporate reporting reform.

As noted during the [June 2022](#) IESBA meeting, the European Commission (EC) received over 200 responses to its consultation, with one-third of respondents representing companies or business organizations and more from France than any other Member State (23% of the total). The consultation will directly feed into an impact assessment that the EC will prepare to identify problems with the quality of corporate reporting and compare possible options to remedy these problems. As of the September meeting, Ms. Kramerius noted that the EC had prepared a summary report of the key observations from the consultation.

Ms. Kramerius concluded the presentation by noting that the EC plans to finalize reform proposals during the fourth quarter of 2022 or the first quarter of 2023.

UK BEIS CONSULTATION ON AUDIT MARKET REFORM

Ms. Borgerth invited Mr. Babington to provide an update on the UK Department of Business, Energy, and Industrial Strategy's (BEIS) consultation on audit market reform.

Mr. Babington noted that the UK government is progressing through the consultation process slowly given the change in government recently. Mr. Babington highlighted some key proposals that could have implications for the Code, particularly the classification of PIEs and auditor communication with TCWG. Apart from that, with the consultation on revising the UK Corporate Governance Code, there may be a requirement to report on internal controls and their effectiveness, especially at year-end. Other topics being considered under the revision of the Corporate Governance Code relate to directors' reporting on fraud.

WAY FORWARD

The Board will receive the next update from the EIOC at the March 2023 IESBA meeting.

9. Rollout of “Definitions of Listed Entity and Public Interest Entity” Revisions

Mr. Mintzer commenced the session by providing an update on upcoming rollout activities to raise awareness and promote the adoption and implementation of the revisions to the definitions of listed entity and PIE and related provisions in the Code.

Messrs. Mintzer and Kwan informed the Board that two panel discussions, one co-hosted by the IFAC and the ASEAN Federation of Accountants (AFA) and the other by the Pan African Federation of Accountants (PAFA), will be held in October 2022. These panel discussions will provide a forum for peer-to-peer learning opportunities directed at local bodies with standard-setting responsibilities.

With regards to the jurisdictional PIE definitions database, Messrs. Mintzer and Kwan clarified that the first version of the database was relied upon by the IESBA when finalizing its provisions on the PIE categories in December 2021. They noted that there should not be significant changes in the updated database given that jurisdictions are now in the process of adopting and implementing the IESBA's PIE revisions.

Mr. Mintzer also noted that the other upcoming rollout activities include an outreach meeting with representatives of Accountancy Europe's Professional Ethics and Competences Working Party as well as the release of staff-prepared Questions and Answers and an infographic.

Finally, Mr. Mintzer provided an update on the IAASB's PIE project by noting that comments to the IAASB's Exposure Draft, [Proposed Narrow Scope Amendments to ISA 700 \(Revised\), Forming an Opinion and Reporting on Financial Statements and ISA 260 \(Revised\), Communication with Those Charged with Governance](#), are due by October 4, 2022. He further noted that the IAASB will consider proposals with respect to Track 2 of the IAASB's PIE project at its December 2022 meeting.

WAY FORWARD

The Working Group will provide an update on the PIE rollout activities and the IAASB PIE project at the November-December 2022 IESBA meeting.

10. Closing Remarks

On behalf of the Board, Ms. Dias thanked Mr. Ken Bishop for having NASBA host the Board meeting at the NASBA headquarters in Nashville.

Ms. Dias thanked the Board for reaching a critical juncture on a number of key projects and initiatives and for the impressive progress made during the week. She complimented the Board on working towards the same objective to uphold the public interest.

Ms. Dias also thanked the IESBA staff for the excellent organization of the meeting and for their hard work and commitment towards making it successful. Finally, she thanked the IESBA participants for their contributions and closed the meeting.

11. Next Meeting

The next Board meeting is scheduled for November 1, 2022, to be held in a virtual format.