

**Draft Minutes of the Public Session of the Meeting of the  
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS CONSULATIVE  
ADVISORY GROUP (CAG)**

**Held on March 9, 2020 in New York, USA**

**PRESENT**

Gaylen Hansen (Chair)

Noémi Robert

Dr. Christian Orth

Robert De Tullio

Dr. Claes Norberg (via video  
conference)

Mohini Singh (via video conference)

Paul Sobel

Daniel Sarmiento Pavas

Jim Dalkin

Paul Thompson

Laura Shiffman (via video  
conference)

Takeshi Hirai (via video conference)

**Member Organizations**

National Association of State Boards of Accountancy (NASBA)

Accountancy Europe (AE)

AE

Basel Committee on Banking Supervision (Basel Committee)

Business Europe (BE)

CFA Institute

Institute of Internal Auditors (IIA)

Inter-American Accounting Association (IAA)

International Organization of Supreme Audit Institutions (INTOSAI)

European Federation of Accountants and Auditors for SMEs (EFAA)

Financial Executives International (FEI)

International Organization of Securities Commissions (IOSCO)

**Observer Organization**Megan Ziestman (via video  
conference)

U.S. Public Company Accounting Oversight Board (PCAOB)

**Public Interest Oversight Board (PIOB)**

Shigeo Kashiwagi (via video conference)

**IESBA Members and Staff**

Dr. Stavros Thomadakis

IESBA Chairman

Richard Fleck

IESBA Deputy Chair and Non-Assurance Services Task Force Chair

Mike Ashley (via video conference)

IESBA Member and PIE Task Force Chair

Brian Friedrich

IESBA Member and Technology Task Force Chair

Liesbet Haustermans (via video  
conference)

IESBA Member and Part 4B-ISA 3000 Task Force Chair

Ian McPhee (via video conference)	IESBA Member and Fees Task Force Chair
Prof. Jens Poll	IESBA Member and Tax Planning Working Group Chair
Sylvie Soulier	Chair of Engagement Team-Group Audits Independence Working Group
James Gunn	Managing Director, Professional Standards
Ken Siong	Senior Technical Director
Diane Jules	Deputy Director
Geoffrey Kwan	Principal
Szilvia Sramko	Manager, Standards Development and Technical Projects
Carla Vijian	Manager, Standards Development and Technical Projects

**APOLOGIES**

Prof. Hysen Cela  
Obaid Saif Hamad Ali Al Zaabi  
Dr. Conchita Manabat  
Sanders Shaffer  
Natasha Landell-Mills  
Dr. Bello Danbatta Lawa  
Nigel James  
Huseyin Yurdakul  
Inanc Yazar  
Asha Mubarak  
Henri Fortin  
Wei Meng

**Member Organizations**

European Federation of Accountants and Auditors for SMEs (EFAA)  
Gulf States Regulatory Authorities (GSRA)  
International Association of Financial Executives Institutes (IFEI)  
International Association of Insurance Supervisors (IAIS)  
International Corporate Governance Network (ICGN)  
Islamic Financial Services Board (IFSB)  
IOSCO  
IOSCO  
Organisation for Economic Cooperation and Development (OECD)  
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)  
World Bank (WB)  
World Federation of Exchanges (WFE)

**Observer Organizations**

Masaki Murase  
Dawn McGeachy-Colby  
Simon Bradbury

Japanese Financial Services Agency (FSA)  
IFAC Small and Medium Practices (SMP) Committee (SMPC)  
International Monetary Fund

## A. Opening Remarks

Mr. Hansen welcomed all participants of the meeting. He welcomed, in particular, Mr. Shigeo Kashiwagi as the PIOB observer. He also welcomed the new CAG Representatives Mr. De Tullio for Basel Committee, Dr. Orth for AE, Ms. Landell-Mills for ICGN, and Dr. Norberg for BE. He then welcomed the IESBA members and staff and the public observers.

Mr. Hansen noted that the CAG will receive a presentation about the US auditor independence framework from representatives of the US Securities and Exchange Commission (SEC): Mr. Paul Munter, Deputy Chief Accountant; Ms. Jenifer Minke-Girard, Senior Associate Chief Accountant; and Mr. Vassilios Karapanos, Associate Chief Accountant.

### APPROVAL OF MINUTES

The CAG approved the updated minutes of the September 2019 public session that was previously circulated, and the minutes of the December 2019 CAG teleconference as presented.

## B. Role and Mindset

Mr. Fleck introduced the session by recapping the key proposed changes in the Exposure Draft (ED), [\*Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants\*](#). He informed the CAG that the 46 respondents who submitted comment letters were generally supportive of the project and the Task Force's proposals in the ED.

Mr. Fleck summarized the significant comments received to each of the seven specific questions in the ED and the Task Force's responses to those comments and revised proposals. He pointed out that the most significant comments related to the terms "public interest" (and professional accountants' (PAs') related responsibility to act in the public interest) and "ethical values."

Amongst other matters, Mr. Fleck highlighted the Task Force's key revisions to address respondents' comments. Such revisions included:

- A clarification of the PA's responsibility to act in the public interest by:
  - Replacing the word "enables" with "assists" in Section 100;<sup>1</sup> and
  - Softening of the tone of the proposed requirement in Subsection 115<sup>2</sup> by replacing "Behave in a manner that is consistent with" with "Consider... the public interest."
- A clarification of the concept of "having an inquiring mind" with revised considerations relating to such a mindset. The term "critically evaluate" was deleted as having both this term and the term "further investigation" might create confusion as to the distinction between the two. Mr. Fleck informed CAG Representatives that the IAASB's Professional Skepticism Subgroup (PSWG) was supportive of the Task Force's revisions to the material on "having an inquiring mind," bias and the reference to proposed ISQM 1.<sup>3</sup>

---

<sup>1</sup> Section 110, *The Fundamental Principles*

<sup>2</sup> Subsection 115, *Professional Behavior*

<sup>3</sup> Proposed International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

- Enhancements to the proposed material on bias and organizational culture. For example, new application material was proposed to explain the PA's role in promoting an ethical culture within the accountant's employing organization.
- A replacement of:
  - The term "ethical values" with "ethical concepts" in Section 100.
  - The phrase "determination to act appropriately" with "strength of character to act appropriately."

#### ACTING IN THE PUBLIC INTEREST, ETHICAL VALUES AND ROLE OF PROFESSIONAL ACCOUNTANTS

With respect to the Task Force's proposal to replace the word "[b]ehave" with "[c]onsider" in proposed paragraph R115.1 (a), Messrs. Hansen, De Tullio, and Sobel, Ms. Zietsman and the PIOB Observer shared the view that the tone of the proposed wording appeared too soft. In response, Mr. Fleck indicated that the Task Force would further reflect on the use of the word "[c]onsider," acknowledging the perception that this might lead some PAs to only think about their public interest responsibility and not take any further action.

Ms. Robert and Dr. Norberg agreed that whilst the term "ethical values" in the proposed revised Section 100 is not necessarily the right term to explain the concept of complying with both the letter and spirit of the Code, the proposed term "ethical concepts" also raises queries about its relationship with the fundamental principles and conceptual framework in the Code. In response, Mr. Fleck noted that "ethical concepts" is a better term on the basis that when faced with situations, PAs should consider how the fundamental principles should be applied as wider concepts and not only their strict descriptions in the Code.

With respect to other proposals in Section 100, the following key comments were raised by CAG Representatives:

- Mr. Pavas suggested that more clarification about acting in the public interest would be beneficial.
- Mr. Hansen suggested drafting changes to proposed paragraph 100.1 A2 to clarify that public trust should be oriented to outputs and not to the accountancy profession.

#### HAVING AN INQUIRING MIND

CAG Representatives were generally supportive of the Task Force's proposed revisions to the ED. Amongst other matters, the following comments were made by CAG participants:

- Mr. Thompson acknowledged the significant improvement to the Code with this project. He commented that while EFAA did not respond to the ED, it had participated in the IESBA's global roundtables on the topic of professional skepticism in 2018 and was supportive of the Task Force's proposals. He expressed some disappointment that there had been no submission to the ED from academia, given the need to ensure that new entrants to the profession exhibit the attributes related to role and mindset.
- Mr. Hansen suggested the new requirement to "[h]ave an inquiring mind" in paragraph R120.5<sup>4</sup> should be re-ordered as subparagraph (a).

---

<sup>4</sup> Section 120, *The Conceptual Framework*, paragraph R120.5

- With regards to proposed paragraph 120.5 A5, Ms. Zietsman suggested the words “different purpose” could be read as meaning that the concepts of having an inquiring mind and exercising professional skepticism are independent concepts. She also suggested that the phrase “critically assessing evidence” be cross-checked to the IAASB standards.

#### OTHER MATTERS

Ms. Zietsman suggested that the examples set out in proposed paragraph 111.1 A2 should be treated as examples of acting appropriately rather than examples of acting with integrity.

CAG Representatives did not raise any other key comments and were generally supportive of the remainder of the Task Force’s proposals.

The PIOB Observer noted that the PIOB welcomed and supported the Task Force’s proposed revisions to the ED which has generally clarified and strengthened the key concepts. He further noted that since the majority of the respondents were part of the accountancy profession, comments from the CAG Representatives were particularly appreciated.

#### WAY FORWARD

Mr. Fleck informed the CAG that the IESBA will consider the Task Force’s proposals and the CAG’s feedback at its March 2020 meeting with a view to approving the final text in June 2020.

### **C. Tax Planning**

Prof. Poll introduced the topic and provided an update on the Working Group’s (WG) information gathering activities and the preliminary observations from its analysis to date. Among other matters, Prof. Poll briefed the CAG on the inter-related impact of tax planning across all the fundamental principles; the “complexity” risk associated with multi-faceted tax planning strategies; the increasing criticality and value of professional judgment as jurisdictions address the ethical dimension of tax planning; and ethical leadership in today’s borderless world of e-commerce.

CAG Representatives expressed support for the WG’s approach to its information gathering, including its plans for future stakeholder outreach, including with national standard setters (NSS) and the OECD. Among other matters, the following were raised:

- Mr. Thompson noted that for SMPs in many jurisdictions, a large source of revenue is the fees charged for tax services. However, he also noted that there is evidence that effective tax rates are often smaller for large entities than for small- and medium-sized entities (SMEs). He suggested that there would be merit in the WG investigating this as part of its fact-finding. He noted that he would prefer Option C as proposed in [Agenda Item C-1](#) and described it as being risk averse. Prof. Poll noted that he had recently participated in an interesting panel session in Brussels during which the question of whether a PA should support the PA’s client or aim to increase the tax base for society was explored. Whether the former or the latter was right made for a good starting point for the discussion. He added that the session came to a view that the PA should act in the client’s interest but in doing so, should take into consideration the broader perspective, including the client’s exposure to reputational damage.
- Ms. Robert expressed support for the WG’s work and also noted her preference for Option C. She noted that this was because of new developments relating to the environmental, social, and governance (ESG) dimensions, and in this context, it would be easier to provide non-

authoritative guidance outside the Code to help address ethical challenges resulting from the new developments in a constructive way. She also felt that amending the fundamental principles just for tax planning would be odd as the IESBA is not the only body addressing the issue.

- Mr. Sobel also expressed a preference for Option C, noting that the Code's fundamental principles should apply to all types of services. He suggested that the Working Group explore whether additional guidance could be provided regarding the application of the fundamental principles. Mr. Hirai also expressed his support for Option C and added that in his view any guidance developed would need to be able to cover all types of tax services.
- Mr. Pavas noted that in his view, tax planning is a controversial topic even if it is an important service provided by PAs. He suggested that the WG consider the relevant laws, regulations and other guidance that are already in effect at the jurisdiction level. He also queried how this topic relates to assurance services PAs in public practice provide. Prof. Poll explained that the WG's work does not encompass assurance services, nor was the WG exploring firms' business model. He observed that the complexity of the issue of tax planning is heightened because of the involvement of other players such as tax attorneys and tax accountants who are not PAs. He noted that it is in the public interest for PAs to help their clients understand their responsibilities and the applicable rules and regulations. However, he also observed that there have been cases where PAs have advised clients on "aggressive tax planning." He emphasized that this does not mean that PAs cannot advise their clients; however, it is important that PAs make them aware of the risks and exposures so that they are able to make informed decisions. He added that it is up to jurisdictions to decide on the tax structures that are legitimate and permissible at the national level.
- Mr. Hirai shared a preference also for Option C, noting that in Japan there is a separate professional body responsible for tax planners.
- Dr. Thomadakis noted that Option C reflects the large degree of uncertainty that exists in this area. He observed that when the IESBA undertook the initiative, it knew that this would be a complex and challenging area. He recognized that OECD and others are addressing what can be done in terms of uniformity of practices. He also acknowledged that public perceptions about the legality of tax planning and related services differ across jurisdictions. In as much as this is true, there would be a basis for the IESBA to provide application material in the Code or commission non-authoritative guidance for PAs. He noted that the dividing line between what is acceptable and unacceptable is the challenge for the IESBA. He added that much of the public perception about undesirable tax avoidance has to do with cross-border tax, and on that aspect, there is much convergence of views around the world.
- Mr. Hansen added that in his view the area of tax planning is one by plagued by public perceptions. He expressed support for Option C but advised the WG to also consider aspects of Options A and B if the intent is to influence and change behaviors in practice.
- Ms. Robert inquired about the timeline for the initiative and whether a Task Force would be formed. Also, in relation to the Global Reporting Initiative (GRI), she wondered whether PAs can really assess balanced reporting and whether tax policy can really be enforced. She queried whether the IESBA would consider these elements given that the disclosure may not be reliable. In relation to the way forward for the initiative, Dr. Thomadakis responded that while it is an ambitious initiative, it was too early for the IESBA to determine the outcomes. Prof. Poll explained that the focus of the initiative is not on ESG reporting but that the WG was studying tax advice

with respect to the transparency element in relation to larger multi-national companies. He added that it was clear why it was important to provide guidance to the profession.

#### WAY FORWARD

Prof. Poll informed the CAG that the WG will continue its information gathering and present its preliminary report to the IESBA in advance of finalizing it.

#### **D. Engagement Team-Group Audits Independence**

Ms. Soulier presented the topic by briefing the CAG on the Engagement Team-Group Audits Independence Working Group's coordination efforts with the IAASB's ISA 220<sup>5</sup> and ISA 600<sup>6</sup> Task Forces since January 2020. She explained the WG's proposal to adopt the proposed revised definition of engagement team set out 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 currently used in both the IAASB's standards and the Code. Ms. Soulier also explained that the IESBA supports clarifying the independence provisions applicable in a group audit context in coordination with the IAASB as the IAASB progresses its project to revise ISA 600.

Among other matters, the following were raised:

- Mr. Hansen inquired about the meaning of "audit procedures" in the proposed revised engagement team definition. Ms. Soulier responded that this is a term for the IAASB to clarify.
- Mr. Dalkin applauded the coordination efforts between the IESBA and IAASB. He asked if the WG had assessed the impact of the revised definition of "engagement team" on the Code beyond independence. Ms. Soulier noted that the Task Force is considering the matter as part of the project.
- Mr. Pavas questioned the proposal to delete the word "engaged" from the definition of engagement team and noted that, in his view, leaving it out will create confusion. Ms. Soulier explained that this change to the definition is for the IAASB's ISA 220 Task Force to explain. She added that in essence, it does not matter how individuals on the engagement team are related to the firm as long as they perform audit procedures on the engagement.
- Ms. Robert questioned if the WG should not first assess the impact of the revised definition on the Code before accepting it, given the planned approval of ISA 220 (Revised) by Q2 2020. Ms. Soulier responded that effort would be made to align the effective date for the revisions arising from the IESBA's project to those for ISAs 220 (Revised) and 600 (Revised).
- Ms. Zietsman applauded the coordination effort and noted that the definition captures the reality of today's world where firms' delivery models have changed. Hence, it was important to evolve ISA 220 to recognize new models of audit. She commented that from the PCAOB perspective, the issues relating to group audit stem from the supervision of other auditors.
- Ms. Robert expressed support for the project proposal, noting the importance of staying principles-based given the danger of going into exhaustive detail.

---

<sup>5</sup> International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

<sup>6</sup> ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

- Mr. Kashiwagi supported the coordination efforts with the IAASB, noting that the importance of those efforts. He also expressed support for the project proposal.

#### WAY FORWARD

Ms. Soulier informed the CAG that the IESBA will consider the project proposal with a view to approving it at its March 2020 meeting. The IESBA will then consider issues and preliminary proposals in June 2020.

#### **E. Presentation – US Securities and Exchange Commission Update**

Mr. Munter, Ms. Minke-Girard and Mr. Karapanos provided an overview of the US auditor independence framework, including the SEC's [December 2019 proposed amendments](#) to codify certain consultations and modernize certain aspects of its independence framework. The presenters highlighted that the SEC independence framework is based on four principles in addition to more specific rules. The principles involve a consideration of whether a relationship or the provision of a service:

- Creates a mutual or conflicting interest between the accountant and the audit client;
- Places the accountant in the position of auditing his or her own work;
- Results in the accountant acting as management or an employee of the audit client; or
- Places the accountant in a position of being an advocate for the audit client.

The specific rules address financial relationships, employment relationships, business relationships, non-audit services, contingent fees, partner rotation, audit committee administration of the engagement, and compensation. With respect to non-audit services (NAS), the SEC rules include specific rules relating to the provision of bookkeeping, financial information systems design and implementation, appraisal or valuation services, fairness opinions or contribution-in-kind reports, actuarial services, internal audit outsourcing services, management functions, human resources, broker-dealer, investment adviser or investment banking services, legal services and expert services unrelated to the audit. The presenters explained the “subject to audit” exemptions and noted that in such cases, the firm must obtain approval from the company’s audit committee. The presenters then pointed the CAG to a number of SEC auditor independence resources, including the SEC staff [June 2019 FAQ](#).

The following comments were raised by participants:

- Mr. Dalkin questioned whether the SEC prohibits the provision of ancillary and technology-related services. The presenters pointed out that the general independence rules will apply in such circumstances and that the permissibility of technology-related NAS are being considered on a case by case basis. Mr. Friedrich questioned whether information about new and advanced technologies being used by firms are also dealt with on a case by case basis. The presenters noted that technology is not frequently the topic of consultation and that the SEC does not track new technologies that are being introduced to firms. They reiterated that the provision of technology-related services is covered under the SEC’s general independence principles and that the SEC does not have a list of permitted or prohibited technology-related NAS.
- Mr. Siong questioned the rationale for moving away from what appears to be a “bright-line” test to a “significant influence” test in the loan rule. The presenters explained that the concept of “significant influence” already exists in the accounting standards of the Financial Accounting Standards Board and that the change helps to align the approaches in the two sets of standards.

Mr. Hansen thanked the presented for the helpful and informative presentation.

## F. Definitions of Listed Entity and Public Interest Entity

Mr. Ashley introduced the session by providing an overview of the project proposal, including background information about the project, stakeholder views about the extant Code's definitions of "listed entity" and "PIE", the project objectives and focus, and the planned coordination efforts with the IAASB. The CAG Representatives did not raise any comments with regards to the project proposal.

### OVERARCHING OBJECTIVE

Mr. Ashley pointed out the importance of first setting out the overarching objective for defining a group of entities for which the audits should be subject to additional independence requirements, as proposed in paragraph 400.8 of the Task Force's preliminary draft set out in [Agenda Item F-1](#). He noted that such an objective will help to inform the project approach and provide a basis on which to test the Task Force's proposals.

The CAG Representatives were generally supportive of the Task Force's proposal and did not raise any matter for consideration.

### PROPOSED APPROACH TO REFINE THE DEFINITION OF "PIE"

Mr. Ashley explained that based on its review of the Code's definition of "PIE" and equivalent terms in a number of jurisdictions, the Task Force believed that it would be difficult, if not impossible, to develop a single definition of PIE at a global level that can be consistently applied by all jurisdictions without significant modification and further refinement at a local level.

Mr. Ashley presented two possible approaches for revising the extant Code's definition of PIE, describing one as a narrow approach and the other as a broader approach. Mr. Ashley expanded on the three key components of the broader approach:

- An expanded list of PIE categories;
- Expected role of local regulators and oversight authorities to refine the list; and
- Responsibility of firms to determine if additional entities should be treated as PIEs.

Mr. Ashley then explained that the Task Force's preference is for the broader approach with a longer and broader list of categories of entities for which regulators and oversight authorities at the national level can add more specificity based on their jurisdictional circumstances. By way of example, he explained that a jurisdiction could use the Code's definition as a starting point and modify it by: setting specific size criteria for entities, or adding or exempting particular types of entities. He pointed out that it is difficult to further refine the extant definition of PIE under a narrower approach and that the Task Force believed that local bodies, such as regulators and oversight authorities, are best placed to determine which entities should be treated as PIE because of their more thorough understanding of the national circumstances.

The CAG Representatives were generally supportive of the Task Force's preferred approach.

### *Expanded List of PIE Categories*

With regards to the proposed list of PIE categories set out in paragraph R400.14 of the Task Force's preliminary draft (strawman) in [Agenda Item F-1](#), the following comments were raised by CAG Representatives:

- Mr. Dalkin observed that with respect to the public sector, it is more challenging to determine what is of significant public interest. Mr. Ashley responded that the Task Force had not yet explored that

question. However, if the question is approached from the perspective of the objective of defining entities as PIEs, then considering which public sector entities would be deemed to be PIEs could be approached from that angle.

- Mr. Hansen queried if, under category (a), any entity whose shares, stock or debts are publicly traded will be scoped in regardless of its size. In response, Messrs. Ashley and Siong clarified that whilst this is the case, the local regulator or authority can include a size threshold in their local code to exclude smaller listed entities, as is the case in Canada.
- Mr. Hansen suggested that the Task Force consider replacing the term “recognized stock exchange” in the extant definition of PIE.
- Dr. Orth and Mr. Thompson queried if entities that are in the process of being publicly listed should be included in category (a). Mr. Thompson pointed out that the International Accounting Standards Board’s (IASB’s) concept of “public accountability” has the notion of an entity in the process of filing for an initial public offering. Mr. Thompson also felt that the Task Force’s strawman was easier for a lay person to understand than the IASB’s public accountability concept.
- Mr. Sobel wondered whether the IESBA could require a local jurisdiction to comply or explain why its definition of PIE is less stringent than that of the IESBA Code. Mr. Ashley explained that the Code cannot mandate what regulators can or cannot do; however, the Task Force hoped to develop guidance to assist them in applying the new approach in their jurisdictions. He noted that for some jurisdictions, it may not be appropriate to include certain entities as PIEs because these entities may not be required to produce audited financial statements.
- Mr. Pavas suggested that more guidance is needed to assist local jurisdictions better understand how a new PIE definition would be applied in light of the relevant terms used in the IAASB’s International Standards on Auditing (ISAs) and International Financial Reporting Standards.
- Mr. Hansen wondered whether the Task Force will consider expanding the categories of PIEs and suggested that public utility entities should be included. Mr. Ashley noted that it would not be so much public utilities but more whether they are part of the public sector or the listed category. He noted that not many public utilities are private entities. He added that the Task Force will consider other types of entities and revise its proposed list as appropriate.

#### *Role of Firms*

With respect to the Task Force’s proposals that firms determine if any additional entities should be treated as PIEs, the following comments were made by CAG participants:

- Mr. Hansen raised his concern that firms should not be placed in a position to make bright-line determinations. In response, Mr. Ashley suggested that it is conceivable that not all relevant entities would be scoped in under a local code and it would therefore be reasonable for firms to assess if other entities should be added.
- Ms. Zietsman, Mr. Pavas and Dr. Orth queried how firms can make such a determination. Dr. Orth highlighted the potential for disagreement with the entity. Ms. Zietsman commented that firms could have different views as to whether an entity should be deemed to be a PIE given the range of variables that could be considered. She was therefore of the view that care should be taken in imposing an obligation on firms given the potential for inconsistency. In response, Mr. Ashley pointed out that the ability of firms to determine if an entity should be treated as a PIE already exists

in the extant Code and they should be given the opportunity to make that judgment. He added that transparency would be important in this context.

#### *Other Matters*

Mr. Hansen supported the Task Force's proposal to replace the term "PIE" with "significant public interest entity" (SPIE). However, Ms. Robert, Dr. Orth and Mr. Thompson preferred "PIE", noting that it is a well-established term and that the Task Force's proposed term may create undue complications at the local level. In response, Mr. Ashley noted that the Task Force's proposal was intended to treat any other terms used at the local level as equivalent terms. In light of the comments received, Mr. Ashley agreed that the Task Force will reconsider the idea of replacing the term "PIE" with "SPIE".

Mr. Kashiwagi expressed the PIOB's view that the IESBA and the IAASB should aim to develop a common position for the definition of PIE, and that the PIOB was not overly concerned about which term should be used.

#### WAY FORWARD

Mr. Ashley informed the CAG Representatives that the IESBA will consider issues and preliminary proposals, including a strawman at its March 2020 meeting.

### **G. Technology**

Mr. Friedrich presented the project proposal to develop enhancements to the Code to maintain its robustness and relevance in an evolving digital age and sought views on priorities for ongoing research to be undertaken under the Phase 2 Technology work stream.

The CAG Representatives expressed strong support for the Project Proposal. Amongst other matters, the following were raised:

- Mr. Sobel described scenarios where an audit firm and a client partner to co-develop an artificial intelligence (AI) tool. The partnership could result in various scenarios such as: the client uses the AI tool; a reduction of audit fee as impetus for the development of the joint AI product; the firm uses the AI tool on audits of other clients; the firm selling or licensing the AI tool to the client. Mr. Sobel wondered about the impact of these scenarios on the firm's independence. Mr. Friedrich acknowledged that these are the sort of business relationships that are within the scope of the project and which the Task Force will be exploring.
- Mr. Dalkin highlighted the need for close collaboration with the IAASB, given the increased reliance on new technology-based auditing tools and on electronic data as part of gathering audit evidence. He described a scenario of a fraud detection system designed by a firm which is then acquired by the audit client. He noted that a number of independence questions would arise if the system were subsequently found to contain errors. He also encouraged the Task Force to consider ethical matters related to audit firms holding client data and/or providing hosting services, especially if there is a subsequent breach of security. Mr. Friedrich responded that the Task Force is interested in these use cases. He noted that while much has been published in these areas, the challenge is determining what should be regulated and what should be addressed through non-authoritative guidance. With respect to reliance on e-data, he noted that the IAASB correspondent member on the Task Force had indicated that this matter is for consideration on the IAASB's Technology work stream. He reiterated that it remains part of the Project Plan to continue coordination efforts with the IAASB's technology working group.

- Mr. Hirai asked how the Phase 2 information gathering work would impact the project timeline and whether the IESBA could expedite the proposed project timeline. Mr. Friedrich noted that ongoing information gathering, notably with respect to other technology areas such as blockchain and cybersecurity, is planned to continue in parallel with the project so as to inform the drafting of any principles-based amendments to the Code within the project timeline. He also highlighted the number of significant IESBA projects currently underway, resulting in an already relatively aggressive timeline, given the breadth and depth of the project proposal recommendations.
- Mr. Thompson cautioned the Task Force not to be too specific and granular when developing revisions to the Code, so as to future proof the Code as technology is changing so rapidly. Mr. Friedrich agreed, noting that a principles-based approach is the only way the Code can address the impact of multiple disruptive technologies on ethical behavior in an enduring manner.
- Mr. Pavas noted that as firms have ever-increasing access to a client's full range of data, the question of where to draw the line becomes increasingly challenging – for example, issues around data collection (e.g., what data, from where, and how much); determining what data is relevant and what is not; and what is personal vs. commercial vs. proprietary. Mr. Friedrich noted that the Task Force had thought about the question under the data governance considerations within the project but had not developed responses yet. He added that the question needed to be examined from both the firm's and the client's perspectives.
- Mr. Kashiwagi noted that the PIOB views the Technology project as being of high importance. For continuity, he asked whether members of the Task Force would join the Phase 2 fact finding work stream. He also wondered about the potential to accelerate the project timeline and suggested that consultation should include engaging with stakeholders outside of Europe and North America. Mr. Thomadakis noted that the project is of high priority to the IESBA. He agreed that the Phase 2 fact finding work should continue. However, he emphasized the importance of "limiting the unlimited" given the breadth of the field. He added that how to structure the remaining Phase 2 information gathering work would be considered at a later date. With respect to the timeline, he reinforced the significant scope of the project in the context of the additional projects already on the IESBA's work plan. Mr. Friedrich noted that 4 of the 5 Phase 1 Working Group members are carrying on with the Task Force to provide continuity. He also agreed as to the need to seek additional outreach opportunities in other parts of the World as the project progresses.

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

The PIOB Observer complimented the CAG Representatives that were present at the meeting for their active participation and the quality of their discussions. He pointed to the fact that a number of CAG Representatives were apologies for the meeting and wondered whether this was due to concerns about the COVID-19 pandemic. Noting the importance of the CAG's role as part of due process, he emphasized the importance of having Representatives actively engaged in discussions about the IESBA's work through their participation during CAG meetings.

#### **H. Closing Remarks**

Dr. Thomadakis thanked the CAG for their thoughtful advice on the IESBA's various projects and noted that the CAG will be informed of future meeting plans after due consideration of the continuing impact of the COVID-19 pandemic. Mr. Hansen thanked the CAG participants for their contributions and closed the meeting.