



Public Interest Oversight Board

**PIOB PUBLIC INTEREST ISSUES:  
IESBA PROJECTS**

JULY 2019

**PUBLIC INTEREST OVERSIGHT BOARD**

C/Oquendo, 12 28006 Madrid, Spain

Telephone: +34 91 782 05 28

[www.ipiob.org](http://www.ipiob.org)

The PIOB's recommendations are based on the proposals discussed by the IESBA as of June 2019.

For further information and details about the IESBA projects, please refer to the IESBA website: <http://www.ethicsboard.org/projects>

**Update of this document: July 23, 2019**

### PROMOTING THE ROLE AND MINDSET EXPECTED OF PROFESSIONAL ACCOUNTANTS (R&M – FORMERLY PROFESSIONAL SKEPTICISM)

PIOB RECOMMENDATION	DESCRIPTION
<p>Applicability of a minimum level of Professional Skepticism or other suitable term</p>	<p>PIOB supports the idea that a minimum level of PS (or other suitable term, such as “critical mindset”) should be applied by all professional accountants.</p> <p>The PIOB welcomes the current proposals, including: applicability of professional judgment to all PAs; requirement to exercise professional judgment “with an inquiring mind”; application material on the threat of “automation bias” and on the importance of firm “culture” with a reference to ISQM1.</p>

### NON-ASSURANCE SERVICES (NAS)

PIOB RECOMMENDATION	DESCRIPTION
<p>Significant review of NAS, addressing independence issues</p>	<p>The PIOB expects a significant revision of the provision of NAS, ultimately addressing independence issues.</p> <p>The PIOB welcomes the current IESBA proposals to prohibit firms and network firms to provide NAS to audit clients which are PIEs, “if the results of that service might be subject to audit procedures during the audit of the financial statements on which the firm will express an opinion” and which might give rise to a self-review threat of independence.</p> <p>The PIOB also welcomes the prohibition for audit firms to provide certain NAS, such as bookkeeping and accounting services, to audit clients which are PIEs, without exceptions.</p> <p>The requirement for audit firms to obtain agreement from TCWG before providing NAS to audit clients which are PIEs, is responsive to PIOB’s suggestions.</p>

## NON-ASSURANCE SERVICES (NAS)

PIOB RECOMMENDATION	DESCRIPTION
Expected Completion Time and coordination with the Fees project	<p>The expected completion time of the NAS project is Q1 2021.</p> <p>Considering the time elapsed since the first review of NAS (2015), the PIOB encourages the IESBA to maintain NAS as a high priority project and complete it in a timely manner.</p> <p>The PIOB supports the alignment of the NAS and Fees projects, and their finalization at the same time, given the overlapping aspects between the two projects.</p>

## FEES

PIOB RECOMMENDATION	DESCRIPTION
Potential impact of fee levels and their significance on auditor independence	<p>As shown in several researches, the share of revenue from consulting services is increasing in relation to those from audit. Accountancy firms may devote fewer and lower quality resources to audit activities. The relative level of fees in audit and in consulting, as well as overall revenues, should be looked into to ensure high quality audits.</p> <p>The PIOB welcomes the current IESBA proposal, in line with IAASB's Quality Management Standards, to establish a requirement for firms to quote fees for an engagement which enable them to perform the audit in compliance with professional standards. The PIOB also welcomes the requirement for engagement partners to determine whether sufficient and appropriate resources are assigned to the engagement.</p> <p>The PIOB acknowledges the requirement for PIEs to communicate fees to Those Charged With Governance (TCWG) and to publicly disclose them in the audit report.</p> <p>On fee dependency from a client, the PIOB notes the current review of the provision in the Code and the possibility to end the engagement if the total fees from a PIE audit client exceeds a certain threshold.</p>
Impact of technology on fees should be considered	<p>Large investments in technology and automation of the audit procedures that result in reduction of hours are changing the way the audit services are priced, demanding that this impact on fees be considered.</p>
Expected Completion Time and coordination with the NAS project	<p>The expected completion time of the Fees project is Q1 2021.</p> <p>The PIOB supports the alignment of the Fees and NAS projects and their finalization at the same time, given the overlapping aspects between the two projects.</p>

## AUDIT FIRMS BUSINESS MODEL

PIOB RECOMMENDATION	DESCRIPTION
<p>Audit Firms' Business Model may be a barrier to auditor independence and Audit Quality</p>	<p>The audit firm business model can be seen as a barrier to real independence, to the effective implementation of PS, and to audit quality.</p> <p>Recognizing that the business model is a complex issue and that ethical issues are just an aspect of it, the PIOB recommends keeping it into consideration while advancing other projects (NAS, Fees). Continued coordination with the IAASB and other stakeholders is encouraged to identify a way to address the topic.</p>

## TECHNOLOGY

PIOB RECOMMENDATION	DESCRIPTION
<p>Ethical implications of Artificial Intelligence (AI)</p>	<p>As a consequence of the increased use of technology by the larger firms and the lack of guidance, it is in the public interest that the IESBA develops guidance and a framework for evaluation of ethical issues when the firms use automation and artificial intelligence to perform audit procedures.</p>



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