

# IESBA Meeting Highlights and Decisions

June 2019

Contact: Ken Siong, IESBA Senior Technical Director ([KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org))

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 [June 2019](#) IESBA meeting is also available on the IESBA website.

## Promoting the Role and Mindset Expected of Professional Accountants

The Board approved for exposure proposed revisions to the Code aimed at promoting the role, mindset and behavioral characteristics expected of all professional accountants.

The Exposure Draft is expected to be released by the end of July 2019 and will be open for public comment for 90 days.

## Fees

The IESBA considered a first-read draft of the proposed changes to the fee-related provisions in the International Independence Standards, Section 410, *Fees* as well as some of the related conforming amendments to other sections. Among other matters, the IESBA deliberated:

- How to emphasize that independence might be impacted by the level of fees charged or quoted to an audit client, including the level of audit fees and fees for services other than audit, as well as the ratio of such fees.
- Whether the Code should include provisions to address threats to independence created by the fees charged or quoted by a firm for the provision of services other than audit to an audit client.
- For audit clients that are public interest entities (PIEs), whether the Code should require firms to communicate information about the level of audit fees and fees for services other than audit to:
  - Those charged with governance (TCWG).
  - The public to enhance transparency, and if so, how this might best be achieved.
- How the fee dependency provisions in the Code might be strengthened for audit clients that are PIEs, including through requiring public disclosure about fee dependency and withdrawal from the audit engagement in specific circumstances.

The IESBA will undertake a second read of the proposed changes to the Code at its September 2019 meeting with a view to approving an exposure draft by December 2019. As part of this project, the IESBA will engage with the International Auditing and Assurance Standards Board (IAASB) on issues that overlap the remits of both Boards, including considerations relating to public disclosure, pursuant to the established operating principles for coordination.

## Revised and Restructured Code Rollout

The IESBA received an update on the “rollout” initiatives aimed at promoting awareness and adoption and implementation of the revised and restructured Code (the Code), including webinars and other significant outreach activities conducted in Q2 2019.

The IESBA also was briefed by Mr. Joseph Bryson, IFAC Director for Quality and Development, and the IESBA Senior Technical Director on efforts by the joint staff of IFAC and IESBA to strengthen and deepen the collaboration between IFAC and IESBA to promote adoption and implementation of the Code. Similar efforts are being pursued by IFAC staff with staff of the other standard-setting Boards supported by IFAC.

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

## Technology

The IESBA received an update on the Technology Working Group’s Q2 2019 information gathering activities and the Working Group’s preliminary observations from its analysis to date.

Among other matters, the Working Group briefed the Board on the inter-related impact of technology across all fundamental principles; identified a question as to whether the categories of threat currently in the Code sufficiently address the “complexity” of risks associated with technological developments; highlighted the importance of professional judgment, having the “right mindset” and ethical leadership in the digital age; and the need for alignment between the fundamental principles in the Code and ethical principles commonly encountered in ethical frameworks for responsible use of artificial intelligence. The IESBA also received an illustrative walk-through of how the conceptual framework might be applied to two technology-related scenarios.

The IESBA will receive a further update from the Working Group at its September 2019 meeting and will consider the Working Group’s final report in December 2019.

## Non-assurance Services (NAS)

The IESBA considered a first-read draft of proposed revisions to Section 600, *Provision of Non-Assurance Services to an Audit Client*, including the subsections. Among other matters, the IESBA deliberated:

- The proposed provisions relating to prohibiting firms and network firms from providing NAS to audit clients that are PIEs when those NAS might create self-review threats.
- The proposed provisions addressing communication with TCWG about specific NAS matters, including pre-approval of NAS by TCWG for audit clients that are PIEs.
- The ordering and flow of the material in the subsections.
- Proposed refinements and other clarifications to subsection 604 relating to tax.

At its September 2019 meeting, the IESBA will consider a revised set of proposals with a view to approving an exposure draft.

## eCode

The IESBA received a final report on Phase 1 of the eCode initiative. The [eCode](#) is a web-based tool which includes features and functionalities that emphasize the “building blocks” approach of the Code

and its scalability. The first phase of the eCode was launched on June 26, 2019 to coincide with the Code coming into effect on June 15, 2019.

The IESBA released resources, including [YouTube](#) videos, to showcase the key features of the eCode. A [publication](#) was released to outline the objectives of the eCode initiative and highlight some of the features of the Code.

The IESBA had a preliminary discussion about the scope of, and approach to, Phase 2 of the eCode, including a possible timeline.

The IESBA will receive an update on Phase 2 at a future meeting.

## Emerging Issues and Outreach

The IESBA received an update on the activities of its Emerging Issues and Outreach Committee (EIOC) since December 2018, and a presentation from Sundeep Takwani, Director–Regulation at ACCA, on the United Kingdom audit developments.

The EIOC's presentation included an overview of the scope, intensity and focus of the IESBA's outreach activities over the last three years. Among other matters, the IESBA discussed a structured approach to categorizing stakeholders for purposes of outreach planning, and exchanged views about how the effectiveness of outreach might be enhanced as a strategic vehicle in advancing the Board's various objectives.

The IESBA will receive its next update from the EIOC in December 2019.

## IAASB-IESBA Coordination

The IESBA was briefed on recent IAASB-IESBA coordination activities. Under the leadership of the Boards' Coordination Liaisons, staff of the IAASB and IESBA jointly developed and implemented a more systematic way to record, inventory and monitor the various coordination work streams (i.e., an inventory of projects for coordination). This inventory showcased the commitment, time and efforts dedicated to coordination at the levels of the joint staff, task forces/working groups, Steering and Planning Committees, Coordination Liaisons, Board leaderships, and the Boards themselves. IESBA members exchanged views about the progress made over the last three years with respect to coordination with the IAASB.

The IESBA also received an update on the joint IAASB-IESBA-National Standard Setters (NSS) session which was held in May 2019 in Paris. Among other matters, the discussion with the NSS explored how the two Boards might further [increase collaboration](#) with the NSS.

The third joint meeting with the IAASB has been scheduled for September 2019.

## Next Meeting

The next meeting of the IESBA will be held in New York, USA on September 16-19, 2019.