

# IESBA Meeting Highlights and Decisions

March 2019

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This summary of decisions of the International Ethics Standards Board for Accountants (IESBA) has been prepared for information purposes only. Except for documents approved for public exposure and issuance of final pronouncements, decisions reported on technical matters are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IESBA.

A podcast recording that provides a short audio summary of the main outcomes of the [March 2019](#) IESBA meeting is also available on the IESBA website.

## Revised and Restructured Code Rollout

The IESBA received an update on the status of the “rollout” initiatives aimed at promoting awareness and adoption and implementation of the [revised and restructured Code](#) (the Code). Among other matters, the IESBA was briefed on recent and upcoming outreach activities, including two 90-minute webinars scheduled for [March 28, 2019](#) and [April 17, 2019](#).

The IESBA was also informed that the first episode of a web-based publication series titled *Decoding the Ethics Code* will be released after the March 2019 meeting. Future episodes will be released on a monthly basis.

The IESBA will receive the next update on rollout activities at its June 2019 meeting.

## Alignment of Part 4B with ISAE 3000 (Revised)

The IESBA unanimously approved an [exposure draft \(ED\)](#) of proposed changes to Part 4B of the Code, *Independence for Assurance Engagements other than Audit and Review Engagements*, to align it to changes to terms and concepts in the IAASB’s International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

Among other matters, the ED includes a proposed revised definition of the term “assurance client” and a new definition of the term “responsible party”; proposed revisions to describe more clearly the circumstances in which the firm needs to be independent of the measurer or evaluator with regard to attestation engagements; and clarification of the types of assurance engagement addressed in Part 4B.

The ED will be open for public comment for [90 days](#).

## Technology

The IESBA received a presentation on the topic of *Artificial Intelligence: Perspectives on Ethical Challenges and Opportunities for Professional Accountants* from Mr. Anand Rao, Global Leader of Artificial Intelligence at PwC.

The IESBA also received an update from the Technology Working Group on its recent information gathering activities. The Board was briefed on five emerging themes that were identified on a preliminary basis by the Working Group based on the fact finding to date, namely, that common ethical principles are also applicable to artificial intelligence (AI); that professional accountants need to have a “growth mindset;” that bias in AI can be a significant risk; the need to address fairness and transparency, particularly with respect to AI; and the need for responsibility to advise on risks and benefits of technologies.

The IESBA will receive a further update from the Working Group at its June 2019 meeting.

## Role and Mindset Expected of Professional Accountants

The IESBA considered proposed changes to the Code to promote the role, mindset and behavioral characteristics expected of all professional accountants.

Among other matters, the IESBA considered a new Introduction to the Code setting out the role of the accountancy profession and clarifying the linkage between (a) the provisions of the Code, and (b) the behaviors and approach to professional activities expected of professional accountants in acting in the public interest; a proposed enhancement to the description of the fundamental principle of objectivity; how best to reinforce the importance of the concept of “resolve” when facing challenging situations; properly recognizing the integral role of a “questioning mindset” when exercising professional judgment; and highlighting the importance of an awareness of the risk of bias in its different forms when applying the conceptual framework.

At its June 2019 meeting, the IESBA will consider a revised draft of the proposed changes to the Code with a view to approving them for exposure.

## Non-assurance Services (NAS)

The IESBA provided input on key policy decisions and the indicative direction to the Task Force in relation to its proposed revisions to Section 600, *Provision of Non-Assurance Services to an Audit Client*. Among other matters, the Board deliberated the following topics:

- Whether the Code should prohibit firms and network firms from providing NAS to audit clients that are public interest entities (PIEs) if the outcome of that service might be included directly or indirectly in the financial statements, and the service creates or might create a self-review threat; and, if so, how the Code might explain the concept of an “indirect” impact on the financial statements.
- Whether the Code should maintain a distinction in the NAS provisions for audit clients that are PIEs and audit clients that are not PIEs.

- Whether the Code should explicitly address communication with those charged with governance (TCWG) about NAS matters, including, for PIEs, a requirement for firms and network firms to obtain pre-approval of the NAS from TCWG.
- Whether the Code should establish a particular threshold for NAS fees vs. audit fees that would require firms and network firms to re-evaluate threats to independence.
- Whether and, if so, how and under what circumstances there should be enhanced transparency by firms regarding the ratio of NAS fees and audit fees to: (i) TCWG; and (ii) the public (the IESBA noted the need for coordination with the Fees Task Force on this particular matter).

The IESBA will progress its deliberations and consider a first-read draft of the proposed changes to the Code at its June 2019 meeting.

## Fees

The IESBA considered the Fees Task Force's initial views about possible revisions to the fee-related provisions in the Code, in particular Section 410, *Fees* in the International Independence Standards. Among other matters, the Board deliberated and provided directional input about whether the Code should:

- Be strengthened with respect to firms' and engagement partners' responsibilities regarding the level of fees quoted for audit engagements.
- Address the responsibilities of professional accountants in business when they are involved in setting audit fees, particularly having regard to the provisions in the Code dealing with pressure to breach the fundamental principles.
- Include new provisions to enhance transparency about the level of audit fees, including auditor communication with TCWG and public disclosure, and if so, under what circumstances and how.
- Be strengthened with respect to the issue of fee dependency at the firm level, including through considering whether the existing safeguards in the Code addressing this issue continue to be appropriate, and whether there should be enhanced transparency about fee dependency matters to (i) TCWG; and (ii) the public, and, if so, under what circumstances and how.

The IESBA will progress its deliberations and consider a first-read draft of the proposed changes to the Code at its June 2019 meeting.

## eCode

The IESBA received a final demonstration of, and provided input on, a staged website for Phase 1 of a proposed eCode. The eCode is a web-based tool which includes features and functionalities that emphasize the "building blocks" approach of the revised and restructured Code and its scalability. The first phase of the eCode is expected to be launched in June 2019 to coincide with the effective date of the revised and restructured Code.

The IESBA plans to release resources, including YouTube videos, to showcase the key features of the eCode. A [publication](#) has been released to outline the objectives of the eCode initiative and to outline some of the features that users should expect to see when the tool is launched in June.

The IESBA will discuss the scope of and approach to the next phase for the eCode, and related timing, at its June 2019 meeting.

### [Long Association of Audit Firm Personnel with an Audit Client](#)

The IESBA considered and provided advice to IESBA Staff in further refining a set of additional Frequently Asked Questions (FAQs) for inclusion in the IESBA Staff Questions & Answers (Q&A) publication on the [revised long association provisions](#). Those revised provisions came into effect in December 2018. The Q&A publication will be aligned with the restructured long association provisions in the revised and restructured Code.

The Q&A publication is expected to be finalized for issuance in April 2019.

### [Next Meeting](#)

The next meeting of the IESBA will be held in Nashville, Tennessee, USA on June 17-19, 2019.