

IESBA Meeting Highlights and Decisions

September–October 2020

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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.

In response to the [COVID-19 pandemic](#), the IESBA's September 2020 meeting which was scheduled to be held in person in New York, USA, was changed to a virtual one. An audio recording of the September–October 2020 meeting is available on the IESBA [website](#).

Engagement Quality Reviewer Objectivity

The IESBA approved a new section to the Code providing guidance to firms on addressing the objectivity of an engagement quality reviewer based on the conceptual framework. The new section also notes that the guidance might apply in circumstances where a professional accountant appoints an appropriate reviewer, as described in the Code, to review work performed as a safeguard to address identified threats.

This project was closely coordinated with the International Auditing and Assurance Standards Board (IAASB) in the context of its project to develop International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*, which the IAASB also finalized at its September 2020 meeting. Subject to Public Interest Oversight Board (PIOB) approval, the final pronouncement is expected to be issued in early January 2021 and will be effective for audits of financial statements for periods beginning on or after December 15, 2022.

NAS

The IESBA considered a full analysis of the significant comments received from respondents to the Exposure Draft (ED), [Proposed Revisions to the Non-Assurance Services Provisions of the Code](#), and a first read of the Task Force's revisions to the ED text in response to the main issues raised by respondents.

Among other matters, the IESBA considered the Task Force's proposed revisions to the ED text and other proposals on the topics of: the self-review threat prohibition; providing advice and recommendations, particularly the threshold for which there would be no deemed self-review threat in relation to tax advice; materiality; communication with those charged with governance (TCWG); safeguards; technology-related NAS; and various subsections within the NAS section of the International Independence Standards (IIS).

The IESBA will consider a revised draft of the provisions with a view to approving the final pronouncement at its December 2020 meeting.

Fees

The IESBA considered a full analysis of the significant comments received from respondents to the Exposure Draft, [Proposed Revisions to the Fee-related Provisions of the Code](#), and a first read of the Task Force's revisions to the ED text in response to the main issues raised by respondents.

Among other matters, the IESBA considered the Task Force's proposed revisions to the ED text and other proposals on the topics of: the audit fee as a standalone fee not to be influenced by the provision of other services to the audit client; fee dependency on audit clients that are not public interest entities (non-PIEs); transparency of fee-related information to TCWG and to the public; how to address private equity and other investment company complexes in relation to the transparency requirements; and a more flexible approach for the firm to achieve public transparency if fee-related information is not disclosed by a PIE audit client.

The IESBA will consider a revised draft of the provisions with a view to approving the final pronouncement at its December 2020 meeting.

Definitions of Listed Entity and Public Interest Entity

The IESBA considered issues and comments raised by respondents to Question #4 of the Exposure Draft, [Proposed Revisions to the Non-Assurance Services Provisions of the Code](#) (NAS ED), and a first read of the Task Force proposals.

Among other matters, the IESBA considered a revised overarching objective for PIE provisions in the IIS; revisions to the proposed list of high-level categories of PIEs and the Task Force's reflections on other types of entities that could be included in the list; the merit of a limited rebuttable presumption as a means of reducing the risk of the high-level categories of PIEs being adopted at the local level without appropriate refinement; the issue of transparency disclosure when firms choose to treat an entity as a PIE for independence purposes; and whether the scope of the related entity principle in the Code (paragraph R400.20) should be expanded by reference to whether the audit client is a PIE as opposed to a listed entity. The IESBA also considered the timing of the PIE Exposure Draft and how to coordinate the effective date of the final PIE provisions with the effective date of the revisions to the NAS and Fees provisions.

The IESBA noted feedback on the current thinking on the project from the IAASB's July 2020 meeting. In addition, the IESBA considered the responses from approximately 40 national and regional professional accountancy bodies to a questionnaire circulated by the Task Force in collaboration with the IFAC Quality and Development Department to assist in determining the capabilities of local bodies to refine the proposed list of PIE categories.

The IESBA will consider revised proposals from the Task Force at its December 2020 meeting with a view to approving an Exposure Draft.

Technology

The IESBA continued its deliberations on proposed approaches to progress the seven identified recommendations within the approved [project proposal](#) and the highlighted areas of overlap between the recommendations. The IESBA was also briefed on input received from the IESBA Consultative Advisory Group (CAG) and a broad range of stakeholders to help the Task Force progress its work on the recommendations.

Among other matters, the IESBA considered Task Force proposals and identified options regarding the topics of: the critical role of ethics and professional judgment (R1); the complexity of the professional environment (R2); transparency (R3); accountability (R4); privacy and confidentiality (R5); enabling skills and competencies (R6); and auditor independence (R7).

The IESBA will continue its deliberations in relation to the Technology project in December 2020.

Engagement Team – Group Audits Independence

The IESBA continued its deliberations regarding (a) how to align the Code’s concept of an “engagement team” with the revised definition of the same term in the IAASB’s International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*, and (b) how to clarify the meaning of the phrase “ethical requirements that are relevant to the group audit engagement, including those related to independence,” a concept that is in both the extant ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, and the [Exposure Draft](#) of ISA 600 (Revised).

Among other matters, the IESBA discussed the creation and proposed definitions of three new terms “audit engagement team,” “review engagement team” and “assurance engagement team” for a more focused approach to the engagement team concept regarding independence for audit, review and other assurance engagements, respectively. The IESBA also considered Task Force proposals regarding the independence principles that should apply for individuals and firms involved in a group audit engagement, particularly with respect to component auditors outside the group auditor’s network.

The IESBA will continue discussion of the issues and other related matters at its December 2020 meeting.

eCode Phase 2

The IESBA received an update on the eCode Working Group’s activities during Q3 2020. The IESBA was informed that Phase 2 of the eCode initiative was completed as of June 2020. The new versioning feature is now live and allows users to toggle between the extant authoritative text of the Code and the recently approved Part 4B (Revised) that comes into effect in June 2021. The next pronouncement that will be available in the eCode is the just released [Role and Mindset](#) coming into effect in December 2021.

The IESBA also received an update from Staff representatives of the IFAC Advisory Group leading IFAC’s digital publication (ePub) initiative on the progress of development of the ePub. The IFAC ePub will house the digitalized versions of the standards issued by the three standard-setting Boards (SSBs) supported by IFAC, namely the IESBA, IAASB and International Public Sector Accounting Standards Board (IPSASB). The ePub is expected to contain broadly the same set of features and functionalities as the eCode. The IESBA noted the coordination between the SSBs and IFAC through the participation of the SSBs’ Staff on the IFAC Advisory Group. The IESBA will receive a further update on the IFAC ePub initiative in due course.

Next Meeting

The IESBA’s next virtual meeting will be held in Q4 2020. Notice of the dates will be posted to the IESBA [Meetings page](#).