

**Draft Minutes of the 68th Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS**

Held on June 8-15, 2020 – Virtual Meeting via Video Conference

(MARK-UP FROM POSTED VERSION)

Voting Members

Present: Stavros Thomadakis (Chairman)
Richard Fleck (Deputy Chair)
Michael Ashley
Sanjiv Chaudhary
Laurie Endsley
Brian Friedrich
Hironori Fukukawa
Kim Gibson (Days 1 & 3-6)
Liesbet Haustermans
Richard Huesken
Robert Juenemann (Days 1, 2 & 4)
Winifred Kiryabwire
Caroline Lee
Myriam Madden (Days 1-5)
Ian McPhee
Andrew Mintzer
Jens Poll

Technical Advisors

Saadiya Adam (Mr. Fleck)
James Barbour (Mr. Ashley)
Denise Canavan (Ms. Haustermans)
David Clark (Mr. Huesken)
Gregory Driscoll (Ms. Lee)
Jens Engelhardt (Mr. Poll)
Laura Friedrich (Mr. Friedrich)
Ellen Gorla (Mr. Mintzer and Ms. Madden)
Gina Maldonado-Rodek (Ms. Gibson)
Andrew Pinkney (Ms. Endsley)
Kemisha Soni (Mr. Chaudhary) (Days 1-4 & 6)
Sundeep Takwani (Ms. Kiryabwire)
Kristen Wydell (Mr. McPhee)
Masahiro Yamada (Mr. Fukukawa)

Non-Voting Observers

Present: Gaylen Hansen, IESBA Consultative Advisory Group (GAG) Chair, and Masaki Murase, Japanese Financial Services Agency (FSA)

Public Interest Oversight Board (PIOB) Observer

Present: Jules Muis

IESBA Staff

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Senior Technical Director), Diane Jules (Deputy Director), Geoffrey Kwan, Szilvia Sramko, Carla Vijian, Michelle Colon (Chief of Operations, Professional Standards)

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Dr. Thomadakis welcomed all participants and public observers to the meeting. He also welcomed the IESBA CAG Chair, Mr. Gaylen Hansen; PIOB Observer, Mr. Jules Muis; FSA Observer, Masaki Murase; as well as Ms. Trish Mulvaney, Role & Mindset Task Force Member; Ms. Sylvie Soulier, Chair of the EQR Objectivity and Engagement Team-Group Audit Independence Task Forces; eCode Working Group members Mr. Joseph Bryson, IFAC Quality & Development Director, and Ms. Michelle Korman, IFAC Head of Intellectual Property; and IFAC Staff presenters, Ms. Jennifer DiClerico, IFAC Communications Director, and Mr. David Johnson, IFAC Communications Senior Manager. In addition, Dr. Thomadakis welcomed the Definitions of Listed Entity and Public Interest Entity (PIE) Task Force correspondent members Ms. Fiona Campbell, IAASB Deputy Chair, and Josephine Jackson, IAASB Member for the PIE session.

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

- The activities of the Planning Committee during the quarter, including a briefing on the draft IESBA Staff Q&A publication highlighting ethics and independence considerations that might be relevant in the COVID-19 environment; the way forward regarding the Monitoring Group's final recommendations; planning for the September 2020 IESBA and IESBA CAG virtual meetings as well as an additional IESBA meeting on July 22, 2020; an update on the establishment of the IESBA-National Standard Setters (NSS) COVID-19 Working Group; an update on the consultation with Cravath, Swaine & Moore on the antitrust matter in the Fees project; and the Q1 2020 forecast and 2021 budget.
- The outreach activities since the June 2020 IESBA meeting.
- Postponement of in-person outreach plans for Q3 2020 given the COVID-19 pandemic.

APPROVAL OF MINUTES

The IESBA approved the minutes of the March 2020 public session as amended.

2. Role & Mindset Expected of Professional Accountants

Mr. Fleck introduced the session by recapping the Task Force's key proposed revisions in response to (a) respondents' comments on the Exposure Draft (ED), [Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants](#), and (b) key comments raised during the March 2020 IESBA and IESBA Consultative Advisory Group (CAG) discussions.

PROPOSED TEXT

Mr. Fleck noted that, in response to advance comments received from a few IESBA members, the Task Force was proposing further revisions to Section 100. These additional proposed changes, circulated to the Board the day before the IESBA meeting, included:

- Revisions to paragraph 100.3 A2¹ of the extant Code (proposed revised paragraph 100.6 A3) to include an introductory sentence:

“Compliance with the requirements of the Code does not mean that professional accountants will have always met their responsibility to act in the public interest.”

¹ Section 100, *Complying with the Code*, paragraph 100.3 A2

Mr. Fleck noted that this change expressed the IESBA's view that compliance with the requirements of the Code, including the fundamental principles, does not necessarily result in a professional accountant (PA) meeting his or her responsibility to act in the public interest in every instance.

- Replacing "assist" with "enable" in paragraph 100.6 A1. It was noted that the word "enable" is used in both extant paragraph 100.1 A1 and paragraph 100.1 A1 in the ED and that its use does not mean that a PA's compliance with the Code will meet the PA's responsibility to act in the public interest in every instance.
- Replacing the reference to "ethical concepts" with a new paragraph that states: "Complying with the Code includes giving appropriate regard to the aim and intent of the specific requirements." The Task Force was of the view that the new proposed paragraph is a simpler and more direct way to explain the IESBA's rationale that PAs must not only comply with the letter of the Code but also its spirit.

The IESBA accepted the Task Force's rationale for the additional proposed changes and agreed to the proposed revisions to Section 100 with minor refinements.

With regards to the remaining proposed text, the IESBA was also supportive of the Task Force's proposed changes with minor refinements. Amongst other matters:

- The IESBA agreed to replace the term "uphold" with "behave" in Subsection 115,² in light of the PIOB's recommendation not to weaken the language in order to highlight the importance of the PA's responsibility to act in the public interest.
- Mr. Fleck noted that the proposed material on the concept of "having an inquiring mind" in Section 120³ was revised to incorporate a suggestion from representatives of the International Auditing and Assurance Standards Board (IAASB) to clarify that the exercise of professional skepticism involves a "critical assessment of evidence."
- Mr. Fleck confirmed that the IAASB's proposed International Standard on Auditing (ISA) 220 (Revised) will include 6 of the 8 examples of bias with their descriptions mirroring those in the Role and Mindset text.
- The IESBA agreed to retain the term "whistle-blower" in the proposed material in Section 120 on organizational culture.

Mr. Fleck also reported on a comment letter the Institute of Chartered Accountants in England and Wales (ICAEW) had submitted to Dr. Thomadakis on June 5, 2020 regarding the Task Force's proposed revised text for the June 2020 meeting. The ICAEW letter raised three key matters: the use of the term "ethical concepts," an individual PA's responsibility to act in the public interest and the proposed revisions to Subsection 115. In response:

- Mr. Fleck noted that all three issues were duly considered by the Task Force as part of its review of the respondents' comments on the ED.
- Mr. Fleck noted that the issue relating to the use of "ethical concepts" had already been raised by a few IESBA members, and the Board had considered and supported the Task Force's response as reflected in the updated text circulated the day prior to the Board meeting.

² Subsection 115, *Professional Behavior*

³ Section 120, *The Conceptual Framework*

- With respect to the issue of an individual PA's responsibility to act in the public interest, Mr. Fleck reiterated the Task Force's previous response that this responsibility already exists in the extant Code (paragraph 100.1).
- With respect to the revisions to subsection 115, he noted that the PIOB had already expressed its strong support for the provision.

DUE PROCESS

Mr. Siong advised the IESBA that up to and including this meeting, the IESBA had adhered to its stated due process in finalizing the text to promote the role and mindset expected of PAs.

Mr. Fleck confirmed that all significant issues discussed by the Task Force had been brought to the IESBA's attention and that the Task Force did not believe there was a need for further consultation on, or field testing of, the proposals.

The IESBA members did not consider that there were matters raised by respondents to the ED, in addition to those summarized and reported by the Task Force, that should be discussed by the Board.

APPROVAL OF FINAL PRONOUNCEMENT

After agreeing the necessary changes to the document, the IESBA unanimously approved, with the affirmative votes of 16 out of the 16 IESBA members present, the final revisions to the Code to promote the role and mindset expected of PAs.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

The IESBA assessed whether there was a need to re-expose the approved text. The IESBA agreed that the changes made to the ED were in response to the comments received from respondents and did not represent substantial changes to the ED. Therefore, the IESBA determined that re-exposure was not necessary.

EFFECTIVE DATE

The IESBA set the effective date for the final provisions to be as of December 31, 2021. Early adoption will be permitted.

3. Tax Planning and Related Services

Prof. Poll introduced the topic and provided an update on the Working Group's information gathering activities, and the preliminary observations from its analysis and stakeholder outreach to date. Among other matters, the IESBA was briefed on the Working Group's observations about the inter-related impact of tax planning across all the fundamental principles; the relevance of the concepts of "fairness" and "transparency;" the "complexity" risk associated with multi-faceted tax planning strategies; the increasing importance and value of professional judgment in addressing the ethical dimensions of tax planning in today's borderless world of e-commerce. He also highlighted the increased focus on Environmental, Social and Corporate Governance (ESG) reporting.

Prof. Poll noted that during Quarters 1 and 2 of 2020, the Working Group had engaged with a broad range of stakeholders, including the Organisation for Economic Co-operation and Development (OECD), a few members of the European Parliament, some professional accountancy organizations (PAOs), global tax

leaders in the Big 4 accounting firms, the IESBA CAG, and NSS. Prof. Poll also gave a presentation at [Accountancy Europe's Tax Planning Day](#), which was attended by members of the Working Group and stakeholders across a range of disciplines.

In relation to the options identified by the Working Group to address the inter-related nature of the impact of tax planning on the fundamental principles, some IESBA members expressed a preference for Option C⁴ for reasons including the complexity of addressing the matter in the Code, the fact that the Working Group's research to date had not identified issues with the fundamental principles, the need for good guidance on the application of the fundamental principles in this area, and consistency with the thinking of the Technology Task Force on the same matter in the context of technological developments. A few IESBA members, however, were of the view that it was too early to dismiss Options A and B⁵ as there was further work to be done.

Other matters raised during the discussion included the following:

- Regarding the focus of the initiative, the Working Group was advised not to limit it to corporate taxation but to also cover personal taxation.
- There are three dimensions to tax planning, namely tax planning within a jurisdiction, tax planning across jurisdictions, and tax planning across time.
- Many aspects of the ESG agenda overlap with the Code and consideration should be given to the relationship of each element (E, S and G) to the Code.
- One of the concerns raised by respondents to the Non-assurance Services (NAS) Exposure Draft is about observing independence requirements with respect to tax advice. In this regard, there have been calls for more guidance in that area.

Mr. Hansen acknowledged that this is a difficult area in terms of where to draw the ethical boundaries. In relation to the concept of fairness, he commented that what is fair often arises in different contexts and it will be in the eye of the beholder. He was of the view that it is challenging to resolve, especially with respect to enforcement of standards. Dr. Thomadakis urged caution about venturing into considerations of the fairness of tax regimes, adding that the Board should avoid making judgments about countries' political differences.

WAY FORWARD

The IESBA will receive a further update on the Working Group's activities at the December 2020 IESBA meeting.

4. IAASB-IESBA Coordination – General Matters

Ms. Haustermans, IESBA member liaison to the IAASB, briefed the Board on the coordination efforts with the IAASB since March 2020 and on the significant matters raised in the various discussions between IESBA and IAASB representatives, particularly in relation to the IAASB's Quality Management (QM)

⁴ Option C: Develop material outside of the Code itself (such as staff Q&As or case studies) on the types and magnitude of the threats that are created when PAs perform tax planning activities.

⁵ Option A: Develop overarching material in Part 1 of the Code that will assist PAs comply with the fundamental principles and apply the conceptual framework.

Option B: Develop material under one or more specific fundamental principles, such as objectivity and professional competence and due care, to explain the expected behavior of PAs performing tax planning activities.

projects. Among other matters, the Board noted the IAASB's deferral of approval of the QM standards to September 2020.

Regarding the matter of assignment of responsibility for independence within a firm, Mr. Hansen commented that it is a longstanding issue. The concern is that if there is an issue with independence, no one in the firm may step forward to take responsibility. He was of the view that if no one is assigned responsibility, the answer might be to default to the firm's managing partner (or equivalent). He hoped the matter would be reconsidered in future.

WAY FORWARD

The IESBA will receive a further update on coordination activities with the IAASB at the September 2020 IESBA meeting.

5. Engagement Quality Reviewer (EQR) Objectivity

Ms. Soulier introduced the session and briefed the Board on the significant comments raised by respondents to the Exposure Draft (ED) [Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers](#) and the Task Force's responses. She also presented a "first-read" draft of the revised proposals.

Among other matters, the IESBA considered the Task Force's proposals to (a) elaborate on the extant description of appropriate reviewer in the Code to indicate that an EQR is an example of an appropriate reviewer; and (b) extend the scope of the guidance addressing the objectivity of an engagement quality reviewer to the objectivity of appropriate reviewers.

- Some IESBA members questioned the Task Force's rationale for extending the scope of the proposed guidance to appropriate reviewers and wondered whether taking such an approach might raise a question about the need for re-exposure. In particular, it was noted that the project objective was focused on EQRs. In addition, it was questioned whether addressing the objectivity of appropriate reviewers more broadly would be appropriate given that other key attributes of such individuals, for example, skills and experience, are not being equally addressed.
- Given that the concept of an appropriate reviewer is used in the Code mainly as an example of a safeguard, it was queried whether a consequence of pivoting the guidance to appropriate reviewers would mean that some circumstances might call for a safeguard to address threats against another safeguard.

The Task Force was also asked to consider:

- Whether adding as an example of a familiarity threat "an individual who serves as an appropriate reviewer on an engagement having a *close relationship* with the EP" (paragraph 300.6 A1(d) and similar example in proposed paragraph 325.5 A1(c)) could raise a question as to the objectivity of, say, an ethics partner who is assigned as an appropriate reviewer with respect to threat situations involving the EP (for example, in relation to fees).
- Whether it would be appropriate to use as an example of a familiarity threat a close relationship between an appropriate reviewer and the EP given that the Code defines a familiarity threat as one that arises due to a PA's long or close relationship with a client; or alternatively, whether that example would suggest that the definition of familiarity threat is too narrow.

IESBA members broadly supported the Task Force's proposal to relocate the guidance from Section 120 to the new Section 325. However, an IESBA member questioned why the new section was not numbered closer to Section 300 as that section is the overarching section that deals with the application of the conceptual framework for PAPPs.

Regarding the establishment of a cooling-off requirement to address the matter of an engagement partner moving into the EQR role on the same engagement, and the location of such a requirement, the IESBA noted that most respondents supported the establishment of a cooling-off requirement. In addition, there was support among a significant proportion of respondents for the Code to take a principles-based approach to the matter, with the cooling-off requirement in proposed ISQM 2.⁶ Accordingly, the IESBA supported the Task Force's proposal for retaining the approach of principles-based guidance in the Code. The IESBA agreed that it would be more appropriate for the IAASB to specify the cooling-off requirement in proposed ISQM 2 based on the principles relating to the objectivity of the EQR that would be set out in the Code.

WAY FORWARD

The IESBA will consider a second-read draft of the Task Force's proposals with a view to approving final revisions to the Code in September 2020.

6. Engagement Team – Group Audits Independence

Ms. Soulier, Chair of the Task Force, briefed the IESBA on the Task Force's coordination efforts with IAASB representatives since January 2020 in relation to the IAASB's projects to revise ISA 220⁷ and ISA 600.⁸ She explained the Task Force's proposal to adopt the proposed revised definition of engagement team in the IAASB's [ISA 220 \(Revised\) ED](#), and the need to address the potential implications for the Code as the term "engagement team" is a concept central to the International Independence Standards (IIS). Ms. Soulier also explained the Task Force's preliminary approach to clarifying how to apply the Code's independence provisions in a group audit context, including with respect to non-network component auditors. She indicated that this work would be progressed in coordination with the IAASB as the IAASB progresses its project to revise ISA 600.

DEFINITION OF ENGAGEMENT TEAM

Among other matters, IESBA participants raised the following:

- Regarding the application material in proposed ISA 220 (Revised)⁹ which indicates that engagement teams may include individuals who perform audit procedures from a service provider:
 - Whether this would include a specialist (an external expert) the firm engages.
 - Whether a service provider would be outside the firm's network, as distinct from a service delivery center which is normally part of the firm or the network.
 - Whether the definition of engagement team in proposed ISA 220 (Revised), which is aimed at a quality management process, needed to be the same as the definition in the Code given that

⁶ Proposed International Standard on Quality Management (ISQM 2), *Engagement Quality Reviews*.

⁷ International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

⁸ ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁹ Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

the use of the term in the Code is focused on the independence of the individuals who contribute in some way to the overall audit opinion.

- Why external experts would be excluded from having to comply with some level of independence.

Ms. Soulier responded that there is a distinction between a service provider and an external expert, and that there is a separate ISA (ISA 620¹⁰) that addresses a firm's use of an external expert, including considerations relating to the objectivity of that individual.

- With respect to the proposed new terms "audit engagement team" and "assurance engagement team," while there would be benefit in introducing these new terms, whether doing so might lead to potential confusion with the extant concepts of "audit team" and "assurance team."
- Regarding individuals from non-network firms who are performing procedures on the audit engagement, why they should not be subject to the same independence requirements as individuals from network firms.

IESBA members generally supported considering whether a term other than "engagement team" would be more appropriate where that term is currently used in the Code outside of the IIS.

NON-NETWORK COMPONENT AUDITORS

With respect to the Task Force's preliminary views regarding independence requirements that should apply to non-network component auditors:

- Consideration should be given to the prohibitions that already exist and the need to balance the level of threats with circumstances involving non-network component auditors.
- The need to avoid treating components as less important if they are distant from the parent because a component is not necessarily a subsidiary but could be a shared service center whose work is important to the group audit.
- Why there should be any distinction between network and non-network component auditors when it comes to the independence of such individuals~~independence~~, given that the IAASB has clarified that an individual who performs audit procedures on the group audit will be part of the engagement team.
- While there has been a ~~large~~significant focus on personal independence, consideration should equally be given to independence at the firm level, especially with respect to NAS, business relationships, etc.
- Given that the materiality of a component will affect how audit procedures are carried out from one year to another, this can present a challenge in establishing the appropriate basis for determining independence requirements that should apply. Accordingly, consideration should be given to whether perceptions of threats present a sufficiently strong rationale for justifying differences in treatment between network and non-network component auditors.
- There is a distinction that should be made between independence applicable at the component firm level and at the individual level. In this regard, consideration should be given to addressing the concern about limiting the availability of individuals to perform the work as a result of the personal independence requirements. It was also suggested that with respect to independence at the firm

¹⁰ ISA 620, *Using the Work of an Auditor's Expert*

level, the Task Force approach it through the IAASB's lens of audit risk as opposed to whether the component is material.

An IESBA member was of the view that the complexity involved in the concept of a component would suggest a principle that if a component auditor is an important contributor to the group audit, that component auditor should be subject to the full independence requirements applicable to the group audit.

Mr. Hansen expressed a concern about the situation of an engagement partner at an immaterial component holding a financial interest in a parent entity that is a PIE. He was of the view that materiality should not be a factor. He was also of the view that if the group is a PIE and the component is a non-PIE, the PIE independence provisions should apply throughout.

WAY FORWARD

The IESBA will continue to discuss issues relevant to the project at its September 2020 meeting.

7. Definitions of Listed Entity and Public Interest Entity

Mr. Ashley introduced the session by providing a brief report on recent outreach activities and input received from stakeholders since March 2020, including virtual meetings with the Forum of Firms (FoF), the IAASB-IESBA NSS group, and representatives of the International Forum of Independent Audit Regulators' Standards Coordination Working Group (IFIAR SCWG).

OVERARCHING OBJECTIVE

Mr. Ashley noted that the Task Force had revised the draft overarching objective for additional requirements for the audits of PIEs by, amongst other things:

- Clarifying that the public interest is in the financial condition of those entities because of their financial impact on stakeholders; and
- Including a non-exhaustive list of factors, drawn from the guidance in the extant Code, for determining the level of public interest in the financial condition of entities.

The Board was generally supportive of the Task Force's revised approach, and commented as follows.

- A few IESBA members queried if confidence in an entity meeting the necessary ESG criteria should be included in the overarching objective or as a factor for consideration. In response, Mr. Ashley reminded the Board that Part 4A deals with independence provisions for audit and review engagements only. In his view, the role of auditors in a broader context would be better defined outside of the Code.
- Some IESBA members queried if the factor relating to potential systemic impact would be more suited as an explanation of significant public interest. In response, Mr. Ashley noted that not all entities with significant public interest will have a systemic impact on the economy. Other IESBA members were supportive of retaining the potential systemic impact of an entity as a factor for consideration.
- Dr. Thomadakis queried if any unlisted market operators as well as stock and commodity exchanges are sufficiently covered in the draft list of factors given their potential impact.

Mr. Ashley noted that the Task Force would consider the comments received but reminded IESBA members that the focus of the public interest with respect to auditor's independence should be on the impact of the audit client's potential financial failure and not its operational failure.

DEFINITION OF LISTED ENTITY

Mr. Ashley explained that category (a) of the Task Force's draft list of PIEs ("An entity whose shares, stock or debts are publicly traded") removes the confusion created by the term "recognized stock exchange" in the extant definition and would include those entities whose shares, stock or debts are traded in secondary markets. In this regard, he noted that participants from the recent FoF and NSS meetings had indicated that secondary markets are already included in their local standards or firm practices. Mr. Ashley also suggested that category (a) may be considered as a replacement for the term "listed entity" and he would further discuss this point with the IAASB during a virtual IAASB PIE session in July 2020.

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

- A few IESBA members suggested the inclusion of "securities" and asked the Task Force to consider the definition of "financial interest" in the Code when revising category (a).
- In response to queries raised by a few IESBA members about the phrase "...being publicly traded," Mr. Ashley clarified that the phrase is used instead of "being listed" because some securities are only listed but not traded.

Mr. Ashley also raised with the IESBA the suggestion from some stakeholders to include in the description of category (a) those entities whose shares, stock or debts are in the process of being publicly traded. He noted that in reaching a conclusion, due consideration should be given to the question of where the line should be drawn in the listing process and whether the descriptions of other proposed PIE categories should similarly be expanded. Mr. Ashley suggested that another option would be to include it as a factor for consideration by a firm when determining if an entity should be treated as a PIE. Amongst other things:

- A few IESBA members supported the suggestion of including the concept of "... in the process of being publicly traded" as a factor for consideration by a firm.
- A few IESBA members expressed the view that it would be difficult to expand the concept to the other proposed PIE categories.

DEFINITION OF PIE

Mr. Ashley recapped the approach that received broad support from the IESBA in March 2020 to develop a revised definition of PIE. This approach involves:

- The development of a longer and broader list of high-level categories of entities as PIEs;
- Refinement by national bodies by tightening definitions, setting size criteria and adding or exempting particular types of entities; and
- Determination by firms if any additional entities should be treated as PIEs.

Mr. Ashley reported that FoF and NSS participants were also generally supportive of this approach.

Expanded List of Categories of PIEs

Mr. Ashley noted that the Task Force had developed the proposed list of categories of PIEs based on a review of PIE categories in other jurisdictions. He also explained that the Task Force applied an 80/20 rule with a view to including only those categories likely to be adopted by most jurisdictions. The Task Force's rationale also included an expectation that local bodies would scope out those entities that are too small to be treated as PIEs and scope in entities because of their size.

An IESBA member remained concerned about category (d) (“An entity whose function is to provide post-employment benefits”) given that many companies do provide post-employment benefits. In response, Mr. Ashley noted that the Task Force did not intend for smaller pension funds to be treated as PIEs. He added that he expected local bodies would scope them in if they deemed it appropriate to do so at the national level. He also noted that category (d) should not be limited to public schemes.

Mr. Ashley also provided a brief summary of other types of entities considered, such as charities and large private companies, in respect of which the Task Force had formed the view that all but one should not be added to the categories of PIEs. Mr. Ashley noted that the Task Force had not yet been able to reach consensus regarding whether custodians of assets (including cash) should be included as PIEs. In this regard, he highlighted to the Board the arguments for and against such inclusion.

IESBA members were generally supportive of the Task Force’s conclusion not to include as PIEs all the other categories of entities that it had considered. Mr. Ashley confirmed that the Task Force would consider market operators, stock and commodity exchanges, and audit firms as possible categories of PIEs at the suggestion of IESBA members. With regards to custodians, a few IESBA members acknowledged the difficulty of developing a description for a global list. Mr. Ashley noted that as there was no strong support from IESBA members, he was inclined not to include custodians in the list of PIEs.

Expected Role of Local Bodies

Mr. Ashley reiterated that under the Task Force’s approach, the list of PIE categories would need to be further refined given their high-level nature. He added that local bodies are best placed to make such determinations. To support this view, he pointed out that a number of jurisdictions, such as the EU member states, UK, Australia, New Zealand and South Africa, had already implemented expanded lists of PIEs in their local standards or regulations.

Mr. Ashley noted that the key concern was that some developing jurisdictions may not have the requisite capacity (including capability, knowledge and resources) to refine the list for adoption at the local level. He acknowledged that the success of the Task Force’s approach would depend on jurisdictions having the necessary capacity. He remained confident, however, that appropriate guidance from the IESBA would largely resolve the issue. In this regard, Mr. Ashley informed the Board that the Task Force was working with IFAC to solicit information from PAOs in order to gain a better understanding of any concerns about the capacity issue in their jurisdictions. He also noted that the Task Force was developing a mitigation strategy to address the concern. This strategy would include the development of non-authoritative guidance in addition to the explanatory memorandum to the exposure draft and the basis for conclusions.

An IESBA member expressed concern that some local bodies will only adopt the new IESBA definition as is without any “add-ons” or refinements. Another IESBA member encouraged the Task Force to consider, in developing its proposals, adoption issues that may be encountered by local bodies. Overall, the Board was generally supportive of the Task Force’s approach to addressing the issues relating to the role of local bodies.

Role of Firms

With regards to the role of firms, Mr. Ashley noted that:

- Stakeholders generally supported the Task Force’s approach to elevate the application material in the extant Code encouraging firms to consider certain entities as PIEs (based on given factors) to a requirement. In this regard, both the Accounting Professional & Ethical Standards Board (APESB)

and the Independent Regulatory Board for Auditors (IRBA) have taken such a step in their national codes and have reported positive feedback.

- The proposed material included an additional list of factors for consideration by firms such as whether there were any requests by an entity's stakeholders to treat that entity as a PIE, and the entity's corporate governance requirements.

Mr. Ashley also pointed out that transparency is needed to provide the necessary clarity about whether an entity has been treated as a PIE. He noted that he would suggest to the IAASB about adding a requirement for firms to include a statement to that effect in their audit reports. Early indications from the IAASB correspondent members suggested that this should not be an issue.

The Board was generally supportive of the Task Force's approach and direction of travel.

OTHER MATTERS

Mr. Ashley noted the Task Force view that the term "public interest entity" should not be replaced by "significant public interest entity" given comments from the March 2020 IESBA and CAG meetings but that the phrase "significant public interest" should be retained in the proposed paragraph 400.8.

Mr. Ashley also informed the IESBA that the Task Force would develop its view on whether the related entity provision (paragraph R400.20 in the extant Code) should be revised after coordination with the Engagement Team – Group Audit Independence Task Force.

Mr. Fleck noted that the responses to question 4 in the explanatory memorandum to the Exposure Draft, [Proposed Revisions to the Non-Assurance Services Provisions of the Code](#) (NAS ED), that relate to the definition of PIE have been shared with the Task Force for its review. He further noted that many respondents to the NAS ED have highlighted the need to coordinate the timing and effective dates of the PIE, NAS and Fees projects.

Mr. Muis expressed his appreciation for the rich discussion and the Task Force's thorough process of discovery, noting the PIOB's support for the progress of the project.

WAY FORWARD

The Task Force Chair will present an update on the project to the IAASB during a virtual session in July 2020. The Task Force will present updated proposals on the project at the September 2020 IESBA meeting.

8. Technology

Mr. Friedrich introduced the session by providing a recap of the seven recommendations outlined in the approved project proposal, *Enhancing the Code in an Evolving Digital Age*, and an outline of how the Task Force has planned on prioritizing those recommendations. In this regard, he noted that the Task Force had prioritized Recommendation 2 *Complexity of the Professional Environment*, and Recommendation 7 *Independence* for the June meeting.

COMPLEXITY

Mr. Friedrich presented four, non-mutually exclusive, options to consider in relation to Recommendation 2 to more effectively address the threats created by complexity in the Code:

- (a) Option 1 – Modify the lead-in language in paragraph 120.6 A3 referencing the existing five threat categories to permit additional threat categories to exist.

- (b) Option 2 – Amend the existing five threat categories, as appropriate, to build in elements of complexity.
- (c) Option 3 – Add one or more threat categories.
- (d) Option 4 – Highlight complexity in a manner similar to the approach taken in the Role & Mindset project with respect to bias, to highlight circumstances where complexity impacts on the application of the conceptual framework and/or application of professional judgment.

The IESBA overall indicated strong support to address complexity more specifically in the Code. Participants raised the following comments and questions for the Task Force's consideration:

- A few IESBA members cautioned against amending paragraph 120.6 A3 to permit additional threat categories (Option 1), as they considered that this would change its meaning. It was commented that the conceptual framework has served the IESBA well with no intention to permit additional threat categories to exist. The existing five threat categories are believed by some IESBA members to be the root cause of non-compliance with the fundamental principles.
- Many IESBA members expressed support for addressing complexity more precisely in the Code by updating the descriptions of the existing threat categories (Option 2), although not necessarily in the manner illustrated.
- Many IESBA members agreed that complexity is raising the bar on competence levels. A few IESBA members considered that this is increasing the self-interest threat that a PA may take on work that the PA is not competent to perform.
- Many IESBA members were unconvinced that complexity is a missing threat category (Option 3); rather, they felt that many of the elements of complexity identified by the Task Force can be linked to the existing categories of self-interest and intimidation threats.
- An IESBA member agreed that complexity is creating something more than a self-interest or intimidation threat (Option 1), in that because of increasing complexity the PA may not know what the PA does not know. The IESBA member cautioned that simply adjusting the language of the existing threats (Option 2) may be too subtle.
- Many IESBA members expressed support for identifying similarities to the way in which the Role & Mindset Task Force had addressed bias (Option 4), in that the PA may not be conscious of the complexity and its impact.
- Several IESBA members expressed a preference to further pursue Options 2 and 4; however, there was acknowledgement that Option 3 may need to be reconsidered as a sub-option if any residual elements of complexity remain.

Following the discussion, IESBA members were informally polled as to which option(s) they preferred that the Task Force continue to pursue, the results of which appear below and highlight a wide range of views. The table also indicates the preferred combinations of options:

| | 1 | 2 | 3 | 4 |
|---|---|----|---|---|
| 1 | 8 | | | |
| 2 | 6 | 12 | | |
| 3 | 4 | 4 | 4 | |
| 4 | 2 | 5 | 1 | 9 |

Dr. Thomadakis encouraged the Task Force to focus on the characteristics of technology, its disruptive nature, and the rapid changes creating new tools or methods that are neither explainable nor transparent.

Mr. Muis commented that the global financial crises of 2008 would be an excellent case study to explore the impact of complexity as a threat, recognizing that the profession cited complexity as one of the key causes of the failure to prevent the crisis. He encouraged the IESBA to give the Task Force sufficient room to explore options fully.

INDEPENDENCE

Mr. Friedrich described potential new tools or applications (“products”) and engagements (“services”) that are emerging or being marketed by firms. A diagram was presented to IESBA members to explore the product – service continuum, together with preliminary Task Force views as to possible locations within the Code where independence considerations related to these emerging products and services might be addressed.

IESBA members were generally supportive of the preliminary Task Force views that:

- Engagements that reflect “pure” services and that fit within the existing subsections of [Section 600](#) might be more explicitly covered within these sub-sections through some wording adjustments.
- The sale or licensing of a product could be addressed by expanding [Section 520](#) to address the potential business relationship that might result.
- To the extent that there are new services that are not captured in Subsections 601 to 610, new subsection(s) might be developed, focusing on outputs rather than the specific technologies being used.

An IESBA member cautioned against describing licensing arrangements as being products. Rather, the IESBA member suggested that the Task Force focus on the objective of the arrangement, i.e., what is the product finally going to do for the client, to distinguish a service from a business relationship.

WAY FORWARD

The IESBA will consider the Task Force’s updated approach and continue its deliberations on the issues in September 2020.

9. eCode

Mr. Friedrich introduced the session with an overview of the ongoing promotion of, and awareness raising activities relating to, the eCode. He highlighted the eCode usage statistics since its launch in June 2019. The number of users of the PDF version, taken together with the number of users of the eCode, gave a

picture of a significant increase in the overall use of, or access to, the Code. eCode usage continues to exceed use of the PDF version, with eCode usage continuing to grow.

UPDATE ON PHASE 2

Mr. Friedrich ~~demonstrated~~ highlighted new features that have been incorporated into the eCode that are visible to users as well as features that have been implemented behind the scenes. He noted that the new features include:

- Visible: Prominent buttons to open and close all parts of the content “accordion,” and a new placement for the Get Help icon.
- Not Visible: The versioning functionality, which includes an effective date selection mechanism that will enable users to select a different version of the Code that incorporates pronouncements not yet effective. IFAC is currently updating the eCode’s content to incorporate the recently issued Part 4B (Revised). Once completed, the versioning feature will be available to users.
- Not Visible: technological infrastructure and related IFAC intellectual property agreements have been put in place to facilitate the transfer of the eCode platform to interested PAOs and NSS that wish to leverage it in developing their own local eCodes.

Dr. Thomadakis commented that the initiative would improve the eCode’s current functionality and continue to build on its usage momentum to date. Mr. Friedrich confirmed that the eCode platform is technically ready to be transferred to interested PAOs and NSS, but that the pilot testing of that feature is on hold until further information is available about the progress of IFAC’s digital publication initiative and its implications for the eCode, especially in the longer term. In addition, Mr. Friedrich noted that the eCode platform could technically be available for use in non-English speaking jurisdictions provided that a translation feature is built into the platform.

DIGITAL PUBLICATION INITIATIVE

Ms. Brody, Head of Intellectual Property at IFAC, provided an update on IFAC’s plans for a digital publication initiative for the three standard-setting boards (SSBs) it supports, building on and advancing the work done to date by the IESBA on the eCode. She explained that the objective of the IFAC staff-led initiative is to explore a solution to deliver the SSBs’ standards to stakeholders on a common digital platform that would achieve consistency in terms of appearance and ease of use and maintenance, without losing the functionalities and benefits achieved in the eCode. Ms. Brody provided the background to the initiative, the vendor selection process and an outline of the process going forward, noting that the platform ultimately selected might differ from the eCode platform, but the feature set would be retained.

IESBA members highlighted the need for stakeholder involvement, including PAOs and NSS. An IESBA member stressed the importance of IFAC’s new digital platform being transferable to NSS, given that in many jurisdictions the IESBA Code and other international standards are adopted and adapted for local requirements.

WAY FORWARD

The IESBA will receive an update on the eCode and the IFAC Digital Publication Initiative in September 2020.

10. PIOB Observer's Remarks

Mr. Muis thanked the Board for ~~its~~the hospitality and the opportunity to observe the virtual meeting. He highlighted the hard work by the Tax Planning Working Group during its discovery phase and noted the importance of an in-depth look at the embedded bias towards minimizing taxes. He pointed to the challenges facing the profession and noted that issues such as those relating to tax planning should be addressed, especially given perceptions of built-in conflicts of interest such as self-review and advocacy threats when tax advice is provided to an audit client that is subsequently audited or defended by the same firm.

With respect to the PIE project, he congratulated the Task Force and the Board on their work and noted that it is important to examine the roles of entities, the regulators, and audit firms. He noted that this examination may result in the Task Force concluding that audit firms also fall within the broad definition of PIEs, which could have some implications on the firms' own disclosure requirements.

Mr. Muis congratulated the Role & Mindset Task Force on the approval of the revised provisions, adding that he did not anticipate any difficulty with PIOB approval in September. Mr. Muis then commented on the very rich and educational discussion on the Technology project, noting that the timeline is concerning but understandable. Finally, he complimented the Task Forces' broad stakeholder engagement efforts, particularly with respect to the Tax Planning initiative and the Technology project.

In closing, Mr. Muis thanked the Board for the opportunity to observe the meeting and congratulated the Board on a successful virtual meeting.

11. Next Meeting

The next Board meeting is scheduled for July 22, 2020.

12. Closing Remarks

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