



Public Interest Oversight Board

15th PIOB PUBLIC REPORT

ADAPTING TO A CHANGING
ENVIRONMENT

MAY 2020

In 2019 the Public Interest Oversight Board (PIOB) received financial support from the International Federation of Accountants (IFAC), the European Union (European Commission Directorate General for Financial Stability, Financial Services, and Capital Markets Union), the International Organization of Securities Commissions (IOSCO), and the Bank for International Settlements (BIS). In addition, the PIOB received an in-kind contribution from the Spanish authorities.

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Front row, from left to right: Aileen Pierce, Eddy Wymeersch (PIOB Chairman), Jane Diplock and Maria-Helena Pettersson.

Back row, from left to right: Gonzalo Ramos (PIOB Secretary General), Jules Muis, Karel Van Hulle, Karen Stothers, Shigeo Kashiwagi and Markus Grund.

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SECTION I



MESSAGE FROM THE PIOB CHAIRMAN



EDDY WYMEERSCH

Over the last 15 years, the PIOB, the Monitoring Group (MG), and IFAC have worked collaboratively to identify areas of improvement in standard setting in audit, assurance, and ethics in the public interest. Chief among these areas are strengthening the independence of the standard-setting boards (SSBs) and of the nominations process to the SSBs.

In this light, in November 2017 the [MG consulted on the document](#) addressing the process of reforms in the system of standard setting in audit, assurance, and ethics. Discussions about the structural reforms of the current standard-setting system in the field of audit and ethics materialized in exchanges of views and discussions with the MG chairs and IFAC leadership. The parties involved shared the overall objectives of the reforms, which include developing an organization where standard setting will take place on an independent basis, within a reasonable time frame, and with extensive consultation with practitioners and markets at-large. These reforms aim to improve audit quality and support robust ethics requirements within the profession. The International Forum of Independent Regulators (IFIAR) has also expressed concern about the level of audit deficiencies reported by external inspections, pointing to implementation challenges. In order to avoid circumstances of insufficient audit quality, it is important for the standards to be relevant, clear, and implemented properly.

Although significant progress has been made, organizational aspects remain that call for additional analysis and appropriate solutions. All parties concerned are aware of the crucial roles that this standard-setting mechanism and its valued characteristics play in supporting confidence in the quality of financial reporting by innumerable large and small entities, including not-for-profit and public sector bodies. Such confidence is indispensable. A weakening of confidence in the standard-setting system would disrupt the functioning of the capital markets and economies in many parts of the world and would be highly prejudicial to auditors themselves. Therefore, the parties involved are fully aware of the importance of the recent calls for audit reforms and are willing to bring them to a close in the interests of all. A stable funding system will also be necessary to ensure that the improvements can be implemented.

Over the last nine years, the PIOB has developed two consecutive strategies in [2012](#) and [2016](#), developed new communications and robust oversight processes to deliver its mandate, and established itself as a respected oversight body. These efforts would not have been possible without the support of our main stakeholders, including the financial support from IFAC, which has allowed the PIOB to contribute its best oversight efforts to many important projects, including the Auditor Report, non-compliance with laws and regulations (NOCLAR), and long association, among others.

As of 2020, the PIOB will no longer oversee the Compliance Advisory Panel (CAP), which has been replaced by the Membership Committee, nor the International Accounting Education Standards Board (IAESB), which has been replaced by the International Panel on Accounting Education (IPAE). The PIOB has expressed concern regarding these decisions, which may weaken the worldwide adoption of the audit and ethics standards, while adversely affecting the development of future auditors. The PIOB considers these changes to be neither in the interest of the beneficiaries of the activity carried out by professional accountants nor in those of the profession itself.

In 2020, my mandate as PIOB chair has come to an end, after nine years of service. It has been a privilege to work with so many stakeholders, private and public, who strive to contribute to the corporate reporting chain. It is with great pleasure that the PIOB welcomes [Linda de Beer as the new PIOB chair and Robert Buchanan as a new member](#). Both of them will bring a wealth of experience and ability to the PIOB, and I wish them great success.

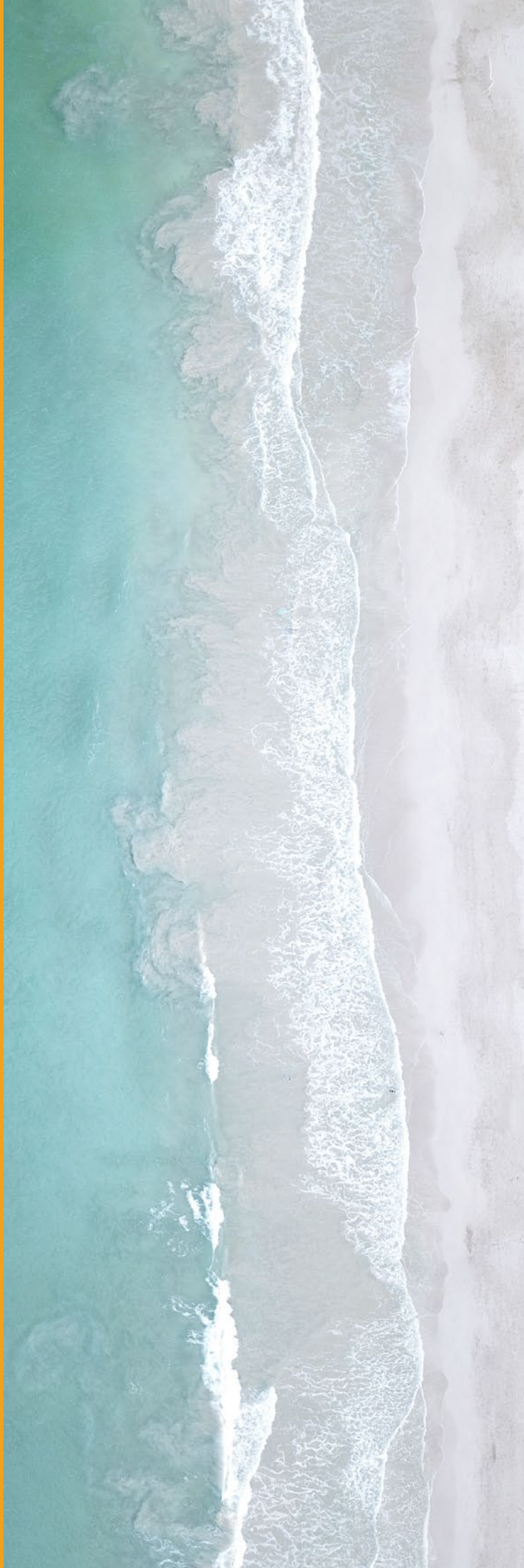
I also would like to thank Maria-Helena Pettersson for her dedication and six years of service to the PIOB and bid farewell to Susana Novoa, director of oversight, who left the PIOB after almost 12 years. Susana helped to develop the PIOB's oversight methodology, and the PIOB thanks her for her significant contribution. Claudia Deodati took over as the new director of oversight, after contributing to PIOB oversight for the past seven years.

The PIOB expresses its sincere thanks to Prof. Arnold Schilder, who successfully chaired the International Auditing and Assurance Standards Board (IAASB) for 10 years, and welcomes his successor, Tom Seidenstein, wishing him much success. The PIOB extended its sincere thanks to the alumni members of the IAESB for their efforts to complete the remaining important projects on standards and guidance and for their public interest service in the field of international education standards.

At the publication of this report, the coronavirus disease (COVID-19) has expanded widely since January 2020, and the World Health Organization has classified this viral outbreak as a pandemic since March 11, 2020. All organizations around the world will need to monitor the situation closely and be open to adapting to the health, work, and economic challenges it may pose.

Auditors will need to apply judgments on going concern situations, so the review of this standard by the IAASB is timely. The PIOB stands prepared to collaborate and adjust both internally and externally to minimize the impact of this crisis.

SECTION II



SECRETARY GENERAL REPORT

REFLECTIONS ON THE PUBLIC INTEREST



GONZALO RAMOS

The practice of external audit rests on a set of standards that define the framework of the auditor’s role and responsibility, the basis for his or her opinion, and the methodological requirements for ensuring the quality of an audit. Ethical standards require the acceptance of the high values that characterize the audit profession—chief among them, independence and professional skepticism. Both audit and ethics standards are shared internationally and fundamentally affect the audit profession.

However, the social impact of the audit function implies that audit and ethics standards affect many interests in addition to those of the profession, including those of the audited entity, preparers, investors, creditors, workers, pension funds, taxpayers, and society in general, who, ultimately, bear the loss of value caused by a failure of market confidence. These interests collectively are what is meant by the “public interest.”

The concept of public interest attracts a lot of attention, yet it is difficult to define, particularly in a global context with its wide diversity of cultures and expectations. It is often invoked by legislators, judges, overseers, the audit profession, and many others, but without an agreed definition. The public interest is not the sum of private interests, because the interests of different groups are often not aligned or are contradictory; they cannot simply be added up. How can the interests of different stakeholders be weighed, considered, and assessed to understand what constitutes the public interest?

When evaluating the public interest, value judgments are inevitable and may be different for different persons. Different views of the public interest also exist. For this reason, the PIOB makes delicate decisions about the public interest of standards in audit and ethics in a collegial manner, carefully weighing the interests and the relative impact on the interest groups affected.

What are the challenges to ensuring that audit standards as well as ethics standards for accountants are in the public interest?

The current system rests on two SSBs: the IAASB and the International Ethics Standard Board for Accountants (IESBA). For each standard, the SSB develops a project that must be in the public interest and as such is subject to international public consultation by the SSB. On the one hand, these consultation processes are open and may solicit input from stakeholders whose interests are affected by the proposed standard—that is, they aim to identify all of the interests that converge in the public interest, including those of investors, regulators, savers, and taxpayers. The challenge is that, because the audit profession is so specialized, few interest groups outside the profession have the time and resources to participate in these consultation processes. SSBs have tried to address this challenge by increasing their interactions with non-practitioner stakeholders, especially through roundtable discussions. They have also increased their outreach activities with regulators.

On the other hand, the global audit profession is actively involved in consultations through the comments of audit firms and professional associations. For example, the latest IAASB public consultation on the new [International Standard for Quality Management \(ISQM 1\)](#) attracted 100 comment letters, but only nine of these came from global regulators (which may represent a high number of jurisdictions) and overseers, one from investors, and one from analysts. The recent consultation on the [2020–2023 IAASB Strategy](#) received 45 comment letters, but none from investors’ groups and only 10 from regulators and supervisors. This general trend is evident in all public consultation processes in the fields of audit, assurance, and ethics for accountants.

Moreover, both the IAASB and the IESBA are made up of 18 members, half of them auditors in practice in audit firms and half of them split between non-practitioners and public members (at least three). Therefore, the current composition of the SSBs may not allow for balanced representation of the interests of stakeholders outside the audit profession, mainly investors but also others, who are directly affected by the standards. This challenge is partially addressed by the existence of the Consultative Advisory Groups (CAGs) to the SSBs, which are composed of the representatives of various stakeholder organizations.

Because of these structural difficulties in identifying the public interest in the development of standards in audit and assurance and in ethics for accountants, standards need to be developed by independent SSBs that work in the public interest with the benefit of independent public interest oversight. Such oversight is needed to help to ensure that other interests are taken into account. The PIOB has global representation, professional diversity, and the ability to offer insights into the various interests affected by the accounting profession. Both the SSBs and the PIOB are aware of these issues and have increased their outreach to regulators, investors, and other stakeholders.

Every five years, both the IAASB and the IESBA propose their priorities in the development of standards looking forward. These proposals reflect wide consultation and embody the public interest priorities of the SSBs. The Strategies and Work Plans must then be approved by the PIOB, which is an important step to give confidence that priorities in standard setting respond to the public interest.

The PIOB engages with the SSBs from the beginning of the project and evaluates, together with the SSB, the outcome of the consultation processes. The PIOB identifies important public interest issues — as needed, beyond those already identified by the SSB — and, if appropriate, makes suggestions to the SSBs. This process helps the SSBs to understand and respond to suggestions in the public interest so that, generally, the PIOB can confirm whether the standard is in the public interest.

During the year under review, the IAASB included in its strategy for the next four years information-gathering activities regarding both going concern and the auditor's role in detecting fraud, which the PIOB and other stakeholders had suggested during the consultation process. Audits will become increasingly valuable in the future, because they will help to identify future risks and thus provide greater security against fraud, all in the public interest.

The IAASB recently approved International Standard on Accounting (ISA) 315 (Revised), which established more robust requirements and detailed guidance on identifying and assessing risk and emphasizing professional skepticism and data analytics, which the PIOB has identified as key public interest issues.

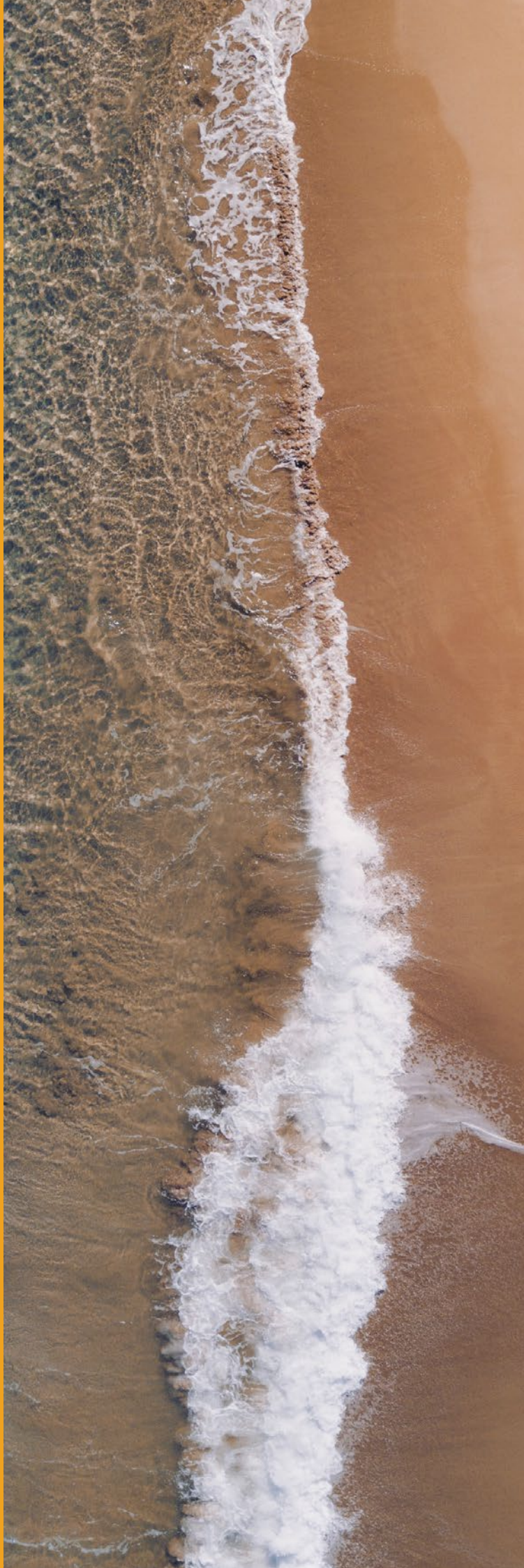
The PIOB also provided comments on the new proposed quality management standards currently under development by the IAASB to ensure higher-quality audits and reinforce the importance of professional skepticism.

[The International Code of Ethics for Professional Accountants \(the Code\)](#) issued by the IESBA is an essential tool combining fundamental principles and rules that steer professional accountants and their firms toward a business model that identifies and avoids potential ethical conflicts and threats to independence. The current practice of simultaneous provision of audit and consulting services is under extensive discussion, and the PIOB has encouraged the IESBA to widen the scope of a project on allowed and prohibited non-assurance services (NAS). In 2019 the IESBA approved for exposure to public comment an updated standard that would raise the bar on limits to offering non-assurance services to audit clients, together with another project for a new standard that would require auditors to address threats to auditors' independence created by fee-related matters (the Fees project).

These examples illustrate the critical need for a standard-setting process that results in high-quality audit and ethics standards that protect the public interest and the PIOB's oversight role as well as the SSB's commitment to this objective.

Thus, the PIOB, the IAASB, and the IESBA are working effectively together to advance the public interest.

SECTION III



PIOB FOCUS:

EXTENDED EXTERNAL REPORTING AND THE DIGITAL GAP

The length of time that it takes to develop standards for audit and ethics for accountants requires anticipating the future needs of the profession and the public interest.

Among those needs, emerging forms of information and reporting have become widespread and affect consumer and investor behavior. Audit is essential to give credibility to these forms of external reporting.

It is also critical to anticipate the impact of new technologies in audit-related standards. SSBs have been working for several years to understand the impact of technology on the practice of auditing, because technology is changing fundamental aspects of the profession.

As discussed in detail below, the PIOB has focused on these topics, raising awareness, highlighting their importance to the SSBs and other stakeholders, and ensuring that they form part of the public interest agenda of the SSBs.

EXTENDED EXTERNAL REPORTING

For several years, the PIOB has been advocating the need, in the public interest, for international guidance on the auditing of pre-financial or non-financial information.

For almost a decade, the PIOB has followed the trends in corporate reporting that have been taking place around the globe. Some global market drivers are not satisfied with complex, dated reporting methods, and a lack of a suitable set of global auditing standards to audit material becoming increasingly important and demanded by investors and other stakeholders. The PIOB has called for work on the auditing of new reporting methods.

The wider value creation model, which has evolved as the technological revolution intersects with the climate change revolution, requires a reporting system that allocates capital appropriately and drives corporate behavior to the wider goals of global financial stability and sustainability. Equally important is an auditing framework that creates confidence in this new reporting system, the integrity of the approach, and the value it reflects.

As a result, investor demand and stakeholder considerations are being matched by those of international financial institutions through the requirement of the Financial Stability Board (FSB) that financial institutions report on the disclosure of climate change risk and through the formation of the Task Force on Climate Change Financial Disclosures, which is developing guidelines for voluntary climate-centered disclosures across industries.

The International Integrated Reporting Council (IIRC), together with other organizations such as the Global Reporting Initiative (GRI) and Accounting for Sustainability (A4S), has been working around the world to encourage the integration of thinking on and reporting of financial and non-financial data by organizations. It has developed a framework to assist corporations and other entities to report in a holistic way how the business model adds value in the short, medium, and long term using and integrating both financial and non-financial data. This methodology has been adopted by more than 1,500 businesses around the world and has been endorsed by regulators, governments, and corporate governance specialists. Investors are encouraging its use. However, the lack of globally agreed definitions, including for terms such as materiality, and the lack of globally agreed auditing standards remain barriers to wider global application. To address the definitional challenge, the IIRC has established the Corporate Reporting Dialogue and commenced projects to align the various reporting initiatives, align climate change reporting, and define common principles on materiality. It is pleasing to see that the IAASB is now addressing the auditing issue.

All of these initiatives have reinforced the PIOB's call for the inclusion of work on extended external reporting (EER) in the IAASB work program, and progress is being made.

In February 2019, the IAASB consulted on a paper entitled "[Extended External Reporting Assurance](#)," which included the first part of draft guidance for practitioners applying International Standard on Assurance Engagement (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, to EER assurance engagements. This project is being run with support of the World Business Council for Sustainability. The proposed non-authoritative guidance was issued for public consultation in the first quarter of 2020.

THE DIGITAL GAP

Digital processes and devices are transforming the world. From self-driving cars to automated surgery, the digital reality is affecting all professions. With the world changing at digital speed, at the PIOB we have been challenging ourselves and others to understand the significance and potentially disruptive impacts of technology on audit and assurance with a focus on enhancing audit quality.

We are engaged in discussions with the IAASB and the IESBA regarding the impact of emerging technologies, including big data, automated judgments, blockchain, robotics process automation, artificial intelligence, analytic modeling, neural networks, data clustering, regression, and others. These technologies offer the possibility of implementing more sophisticated or smart digital audits, while artificial intelligence poses ethical challenges. Being aware of the current initiatives on technology and resource limitations, we encourage and urge the SSBs to increase the speed of action on these developments, as standards need to be up-to-date with the technological innovations that have already changed the way audits are conducted.

Large firms use a variety of technologies and automated audit procedures, yet they continue to perform certain other mandatory audit procedures solely to comply with the standards. Furthermore, some firms with more limited capabilities are continuing to apply procedures less effectively in today's complex digital environment, where client's big data and data analytics are being used as part of decision making and robots are creating accounting entries and performing internal control activities that trigger new digital risks. Legacy audit standards remain largely unchanged with regard to audit sampling, as contrasted with the use of exogenous big data and data analytics as audit evidence and the criteria for evaluating risks as well as validating the integrity of data, evaluating and testing robotics process automation (RPA) and intelligent process automation (IPA) machine learning tools, integrating digital risks in procedures performed in audits, and using these automated tools as part of the audit. The current environment is giving rise to mounting concerns in audit quality. Another critical issue is the need for different skills to identify patterns and extract features from big data analysis, to conclude and assume responsibility for the results of procedures performed by robots, and to explain how an algorithm reaches its decision.

The audit profession has been confronted with an "expectations gap" for decades, and we are now perceiving a growing digital gap as technology evolves. As this gap grows, it is becoming increasingly evident that technology is providing innovative solutions to evolving reporting needs, such as extended external reports, and the accounting profession needs to keep pace.

The new tools and concepts available, such as continuous auditing and reporting and predictive audit, present an opportunity for the audit profession to innovate by focusing on the digital real-time economy and responding to the demand for a proactive and forward-looking approach to audit.

Based on our interactions, debates, and observations, we think that a shift in audit methodologies toward the use of digital technologies is possible and capable of enhancing the quality of audit services and of better serving the public interest.

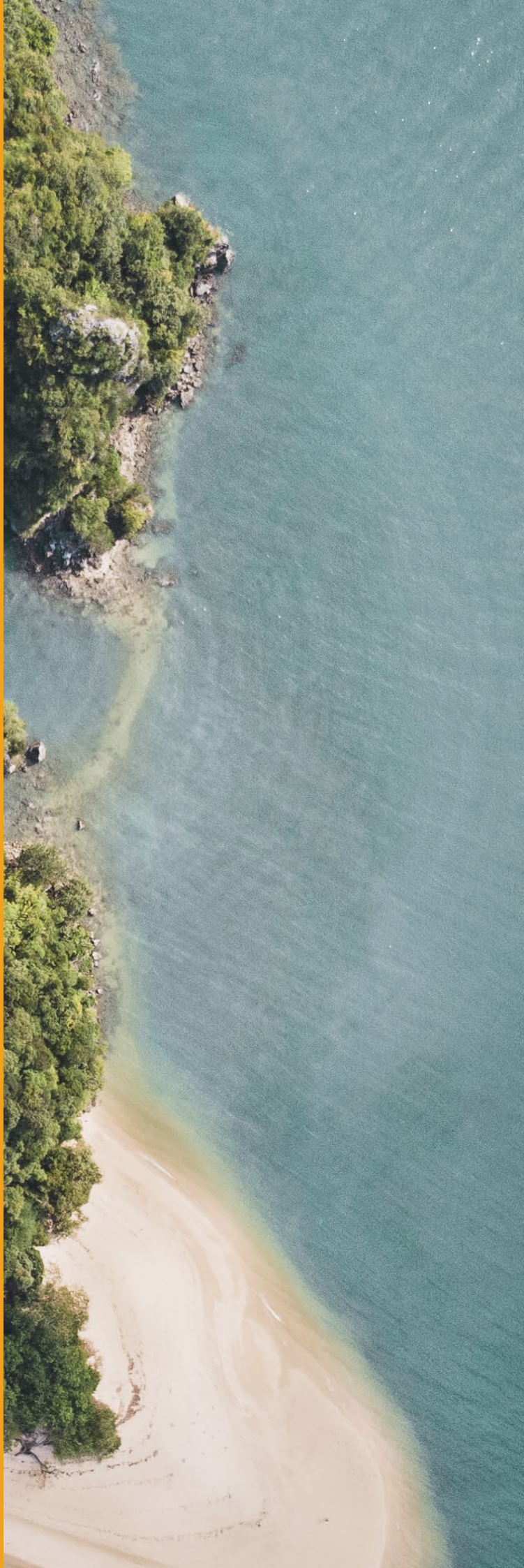
Being proactive in implementing the use of more sophisticated digital audits by external auditors would benefit the profession and the public interest. Society would benefit from having a set of standards that allow agile and technologically able providers to deliver extended assurance e-products.

The digital gap has the potential to damage the reputation and value of the assurance function over financial reporting. However, the PIOB remains optimistic that standard setters, regulators, audit firms, and users have an extraordinary opportunity to interact and reverse the digital gap by taking an enhanced approach to a digital smart audit.

In collaboration with the Rutgers Business School, the PIOB is stimulating experimentation and thinking on the contribution of technology through a project focused on identifying the dimensions of the concept of the public interest through data mining.

We look forward to the response of the profession and the SSBs to this new reality and to the actions they will take to advance the digital audit.

SECTION IV



PIOB OVERSIGHT IN 2019

OVERVIEW

In 2019 the PIOB oversaw the activity and observed the meetings of the IAASB, the IESBA, the IAESB, and their CAGs as well as those of the IFAC Nominating Committee and the CAP.

The PIOB oversees the standards developed by the SSBs and monitors the progress of the projects and initiatives undertaken by them, which are included in their Strategies and Work Plans. The oversight activity includes reviewing the exposure drafts and their evolution, the comment letters submitted by respondents, and all of the documentation prepared by the SSBs for each meeting.

Documentation and communication of public interest issues for the main IAASB and IESBA projects evolved throughout the year as the SSBs developed their projects. The combination of communicating these issues to the SSBs on a quarterly basis, publishing them on the PIOB website, and monitoring how the SSBs address the issues raised during the development of standards has strengthened the PIOB's oversight activity.

The IAESB ceased its activity in August 2019, and the CAP's mandate was terminated at the end of the year. IFAC implemented a new approach to accountancy education, which included the formation of the IPAE to provide advice to IFAC on its strategy related to accountancy education. In addition, the CAP was replaced with a Membership Committee. Neither the IPAE nor the Membership Committee is subject to PIOB oversight.

The PIOB observed 100% of the meetings of the IAASB, IESBA, and their CAGs, the Nominating Committee, and the CAP during 2019. It also observed some IAESB meetings as that board concluded its activities.

PIOB APPROVALS AND OBSERVATIONS

The standards or other documents approved by the PIOB in 2019 are shown in table 1.

Table 1. PIOB Approvals in 2019

SSB	STANDARD
IESBA	2019-2023 Strategy and Work Plan
IAESB	IES 2, Initial Professional Development - Technical Competence (Revised)
IAESB	IES 3, Initial Professional Development - Professional Skills (Revised)
IAESB	IES 4, Initial Professional Development - Professional Values, Ethics, and Attitudes (Revised)
IAESB	IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)
IAASB	ISA 315 (Revised) - Identifying and Assessing the Risks of Material Misstatement
IESBA	Revisions to Part 4B of the Code to Reflect Terms and Concepts used in ISAE 3000 (Revised)

Table 2 presents the number of observations conducted by the PIOB in 2019 for all SSBs, CAGs, the Nominating Committee, and the CAP compared to the number of meetings held. Out of the 19 physical meetings held in 2019, the PIOB observed 18 (1 IAESB meeting was not observed, 16 meetings were observed through direct observation and 2 were observed through remote observation).

Table 2. Number of Planned and Actual PIOB Observations in 2019

	TOTAL ALL SSBs, CAGs, CAP AND NOM COM			
	2019 OVERSIGHT PLAN		2019 ACTUAL OBSERVATIONS	
	NR.	%	NR.	%
Meetings	19		18	
of which:				
Direct Observations	19	100%	16	89%
Remote Observations	0	0%	2	11%
Teleconferences	12	100%	12	100%

OVERSIGHT OF THE NOMINATING COMMITTEE IN 2019

The IFAC Nominating Committee conducted the nominations cycle for 15 open positions advertised in the Call for Nominations 2020, which resulted in eight reappointments and seven new appointments (three at IAASB, two at IESBA, and two at the Nominating Committee).

The PIOB Board approved, in September 2019, the appointments and reappointments recommended by the IFAC Nominating Committee for 2020.

The IESBA chair was reappointed by the IFAC Nominating Committee for a one-year renewable term. The IAASB chair was selected by the interim Nominating Committee⁽¹⁾, and the PIOB approved the selection.

As the IAESB and the CAP were discontinued in 2019, no selection process was needed for new members in 2020.

Through the observer designated to oversee the nominations cycle, the PIOB attended the Nominating Committee meetings, made suggestions, and offered recommendations. Those recommendations were identified through a review of documents made available for the Nominating Committee meetings, as well as the discussions held at the Nominating Committee meetings.

The PIOB suggested, among others, that having a greater dispersion of “grades” when rating the candidates interviewed would be useful in deliberating toward a decision. It also noted the need to articulate the skills and experience gaps on the relevant committees and SSBs and the need to improve or clarify some areas of the Call for Nominations, noting some contradictions in the text.

The PIOB’s recommendations and IFAC’s response are summarized in table 3.

(1) In 2018 an interim Nominating Committee was set up with the mandate to select the new IAASB chair. The interim committee consisted of an independent chair (appointed by the MG), two IFAC nominees, two PIOB nominees, and two observers: the IFAC president and the PIOB chair.

Table 3. Recommendations Made to the Nominating Committee in 2019

PIOB'S RECOMMENDATION	IFAC'S RESPONSE
<p>LACK OF CLARITY BETWEEN CATEGORIES OF MEMBERS</p> <p>The PIOB reiterated the lack of clarity between the two categories of non-practitioners and public members. This distinction has been put aside because of the MG reform process, which foresees a multiple-stakeholder composition of the SSBs.</p>	<p>The key differentiating criteria for public members is “to clearly represent and be seen to represent the broad public interest”. Traditionally, these positions are filled by public servants, auditor generals, lawyers, etc. There is a natural overlap between public members and non-practitioners as public members essentially are non-practitioners. For example, there could be two members with professional classification as “Academic” and one is designated as a public member and another as a non-practitioner. The Nominating Committee carefully reviews candidates’ background (i.e. education, experience, past and current occupation, public service, etc.) to determine whether a particular candidate qualifies for public member or non-practitioner category.</p> <p>The Nominating Committee agreed to review the public member definition to consider whether it could be further clarified and enhanced, but this was deferred due to the MG reforms.</p>
<p>CATEGORIES OF MEMBERS AT SSBs IN THE CALL FOR NOMINATIONS</p> <p>The Call for Nominations refers to the three categories of members: practitioners, non-practitioners, and public members.</p> <p>The PIOB acknowledges that, for public members and non-practitioners, the Call for Nominations brings in institutional investors and nominees from regulatory bodies.</p> <p>There is a possibility that the composition of the SSBs will be different in forthcoming reforms (for example, changes in the size, categories, number of practitioners, and categories of users and regulators), which could affect the terms of the current appointments.</p>	<p>The Calls for Nominations for 2021 were significantly enhanced in terms of content and design to ensure key information could be easily accessed and therefore the Calls are more attractive to the general public and other underrepresented stakeholder groups. For the first time, the Nominating Committee issued two calls—<i>Call for Nominations for IAASB</i>, and <i>Call for Nominations for IESBA</i>. Each call included new and updated information, including a section on desired qualifications that were specified for each category of membership: public member, non-practitioner, and practitioner.</p> <p>The calls also included a section about MG reforms to apprise potential candidates of possible future changes to the governance and structure of the SSBs that may affect members’ terms of service.</p>
<p>ROBUSTNESS AND TRANSPARENCY OF DISCIPLINARY ACTIONS AGAINST SSBs OR IFAC COMMITTEE MEMBERS</p> <p>Some consideration should be given, in terms of robustness and transparency of processes, to disciplinary actions on the part of a professional accountancy organization against an SSB or IFAC committee member or candidate.</p> <p>Candidates and members must inform the Nominating Committee of any changes affecting their independence or any disciplinary actions taken during their term. The date when the information or declaration is collected or updated must be clearly stated.</p> <p>Some mechanism should be foreseen in case disciplinary actions are known or taken after the member starts his or her term. The PIOB should be informed about this decision or outcome.</p>	<p>With regard to disciplinary actions, the Nominating Committee has several provisions as follows:</p> <ul style="list-style-type: none"> (i) For potential candidates, there are three questions in the nominations form related to a candidate’s disciplinary actions, including any past disciplinary actions, current investigations, and awareness of any complaints (ii) For current members, there are two types of independence declarations—one signed by a member and one signed by a nominating organization, if any—that require a candidate / nominating organization to inform the Nominating Committee as soon as reasonably possible of any disciplinary actions (iii) The Nominating Committee has a procedure in place for considering disciplinary actions, including different provisions and consideration with regard to current members, current members applying for the second term of service, and candidates seeking appointment. <p>In November 2019, the IFAC Board approved a newly developed Code of Conduct that was adopted by the SSBs in December. All volunteers are required to sign the Code of Conduct, effective January 1, 2020. This would further strengthen volunteers’ understanding of expectations and requirements, including their obligation to inform the Nominating Committee of any disciplinary actions concerning them.</p>

PIOB'S RECOMMENDATION	IFAC'S RESPONSE
<p>THRESHOLDS IN THE TRAVEL SUPPORT PROGRAM</p> <p>The PIOB again recommended eliminating the thresholds that members should incur before IFAC can support their travel expenses (\$500 and \$1,500 for self-nominees and other SSB and IFAC committee members, respectively). The PIOB believes that the thresholds may still be a deterrent to participation.</p> <p>The Call for Nominations is not sufficiently clear in communicating that the SSBs have their own funds to cover all expenses for public members and that non-practitioner and practitioner members may have access to IFAC's Travel Support Program.</p>	<p>Based on feedback from the PIOB, the Nominating Committee recommended and the IFAC Board approved that the annual contribution of \$500 should be eliminated for all self-nominees. Starting January 1, 2020 all self-nominees (i.e. continuing and new members) are fully covered under the IFAC Travel Support program. This change was made to encourage more nominations from the general public. In addition to the IFAC Travel Support Program, SSBs provide travel support to public members who do not have a nominating organization or means for support.</p> <p>Different types of support available to the general public were clarified and emphasized in the Calls for Nominations for IAASB and IESBA in 2021 (issued in November 2019), and also included in various alerts and advertisements.</p>

Table 4. PIOB Observations of the Nominating Committee in 2019

NOMINATING COMMITTEE		
28–29 March	New York (remote observation)	Aileen Pierce
9–10 May	New York	Aileen Pierce
10–11 June	New York	Aileen Pierce
24 October	Teleconference	Aileen Pierce

STANDARD-SETTING BOARDS AND CAGS

OVERLAPPING TOPICS BETWEEN THE IAASB AND IESBA PROJECTS

The IAASB and the IESBA have addressed some topics independently, and issues arising from these parallel efforts have led to formal coordination between the two boards over the past two years. Some topics that are being addressed within the coordination effort arise from projects that have already started, and some are under consideration for future initiatives.

An example of overlap between the ISAs and the Code of Ethics that prompted greater coordination is where standards use the same terms, but the underlying concepts are not exactly the same or vice versa. The ISAs and the Code should be aligned between the two boards to ensure consistency in the application of standards.

Other topics are new and need to be developed by both boards, with full awareness of the other board's perspective. The main projects affected relate to Quality Management Standards, ISA 600 (Group Audits), alignment of Part 4B in the Code with ISAE 3000 (Revised), fees, NAS, professional skepticism (Role and Mind-set), definitions of the terms "listed entity" and "public interest entity" (PIE), and technology.

QUALITY MANAGEMENT STANDARDS

ISQM 1 (quality management at the audit-firm level) brought attention to the definition of PIEs, in contrast to the concept of “significant public interest entities” used in the early draft of the standard. The Code defines PIEs. Coordination aims to align the definitions of PIEs and listed entities used by the two boards. The definitions are important because they determine the application of various audit and ethics standards, and the implications are far-reaching throughout much of the Code and the ISAs. The IESBA has taken the lead and approved a project proposal for defining PIEs.

ISQM 2, a new standard under development, that deals with engagement quality reviews (EQRs), raised the issue of whether the objectivity of an engagement quality reviewer would be enhanced by a cooling-off period: the time that should elapse before an engagement partner can become an engagement quality reviewer. The discussion has focused on whether a cooling-off requirement should be placed in ISQM 2 and how the Code could explain the application of the conceptual framework when addressing threats to the fundamental principle of objectivity for an engagement quality reviewer. Compliance with this principle may prove challenging in cases where the engagement partner becomes the engagement quality reviewer.

With ISA 220 (quality management at the audit engagement level), the proposed revised definition of “engagement team” has also raised the issue of potential unintended consequences regarding the application of the independence requirements in the Code to component auditors outside the audit firm’s network.

GROUP AUDITS

The definition of “engagement team” also affects ISA 600 (group audits), and the compliance of component auditors with ethical requirements at the group level. For group audits, the proposed definition of engagement team includes component auditors, which implies that component auditors are subject to the independence requirements established in the Code.

ALIGNMENT OF PART 4B OF THE CODE WITH ISAE 3000 (REVISED)

The IESBA completed the restructuring of the Code with the revisions of Part 4B to align it with ISAE 3000 (Revised). The project aimed to achieve consistency in the terms and concepts used by the Code and ISAE 3000. The definition of “assurance client” and its application have an impact on the independence required for practitioners performing engagements other than audit engagements (for example, “assurance client” includes the responsible party in a direct engagement and the party taking responsibility for the subject matter information in an attestation engagement).

FEES

On fees, the IESBA initially considered introducing a requirement to disclose fees in the audit report. The approach to this disclosure was later reconsidered. Coordination with the IAASB, and the relevant provisions in the audit standard for audit reports, is taking place, as any new requirement should be reflected in the ISAs as well.

NON-ASSURANCE SERVICES

NAS introduces the requirement for the practitioner to communicate with “those charged with governance” (TCWG). The same provisions are included in the Fees project. The ISAs need to reflect those aspects fully.

PROFESSIONAL SKEPTICISM/ROLE AND MIND-SET

Professional skepticism is an open item that needs to be considered further. It appears in the IAASB Strategy and Work Plan as well as in projects currently developed by the IESBA (role and mind-set).

DEFINITION OF LISTED ENTITY AND PIE

The project is reviewing the definitions of listed entity and PIE in the Code of Ethics, with a key objective being to achieve convergence between concepts in the Code of Ethics and the ISAs.

TECHNOLOGY

Technology is a workstream in both SSBs.

OVERSIGHT OF THE IAASB AND THE IAASB CAG

The IAASB finalized ISA 315 (Revised) in 2019. The revision aimed to establish more robust requirements and detailed guidance on performing risk assessment procedures, taking into account the size and nature of the entity. The PIOB raised various public interest issues during the development of the standard, including the need to address the impact and risk of technology for identifying and assessing risk, strengthening professional skepticism, and integrating scalability considerations in the requirements rather than in the application material.

The final standard was restructured, achieving, overall, more clarity in the requirements. Further, the application material included several provisions addressing technology, with references to automated tools and techniques, and placed stronger emphasis on professional skepticism. Scalability paragraphs were signposted separately in the standard, as were considerations for “Less Complex Entities” (LCEs); they were placed in the application material, providing illustrative examples of how scalability applies. The PIOB approved ISA 315 (Revised) in November 2019.

Following the PIOB’s recommendation, International Standard on Related Services (ISRS) 4400 (Revised), Agreed Upon Procedures (AUP) engagements, which the IAASB approved in December 2019, clarified the use of professional judgment and independence in an AUP engagement as distinct from an assurance engagement and required the use of professional judgment throughout all stages of an AUP engagement. The PIOB also stressed the need for transparency, which was strengthened through the disclosure of compliance with independence requirements or lack of independence requirements to comply with (when not required) by the practitioner performing an AUP engagement. ISRS 4400 (Revised) was submitted for the PIOB’s approval in March 2020.

The 2020–2023 Strategy and 2020–2021 Work Plan were approved by the IAASB in December 2019 and were submitted for the PIOB’s approval in March 2020. The PIOB stressed the importance of including projects such as data analytics and technology, going concern, and fraud because of their strong impact on the public interest. The PIOB is pleased to see that the IAASB took account of these comments in the final Strategy and Work Plan.

The PIOB raised concerns regarding the need to prioritize projects and identify resources to be allocated to each project in the Strategy and Work Plan to determine whether they are sufficient. The redrafted text does not provide detailed information on resources and does not address whether they are sufficient. The PIOB will closely follow up on the progress of the projects and the relevant allocation of resources.

The IAASB published the exposure drafts of the three quality management standards (ISQM 1, ISQM 2, and ISA 220) and discussed, in the last two quarters of the year, the comment letters received.

On ISQM 1 (quality management at the firm level), the PIOB stressed the importance of stating clearly that a quality management system should focus on producing high-quality audits rather than only on verifying compliance with professional standards. The audit firms' business model should not interfere with audit quality, and the PIOB recommended that the IAASB should include within ISQM 1 consideration of the governance structure of the firm, adherence to ethical requirements by audit firm management, and the incentive structure of partners and staff. The PIOB also recommended coordination with the IESBA to consider the complexity and scalability of the standard and to include information on quality management, deficiencies, and remediation measures in transparency reports.

On ISQM 2 (engagement quality reviews (EQRs)), the PIOB recommended that EQRs be extended to all PIEs, that requirements for EQR performance be strengthened, and that reviews comply with the Code on the overlapping ethical requirements (auditor independence, objectivity, EQRs, and cooling-off period of the engagement quality reviewer).

On ISA 220 (quality management at the audit engagement level), the PIOB suggested that the public interest and ethical standards should be an important objective of a quality management system.

The IAASB furthered its work on the EER project, which aims to provide non-authoritative guidance to practitioners who perform assurance engagements in accordance with ISAE 3000 (Revised) on different types of extended external reporting (financial and non-financial information). Public consultation on the proposed guidance was approved by the IAASB in December 2019 and was published in the first quarter of 2020.

The IAASB has been working on ISA 600, dealing with group audits, and approved an exposure draft in the first quarter of 2020.

The IAASB published a discussion paper on LCEs, conducted an IFAC survey concurrently with the consultation, and organized a roundtable in Paris attended by the PIOB. The feedback obtained from these three initiatives was discussed, and the IAASB agreed on the publication of a feedback statement in December 2019.

The IAASB discusses overlapping issues with the IESBA, and coordination between the two SSBs continues to take place.

Table 5. PIOB Observations of IAASB and IAASB CAG Meetings in 2019

IAASB		
22 January	Teleconference	Karen Stothers
31 January	Teleconference	Karen Stothers
11–15 March	Toronto	Karen Stothers
10 April	Teleconference	Karen Stothers
17–21 June	New York	Karel Van Hulle
1 August	Teleconference	Markus Grund
27 August	Teleconference	Markus Grund
16–20 September	New York	Markus Grund
7 November	Teleconference	Karen Stothers
9–13 December	New York	Karel Van Hulle

IAASB CAG		
5–6 March	New York	Maria Helena Pettersson
10–11 September	New York	Maria Helena Pettersson

[The public interest issues](#) and recommendations raised or reiterated by the PIOB during the year, communicated to the IAASB and CAG chairs, and outstanding as of March 2020 are listed in table 6. Some of these issues may have been raised in previous years and, as standards have not been finalized yet, may be still relevant.

Table 6. Public Interest Issues Raised and PIOB Recommendation on the IAASB Projects in 2019

PUBLIC INTEREST ISSUES	IAASB/IAASB CAG DIRECTION as of March 2020
ISQM 1 – QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS	
<p>THE OBJECTIVE OF A QUALITY MANAGEMENT SYSTEM SHOULD FOCUS ON HIGH QUALITY AUDITS</p> <p>The standard should state clearly that the objective is to produce high-quality audits. The PIOB welcomes the redrafting of the objective but continues to encourage the IAASB to be clear that the objective of a quality management system is to ensure audit quality, not just compliance with standards.</p>	<p>IAASB deliberations on ISQM 1 are in progress.</p> <p>Given that the standard deals with systems of quality management relevant to the performance of all engagements under the IAASB Engagement Standards and the importance of the objective being measurable, ISQM 1 does not focus on financial statement audit quality only.</p> <p>Nevertheless, the IAASB continues to progress ways the introduction and guidance material of the standard can better emphasize the linkage between the objective of the standard and quality engagements.</p>
<p>THE FIRM’S BUSINESS MODEL SHOULD NOT INTERFERE WITH AUDIT QUALITY</p> <p>The firm’s business model should promote audit quality, not interfere with it. The business model should include the governance structure of the firm, adherence to ethical requirements by the firm’s management and by auditors, the incentive structure of partners and staff, and the auditor’s accountability.</p> <p>When NAS are delivered in the context of an audit, the standard should consider the impact of all of these factors on audit quality.</p>	<p>IAASB deliberations on ISQM 1 are in progress.</p> <p>The IAASB continue to progress requirements that support quality holistically. The firm’s strategic decisions, actions and business model has been proposed as part of the factors the firm shall consider in identifying and assessing quality risks in relation to the specified quality objectives for every component in the system of quality management. In addition, application material is proposed that explains the need to integrate a quality culture and policies or procedures into the firm’s operational activities and processes with the purpose of actively managing quality.</p>
<p>COORDINATION BETWEEN THE IAASB AND THE IESBA ON ETHICAL REQUIREMENTS</p> <p>The IAASB should continue coordinating with the IESBA on aspects related to ethical requirements. The PIOB welcomes coordination between the IAASB and the IESBA on topics overlapping with the Code of Ethics (for example, ethical requirements, auditor independence, and engagement quality control reviews).</p>	<p>Support noted. IAASB and IESBA continue to place high priority to their joint efforts and are coordinating on multiple efforts.</p>
<p>NETWORKS NEED TO BE BETTER ADDRESSED</p> <p>ISQM 1 needs to address networks better. Investors and those who use audit services from a global “branded firm” should receive uniform quality from that brand.</p> <p>At the network level, ISQM 1 should contemplate coordinating all of those aspects that affect the audit quality of that brand. The standard has improved, but quality management systems should also be set at the network level with a focus on internal inspections and quality control monitoring.</p>	<p>IAASB deliberations on ISQM 1 are in progress. The IAASB believes ISQM 1 needs to be operational, practical, and consistent with legal and regulatory requirements. ISQM 1 therefore should continue to set requirements at the firm level. However, the IAASB will consider how best to strengthen and introduce requirements that seek to have a positive effect on behavior at the network level and across firms that belong to the same network.</p>

PUBLIC INTEREST ISSUES	IAASB/IAASB CAG DIRECTION as of March 2020
<p>TRANSPARENCY REPORTS SHOULD BE REQUIRED IN ISQM1</p> <p>ISQM 1 should require audit firms to publish transparency reports.</p> <p>Communicating externally insights into the firm’s quality management systems is in the public interest. The minimum content of transparency reports should be indicated in the standard and should include the firm’s corporate governance structure, relative audit and non-audit professional services and related fees, remuneration schemes and incentives for partners, and a description of firms’ quality management system, deficiencies of the system, and measures taken to correct them.</p>	<p>IAASB deliberations on ISQM 1 are in progress. A key consideration for the IAASB will be establishing firm communication requirements in a principles-based manner in order for the standard to be appropriately inclusive of different types of communication with external parties and remain future proof (i.e. being informative about, and supporting external parties’ understanding of the firm’s system of quality management).</p>
<p>COMPLEXITY AND SCALABILITY OF THE STANDARD SHOULD BE ADDRESSED</p> <p>The length and complexity of the standard are major concerns, as they may impede the ability of smaller firms to implement the standard.</p> <p>Scalability needs to be addressed as well, and guidance may be provided for smaller firms.</p>	<p>IAASB deliberations on ISQM are in progress. The IAASB will consider a full range of avenues, including structural changes to the standard and streamlined drafting, to address complexity and enhance the scalability of the standard.</p>
ISQM 2 – ENGAGEMENT QUALITY REVIEWS	
<p>ENGAGEMENT QUALITY REVIEWS SHOULD BE REQUIRED FOR ALL PIEs</p> <p>Engagement quality reviews should be required for all PIEs.</p> <p>The initial proposal by the IAASB to require EQRs for “significant public interest” entities, such as banks, insurance companies, and pension funds, was withdrawn.</p> <p>The current proposals include in the scope: listed entities, EQRs required by law or regulations, EQRs when appropriate.</p> <p>The PIOB recommends using the PIE concept to ensure consistency with the Code of Ethics.</p>	<p>IAASB deliberations on ISQM 2 are in progress. The Board will consider proposals for requirements for determining which engagements should be subject to EQR, including more robust considerations for firms in determining when an EQR is an appropriate response to assessed quality risks. This is in addition to an EQR being required for audits of financial statements of listed entities, and for audits or other engagements as required by law or regulation.</p> <p>IESBA has commenced a project to revisit the PIE definition, in which members of the IAASB will participate for purposes of coordination. The IAASB will consider the need and appropriateness of changes to its standards as the IESBA project progresses.</p>
<p>COORDINATION WITH THE IESBA ON ASPECTS RELATED TO ETHICAL REQUIREMENTS</p> <p>The PIOB welcomes and supports the ongoing coordination between the IAASB and the IESBA on topics overlapping with the Code of Ethics — for example, auditor independence, objectivity, engagement quality control reviews [EQCRs], and cooling-off period for engagement quality control reviewers.</p>	<p>Support noted. Coordination between IAASB and IESBA continues to be prioritized.</p>
<p>REQUIREMENTS FOR EQR PERFORMANCE SHOULD BE STRENGTHENED</p> <p>According to IFIAR’s inspections report in 2018, one of the most important findings on quality relates to the “insufficient depth/extent of engagement quality reviews.”</p> <p>EQRs should be performed as the audit is being performed (“continuous quality control through the audit”), not at the end of the audit or after the auditor’s report has been issued.</p> <p>The PIOB acknowledges the current IAASB proposals to review the audit documentation at appropriate points in time, throughout all stages of the engagement, and on or before the date of the engagement report.</p>	<p>Support noted.</p>

PUBLIC INTEREST ISSUES	IAASB/IAASB CAG DIRECTION as of March 2020
ISA 220 – QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS	
<p>THE OBJECTIVE OF A QUALITY MANAGEMENT SYSTEM SHOULD FOCUS ON AUDIT QUALITY</p> <p>The standard should state clearly that the objective of the quality management system is to produce high quality audits.</p> <p>The PIOB acknowledges that the current proposals explicitly address the engagement partner’s responsibility to act in the public interest when performing audit engagements, however the objective of the standard continues to be compliance oriented (with professional standards and regulatory requirements).</p>	Support noted.
<p>ENGAGEMENT PARTNER’S RESPONSIBILITIES</p> <p>The engagement partner needs to be satisfied not only that the firm’s policies and procedures are in compliance, but also that applicable rules and regulations have been followed. If necessary, the engagement may need to be discontinued.</p> <p>The PIOB acknowledges that the current proposals make a reference to the applicable legal and relevant ethical requirements, as well as the possibility to withdraw from the engagement.</p>	Support noted.
PROFESSIONAL SKEPTICISM	
<p>STRENGTHENING PROFESSIONAL SKEPTICISM IN THE ISAS</p> <p>At the time of the “Invitation to Comment,” the PIOB recommended that the IAASB pay attention to professional skepticism because it relates to going concern, auditor independence, and management bias.</p> <p>The PIOB welcomes placing greater focus on professional skepticism across the projects currently or recently developed by the IAASB, such as ISA 540, the three quality management standards, ISA 315, and extended external reporting. The PIOB highlights the need to consider how auditors should document professional skepticism and encourages the IAASB to strengthen the notion of professional skepticism throughout the standards.</p>	Support noted.
2020-2023 STRATEGY AND 2020-2021 WORK PLAN	
<p>PROJECTS TO BE INCLUDED IN THE STRATEGY AND WORK PLAN</p> <p>The 2020–2023 Strategy and 2020–2021 Work Plan should include projects with a strong public interest impact: data analytics and technology, going concern, fraud, and consideration of the audit firm business model in the ISAs.</p> <p>The PIOB acknowledges that some of these topics, such as fraud, going concern, data analytics, and technology, are listed in the draft Strategy and Work Plan as “information-gathering” activities.</p> <p>The Strategy and Work Plan need to be clearer on how the IAASB will address going concern and fraud within the time frame of the Strategy.</p> <p>Technology is a current workstream that aims to produce non-authoritative guidance on the impact that technology and automated tools have on ISAs.</p>	The IAASB’s Strategy and Work Plan now recognizes more explicitly that the topics have strong public interest impact. Dedicated workstreams for both topics are included in the Work Plan, with timelines and expected levels of activity. The Work Plan gives clear prioritization to work on fraud and going concern and recognizes their strong public interest impact. The Work Plan also includes a work stream on technology, as noted.

PUBLIC INTEREST ISSUES	IAASB/IAASB CAG DIRECTION as of March 2020
<p>BROADER CONSULTATION ON THE STRATEGY</p> <p>Consultation on the Strategy needs to be broadened. The PIOB welcomes the outreach efforts of the IAASB to solicit responses from a broad range of stakeholders.</p>	<p>Support noted.</p>
<p>IDENTIFICATION AND PRIORITIZATION OF RESOURCES TO EXECUTE THE STRATEGY AND WORK PLAN</p> <p>The IAASB's agenda includes a large number of important projects, with ambitious and tight timelines. It would be helpful, in the Strategy and Work Plan document, to prioritize projects and the resources allocated for each project and to determine whether they are sufficient.</p> <p>The IAASB added a paragraph in the draft Strategy and Work Plan (under the section "Managing Delivery of the Strategy and Work Plan") explaining, with general criteria, how the IAASB determines its new activities and priorities, including the role of resources. However, the paragraph does not provide detailed information and does not address whether the available resources are sufficient.</p>	<p>As the scoping of forward projects is completed, the IAASB will be in a position to assess the resources required and decide on how resources will be deployed to achieve the IAASB's strategic objectives and Work Plan commitments.</p> <p>The Work Plan document indicates that the Work Plan for 2020–2021 has been developed taking into account existing staff resources and expected Board capacity and assumes full utilization of current resources.</p>
ISA 600 – GROUP AUDITS	
<p>IMPORTANCE OF GROUP AUDITS</p> <p>Group audits affect the most systematically important entities, so the project could better document the public interest issues that it intends to address.</p> <p>The IAASB has clarified which key public interest issues are addressed in the project (for example, encouraging quality management at the engagement level, fostering an independent and skeptical mind-set of the auditor, and reinforcing the communication during the audit between the group engagement team and the component auditors).</p>	<p>Support noted.</p>
<p>COOPERATION BETWEEN THE GROUP AUDITOR AND THE COMPONENT AUDITORS</p> <p>The standards should make clear that close cooperation between the group auditor and the component auditors is required throughout the audit.</p> <p>Documentation should address the interaction between the group auditor and the component auditors.</p>	<p>The IAASB has introduced material in the proposed standard that further clarifies the role that component auditors play in the risk-based approach and the communications between the group engagement team and component auditors. The proposals also include documentation requirements addressing interactions between the group and component auditors.</p>
EXTENDED EXTERNAL REPORTING (EER)	
<p>SOCIETAL IMPACT OF EER</p> <p>It is important for the public to understand the IAASB's work on EER, as EER has a very strong impact on groups that work for environmental, social, and governance improvements.</p> <p>The task force should try to make the exposure draft understandable for these stakeholders to ensure that their important input is obtained. Additionally, the exposure draft needs to clarify what is possible to achieve in terms of providing assurance.</p>	<p>Point noted. The explanatory material accompanying the public consultation document highlights the relevance of EER to users' information needs.</p> <p>The IAASB has substantively enhanced the clarity, understandability, and usefulness of the material in preparing the proposed non-authoritative guidance.</p>

PUBLIC INTEREST ISSUES	IAASB/IAASB CAG DIRECTION as of March 2020
LESS COMPLEX ENTITIES (LCEs)	
<p>SCALABILITY OF STANDARDS FOR LCEs</p> <p>The PIOB welcomes the IAASB initiative to explore the needs and concerns of LCEs and others. The LCE project needs to deal with calls from small and medium enterprises on scalability and, at the same time, ensure that assurance is not weakened.</p>	<p>Support noted. The IAASB agrees in principle with the need to balance these objectives. The IAASB is continuing its deliberations on a priority basis.</p>
AUDIT EVIDENCE AND TECHNOLOGY	
<p>IMPORTANCE OF TECHNOLOGY</p> <p>Technology deserves deeper consideration. Standards should be revisited to reflect the impact of technology on the audit profession. Given the pace of change, a lengthy project is not in the public interest. Non-authoritative guidance could be considered as a solution for a timely response.</p>	<p>Separate workstream plans have been developed for audit evidence and technology and are being advanced as part of IAASB's 2020 Work Plan. The technology workstream is focused on the shorter term and aims to develop non-authoritative material that addresses the effect of technology when applying certain aspects of the ISAs.</p>
ISRS 4400 (REVISED) – AGREED UPON PROCEDURES (AUP)	
<p>CLARIFYING AND APPLYING THE CONCEPT OF PROFESSIONAL JUDGMENT IN AN AUP</p> <p>It would be helpful to explain more clearly the extent to which professional judgment is applied when performing an AUP versus an assurance engagement.</p> <p>The IAASB has drafted a text explaining the difference between an assurance engagement and an AUP.</p> <p>The initial proposal to exclude professional judgment in the execution of an AUP was withdrawn in the final text. As recommended, the final standard requires applying professional judgment throughout all stages of an AUP.</p>	<p>Support noted.</p>
<p>TRANSPARENCY IN DISCLOSING THE NON-INDEPENDENCE OF THE PRACTITIONER</p> <p>The AUP requires the practitioner to be objective but not independent.</p> <p>For transparency purposes, whenever independence is not required, it would be beneficial to disclose whether the practitioner is independent or not.</p> <p>The final text requires the practitioner to disclose independence or lack of independence.</p>	<p>Support noted.</p>

OVERSIGHT OF THE IESBA AND THE IESBA CAG

The IESBA finalized the “Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised),” which completed the restructuring of the Code of Ethics. The Part 4B revisions were approved by the PIOB in November 2019. Part 4B deals with the independence requirements for assurance engagements other than audit and review engagements. Revisions to Part 4B included changes related to the distinction between different types of assurance engagements (attestation versus direct engagements); identification of the parties in an assurance engagement and their roles and responsibilities; independence requirements; definitions in the glossary (for example, assurance client, assurance engagement, responsible party, subject matter information).

The IESBA continued to work on the NAS and Fees projects. At the December 2019 meeting, it approved the two exposure drafts, which were published in January 2020. The PIOB had recommended a significant revision of NAS to address independence issues and suggested improving communications with TCWG.

The most significant changes introduced in the NAS provisions are a prohibition on providing NAS to audit clients that are PIEs if a self-review threat will be created “in relation to the audit of financial statements on which the firm will express an opinion,” stricter requirements regarding the provision of certain NAS, communication to TCWG, and a requirement of preapproval of NAS by TCWG in the case of audit clients that are PIEs. The PIOB had raised these issues.

The PIOB also had recommended considering the impact of fees on audit quality and the auditor’s independence. The IESBA introduced new provisions regarding fees: a requirement to communicate fees to TCWG and a requirement to disclose fee-related information publicly as well as the possibility to end the engagement if the total fees from a PIE audit client exceed a certain threshold for five consecutive years.

The initial proposals also made reference to ISQM 1, proposing a requirement to determine the sufficiency and appropriateness of resources assigned to the engagement. Such references were withdrawn from the proposed revised Section 410 to avoid duplication with proposed ISQM 1. Instead, the exposure draft approved in December 2019 recognizes that unduly low or unduly high fees can affect the level of the self-interest threat and might create an intimidation threat to independence. The IESBA therefore proposed in Section 410 the inclusion of factors relevant to the evaluation of threats as well as examples of actions that might be safeguards.

For both the NAS and Fees projects, the definitions of PIEs and listed entities are crucial, as they determine the categories of entities subject to stricter provisions in the Code. The IESBA included this project in its 2019–2023 Strategy and Work Plan and approved a project proposal in December 2019. The PIOB welcomes the current coordination with the IAASB to ensure consistency in the terms used.

Completion of the NAS and Fees projects is expected at the end of 2020. The revised provisions should be applied in the context of the revised definition of PIE once that project is completed.

The IESBA published the exposure draft of the “Role and Mind-set Expected of Professional Accountants” provisions (R&M), formerly professional skepticism, which proposes requiring all professional accountants to exercise professional judgment, with an “inquiring mind.” The PIOB had supported the idea that a minimum level of professional skepticism, or other suitable term, should be applied by all professional accountants. The IESBA considered highlights of comments to the exposure draft at the December 2019 meeting. Further discussion took place in the first quarter of 2020, with the aim being to approve the final provisions in June 2020.

As a consequence of the feedback received by the IAASB on ISQM 2 and the coordination between the two SSBs, the IESBA initiated a project on the objectivity of engagement quality reviewers to address potential self-review or self-interest threats, among others, when an engagement partner becomes an engagement quality reviewer. The issues of the cooling-off period and the provisions to include this period either in the Code of Ethics or in ISQM 2 have been discussed and coordinated between the two SSBs. In December 2019, the IESBA approved the project proposal and its exposure draft, which adds application material in the conceptual framework of the Code to describe threats that might be created in different circumstances in which an individual is appointed as an engagement quality reviewer and how to evaluate and address those threats. This exposure draft had a 45-day comment period.

The Tax Planning Initiative will conclude its fact-finding activity, and the Working Group’s report will determine what kind of actions the IESBA will take.

Phase 2 of the E-Code will be finalized in 2020.

The IESBA continues to discuss overlapping issues with the IAASB, and coordination between the two SSBs is ongoing.

Table 7. PIOB Observations of IESBA and IESBA CAG Meetings in 2019

IESBA		
11–13 March	New York	Jane Diplock
17–20 June	Nashville	Jane Diplock
16–19 September	New York	Jules Muis
3–6 December	New York	Jane Diplock

IESBA CAG		
4 March	New York	Maria Helena Pettersson
9 September	New York	Maria Helena Pettersson
19 December	Teleconference	Claudia Deodati

[The public interest issues](#) and recommendations raised or reiterated by the PIOB during the year, communicated to the IESBA and CAG chairs, and outstanding as of March 2020 are listed in table 8. Some of these issues may have been raised in previous years and, as standards have not been finalized yet, may be still relevant.

Table 8. Public Interest Issues and PIOB Recommendations on the IESBA Projects in 2019

PUBLIC INTEREST ISSUES	IESBA/IESBA CAG DIRECTION
NON-ASSURANCE SERVICES (NAS)	
<p>SIGNIFICANT REVISION OF THE PROVISION OF NAS EXPECTED</p> <p>The PIOB expects a significant revision of the provision of NAS, ultimately addressing independence issues.</p> <p>The PIOB welcomes the current IESBA proposals to prohibit firms and network firms from providing NAS to audit clients that are PIEs “if a self-review threat will be created in relation to the audit of the financial statements on which the firm will express an opinion.”</p> <p>The PIOB also welcomes the prohibition for audit firms to provide certain NAS, such as bookkeeping and accounting services, to audit clients that are PIEs, “when the results of the services create a self-review threat that affects the accounting records or the financial statements on which the firm will express an opinion.” Exceptions are no longer allowed.</p> <p>The requirement for audit firms to obtain agreement from TCWG before providing NAS to audit clients that are PIEs is responsive to PIOB’s suggestions.</p>	Support noted.

PUBLIC INTEREST ISSUES	IESBA/IESBA CAG DIRECTION
<p>PROVISIONS ON TAX SERVICES, WITHIN NAS, SHOULD BE REVIEWED</p> <p>Provisions on tax services, within NAS, should be reviewed. The initial proposals, within the NAS provisions, set the bar too low in allowing tax services.</p> <p>The PIOB requested a revision of the text in R604.4, which could have unintended consequences and be read as promoting aggressive tax planning rather than reasonable conservatism as expected from the audit profession.</p> <p>The IESBA revised and enhanced the text.</p>	Support noted.
FEE-RELATED MATTERS	
<p>POTENTIAL IMPACT OF FEE LEVELS AND THEIR SIGNIFICANCE FOR AUDITOR INDEPENDENCE</p> <p>As shown in several studies, the share of revenue from consulting services is increasing in relation to audit, encouraging accountancy firms to devote fewer and lower-quality resources to audit activities. The relative level of fees in audit and in consulting, as well as overall revenues, should be considered from the perspective of ensuring high-quality audits.</p> <p>For audit clients that are PIEs, the PIOB acknowledges the requirement for audit firms to communicate fees to TCWG and to disclose related-fee information publicly.</p> <p>On fee dependency from a client, the proposed changes require firms to disclose to TCWG whether the total fees from a PIE audit client exceed the threshold of 15% of the total fees received by the audit firm. The PIOB notes the possibility of ending the audit engagement if the total fees from a PIE audit client exceed the threshold of 15% for five consecutive years.</p>	Support noted.
PROMOTING THE ROLE AND MIND-SET EXPECTED OF PROFESSIONAL ACCOUNTANTS (R&M – FORMERLY PROFESSIONAL SKEPTICISM)	
<p>APPLICABILITY OF A MINIMUM LEVEL OF PROFESSIONAL SKEPTICISM OR OTHER SUITABLE TERM</p> <p>PIOB supports the idea that all professional accountants should apply a minimum level of professional skepticism (or other suitable term, such as “critical mind-set”).</p> <p>The PIOB welcomes the current proposals in the exposure draft, including the applicability of professional judgment to all professional accountants, the requirement to exercise professional judgment “with an inquiring mind,” and the creation of application material on the threat of “automation bias” and on the importance of firm “culture” with a reference to ISQM 1.</p> <p>The PIOB encourages the IESBA to not weaken the requirements regarding responsibility of PAs to act in the public interest.</p>	Support noted.

PUBLIC INTEREST ISSUES	IESBA/IESBA CAG DIRECTION
AUDIT FIRMS' BUSINESS MODEL	
<p>AUDIT FIRMS' BUSINESS MODEL MAY BE A BARRIER TO AUDITOR INDEPENDENCE AND AUDIT QUALITY</p> <p>The audit firms' business model may be a barrier to auditor independence, and audit quality. The audit firm business model can be seen as a barrier to independence, to the effective implementation of professional skepticism, and audit quality.</p> <p>The current approach in the NAS and Fees projects does not challenge the concept of multidisciplinary audit firms.</p> <p>Recognizing that the business model is a complex issue and that ethical issues are just one aspect of it, the PIOB recommends considering this issue while advancing other projects (NAS, Fees). Continued coordination with the IAASB and other stakeholders is encouraged to identify ways to address the topic.</p>	<p>This topic will continue to be kept in consideration while the IESBA advances its projects. It is a relevant contextual element as the IESBA promulgates enhancements to the Code.</p> <p>The proposals in the NAS and Fees exposure drafts are a concrete step forward in mitigating some of the concerns associated with the audit firms' business model.</p> <p>The topic of business model involves a number of other significant aspects beyond ethics, and the Code alone cannot respond to the business model issue effectively. The IESBA will continue its coordination efforts with the IAASB; however, a multi-stakeholder discussion is needed and there must be strong regulatory participation.</p>
TECHNOLOGY	
<p>ETHICAL IMPLICATIONS OF ARTIFICIAL INTELLIGENCE</p> <p>As a consequence of the increased use of technology by larger firms and the lack of guidance, it is in the public interest for the IESBA to develop guidance and create a framework for evaluating ethical issues and biases when the firms use automation and artificial intelligence to perform audit procedures.</p> <p>The PIOB appreciates the consideration given by the IESBA to developing guidance on ethical issues when audit firms use technology to address the relevant issues.</p>	<p>Support noted.</p>
DEFINITIONS OF PIES AND LISTED ENTITIES	
<p>IMPORTANCE OF THE DEFINITIONS OF PIE AND LISTED ENTITIES AND COORDINATION WITH THE IAASB</p> <p>The definitions of PIE and listed entities is crucial to determine the categories of entities that are subject to stricter provisions in the Code. It affects important projects such as NAS and Fees.</p> <p>Coordination with the IAASB is sought, to align the ISAs with the Code of Ethics and apply the two sets of standards consistently.</p> <p>The definitions of PIE and listed entities should include all entities with a public interest impact on society (financial institutions, listed companies, significant utility companies), as well as those defined as PIES and listed entities by national regulators in their own jurisdictions, to ensure the global applicability of the Code of Ethics. Consideration should be given to any other entities that could pose a threat to financial stability.</p>	<p>Points noted.</p>

OVERSIGHT OF THE IAESB AND THE IAESB CAG

In the first half of 2019, the IAESB finalized its revision of International Education Standards (IES) 2, 3, 4, and 8. The four IESs were revised to adapt their learning outcomes to strengthen the information and communication technologies and professional skepticism aspects.

Revised and new learning outcomes on information and communication technologies were designed to focus on the skills and behaviors required by accounting professionals to enable them to provide high-quality services in the digital age. Revisions include greater emphasis on:

- Use, interpretation, and communication of data and information through the appropriate use of technologies
- Modernization of concepts included within the IESs
- Ability of professional accountants to adapt and apply their skills and behaviors to take advantage of advances in information and communication technologies.

The revisions include placing more emphasis on professional skepticism. IES 4 clarifies that, although professional skepticism is defined specifically in the context of audit and assurance engagements, “the attitudes, skills, and behaviors that contribute to professional skepticism are relevant to all aspiring professional accountants regardless of their future role as a professional accountant.”

In IES 8, more emphasis is placed on professional skepticism. Among the learning outcomes of the engagement partner, professional skepticism needs to be exercised throughout the audit process. Moreover, the engagement partner needs to promote professional skepticism among the engagement team.

The IAESB was terminated in August 2019. The PIOB no longer has an oversight mandate for international education standards. A CAG is not contemplated in the new IFAC education model. The PIOB expressed concern that education is very important to maintain confidence in the audit and believes that the decision to remove PIOB oversight should be revisited.

The PIOB also expressed concern regarding IFAC’s decision to terminate the IAESB. In particular, the PIOB has concerns about the perceived legitimacy of IFAC overseeing accountancy education, given that accountancy education will not have independent external oversight of its governance, processes, or outputs. Moreover, questions regarding the authority of existing IESs and any new standards that may emerge remain to be addressed.

Table 9. PIOB Observations of IAESB and IAESB CAG in 2019

IAESB		
9–11 April	Bali (remote observation)	Claudia Deodati, Rocío Goudie
6 June	Teleconference	Gonzalo Ramos
24–26 June	Toronto	Karen Stothers
IAESB CAG		
8–9 April	Bali	Not observed
30 May	Teleconference	Karen Stothers

OVERSIGHT OF THE CAP

The CAP completed its mandate in 2019, focusing on supporting professional accountancy organizations and their work, enhancing the action plans and dashboard reports, and disseminating information on the adoption and implementation of international standards.

In January 2020, the CAP was replaced by IFAC's Membership Committee. The Membership Committee will provide advice on membership admissions and enforcement matters. The adoption and implementation of international standards will be under the supervision of IFAC management and will no longer be subject to a system of formal external and independent scrutiny.

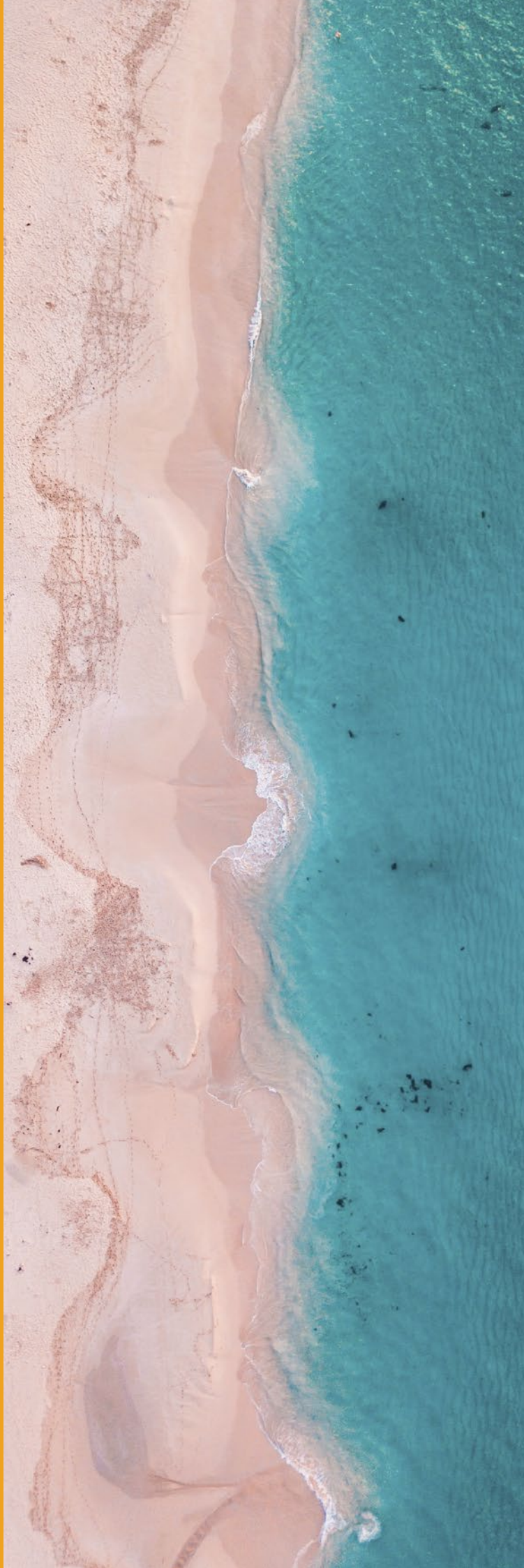
On the global status report, dealing with the adoption of standards, the PIOB urged consistency in the definition of categories and suggested developing further metrics, such as, for example, GDP or market capitalization, to show the statistics of jurisdictions adopting the standards.

The PIOB has repeatedly expressed concern regarding IFAC's decision to replace the CAP with the Membership Committee. This decision carries a risk of having a negative impact on the global adoption and implementation of standards, which may ultimately result in fragmentation.

Table 10. PIOB Observations of CAP Meetings in 2019

CAP		
8–9 April	Virtual meeting	Markus Grund
12 July	New York	Jules Muis
15 October	Virtual meeting	Jules Muis

SECTION V



PIOB OUTREACH IN 2019

The PIOB's communications policy is geared toward developing bonds with its stakeholders and exploring ways to add value by increasing their confidence in independent oversight to ensure that the audit and ethics standards issued by the SSBs are in the public interest.

Over the past years, the PIOB has focused on making its oversight activities and processes more transparent and accountable to the public. As part of the current process of reforms, the PIOB is committed to responding to stakeholders' demands for greater transparency.

This year, the PIOB's public engagements included discussing current projects with different stakeholder groups. In March 2019, for example, the PIOB attended the IFIAR Standards Coordination Working Group meeting in London, where it presented a summary of public interest issues identified by the PIOB. In November 2019, the PIOB met with the Committee of European Auditing Oversight Bodies (CEAOB) to discuss some of the issues raised in its comment letters on IAASB and IESBA projects. During the meeting with CEOAB, the PIOB had an opportunity to explain in detail its oversight methodology for identifying public interest issues and held an open discussion to understand CEOAB's point of view.

During 2019, the PIOB continued to consolidate its communications to stakeholders and to enhance transparency by publishing on its website public interest issues on projects under development and quarterly updates that now provide more insight into the private PIOB discussions carried out at board meetings. PIOB also published its [14th Public Report in 2019](#).

In 2019 significant progress was made on setting standards in the audit-related field; all of the parties involved in the reforms made progress on strengthening the governance and oversight of the audit-related SSBs in the public interest. The current reform process, which the MG consulted on two years ago, affects the whole standard-setting structure, including the PIOB and the SSBs. This process requires close engagement with its main stakeholders to ensure that public interest oversight of standard setting in audit and ethics will continue to be a key element in any new structure that may emerge as a consequence of this process of reform.

The PIOB reached out to other organizations, such as the International Financial Reporting Standards (IFRS) Foundation, to understand alternative models in standard setting for accountants.

The SSBs (IAASB, IESBA, and IAESB until July 2019) make up a key stakeholder group for the PIOB. PIOB observers attend meetings of the SSBs and communicate the public interest concerns identified through the review of comment letters, environmental scanning, and interaction with the SSBs. The SSB, CAG chairs, and, at times, task force chairs attend the PIOB quarterly meetings and report to the PIOB on the status of their projects. These regular meetings offer the opportunity to highlight and discuss public interest issues and to deepen the PIOB's understanding of standard-setting challenges.

The MG and its individual members, who represent prudential regulators of financial institutions and security regulatory bodies, constitute another key stakeholder group for the PIOB. Both the MG and the individual MG members provide the regulatory views that are part of the process of standard setting. Also, the PIOB is accountable to the MG as established in the IFAC reform document of 2003.

The PIOB intensified its engagement with key stakeholders in the reform process, including representatives of the profession. The effort sought to support the MG reform process in a practicable and effective way and to bring about constructive change that strengthens the accountability of all parties involved in global standard setting related to auditing.

The PIOB reaches out on an ongoing basis to organizations and individuals from all stakeholder groups (SSBs and the MG) to gain further insight into stakeholder needs and concerns pertaining to the public interest in standard setting. The PIOB puts in place a yearly outreach program (table 11) to meet with interested stakeholders, including those that make up the broader public and those that are underrepresented in the current standard-setting system, such as investors, creditors, regulators, users, and others.

During 2019, the PIOB had several opportunities to engage with the Institute of Chartered Accountants in England and Wales (ICAEW), both through attendance at ICAEW events and in private meetings. Martin Manuzi, ICAEW regional director Europe, presented the ICAEW's first educational film, *False Assurance*, for PIOB staff in January and co-hosted a private video screening of its second educational film, *Without Question*, in September. The audience included the SSB and CAG chairs, the full PIOB board, and partners of the Big Four firms in Spain.

The PIOB continued to deepen its understanding of two key areas related to the public interest: technology in audit and reporting of non-financial information (please refer to section 3). The PIOB has met with the IIRC and the Accounting for Sustainability Project for six consecutive years to share insights on how these trends affect the profession and the world today.

In addition, a joint project between the PIOB, IFAC, and the Rutgers Accounting Research Center was launched in August 2019 to identify the dimensions of the concept of the public interest through data mining.

As the PIOB approaches its 15th anniversary in 2020, it will continue to focus on its mandate of overseeing the public interest in standard setting and pay close attention to the outcome of the current reform process.

Table 11. PIOB 2019 Outreach Calendar

2019			
JANUARY			
8	Teleconference	MG, PIOB feedback on consultation	Gonzalo Ramos
29	Brussels	European Commission (Alain Deckers, Rogier Wezenbeek)	Eddy Wymeersch
30	Madrid	IOSCO C1	Eddy Wymeersch, Gonzalo Ramos
31	Madrid	ICAEW (Martin Manuzi)	PIOB staff
FEBRUARY			
7	London	MG, Global Public Policy Committee, IFAC, and PIOB	Gonzalo Ramos
28 February – 1 March	New York	IFAC Board	Shigeo Kashiwagi
MARCH			
21	Washington, DC (by teleconference)	MG	Eddy Wymeersch, Gonzalo Ramos
26	London	IFRS Foundation	Gonzalo Ramos, Claudia Deodati, Renzo Lari
26	London	IFIAR Standards Coordination Working Group	Gonzalo Ramos, Claudia Deodati, Renzo Lari
28–29	Madrid	PIOB Technical Committee	All

2019

2019			
APRIL			
4	Madrid	IIRC	Gonzalo Ramos
11–12	Malta	Accountancy Profession Strategic Forum 2019	Aileen Pierce
18	Amsterdam	MG	Eddy Wymeersch, Gonzalo Ramos
30 April – 2 May	Rhodes, Greece	IFIAR plenary	Gonzalo Ramos, Claudia Deodati
MAY			
24	Zurich	Meeting with IFIAR chair	Eddy Wymeersch, Gonzalo Ramos
31	Madrid	Master’s program in accounting, auditing, and capital markets (MACAM) conference, Autonomous University of Madrid	Gonzalo Ramos
JUNE			
6–7	New York	IFAC Board	Aileen Pierce
6–7	Toronto	Financial Stability Board audit quality roundtable	Jules Muis
18	New York	Meeting with IFAC CEO	Eddy Wymeersch, Gonzalo Ramos
20	Madrid	IOSCO/Program on International Financial Systems, Harvard Law School Global Certificate Program	Gonzalo Ramos
27–28	Madrid	PIOB Technical Committee	All
29–30	Basel	BIS Annual General Meeting	Shigeo Kashiwagi
SEPTEMBER			
5–6	New York	IFAC Board	Jules Muis
26–27	Madrid	PIOB Technical Committee	All
OCTOBER			
16	Brussels	MG	Eddy Wymeersch, Karel Van Hulle, Gonzalo Ramos
29	Madrid	Meeting with MG co-chair Sagar Teotia	Eddy Wymeersch, Gonzalo Ramos

2019

NOVEMBER			
8–9	New York	47 th World Continuous Auditing and Reporting Symposium	Maria Helena Pettersson
13–14	Vancouver	IFAC Council	Karen Stothers
15	Vancouver	IFAC Board	Karen Stothers
18	Bucharest	CEAOB International Auditing Standards subgroup	Gonzalo Ramos, Claudia Deodati
25–26	Madrid	PIOB Technical Committee	All
DECEMBER			
2	Washington, DC	MG	Eddy Wymeersch, Gonzalo Ramos
4–5	Washington, DC	Public Company Accounting Oversight Board (PCAOB), International Institute on Audit Regulation	Eddy Wymeersch, Gonzalo Ramos
11–12	London	Accounting for Sustainability Forum	Gonzalo Ramos
19	Madrid	PwC Spain annual meeting	Gonzalo Ramos

SECTION VI



PIOB FUNDING AND SUMMARY OF FINANCIAL STATEMENTS

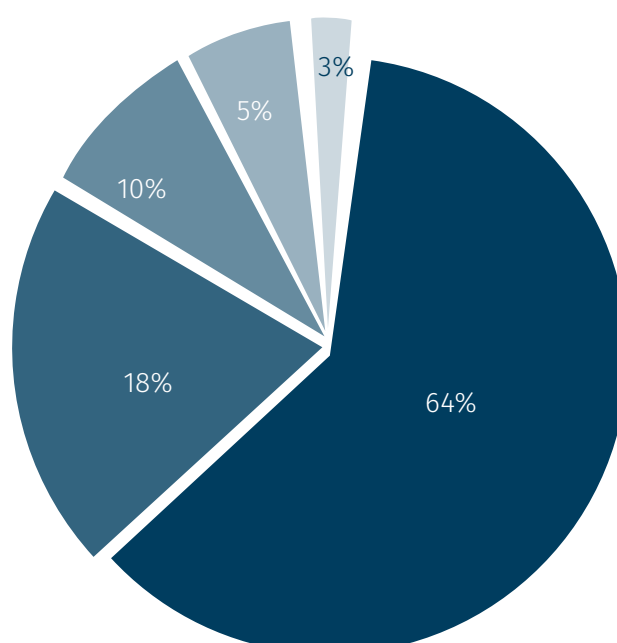
PIOB BUDGET DIVERSIFICATION

In 2012, the PIOB conducted a fundraising exercise in close coordination with the MG and IFAC. As a result, in 2013, 2014, 2015, 2016, 2017, 2018 and 2019, the PIOB achieved a diversified funding base that includes sources other than IFAC. In 2019, the PIOB received monetary contributions that amounted 1,669,028 euros and an in-kind contribution from the Spanish authorities that amounted to 189,318 euros.

- International Federation of Accountants: 1,201,028 euros.
- European Commission: 338,000 euros.
- In-kind contribution from Spanish authorities: 189,318 euros.
- International Organization of Securities Commission: 100,000 euros.
- Bank for International Settlements: 30,000 euros.

2019 CONTRIBUTIONS

- International Federation of Accountants (IFAC) (64%)
- European Commission (EC) (18%)
- In-kind contribution from Spanish Government (10%)
- International Organization of Securities Commission (IOSCO) (5%)
- Bank for International Settlements (BIS) (3%)



SUMMARY OF FINANCIAL STATEMENTS

PIOB Foundation (1,2) Summary Statement of Financial Performance

	2019	2018
TOTAL REVENUE (3)	1,858,346	1.825.620
EXPENSES		
Board-related operating costs		
Oversight Program	674,949	813,174
Communication and External Relations Program	208,976	181,747
Monitoring Group and Monitoring Group members	173,688	172,437
Foundation Board Meetings	124,690	141,896
Other ongoing operating costs	565,132	438,432
TOTAL EXPENSES	1,747,435	1,747,686
Surplus	110,911	77,934

(1) The PIOB operates as a Technical Committee of its Spanish not-for-profit foundation, La Fundación Public Interest Oversight Board (“the PIOB Foundation”).

(2) In addition to local regulatory responsibilities, the PIOB Foundation is operationally and financially accountable to the Monitoring Group.

This accountability includes the presentation of periodic operating reports, the PIOB’s annual Public Reports, the PIOB Foundation yearly audited financial statements, and an annual budget for the Monitoring Group’s review and approval.

(3) PIOB total monetary revenues for 2019 were contributed by the International Federation of Accountants (IFAC) in the amount of 1,201,028 Euros, the European Commission (EC) in the amount of 338,000 Euros, International Organization of Securities Commissions (IOSCO) in the amount of 100,000 Euros and Bank for International Settlements (BIS) in the amount of 30,000 Euros (*).

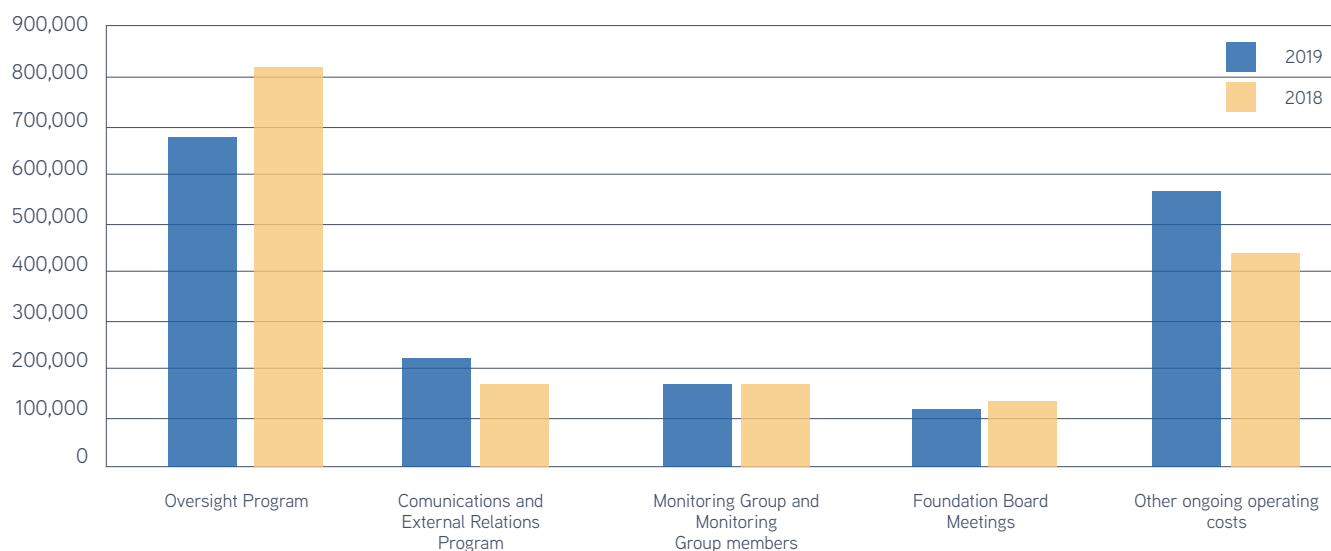
In addition, at 31 December 2018, the PIOB voluntarily decided to record in its financial statements the right of use of its premises located in Oquendo 12, Madrid. The right of use represents a non-monetary revenue of 189,318 euros in 2019 and 2018.

The PIOB Foundation’s auditor, Deloitte S.L., delivered an unqualified opinion on the complete financial statements of the Foundation.

The full version of these statements and the auditor’s report are available separately on the [PIOB website](#).

(*) In 2019, provided through FSB, BCBS and IAIS

PIOB EXPENSES BY ACTIVITY



ANNEX I



ANNEX I - PIOB BOARD IN 2019

MR. EDDY WYMEERSCH, PIOB CHAIRMAN



Former member of the board of Euroclear SA and of the Association for the Financial Markets in Europe; former chair of the Committee of European Securities Regulators (2007–2010) and of the European Regional Committee of IOSCO, in that capacity also taking part in the Executive Committee and the Technical Committee (2006–2010); former chair of the Belgian Commission Bancaire, Financière et des Assurances (chief executive in 2001–2007 and chair of the supervisory board in 2007–2010); and member of Swiss FINMA (2012). Professor at the University of Ghent.

PIOB MEMBERS

MS. JANE DIPLOCK, AO



Chair, Executive Committee of IOSCO and chair of the New Zealand Securities Commission, (2004–2011); chair of the Abu Dhabi Regulatory Committee, Abu Dhabi Global Market; director of the Singapore Exchange Limited; director of the Australian Financial Services Group Pty Limited; chair of the Governance and Nominations Committee of the IIRC Board; former director of the IIRC Board, former member of the International Advisory Board Securities and Exchange Board of India; and member of the International Advisory Committee, China Securities Regulatory Commission.

MR. MARKUS GRUND, CFA



Joined the German Federal Financial Supervisory Authority (BaFin) in 2003. Since January 2013, chair of the IAIS Accounting and Auditing Working Group. Until 2016, represented the IAIS within the IFRS Advisory Council. Since 2016, represents BaFin within the advisory body of Germany's Auditor Oversight Body. Internationally, has served as a member within IOSCO's Committee on Issuer Accounting, Audit, and Disclosure; European Banking Authority's SCARA; and the European Securities and Markets Authority's Corporate Reporting Committee; current member of the Basel Accounting Expert Group.

MR. SHIGEO KASHIWAGI



Held several decision-making positions during a 34-year career in the Japanese Ministry of Finance in addition to gaining wide experience with international financial institutions, in particular, with the International Monetary Fund and the Asian Development Bank. After retiring from the government, a full-time professor at Keio University for nine years and a board member in several private companies.

MR. JULES MUIS



Former director general and chief internal auditor of the European Commission (2001–2004) and vice president and controller of the World Bank (1995–2000); prior to 1995, held senior client and practice management positions at Ernst and Young, serving as executive partner of its European operations (1992–1994); former president of NIVRA, the Dutch Institute of Registered Accountants (1991).

MS. MARIA-HELENA PETTERSSON

Initially joined the auditing profession as a trainee auditor at Ernst and Whinney (1981–1983); held an executive position at Preformed Line Products in São Paulo (1983–1985); rejoined the auditing profession as a senior auditor at PwC Brazil (1985–1988); was audit manager at PwC Sweden (1989–1991); audit partner at Ernst and Young Brazil (1991–2012); consultant and independent board member (2012–present); and vice president of the Brazilian National Association of Accountants and Management Professionals.

DR. AILEEN PIERCE

Emeritus professor of University College Dublin (UCD), Ireland. Chair of the IAESB CAG (2012–2015) and European Accounting Association (EAA) representative on the CAG (2008–2014). Director of the UCD Quinn School of Business (2007–2010), president of the EAA (2009–2011), and chair of the Irish Accounting and Finance Association (2004–2005). Currently a member of the Board of Trustees for Enactus Ireland, national treasurer and member of the governing body (Ard Chomhairle) of the Camogie Association (an Irish female sports organization), and a member of the Financial Management Committee of the Gaelic Athletics Association.

MS. KAREN STOTHERS

Senior director of the Office of the Superintendent of Financial Institutions (OSFI) in Canada, with responsibility for improving the audit quality in Canada for banks and insurers as well as for improving data and technology. Previously, was head of accounting, auditing, and public disclosure prudential requirements for federally regulated financial institutions and responsible for OSFI's international positions with the Basel Committee on Banking Supervision (BCBS) Accounting Experts Group and the IAIS Accounting and Auditing Working Group.

MR. KAREL VAN HULLE

Associate professor of business and economics at the Katholieke Universiteit (KU) Leuven, honorary professor at the economics faculty of the Goethe University in Frankfurt, and member of the board of the Bermuda Monetary Authority. Until March 2013, head of unit at the European Commission, with subsequent responsibilities for accounting, auditing, company law, insurance, and pensions.

MR. GONZALO RAMOS, PIOB SECRETARY GENERAL

Former chair of the External Audit Committee of the International Monetary Fund; former executive director of the European Bank for Reconstruction and Development; former chair of the Financial and Operations Committee; and former vice chair of the Audit Committee. Former director general of international finance for the Spanish Ministry of Economy and Finance.

PIOB STAFF

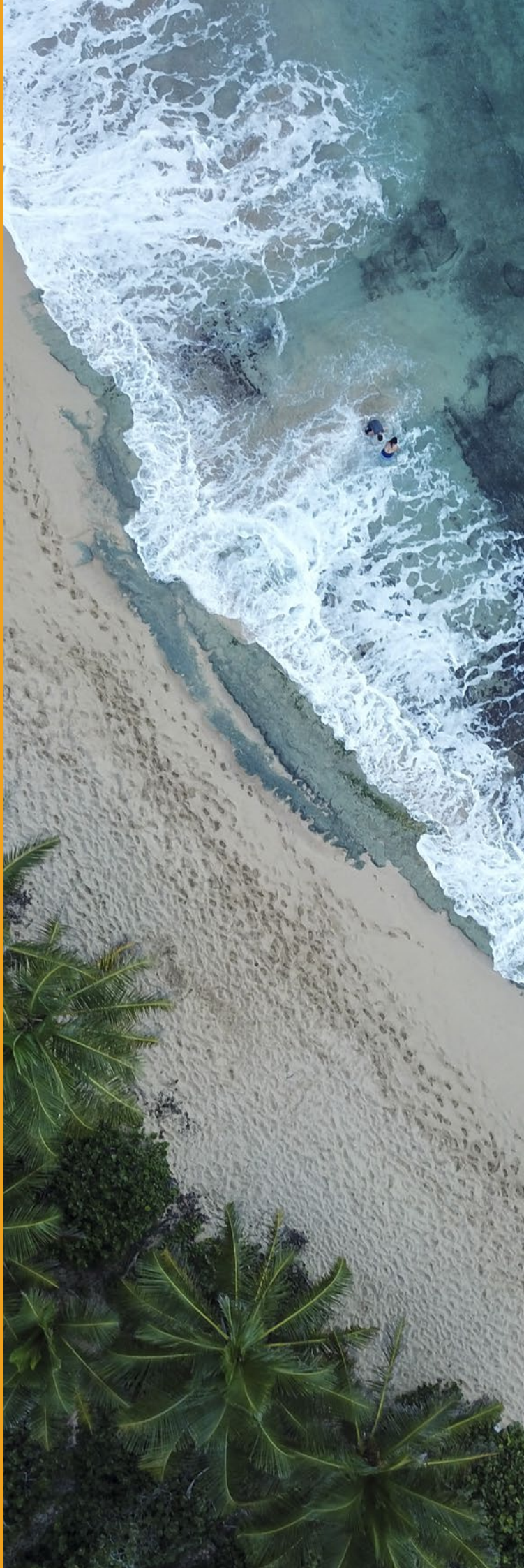
Claudia Deodati, director of oversight

Rocío Goudie, communications and external relations advisor

Heather Erickson, executive assistant

Renzo Lari, financial controller

ANNEX II



ANNEX II - LIST OF ACRONYMS

A4S - Accounting for Sustainability (A4S)	IIRC - International Integrated Reporting Council
AUP - Agreed upon procedures	IOSCO - International Organization of Securities Commissions
BaFin - German Federal Financial Supervisory Authority	IPA - Intelligent process automation
BCBS - Basel Committee on Banking Supervision	IPAE - International Panel on Accounting Education
BIS - Bank for International Settlements	ISA - International Standard on Auditing
CAG - Consultative Advisory Group	ISAE - International Standard on Assurance Engagement
CAP - Compliance Advisory Panel	ISQC - International Standard on Quality Control
CEAOB - Committee of European Auditing Oversight Bodies	ISQM - International Standard for Quality Management
EAA - European Accounting Association	ISRS - International Standard on Related Services
EER - Extended external reporting	KU - Katholieke Universiteit
EQCR - Engagement quality control review	LCE - Less complex entity
EQR - Engagement quality review	MACAM - Master's program in accounting, auditing, and capital markets, Autonomous University of Madrid
FSB - Financial Stability Board	MG - Monitoring Group
GRI - Global Reporting Initiative	NAS - Non-assurance services
IAASB - International Auditing and Assurance Standards Board	NOCLAR - Non-compliance with laws and regulations
IAESB - International Accounting Education Standards Board	OSFI - Office of the Superintendent of Financial Institutions
IAIS - International Association of Insurance Supervisors	PCAOB - Public Company Accounting Oversight Board
ICAEW - Institute of Chartered Accountants in England and Wales	PIE - Public interest entity
IES - International Education Standard for Professional Accountants	PIOB - Public Interest Oversight Board
IESBA - International Ethics Standard Board for Accountants	R&M - Role and mind-set expected of professional accountants
IFAC - International Federation of Accountants	RPA - Robotics process automation
IFIAR - International Forum of Independent Audit Regulators	SSB - Standard-setting board
IFRS - International Financial Reporting Standards	TCWG - Those charged with governance
	UCD - University College Dublin



PUBLIC INTEREST OVERSIGHT BOARD

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