

# IESBA Meeting Highlights and Decisions

November-December 2022

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.

Given the ongoing COVID-19 situation, the IESBA held its meeting on November 29-December 2 & 15, 2022 in a hybrid format. The in-person portion of the meeting was held in New York, USA. The video recording of the meeting is available on the IESBA [YouTube](#) channel.

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

## Engagement Team–Group Audits Independence

The IESBA unanimously approved the proposed revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) relating to the definition of engagement team and group audits.

Subject to Public Interest Oversight Board (PIOB) approval, the final pronouncement is expected to be released by Q1 2023. In line with the effective date of ISA 600 (Revised),<sup>1</sup> the pronouncement will be effective for audits of financial statements for periods beginning on or after December 15, 2023, with early adoption permitted.

## Sustainability

The IESBA considered presentations from:

- Mr. Granville Martin, Director of Regulatory Outreach, IFRS, who provided an update on the work being undertaken by the International Sustainability Standards Board (ISSB) towards developing sustainability reporting standards;
- Ms. Lyn Provost, Chair of the International Auditing and Assurance Standards Board's (IAASB) Sustainability Assurance Task Force, who provided an update on the work being undertaken by the IAASB towards developing sustainability assurance standards; and
- Mr. David Madon, Director of Sustainability, Policy & Regulatory Affairs at IFAC, who briefed the IESBA on the findings of a limited research study conducted by IFAC on independence disclosures

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<sup>1</sup> International Standard on Auditing (ISA) 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

by consulting firms which performed sustainability assurance engagements in 2021 using ISAE 3000 (Revised).<sup>2</sup>

The IESBA then approved two new projects that will deliver the following:

(a) Sustainability project:

- Profession-agnostic independence standards for use by all sustainability assurance practitioners; and
- Specific ethics provisions relevant to sustainability reporting and assurance.

(b) Experts project:

- Specific ethics and independence provisions addressing the use of experts by organizations as well as in the context of audit and assurance engagements (including sustainability assurance).

The IESBA agreed on the importance of obtaining input from a broad range of stakeholders, including sustainability assurance providers who are not professional accountants. In this regard, the IESBA agreed to conduct a series of four global roundtables to inform the development of the exposure drafts. The roundtables are planned for March and April 2023 and will cover Europe, Middle East and Africa; Asia; Oceania; and the Americas. Further details will be announced in January 2023.

In the meantime, the IESBA will also continue to coordinate its work closely with the IAASB, the ISSB, and the International Organization of Securities Commissions (IOSCO) with a view to achieving interoperable global standards for sustainability reporting and assurance.

The IESBA will discuss initial issues in the Sustainability and Experts projects at its March 2023 meeting.

## Tax Planning & Related Services

The IESBA unanimously approved for exposure two proposed new sections to the Code addressing tax planning and related services – proposed Section 280 for professional accountants in business (PAIBs) and proposed Section 380 for professional accountants in public practice (PAPPs).

The proposed provisions establish an ethical framework to guide PAIBs and PAPPs in making judgments and decisions when advising their employing organizations and clients, respectively, on tax planning or when performing related activities or providing related services. Among other matters, the proposed ethical framework articulates at a high level the role of a PA in acting in the public interest in the context of tax planning; establishes the principle of “credible basis” as a basis for recommending or otherwise advising on a tax planning arrangement; specifies a “stand-back” test to be applied in addition to determining that there is a credible basis; provides guidance on navigating the “gray zone” of uncertainty that might exist in the given circumstances; and specifies communication expectations when there is disagreement with the responsible parties within the employing organization or with the client about a proposed tax planning arrangement.

The Exposure Draft (ED) is expected to be released by the end of January 2023 with a public comment period of 90 days.

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<sup>2</sup> International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

## Technology Project

The IESBA unanimously approved the proposed technology-related revisions to the Code.

Subject to PIOB approval, the final pronouncement is expected to be released in April 2023. The ethics-related provisions will be effective as of December 15, 2024. The independence-related provisions will be effective for audits of financial statements for periods beginning on or after December 15, 2024, with early adoption permitted.

## Strategy & Work Plan 2024-2027

The IESBA discussed the first-read draft of the consultation paper for its Strategy & Work Plan (SWP) 2024-2027, taking into account feedback from the IESBA Consultative Advisory Group, the April 2022 strategy survey, and other stakeholders, as well as input from the joint IESBA-IAASB Planning Committees. As part of the SWP discussions, the IESBA also considered a report-back jointly prepared by the Technology Task Force and Technology Working Group regarding the recommendations from the Technology Working Group's Phase 2 Report that have potential Code impact. The report-back informed the IESBA's assessment of how best to address the recommendations in developing the Consultation Paper.

The IESBA agreed that its focus over the next two years should be on its new Sustainability and Experts projects. Among other matters, the IESBA also considered its proposed strategic vision and the strategic drivers, themes and actions for 2024-2027. In addition, the IESBA discussed potential other work streams to include in the proposed Work Plan 2024-2027, and the need to allow for flexibility to revisit priorities if unforeseen circumstances arise.

At its March 2023 IESBA meeting, the IESBA will consider a second-read draft of the Consultation Paper with a view to approving it for issuance.

## Technology Working Group

The IESBA supported the Technology Working Group's proposed four-pillar approach to monitoring technology developments going forward, with a planned re-evaluation in December 2023. The four-pillar approach consists of internal board education, environmental scanning, ad-hoc analysis of technology impacts on other workstreams as needed, and facilitating the implementation of the Technology Working Group's Phase 2 recommendations, including contributing to developing or facilitating the development of non-authoritative resources. In light of the reduced intensity of the monitoring work, the IESBA agreed to reconstitute the Technology Working Group as a smaller working group. Part of the new Working Group's remit will be to maintain the liaison with the [Technology Experts Group](#).

The IESBA will consider terms of reference for the reconstituted Technology Working Group at its March 2023 meeting.

## Rollout of Revised Public Interest Entity (PIE) Definition

The IESBA considered an update on the rollout activities related to the revised definition of "public interest entity" and related provisions in the Code ([IESBA PIE Revisions](#)). The rollout activities included two global panel discussions held in October 2022. As part of the rollout activities, an IESBA Staff Frequently Asked Questions (FAQs) publication is expected to be issued by the end of January 2023.

The IESBA also considered a brief update on the IAASB's narrow-scope PIE project. The IESBA agreed to hold a virtual meeting in late January 2023 to clarify the scope of the transparency requirement set out in paragraph R400.20 of the IESBA PIE Revisions. This clarification, which concerns the applicability of the transparency requirement to review engagements, will help inform the IAASB's consideration of whether revisions to its standards addressing review engagements are needed.

### Next Meetings

The next two Board meetings are scheduled for:

- January 27, 2023, to be held virtually; and
- March 13-17, 2023, to be held in a hybrid format in Abu Dhabi, United Arab Emirates (UAE).