

# IESBA Meeting Highlights and Decisions

June 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 June 2020 meeting which was scheduled to be held in person in Toronto, Canada, was changed to a virtual one. An audio recording of the June 2020 meeting is available on the IESBA [website](#).

## Role and Mindset

The IESBA unanimously approved revisions to the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code) arising from the project addressing the role and mindset expected of professional accountants. Key revisions include: a renewed emphasis on accountants' responsibility to act in the public interest; enhancements to the descriptions of the fundamental principles of integrity, objectivity, professional competence and due care, and professional behavior; a new requirement for accountants to have an inquiring mind when applying the Code's conceptual framework; and new application material to highlight the impact of bias in exercising professional judgment and applying the conceptual framework.

Subject to Public Interest Oversight Board (PIOB) approval, the final pronouncement is expected to be issued by October 2020 and will be effective December 31, 2021, with early adoption permitted.

## Tax Planning

The IESBA received an update on the Working Group's information gathering activities and the Working Group's preliminary observations from its analysis and stakeholder outreach to date. Among other matters, the IESBA was briefed on the inter-related impact of tax planning on compliance with each of 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 jurisdictional-level ethical dimensions in tax planning; and the increased focus on Environmental, Social and Corporate Governance (ESG) reporting.

The IESBA was also briefed on the Working Group's Q1 and Q2 2020 discussions with a broad range of stakeholders, including the Organisation for Economic Co-operation and Development (OECD); members of the European Parliament; some professional accountancy organizations (PAOs); global tax leaders in the Big 4 accounting firms; the IESBA Consultative Advisory Group (CAG); and national standard setters (NSS).

The IESBA will receive an update on the Working Group's activities at its December 2020 meeting and will consider preliminary Working Group recommendations in March 2021.

## IAASB-IESBA Coordination

The IESBA received an update on coordination activities with the International Auditing and Assurance Standards Board (IAASB) during Q2 2020 and provided input on certain aspects of the IAASB's proposals, in particular with respect to the IAASB's Quality Management (QM) projects. Among other matters, the IESBA noted the IAASB's plans to defer the approval of the QM standards from June to September 2020.

The IESBA also discussed the following two projects relating to coordination with the IAASB:

- In relation to the Objectivity of the Engagement Quality Reviewer (EQR) project, the IESBA considered the significant comments raised by respondents to the January 2020 Exposure Draft (ED), [Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers](#) and related Task Force responses, including a "first-read" draft of revised proposals. Among other matters, the IESBA considered the need for a "cooling off" requirement with respect to an engagement partner being appointed to an EQR role on the same engagement, and whether that requirement should be located in the IAASB's standard (proposed ISQM 2, *Engagement Quality Reviews*) or the Code; and the Task Force's proposal to broaden the scope of the guidance to the concept of an "appropriate reviewer," which is described in the Code.

The IESBA will consider a revised draft of the proposed revisions to the Code with a view to finalizing them at the September 2020 IESBA meeting.

- In relation to the Engagement Team-Group Audits Independence project, the IESBA received an update on the Task Force's preliminary discussions to date as well as a briefing on the Code's approach to independence in a group audit context. Among other matters, the IESBA discussed:
  - A possible approach to aligning the definition of "engagement team" in the extant Code with the proposed revised definition of the same term under ISA 220 (Revised), *Quality Management for an Audit of Financial Statements* while ensuring the independence requirements in the Code are clear and appropriate when applied to the revised definition.
  - Initial matters relating to clarifying to the application of the Code's independence provisions in a group audit context, including with respect to non-network component auditors.

The IESBA will continue discussion of the issues at its September 2020 meeting.

## Definitions of Listed Entity and Public Interest Entity (PIE)

The IESBA considered issues and revised Task Force proposals reflecting input from the IESBA's March 2020 discussion as well as feedback from the CAG and NSS. Among other matters, the IESBA considered: a revised overarching objective clarifying that there is public interest in the financial condition of certain entities that is relevant to those entities being classified as PIEs; possible terms that might replace the term "listed entity;" a draft list of PIE categories as well as other possible categories considered by the Task Force; And the role of firms, including a proposal for a firm to include in its audit report whether the audit client has been treated as a PIE.

The IESBA will continue its deliberations on the issues and consider revised Task Force proposals in September 2020.

## Technology

The IESBA considered issues related to the seven recommendations outlined in the approved project proposal. The IESBA provided directional input on possible options to address threats that are created by the complexity of the professional environment in which professional accountants work, including whether to: revisit the description of the categories of threats set out in the Code's conceptual framework (i.e., amend the existing threat categories or add a new type of threat); and/or highlight complexity as a factor that impacts on the accountant's application of the conceptual framework, including the exercise of professional judgment.

The IESBA also discussed how to address threats to independence created by new types of engagements arising from the sale or licensing of new technology tools and the location for this new material in the Code. Among other suggestions, the IESBA considered developing new material for inclusion in subsections to the extent that new engagement types are not covered within the extant Code's non-assurance services subsections; and expanding the material in extant Section 520, *Business Relationships* to incorporate the potential business relationships that might result from the sale or licensing of a tool developed by the firm to a client.

The IESBA will consider the Task Force's updated approach and continue its deliberations in relation to the Technology project in September 2020.

## eCode Phase 2

The IESBA received an update on the status of Phase 2 of the eCode initiative, including a demonstration of the new features that are visible to users, as well as the features that are implemented behind the scenes. The IESBA was informed that as part of Phase 2, users will be able to toggle between extant authoritative text of the Code and a future version incorporating recently approved IESBA pronouncements coming into effect at a future date. In addition, the 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 who wish to leverage it in developing their own local eCodes.

The IESBA received an update on the next steps for the eCode, including a presentation about IFAC's plans to undertake a broader digital publication initiative in collaboration with the global standard setting boards (SSBs) supported by IFAC. 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.

## Next Meeting

The IESBA's next virtual meeting will be held on July 22, 2020.