

**PIOB’s Public Interest Issues: IESBA projects**

The PIOB’s recommendations are based on the proposals under discussion by the IESBA.

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

Update of this document: May 10, 2019

<b>Promoting the Role and Mindset Expected of Professional Accountants (R&amp;M – formerly Professional Skepticism)</b>		
<b>PIOB Recommendation</b>	<b>Description</b>	<b>IESBA Comment</b>
Applicability of a minimum level of Professional Skepticism or other suitable term	<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 IESBA current proposals to clarify that the exercise of professional judgment applies to all PAs and to further require that it needs to be exercised “with a questioning mindset”.</p>	Support noted.

<b>Non-assurance Services (NAS)</b>		
<b>PIOB Recommendation</b>	<b>Description</b>	<b>IESBA Comment</b>
Significant review of NAS, addressing independence issues	<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 outcome of that service</p>	Support noted.

<b>Non-assurance Services (NAS)</b>		
<b>PIOB Recommendation</b>	<b>Description</b>	<b>IESBA Comment</b>
	<p>“might be included directly or indirectly in the financial statements on which the firm will express an opinion” and which might give rise to a self-review threat of independence. There is a need to clarify what is meant by services which “indirectly” affect financial statements.</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>Pre-approval of NAS and communication with TCWG are needed proposals as well.</p>	<p>The IESBA will continue to deliberate proposals at its June 2019 and subsequent meetings.</p> <p>The IESBA notes the 2017-18 PIOB recommendation that a review of NAS provisions in the Code be a priority in the IESBA Strategy and Work Plan for 2019-23. The IESBA agreed with that, and already has taken steps to accelerate work effort ahead of the commencement of the 2019 Work Plan in order to achieve as early completion of the NAS project as possible.</p>
<p>Expected Completion Time and coordination with the Fees project</p>	<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>	<p>The IESBA will continue to take every opportunity to complete the project in a timely manner while respecting the deliberative process and due process, including broad consultation, necessary on this important topic.</p>

<b>Fees</b>		
<b>PIOB Recommendation</b>	<b>Description</b>	<b>IESBA Comment</b>
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 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>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>	<p>Support and points noted.</p> <p>The IESBA will continue to deliberate proposals at its June 2019 and subsequent meetings.</p> <p>The IESBA notes the 2017-18 PIOB recommendation that a project on fees is justified in the next IESBA strategy cycle. The IESBA agreed with that, and already has taken steps to accelerate work effort ahead of the commencement of the 2019 Work Plan in order to achieve as early completion of the fees project as possible.</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>	

<b>Fees</b>		
<b>PIOB Recommendation</b>	<b>Description</b>	<b>IESBA Comment</b>
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>	<p>The IESBA will continue to take every opportunity to complete the project in a timely manner while respecting the deliberative process and due process, including broad consultation, necessary on this important topic.</p>

<b>Audit Firms Business Model</b>		
<b>PIOB Recommendation</b>	<b>Description</b>	<b>IESBA Comment</b>
Audit Firms' Business Model may be a barrier to auditor independence and Audit Quality	<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>	<p>This topic will continue to be kept in consideration while the IESBA advances its projects. It is a relevant contextual element as the IESBA promulgates enhancements to the Code.</p> <p>As noted, the topic involves a number of other significant aspects beyond ethics, and the Code alone cannot respond to the business model issue effectively. The IESBA will continue its coordination efforts with the IAASB; however, a multi-stakeholder discussion is needed and there must be strong regulatory participation.</p>

<b>Technology</b>		
<b>PIOB Recommendation</b>	<b>Description</b>	<b>IESBA Comment</b>
Ethical implications of Artificial Intelligence (AI)	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.	Point noted. The IESBA will continue to deliberate the matter of technology and ethics in formulating the direction and scope of its forward efforts on the topic.