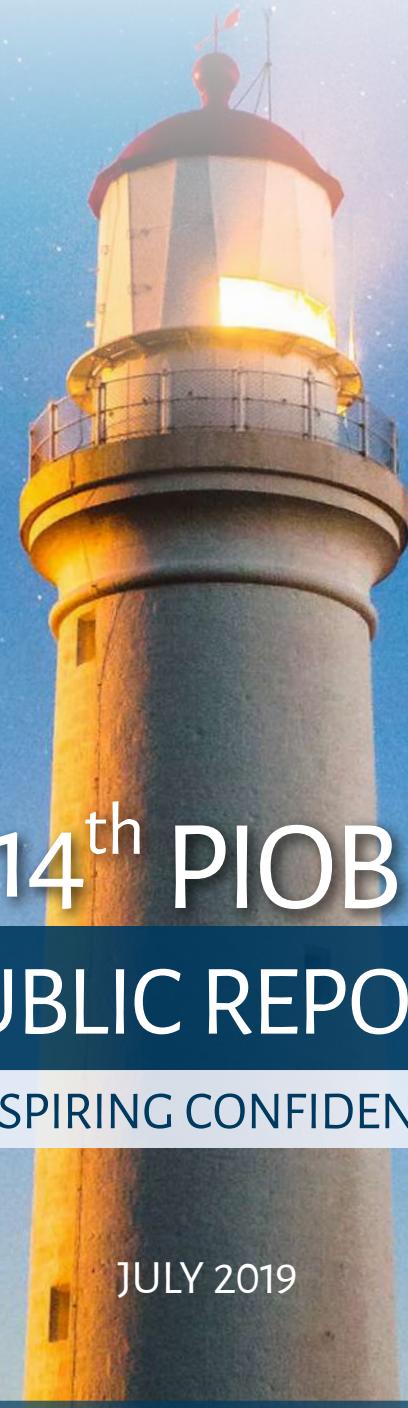




Public Interest Oversight Board



14<sup>th</sup> PLOB

# PUBLIC REPORT

INSPIRING CONFIDENCE

JULY 2019

PUBLIC INTEREST OVERSIGHT BOARD

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In 2018, the Public Interest Oversight Board (PIOB) received financial support from the International Federation of Accountants (IFAC), the European Union (European Commission DG FISMA – Directorate General for Financial Stability, Financial Services, and Capital Markets Union), the International Organization of Securities Commissions (IOSCO), the Bank for International Settlements (BIS) and the U.K. Financial Reporting Council (UK FRC).

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The content of this report reflects solely the views of the PIOB. None of the institutions or bodies cited above are responsible for the content of the report or of any use that may be made of the information it contains.

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# SECTION I



## SECTION I

### MESSAGE FROM THE PIOB CHAIRMAN



**EDDY WYMEERSCH**

In 2018, the PIOB continued overseeing the activity of the audit, ethics, and education standard setting boards which carry out their mandates with the support of the International Federation of Accountants (IFAC). The PIOB's oversight is a public interest function which generates confidence in the standards that govern the audit of financial statements and on which numerous decisions in our societies are based. This confidence is built on the professionalism of the accountants who prepare the financial statements presented by management and the auditors who deliver their opinion on the financial statements.

The PIOB is an independent external body which oversees whether the audit, ethics, and education standard setting processes under its oversight respect due process, and whether the ensuing standard is responsive to the public interest, especially considering the observations, suggestions, and criticisms formulated in public consultations and other statements that are part of the regular standard setting consultation process. This process is not designed to guarantee that the standard fully reflects a balanced approach between the interests of the different stakeholders, many of whom do not participate in the process. If this balance is not rightly set, the PIOB formulates its remarks during the standard setting process, and ultimately, before approving the standard.

This objective is an essential element in upholding the credibility not only of the standards, but more importantly, of the assurance undertaken by the auditors, which is a central building block in society's confidence in the financial and other statements delivered in the public interest. This means the accounting profession and its reputation are supported by a solid system of professional standards, the development of which is overseen by an external independent body.

During the year under review, the PIOB was actively involved in responding to the reform proposals of the audit and ethics standard setting system as developed by the Monitoring Group (MG). The present governance system has been in place since 2005, and the Monitoring Group was of the opinion that it needed reform as questions had been raised about the independence of the standard setting process and its responsiveness to the public interest.

While fully recognizing the historic value of the work of the profession in the standard setting process, the reforms could be aimed to strengthen and diversify the composition of the audit and ethics standard setting boards. Equally, the reforms could be aimed at streamlining the audit and ethics standard setting process, making it more effective and responsive to the needs of a changing society, notably to technological changes.

Whatever structure emerges, standard setting in audit and ethics needs a strong public interest oversight. The PIOB looks forward to the continued cooperation of all the stakeholders on the reforms and continues to believe that any new structure must not downgrade public interest oversight.

The PIOB has also seen changes in its composition in 2018. On March 2, 2018, PIOB member Kevin Dancey resigned from the PIOB and was appointed IFAC's incoming CEO. PIOB member Michael Holm also resigned for personal reasons on 1 January 2018, and Mr. Markus Grund was nominated by the IAIS and appointed in June 2018.

## SECTION II



## SECTION II

### SECRETARY GENERAL REPORT



**GONZALO RAMOS**

In 2018, the PIOB continued to deliver its mandate to protect the public interest in audit, ethics, and education standard setting. In March, the PIOB gave its [own opinion](#) to the MG public consultation on the reform of the full standard setting system for audit and ethics launched at the end of 2017.

The PIOB thinks that independent oversight is necessary in any system of standard setting in audit and ethics. The specialization of audit and the professional nature of auditing and ethics standards limits the engagement of stakeholders, other than the profession, and may lead to the predominance of the interest of the profession against the views of other users of the standards or other stakeholders. The PIOB is of the view that public interest oversight in audit and ethics standard setting is different from accounting and cannot be limited to a confirmation of following due process. This is because the application of accounting standards affects a wide number of stakeholders as the accounting standards reflect the enterprise's true financial position. Consequently, there is wide public interest in the way they are set. This is reflected in the wide range of constituents who offer their views on them during the standard setting process.

Audit and Ethics standards, on the other hand, are primarily of interest to the profession as they set out performance and behavioral expectations of the profession and many go to the heart of the business model of professional firms. Therefore, the main respondents to the standard setting process, understandably, come from the profession. It is, therefore, important to have active public interest oversight of the standard setting processes and outcomes in relation to these standards in order to ensure the public interest is maintained.

In the context of the consultation process launched by the MG in 2017, involvement with the MG and MG members intensified during the year. The PIOB attended roundtables to discuss the MG consultation paper at the start of 2018 and participated in roundtables to discuss its feedback report in September 2018.

During the year, the PIOB continued to implement the improvements identified through its [2017-2019 Strategy](#). In 2018, the PIOB developed its views on a Public Interest Framework (PIF) at the request of the MG. The PIOB equally implemented a more structured way to convey its comments to the Standard Setting Board Chairs (SSB Chairs). The PIOB has committed to regularly update SSB and CAG Chairs on the public interest issues identified in the projects under development by the SSBs and agreed to post on its website the comments on the public interest aspects of the standards under development.

In 2018, the selection process of the new IAASB Chair was launched. An Interim Nominating Committee (INC) was set up (under an independent chair) with the mandate to select the new IAASB Chair for appointment. The PIOB contributed three nominees to the INC (one with observer status), as did the IFAC (see Section III on Nominations in this report).

The second part of the year was also conditioned by developments related to the MG-led reform process.

In May 2018, the MG published its feedback statement on its consultation process. At the end of August,

IFAC also published its views on the reform discussions: [Perspectives on the way forward for strengthening the oversight and operations of the International Audit & Assurance and Ethics Standard Boards](#).

During the year, IFAC decided to introduce changes to the International Accounting Education Standards Board and to the compliance program which supports the adoption and implementation of standards through the Compliance Advisory Panel (CAP). The IAESB is being replaced by a different approach to accountancy education, which will include a new International Panel on Accountancy Education (IPAE). The CAP's role in membership admissions, suspensions, and expulsions will be carried out by a new membership committee of IFAC. These activities will no longer be under PIOC external independent oversight. The PIOC raised its concerns on the removal of independent public oversight to IFAC and the MG. However, these decisions are being implemented in 2019. Moving forward, the important public interest function of adoption of standards and their global convergence needs to be carefully monitored by all those with a public interest focus.

In 2018, the PIOC continued to support those areas with strong public interest implications in the field of global standard setting in audit and ethics, focusing this time on [Enhanced Reporting](#). The PIOC has supported the Integrated Reporting Initiative, Global Reporting Initiative, and Accounting for Sustainability (A4S) since their inception. It organized a workshop in Madrid to bring these three initiatives together with the Standard Setting Board Chairs and IFAC. Professor Mervin King delivered the keynote speech.

One important stakeholder of the PIOC was unable to continue to support the PIOC budget in 2018: The Abu Dhabi Accountability Authority (ADAA). IFAC made up for the funding shortfall. IFAC funding remained at less than two thirds of the total PIOC Budget, a bright line encouraged by the European Commission.

## SECTION III

### PIOB OVERSIGHT IN 2018

#### OVERVIEW

The year encompassed the consultation process on the reforms of the standard setting system in audit and ethics led by the MG. Despite the uncertainty, the SSBs continued their work, advancing the standards and increasing their coordination on overlapping and complementary issues.

The main achievements during the year were the approval of “ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures”, the release of the Restructured and Revised Code of Ethics, and the completion of its last piece: Inducements.

The IFAC Nominating Committee conducted the regular nominations process and its staff supported the selection process of the new IAASB Chair, which was run by the Interim Nominating Committee.

In 2018, IFAC proposed a new approach to education for accountants. The IAESB will cease its activity in 2019. The new structure includes an International Panel on Accountancy Education (IPAE), as well as an Accountancy Education Multi-Stakeholder Engagement Framework.

IFAC also discussed the future of the CAP. The compliance program supporting the adoption and implementation of standards will continue to be run by IFAC staff. The membership admission, suspension, and expulsion activities previously overseen by CAP will now be overseen by a new Membership Committee by the end of 2019.

Neither the new IPAE nor the IFAC Membership Committee will be subject to PIOC oversight, as is the case now. IFAC’s proposals signal a movement by IFAC towards a more active capacity support role for its members. Those areas that are not directly related to standard setting in audit and ethics, and which are closely related to IFAC as a professional membership organization, will be developed by IFAC staff and overseen by the IFAC Board.

Table 1 shows the oversight models applied to the SSBs and their CAGs, the IFAC’s Nominating Committee, and the CAP in 2018.

**TABLE 1. OVERSIGHT ASSURANCE MODELS DURING 2018**

Model	Intensity of PIOC Oversight	When	PIOC Observations	SSB/NC/CAP
1	High	Higher risk to public interest protection	100% observations	IAASB IESBA IAESB NC
2	Medium	Medium risk to public interest protection	Medium level of observations	CAP
3	Low	Low risk in public interest protection	Minimal or no observations	-

## PIOB APPROVALS AND OBSERVATIONS

The standards approved by the PIOB in 2018 are shown in the table below.

**TABLE 2. PIOB APPROVALS IN 2018**

PIOB BOARD MEETING	SSB	STANDARD
March	IESBA	“International Code of Ethics for Professional Accountants (including International Independence Standards) – (The “Restructured and Revised Code”)
March	IESBA	“Revisions pertaining to Safeguards in the Code”
June	IESBA	“Revisions to the Code pertaining to the Offering and Accepting of Inducements”
September	IAASB	“ISA 540 (Revised) – Auditing Accounting Estimates and Related Disclosures”
September	IAESB	“IES 7 (Revised) – Continuing Professional Development”

In November, the PIOB was also consulted on the 2019 CAP Work Program.

Table 3 presents the number of observations conducted by the PIOB in 2018 for all SSBs, CAGs, the Nom Com, and the CAP compared to 2017.

**TABLE 3. TOTAL NUMBER OF PIOB OBSERVATIONS IN 2017 AND 2018**

	Total all SSBs, CAGs, CAP and NOM COM			
	2017 Actual Observations		2018 Actual Observations	
	Nr.	%	Nr	%
Meetings of which:	23		23	
DO	21	91%	22	96%
RO	2	9%	1	4%
TC	10	100%	11	100%

DO: Direct observations; RO: Remote observations; TC: Teleconferences.

## SECTION III

### PUBLIC INTEREST ISSUES

In the first quarter of 2018, the PIOB formally communicated to the IAASB and IESBA Chairs, and to the respective CAG Chairs, the public interest issues identified by the PIOB on the main IAASB and IESBA projects. Those summaries were updated and discussed on a quarterly basis during the PIOB board meeting and are the result of staff analysis and board member observations at the relevant SSBs meetings.

The PIOB committed to continue informing the SSBs and the CAG Chairs on any substantive update on the [list of public interest issues](#) and recommendations on a timely basis as far as they progress through the development of standards and strategies.

This proactive sharing of the public interest issues has been a significant step forward for the PIOB to respond to transparency calls from different stakeholders. The PIOB publishes these public interest issues on its website and keeps them updated. Other more general concerns are the time needed to develop new standards (a process that requires time for adequate global consultation, due process, and robust deliberations), the difficulty of dealing with proportionality in standards applicable to large and small accounting firms, and the implications of new technologies on audit processes.

At the same time, the PIOB publishes on its website the databases on the main public interest issues identified by MG members and other stakeholders on the standards exposed for comments. Where applicable, these databases are updated with the disposition of the comments by the SSBs.

### OVERSIGHT OF THE IFAC NOMINATING COMMITTEE (IFAC Nom Com) IN 2018

The nomination's cycle for 2019 vacancies was conducted by the IFAC Nominating Committee. The only exception was for the IAASB Chair position, which was dealt with by the Interim Nom Com<sup>1</sup> and set up at the beginning of 2018.

Upon a proposal from the IFAC Nom Com<sup>1</sup>, overseen by the PIOB, the PIOB approved twelve appointments and eight reappointments to SSBs, CAP, and Nom Com members. The PIOB also approved the appointment of the new CAP Chair (by written procedure), the appointment for a one-year term of the new IAESB Chair, and the re-appointment for a renewable one-year term of the IESBA Chair.

Due to the withdrawal of the candidate originally designated for the IAASB Chair position (selected by the Interim Nom Com, approved by the PIOB, and announced by IFAC in September 2018), the Interim Nom Com was resumed in 2019 to restart the selection of the Chair. The PIOB exceptionally approved the extension of the current IAASB Chair's term for up to six months until the selection of the new IAASB Chair is completed.

The nominations cycle and the selection process were appropriately conducted by the IFAC Nom Com during the year.

In 2018, there was a lower number of nominations compared to previous years. According to the IFAC Nom Com analysis, this was due to a lower number of vacancies available but also to a reduced number of nominations from IFAC member bodies because of the ongoing dialogue with the MG. On the other hand, the number of self-nominations increased, likely due to increased awareness as a result of promotion of vacancies and exposure to SSBs' activities during the MG consultation.

The PIOB provided recommendations on the 2020 Call for Nominations (CfN), issued for vacancies at the IAASB and the IESBA, which was published in November 2018. This year no CfN was issued for vacancies at the IAESB and the CAP, given the decisions made by IFAC on their respective futures.

<sup>(1)</sup> The INC comprised an independent Chair (appointed by the MG), two IFAC nominees, two PIOB nominees, and two observers: the IFAC President and the PIOB Chair.

PIOB's recommendations and IFAC's response are summarized in the table below.

## RECOMMENDATIONS MADE TO THE IFAC NOM COM IN 2018

PIOB'S RECOMMENDATION	IFAC'S RESPONSE
<b>INDEPENDENT SELECTION PANEL</b>  The PIOB supports the approach of a new and independent Selection Panel for the composition of the SSBs.	The IFAC's Council held in November 2018 approved the delegation of authority to the IFAC Board to set up a new selection panel (similar to the Interim Nom Com) to run the selection process of SSBs' members in 2019. In the absence of agreement, the usual IFAC Nom Com process will be followed in 2019 for 2020 IAASB and IESBA appointments.
<b>CATEGORIES OF MEMBERS AT SSBs</b>  The current classification of members as Practitioners, Non-Practitioners, and Public Members is not compatible with the multi-stakeholder composition outlined in the MG Consultation Paper and supported by IFAC in its "Way Forward" paper. Movement towards the multi-stakeholder composition could be considered at this point, potentially prompting a revision of desirable criteria.	The IFAC leadership agrees with this point and staff will consider possible amendments to the CfN on this basis. However, the multi-stakeholder approach has to be in compliance with the current IAASB and IESBA terms of reference where the balance of Practitioners and Non-Practitioners, including Public Members, is clearly defined.
<b>TRAVEL SUPPORT PROGRAM</b>  It would be helpful to clarify who pays for the cost of travel of self-nominees who do not have a sponsor and who do not apply for the IFAC Travel support program. Moreover, to be effective and support participants, the thresholds of 500 USD and 1,500 USD should be removed from the policy. The full amount of expenses incurred by participants should be reimbursed by IFAC.	IFAC has received no complaints from participants of the Travel Support Program regarding the <i>de minimis</i> contribution. The Travel Support Program was initiated to assist with the costs for members from developing nations to increase the participation and diversity on Boards and Committees; it was never intended to cover the full costs. For Public Members, all costs are fully covered in the absence of sponsoring organizations. Following Planning and Finance Committee discussion, IFAC does not see the need to change the current arrangements.

The PIOB applied an Oversight Assurance Model 1 (High Intensity) and observed the meetings and teleconferences held by the IFAC Nom Com. The direct and remote observations were limited to the agenda items under the PIOB's mandate.

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**TABLE 4. PIOB OBSERVATIONS OF THE IFAC NOMINATING COMMITTEE IN 2018**

NOM COM		
27-28 March	New York	Eddy Wymeersch
8-9 May	London	Eddy Wymeersch
10-11 June	Hong Kong(Remote Observation)	Eddy Wymeersch
25-26 July	Tokyo	Eddy Wymeersch
23 October	Teleconference	Aileen Pierce

### OVERSIGHT OF THE STANDARD SETTING BOARDS AND THE CONSULTATIVE ADVISORY GROUPS (CAGs):

#### OVERSIGHT OF THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB) AND THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD CONSULTATIVE ADVISORY GROUP (IAASB CAG)

After three years of work, the IAASB finalized ISA 540, “Auditing Accounting Estimates and Related Disclosures” in June 2018. This standard is a significant improvement to give guidance to the auditor in auditing complex accounting estimates, including the estimates involved with expected credit loss provisions of financial institutions and organizations with other lines of business.

In June, the IAASB also approved the Exposure Draft (ED) of ISA 315, “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment.” The IAASB started discussions of the comments received to ISA 315 in December. The objective of ISA 315 is to give better guidance on identification of risks while incorporating the advantages of technology in audit methodology.

In December 2018, the IAASB finalized the EDs of the three quality management standards the Board had been working on. These include: ISQM1, “Quality Management for Firms that Perform Audit or Review of Financial Statements, or Other Assurance, or Related Services Engagements”; ISA 220, “Quality Management Control for an Audit of Financial Statements”; and new ISQM2, “Engagement Quality Reviews.” The importance of these three standards on audit quality must be highlighted. The requirements for audit firms, engagement partners, and engagement quality reviews and reviewers should be strengthened in the final standards. Equally, audit quality requires due consideration of independence and business model related aspects, especially incentives regarding audit quality and the provision of non-audit services to audit clients. These considerations need to be consistent with the provisions included in the IESBA Code of Ethics whenever applicable.

Other IAASB projects were advanced during the year as follows:

Regarding the project on Extended External Reporting (EER) Assurance, the Task Force (TF) progressed a draft of the first phase nonauthoritative guidance that would help practitioners who provide assurance over nonfinancial information reports apply ISAE 3000 (Revised), “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” to those types of engagements. This guidance does not require PIOB approval. The PIOB held a workshop in September that brought together the Global Reporting Initiative (GRI), A4S, and International Integrated Reporting Council (IIRC) with the SSB chairs and other stakeholders to support the development of this guidance.

The Working Group for Data Analytics (DA) provided input to the projects on ISA 315 and ISQM1. In the last few years, the PIOB has encouraged the IAASB to move forward to include DA in the ISAs to reflect the significant impact that technology and DA are already making on the way audits are performed.

The ED for ISRS 4400 (the standard on “Agreed-Upon Procedures Engagements”) was discussed and approved for publication.

Early in 2018, the IAASB commenced work towards developing its next 2020-2023 Strategy and Work Program (SWP). In March, the Board published an online survey to seek initial views and insights from IAASB’s stakeholders on areas of future focus and emerging developments and trends. This was the first public consultation step, followed by the ED in early 2019.

The new SWP poses important challenges to the IAASB. In addition to finalizing the current projects, the Board needs to consider additional demands from stakeholders, such as addressing the impact of technology and nonfinancial reporting.

The PIOB looks forward to due process being followed for developing the new IAASB SWP and that this will result in a meaningful set of projects developed with the right relative priority. The PIOB has suggested to the IAASB the topics/projects that should be considered for inclusion in the 2020-2023 SWP from the PIOB’s public interest perspective. These include the impact of technology and data analytics, assurance on nonfinancial information, going concern, fraud, and the implications of the business model of audit firms on independence and objectivity.

The revision of ISA 600 on Group Audits is still at an initial stage. This is due mainly to the Board’s focusing on finalizing ISA 540 and the EDs of the three Quality Management Standards. ISA 600 is expected to be given priority in the 2020-2023 SWP; the IAASB’s Strategy and Work Plan consultation indicates a targeted finalization date of March 2021. The PIOB expects that this project will continue under the 2020-2023 IAASB’s work cycle and that it will be finalized as soon as possible.

The WG on Professional Skepticism continued providing input to the other TFs for priority projects (e.g., ISA 315 and ISQM1). The final ISA 540 (Revised) and the EDs for ISA 315 and the Quality Management standards now contain requirements with a professional skepticism nature.

In general, most public interest issues raised with ISA 540 ([see 13th Public Report](#)) and with the ED of ISA 315 were favorably disposed by the IAASB during the year. Yet, some important issues raised by the PIOB with the draft ED of ISQM1 (e.g., the implications of the audit firms’ business model on independence and objectivity, transparency reporting, and coordinating quality aspects at network level) are not fully addressed at the time of issuing this report. The PIOB will follow up on how the IAASB disposes of these recommendations in 2019.

**The PIOB applied an Oversight Assurance Model 1 (High Intensity) to oversee both the IAASB and the IAASB CAG with direct observations of all Board and CAG meetings and teleconferences held in the year.**

**TABLE 5. PIOB OBSERVATIONS OF IAASB AND IAASB CAG MEETINGS IN 2018**

<b>IAASB</b>		
30 January	Teleconference	Karen Stothers
12-16 March	Amsterdam	Karen Stothers
18 April	Teleconference	Karen Stothers
24 April	Teleconference	Karen Stothers
22 May	Teleconference	Karen Stothers
18-23 June	New York	Karel Van Hulle
17 July	Teleconference	Karen Stothers
7 August	Teleconference	Karen Stothers
17-21 September	New York	Karel Van Hulle
16 October	Teleconference	Karen Stothers
10-14 December	New York	Karen Stothers

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IAASB CAG		
6-7 March	New York	Maria Helena Pettersson
14 June	Teleconference	Maria Helena Pettersson
11-12 September	New York	Jane Diplock

### PIOB PUBLIC INTEREST ISSUES

During the year, PIOC observers provided their comments and recommendations to the IAASB and the CAG. Most of those issues were published in the 13th PIOC Public Report, some have been addressed by the IAASB (as the relevant standards/strategy progressed), and some remain pending. The PIOC recommendations and the answers from the IAASB are listed in the table below.

PIOB'S RECOMMENDATION	IAASB RESPONSE
<b>ISA 315 “IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT”</b>	
<b>IMPACT AND RISK OF THE USE OF TECHNOLOGY</b>  The PIOC encourages the IAASB to address the impact and risk of the use of technology on risk identification and risk assessment (e.g., big data, data analytics, cyber risks, and cyber security) and the importance of professional skepticism.  The PIOC appreciates the inclusion in the ED of several provisions addressing technology and application material that include references to professional skepticism and automated tools and techniques.	The IAASB will further discuss the revision of ISA 315 (Revised) and the comments received on ED in its 2019 meetings.
<b>RISK OF UNINTENTIONAL WEAKENING OF REQUIREMENTS IN THE STANDARD</b>  While addressing complexity and scalability of ISA 315, there is a risk that revisions to the standard may unintentionally result in weakening the requirements.	The IAASB will further discuss the revision of ISA 315 (Revised) and the comments received on ED in its 2019 meetings.
PIOB'S RECOMMENDATION	IAASB RESPONSE
<b>PROFESSIONAL SKEPTICISM (PS)</b>	

<p><b>STRENGTHENING PROFESSIONAL SKEPTICISM IN THE ISAs</b></p> <p>At the time of the “Invitation to Comment,” the PIOB recommended the IAASB to pay attention to PS because it relates to going concern, auditor independence, and management bias.</p> <p>The PIOB welcomes placing greater focus on PS 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 PS and encourages the IAASB to further strengthen the notion of PS throughout the standards</p>	<p>Support noted.</p>
<b>IAASB 2020-2023 STRATEGY AND WORK PLAN (SWP)</b>	
<p><b>PROJECTS TO BE INCLUDED IN THE SWP</b></p> <p>The 2020-2023 SWP should include projects on data analytics, technology, assurance on nonfinancial information, going concern, networks, fraud, and audit firm business model.</p> <p>The PIOB acknowledges that some of these topics, such as fraud, going concern, and technology are listed in the draft SWP as possible future activities. However, they are not clearly identified as future projects.</p>	<p>As the SWP is currently under consultation, no decisions have been taken yet on the content of the future SWP. The IAASB will discuss this in its September 2019 meeting in light of the consultation comments received. The consultation is open to all stakeholders, and outreach to a variety of stakeholder groups is ongoing.</p>
<p><b>NEED TO BROADEN THE CONSULTATION ON THE STRATEGY</b></p> <p>The PIOB welcomes the outreach efforts of the IAASB and encourages it to further solicit responses from a broader number of stakeholders.</p>	
<p><b>IDENTIFICATION OF RESOURCES TO EXECUTE THE SWP</b></p> <p>The IAASB’s agenda includes a large number of important projects with ambitious and tight timelines. It would be helpful if the SWP document identified project prioritization and the resources allocated for each project in order to determine whether they are sufficient.</p>	
<p><b>ISQM1 “QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE, OR RELATED SERVICES ENGAGEMENTS”</b></p>	

## SECTION III

PIOB'S RECOMMENDATION	IAASB RESPONSE
<p><b>THE FIRM'S BUSINESS MODEL (BM) SHOULD NOT INTERFERE WITH AUDIT QUALITY (AQ)</b></p> <p>The audit firm's BM should promote AQ. The BM includes the governance structure of the firm, adherence to ethical requirements by the firm's management and by the auditors, and auditor's accountability.</p> <p>When non-audit services (NAS) are delivered by a firm also providing audit services, the standard should consider their impact on AQ. The incentive structure of partners should be considered as well.</p> <p>The PIOB welcomes the inclusion in the standard of a commitment to audit quality by audit firms. However, this reference needs to further address the risk to quality originated by the business model.</p>	
<p><b>NETWORKS NEED TO BE BETTER ADDRESSED IN ISQM1</b></p> <p>Investors and those who use audit services from a global "branded firm" should receive uniform quality from that brand.</p> <p>ISQM1 should contemplate the coordination at network level of all those aspects that affect AQ of that brand. The standard has made some progress, but Quality Management Systems (QMS) should also be set at network level with a focus on internal inspections and quality control monitoring.</p>	The EDs of the three Quality Management Standards (ED-ISQM1, ED-ISQM 2, and ED-ISA 220 (Revised)) are currently out for consultation. They represent a fundamental shift from a compliance-oriented quality control approach to a proactive and integrated system of quality management, including a new standard on engagement quality reviews. The IAASB will discuss later in 2019 its responses to the comments received, including the PIOB's public interest issues.
<p><b>TRANSPARENCY REPORTS (TR) SHOULD BE REQUIRED IN ISQM1</b></p> <p>ISQM1 should require audit firms to publish TR.</p> <p>Communicating external insights into the firm's quality management systems is in the public interest. TR should include a firm's corporate governance structures, audit and nonaudit professional services and related fees, remuneration schemes and incentives for partners, a description of the firm's quality management system, the outcome of the QMS in terms of deficiencies, and the measures taken to correct them.</p> <p>The PIOB acknowledges that TR are listed in the ED as an example of "other communication to external parties."</p>	
<p><b>THE OBJECTIVE OF A QMS SHOULD FOCUS ON HIGH QUALITY AUDITS</b></p>	
<p>The standard should state clearly that the objective of the quality management system is to produce high quality audits. The PIOB welcomes the redrafting of the objective but continues to encourage the IAASB to be clearer that the objective of QMS is AQ rather than compliance with standards.</p>	
<p><b>THE IAASB SHOULD CONTINUE COORDINATING WITH THE IESBA ASPECTS RELATED TO ETHICAL REQUIREMENTS</b></p> <p>The PIOB welcomes the coordination between the IAASB and the IESBA on topics overlapping with the Code of Ethics (e.g., ethical requirements, auditor independence, and engagement quality control reviews).</p> <p>ISQM1 could highlight that NOCLAR, conflicts of interest, and the provision of non-assurance services constitute risks to AQ.</p>	
<p><b>ISQM2 "ENGAGEMENT QUALITY REVIEWS"</b></p>	

PIOB'S RECOMMENDATION	IAASB RESPONSE
<p><b>ENGAGEMENT QUALITY REVIEWS (EQRs) SHOULD BE REQUIRED FOR ALL PIEs</b></p> <p>EQRs should be required for all PIEs.</p> <p>The PIOB acknowledges the IAASB proposal to require EQRs for "significant public interest" entities, such as banks, insurance companies, and pension funds.</p>	
<p><b>COORDINATION WITH THE IESBA ON ASPECTS RELATED TO ETHICAL REQUIREMENTS</b></p> <p>The PIOB welcomes and supports the ongoing coordination between the IAASB and the IESBA on topics overlapping with the Code of Ethics (e.g., auditor independence, objectivity, engagement quality control reviews, cooling off period of EQCR).</p>	
<p><b>THE REQUIREMENTS FOR EQR PERFORMANCE SHOULD BE STRENGTHENED</b></p> <p>According to IFIAR's inspections Report in 2018, one of the most important quality findings 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 is 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 on or before the date of the engagement report.</p>	<p>See comment in relation to ED-ISQM 1 (above) in the context that the three quality management standards concerned are being considered and progressed together.</p>
<b>ISA 220 "QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS"</b>	
<p><b>RESPECT OF PUBLIC INTEREST AND OF ETHICAL STANDARDS</b></p> <p>The PIOB acknowledges that the ED explicitly addresses the Engagement Partner's responsibility to act in the public interest when performing audit engagements.</p> <p>Respect of public interest and of ethical standards are an important objective of a Quality Management System. Quality is not just compliance with professional standards and regulatory requirements.</p>	
<p><b>ENGAGEMENT PARTNER'S RESPONSIBILITIES</b></p> <p>It is not enough for the Engagement Partner to be satisfied that the firm's policies and procedures have been complied with, but that applicable rules and regulations are complied with as well. If necessary, the engagement may need to be discontinued.</p> <p>The PIOB acknowledges that the ED makes a reference to the applicable legal and relevant ethical requirements, as well as the possibility to withdraw from the engagement.</p>	<p>See comment in relation to ED-ISQM 1 (above) in the context that the three quality management standards concerned are being considered and progressed together.</p>

### IAASB Public Interest Issues Lists

OVERSIGHT OF THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA) AND THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS CONSULTATIVE ADVISORY GROUP (IESBA CAG)

## SECTION III

In 2018, the IESBA released the “Handbook of the International Code of Ethics for Professional Accountants (Including International Independence Standards),” the restructured and revised Code.

During the year, the IESBA focused on gathering input from stakeholders on the following themes: PS (now “Promoting the Role and Mindset Expected of Professional Accountants” – Role and Mindset (R&M)), Non-Assurance Services (NAS), and the 2019-2023 SWP.

Along with the public consultation through EDs, the IESBA organized a number of roundtables across the globe on R&M and NAS to help determine the direction that those projects needed to take in order to shape the final project proposal.

In 2018, the IESBA completed and approved “Inducements, including Gifts and Hospitality,” concluding the full restructure and revision of the Code of Ethics (previously approved by the IESBA in December 2017 and by the PIOB in March 2018, along with Safeguards). The Inducement provisions aim to assist Professional Accountants in Business (PAIBs) and Professional Accountants in Public Practice to comply with the fundamental principles of integrity, objectivity, and professional behavior while dealing with the offering and accepting of inducements. The provisions will be effective in June 2019, the same date as the Restructured Code.

Priority has been given during the year to coordination matters, both among the different IESBA TFs (NAS, R&M, Fees) and between the IESBA and the IAASB. The positive experience of a plenary IAASB-IESBA session of the previous year was repeated in September 2018. The Quality Management Standards (ISQM1, ISQM2, ISA 220) have been a topic of discussion at both SSBs, with their liaison members actively reporting and getting input/feedback from their counterpart.

In September, the IESBA approved a number of project proposals: Non-Assurance Services, that deal with restrictions to the provision of services other than assurance to audit clients; Fees, that deal with the implications on auditor independence of the level of fees, revenue of audit and non-audit services, and fee dependency on an audit client; Role and Mindset, dealing with the extension of the concepts underlying professional skepticism to all accountants; and the alignment of Part 4B of the Restructured Code with ISAE 3000 [Revised]. Launching these new projects represents an important step to respond to stakeholders’ calls in the public interest. Also, the relative priority of the “pre-commitments” (NAS, R&M, Fees, included in the 2019-2023 Strategy and approved in December) reflect the importance attached to those projects and is in line with the PIOB’s recommendations during the last few years.

However, some of those recommendations are still valid and need to be addressed. In particular, the provision of NAS to audit clients<sup>2</sup> will need to ultimately address independence threats. In 2019, we have seen announcements in the UK by two big-four audit firms to stop providing “nonessential” NAS to audit clients in that jurisdiction. The risk is that, despite prohibitions to provide certain types of NAS to audit clients, exceptions may still be allowed, thus impairing the strength of requirements in the Code of Ethics.

Strongly related to the provision of NAS is the Fees project, which will require coordination and will need to address the core issue of independence.

PS, even if formulated with a different terminology, will have to consider the level of PS (or alternative term) required from Professional Accountants.

In 2019, the IESBA will give priority to its pre-commitments and will start working on Technology and, related to the NAS and Fees projects, review the definition of a public interest entity in the Code. It will be involved in fact finding on Tax Planning, and it will work on the ED of Part 4B of the Restructured Code (vs. ISAE 3000).

<sup>(2)</sup> PwC

The PIOB directly observed all IESBA and IESBA CAG meetings as planned, applying an **Oversight Assurance Model 1 (High Intensity)**.

**TABLE 6 PIOB OBSERVATIONS OF IESBA AND IESBA CAG MEETINGS IN 2018**

IESBA		
12-14 March	New York	Aileen Pierce
23 April	Teleconference	Aileen Pierce
4 May	Teleconference	Jules Muis
11 June	Washington DC Roundtable	Jules Muis
15 June	Paris Roundtable	Gonzalo Ramos, Claudia Deodati
18-20 June	Athens	Jules Muis
17-20 September	New York	Aileen Pierce
3-5 December	New York	Claudia Deodati

IESBA CAG		
5 March	New York	Maria Helena Pettersson
10 September	New York	Jane Diplock

## PIOB PUBLIC INTEREST ISSUES

During the year, PIOB observers provided their comments and recommendations to the IESBA and its CAG. Most of those issues were published in the 13th PIOB Public Report. Some have been addressed by the IESBA as the relevant standards/strategy progressed; some remain pending. The PIOB recommendations and the answers from the IESBA are listed in the table below.

## SECTION III

PIOB'S RECOMMENDATION	IESBA RESPONSE
<b>PROMOTING THE ROLE AND MINDSET EXPECTED OF PROFESSIONAL ACCOUNTANTS (R&amp;M – FORMERLY PROFESSIONAL SKEPTICISM)</b>	
<p><b>APPLICABILITY OF A MINIMUM LEVEL OF PROFESSIONAL SKEPTICISM OR OTHER SUITABLE TERM</b></p> <p>PIOB supports the idea that a minimum level of PS (or other suitable term, such as "critical mindset") should be applied by all professional accountants.</p> <p>The PIOB welcomes the IESBA current proposals to clarify that the exercise of professional judgment applies to all Professional Accountants (PAs) and to further require that it needs to be exercised "with a questioning mindset."</p>	<p>Support noted.</p>
<b>NON-ASSURANCE SERVICES (NAS)</b>	
<p><b>SIGNIFICANT REVIEW OF NAS ADDRESSING INDEPENDENCE ISSUES</b></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 which are PIEs if the outcome of that service "might be included directly or indirectly in the financial statements on which the firm will express an opinion" and which might give rise to a self-review threat of independence. There is a need to clarify what is meant by services which "indirectly" affect financial statements.</p> <p>The PIOB also welcomes the prohibition for audit firms to provide certain NAS, such as bookkeeping and accounting services, to audit clients which are PIEs, without exceptions.</p> <p>Preapproval of NAS and communication with TCWG, also recommended by the PIOB, are needed proposals as well.</p>	<p>Support noted.</p> <p>The IESBA will continue to deliberate proposals at its 2019 and subsequent meetings.</p> <p>The IESBA notes the 2017-18 PIOB recommendation that a review of NAS provisions in the Code be a priority in the IESBA Strategy and Work Plan for 2019-23. The IESBA agreed with that and has already taken steps to accelerate work effort ahead of the commencement of the 2019 Work Plan in order to achieve as early completion of the NAS project as possible.</p>
<p><b>EXPECTED COMPLETION TIME AND COORDINATION WITH THE FEES PROJECT</b></p> <p>The expected completion time of the NAS project is Q1 2021.</p> <p>Considering the time elapsed since the first review of NAS (2015), the PIOB encourages the IESBA to maintain NAS as a high priority project and complete it in a timely manner.</p> <p>The PIOB supports the alignment of the NAS and Fees projects and their finalization at the same time, given the overlapping aspects between the two projects.</p>	<p>The IESBA will continue to take every opportunity to complete the project in a timely manner while respecting the deliberative process and due process, including broad consultation, necessary on this important topic.</p>

PIOB'S RECOMMENDATION	IESBA RESPONSE
FEES	
<p><b>POTENTIAL IMPACT OF FEE LEVELS AND THEIR SIGNIFICANCE ON AUDITOR INDEPENDENCE</b></p> <p>As shown in several researches, the share of revenue from consulting services is increasing in relation to those from audit. Accountancy firms may devote fewer and lower quality resources to audit activities. The relative level of fees in audit and in consulting should be looked into to ensure high quality audits.</p> <p>The PIOB welcomes the current IESBA proposal, in line with IAASB's Quality Management Standards, to establish a requirement for firms to quote fees for an engagement which enable them to perform the audit in compliance with professional standards. The PIOB also welcomes the requirement for engagement partners to determine whether sufficient and appropriate resources are assigned to the engagement.</p> <p>On fee dependency from a client, the PIOB notes the current review of the provision in the Code and the possibility to end the engagement if the total fees from a PIE audit client exceeds a certain threshold.</p>	<p>Support and points noted.</p> <p>The IESBA will continue to deliberate proposals during its 2019 and subsequent meetings.</p> <p>The IESBA notes the 2017-18 PIOB recommendation that a project on fees is justified in the next IESBA strategy cycle. The IESBA agreed with that and already has taken steps to accelerate work effort ahead of the commencement of the 2019 Work Plan in order to achieve as early completion of the fees project as possible.</p>
<p><b>IMPACT OF TECHNOLOGY ON FEES SHOULD BE CONSIDERED</b></p> <p>Large investments in technology and automation of the audit procedures that result in reduction of hours are changing the way the audit services are priced, demanding that this impact on fees be considered.</p> <p><b>EXPECTED COMPLETION TIME AND COORDINATION WITH THE NAS PROJECT</b></p> <p>The expected completion time of the Fees project is Q1 2021.</p> <p>The PIOB supports the alignment of the Fees and NAS projects and their finalization at the same time, given the overlapping aspects between the two projects.</p>	<p>The IESBA will continue to take every opportunity to complete the project in a timely manner while respecting the deliberative process and due process, including broad consultation, necessary on this important topic.</p>
AUDIT FIRMS BUSINESS MODEL	
<p><b>AUDIT FIRMS' BUSINESS MODEL MAY BE A BARRIER TO AUDITOR INDEPENDENCE AND AUDIT QUALITY</b></p> <p>The audit firm business model can be seen as a barrier to real independence, to the effective implementation of PS, and to audit quality.</p> <p>Recognizing that the business model is a complex issue and that ethical issues are just an aspect of it, the PIOB recommends keeping it in consideration 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>As noted, the topic 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>

The 2019 updates to the [IESBA Public Interest Issues Lists](#) can be accessed on the PIOB website.

## SECTION III

### OVERSIGHT OF THE INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD (IAESB) AND THE INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD CONSULTATIVE ADVISORY GROUP (IAESB CAG)

The IAESB's standard setting work focused on deliberating the comments received to the ED of IES 7, Continuing Professional Development (Revised), and approving the standard in July 2018. Concurrent with the issuance of IES 7, "Continued Professional Development (Revised)" implementation guidance was also issued.

In addition to IES 7, the IAESB focused on top priority initiatives that were included in its 2017-2018 Work Program (WP): Professional Skepticism (PS); Information and Communications Technologies (ICT); and Public-Sector Accounting, Reporting, and Assurance (PSARA).

The IAESB released an ED of IESs 2, 3, 4, and 8<sup>3</sup> (Revised) in December 2018. This ED addressed the skills needed of aspiring and professional accountants in the area of ICT and provides enhancements to strengthen professional skepticism. It reflects stakeholder input, including findings from the IAESB's prior consultation on future strategy and priorities, as well as insights from surveys, academic and professional literature reviews, roundtables, in-depth interviews, webinars, and analysis of the ISAs and ethics code.

These revisions focus on key learning outcomes in the extant IESs and additions of new learning outcomes. The IAESB finalized these projects in June 2019. Concurrent with the release of the new standards, the IAESB plans to issue supporting implementation guidance for ICT.

In 2018, IFAC announced the future model on global accountancy education. A multi-stakeholder advisory group (the International Accountancy Education Transition Advisory Group (IAETAG)) was established to advise IFAC on the new model, including the mandate of the International Accountancy Education Panel; approach to multi-stakeholder engagement; and outputs including thought leadership, PAO capacity building, and authoritative IESs.

In anticipation of the transition, the IAESB has focused on its key priorities that are most potentially impactful for the public interest resulting in the issuance of the ED for IESs 2, 3, 4, and 8. It also began a process of developing advice and material to ensure the new model has the benefit of IAESB's perspectives and experiences.

**The PIOB applied an Oversight Assurance Model 1 (High Intensity) to oversee the IAESB and the IAESB CAG with direct observations of all Board and CAG meetings held in the year.**

<sup>(3)</sup>IES 2, Initial Professional Development – Technical Competence (2015); IES 3, Initial Professional Development – Professional Skills (2015); IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes (2015) and IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (2016).

The observations made by the PIOB during 2018 are shown in the table below.

**TABLE 7. PIOB OBSERVATIONS OF IAESB AND IAESB CAG IN 2018**

IAESB		
18-20 April	Nairobi	Aileen Pierce
11-12 July	New York	Aileen Pierce
24-26 October	New York	Aileen Pierce

IAESB CAG		
16-17 April	Nairobi	Aileen Pierce
22-23 October	New York	Aileen Pierce

During the year, PIOB observers provided comments and recommendations to the IAESB and the CAG, which responded as reported in the following table.

## RECOMMENDATIONS MADE TO THE IAESB IN 2018

PUBLIC INTEREST ISSUES PRIOR TO IFAC'S DECISION TO CEASE THE IAESB ACTIVITIES.	IAESB RESPONSE
<b>COLLABORATION WITH OTHER SSBs</b>  Formal steps have been taken to put collaboration between IAASB and IESBA on a more structured footing. However, emerging collaboration between education and ethics is fragile and underdeveloped.	The IAESB continues to have strong collaboration at the task force and working group levels with the IESBA and IAASB on professional skepticism/role and mindset, as well as with IAASB on IAESB's ICT initiative and the IPSASB on IAESB's public sector initiative.
<b>RESOURCES ISSUE</b>  PIOB continues to believe that the IAESB is substantially under resourced.  Significant challenges posed by limited resources include, for example, Collaboration with other Boards; Moving the ICT project on in the progressive, forward-focused way aspired to by the TF; Capacity to develop comprehensive and targeted implementation guidance; and Quality control of thought leadership publications and implementation guidance.	In response to resource constraints, the IAESB has effectively prioritized and marshalled volunteer resources to move forward on its priority projects of ICT and professional skepticism without sacrificing quality. In addition, implementation guidance is planned to be issued concurrently with the revised standards in the areas of ICT and Public Sector. A task force has performed an assessment of publications and the continued applicability of previously issued implementation guidance.  In summary, the IAESB has proactively responded to resource constraints by significantly increasing the time commitment of the volunteer resources of board members and technical advisors. This has resulted in the timely and effective advancement of priorities. It has also resulted in an effective and well-coordinated transition plan to the New Model.

## SECTION III

### OVERSIGHT OF THE COMPLIANCE ADVISORY PANEL (CAP)

In 2018, IFAC developed a new approach to the current mandate and structure of the CAP. By the end of 2019, the CAP's role in membership issues will be carried out by a new Membership Committee of IFAC with the mandate to advise on and oversee membership assessments and enforcement processes. The compliance program supporting adoption and implementation of standards will continue to be managed by IFAC. Following IFAC's decision, neither of these activities will be overseen by the PIOB from mid-2019.

The CAP 2019 Work Program, on which the PIOB was consulted, focuses on three areas: promoting and supporting the quality of PAOs and their work; promoting and disseminating information on adoption and implementation of international standards through the profiles published on the website or Global Status Reports; and enhancing reporting, e.g., enhanced Action Plans/Dashboard Reports.

The PIOB applied an Oversight Assurance Model 2 (Medium Intensity) to oversee the CAP with direct observation of meetings.

TABLE 8. PIOB OBSERVATIONS OF CAP MEETINGS IN 2018

CAP		
12-13 July	New York	Jules Muis
15 October	New York	Jules Muis

## SECTION IV



## SECTION IV

### PIOB OUTREACH IN 2018

The central theme of the PIOC outreach efforts in 2018 has been the current review of the global standard setting infrastructure for auditors. The MG-led reform consultation in this regard has shaped much of the PIOC outreach agenda.

After publishing an [official response](#) to the MG public consultation on Strengthening the Governance and oversight of the International Audit-Related Standard Setting Boards in the public interest in February 2018, the PIOC kept close contact with the MG as a group, with its individual member organizations, with IFAC, and with other involved third parties.

The PIOC attended three out of the four roundtables organized in January to discuss the MG consultation paper (in London, Washington, and Brussels) and the two roundtables organized in September to discuss its feedback report (in Brussels and Toronto).

Other MG member events which the PIOC attended include the IFIAR Plenary meeting, an FSB Roundtable on External Audit held in Tokyo, and the BIS Annual Meeting.

The PIOC also made presentations at the CEAOB International Auditing Standards Sub-Group in Vienna and attended the Accounting for Sustainability in London and the World Congress of Accountants in Sydney, all in November

The PIOC decided to hold all its quarterly Board meetings in Madrid to ensure it remained within its budget limit. The four PIOC meetings continued to offer the possibility of engagement with the leadership of IFAC and with the Chairs of the standard setting Boards who report on the status of their projects and exchange ideas and PI concerns. This year, the PIOC welcomed Mr. In-Ki Joo as the new IFAC President and bid farewell to Ms. Rachel Grimes.

The year 2018 has been one of reaching out to stakeholders about the different possible alternatives and understanding their views and comments derived from the MG consultation. The MG consultation process has also given the PIOC a chance to look inward to review its own current methodology and internal processes in order to continue to carry out effective Public Interest oversight.

The PIOC is committed to continuing its understanding of the different trends within the accounting profession and the environment in which the PI evolves. Therefore, it organized a half-day workshop on September 26<sup>th</sup> in Madrid to explore how to improve assurance on Enhanced Reporting and the possible role of standard setters in facilitating this. The PIOC was able to bring together the global leaders in this area and engage in fruitful discussions.

The event was structured in two panels and was opened by Professor Mervin E. King. The first panel explored the different Enhanced Reporting Initiatives and was moderated by Jane Diplock (PIOC member). The panel was comprised of Helen Slinger (Director, Accounting for Sustainability), Laura Girella (Coordinator, International Integrated Reporting Council), and Eric Hespenheide (Chairman, Global Reporting Initiative).

The second panel provided a platform for Investors and Profession and Standard setting Boards to share perspectives. The panel was moderated by Karen Stothers (PIOC member) and was comprised of José Luis Blasco (Global Head for KPMG Sustainability Services), Marek Grabowski (Member and Chairman of the Emerging External Reporting Task Force, International Auditing and Assurance Standards Board {IAASB}), Liz Murrall (Director of Stewardship & Reporting, The Investment Association), and Stavros Thomadakis (Chairman, International Ethics Standards Board for Accountants {IESBA}). The 45 participants included

IFAC representatives; the Chairmen of the IAASB, IESBA, IESBA CAG, IAESB, and the IAESB CAG; representatives from the “Big Four” Audit Firms; Regulators; members of the academic community, and the PIOB in full.



Front row from left to right: Aileen Pierce (PIOB Member), Prof. Mervyn E. King, Eddy Wymeersch (PIOB Chairman), Jane Diplock (PIOB Member), and Laura Girella (Coordinator, IR Leading Practice and Research Programs, International Integrated Reporting).

Second row from left to right: Helen Slinger (Director Accounting for Sustainability), Liz Murrall (Director of Stewardship & Reporting, The Investment Association), Karel Van Hulle (PIOB Member), Shigeo Kashiwagi (PIOB Member), Marek Grabowski (Member and Chairman of the Emerging External Reporting Task Force, IAASB), Stavros Thomadakis (IESBA Chairman), and Karen Stothes (PIOB Member).

Third row from left to right: Eric Hespenheide (Chairman Global Reporting Initiative), Maria Helena Pettersson (PIOB Member), José Luis Blasco (Global Head for KPMG Sustainability Services), and Gonzalo Ramos (PIOB Secretary General).

During 2019, the PIOB has continued reaching out to its audiences through the quarterly updates which now provide more insight into the private PIOB discussions carried out at Board Meetings and the [13<sup>th</sup> Public Report](#), which was issued in June 2018.

## SECTION IV

TABLE 9. PIOB 2018 OUTREACH CALENDAR

2018		
JANUARY		
15	London, UK	MG consultation Roundtable
24	Washington DC, US	MG consultation Roundtable
30	Singapore	MG consultation Roundtable
FEBRUARY		
9	Paris	Meeting with Michel Prada
28	Tokyo, Japan	ICGN-IRRC Conference
MARCH		
1-2	New York, NY	IFAC Board
7-8	Amsterdam, NT	Meeting with the MG
22-23	Madrid	PIOB Meeting
APRIL		
16-19	Ottawa, Canada	IFIAR Plenary
MAY		
10-11	London, UK	IAASB - GPPC Meeting
23-24	London, UK	Meeting with the MG
JUNE		
12	Madrid	MACAM Conference
14	Tokyo, Japan	FSB Roundtable
23-24	Basel, Switzerland	BIS Annual General Meeting
26-27	Madrid	PIOB Meeting

2018		
AUGUST		
29	Brussels	European Commission
SEPTEMBER		
6-7	New York, NY	IFAC Board
12	Brussels	MG consultation feedback Roundtable
21	Toronto, Canada	MG consultation feedback Roundtable
24-25	Madrid	PIOB Meeting
26	Madrid	PIOB workshop on Enhanced Reporting
OCTOBER		
12	Toronto, Canada	Meeting with the MG
NOVEMBER		
1	Sydney, Australia	IFAC Council
2	Sydney, Australia	IFAC Board
5-8	Sydney, Australia	World Congress of Accountants
19	Amsterdam, The Netherlands	Dutch AFM
21	London, UK	GPPC Representatives
21	London, UK	A4S Forum
26	Vienna, Austria	CEAOB International Auditing Standards Sub-group
27-28	Madrid	PIOB Meeting
DECEMBER		
4-5	Washington, DC	Meeting with the MG
6-7	Washington, DC	PCAOB International Institute on Audit Regulation

## SECTION V

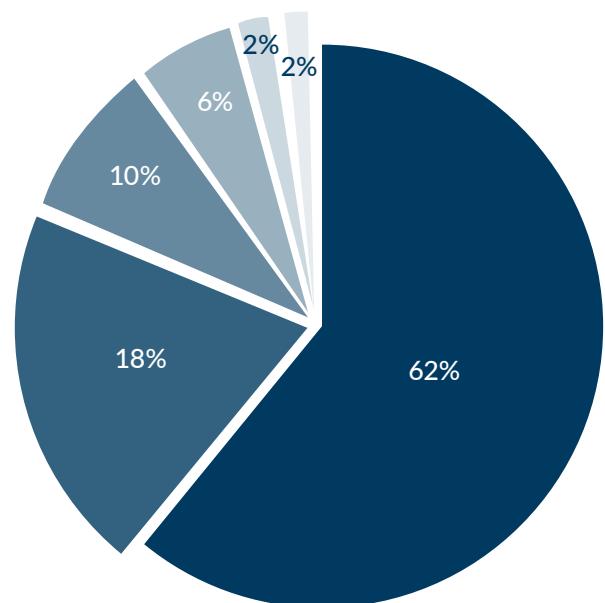
### PIOB BUDGET DIVERSIFICATION

In 2012, the PIOC conducted a fundraising exercise in close coordination with the MG and IFAC. As a result, in 2013, 2014, 2015, 2016, 2017 and 2018, the PIOC achieved a diversified funding base that includes sources other than IFAC. In 2018, the PIOC received monetary contributions that amounted 1,636,302 euros and an In-kind contribution from the Spanish authorities that amounted to 189,318 euros.

- International Federation of Accountants: 1,135,302 euros.
- European Commission: 331,000 euros.
- In-kind contribution from Spanish authorities: 189,318 euros.
- International Organization of Securities Commission: 100,000 euros.
- Financial Reporting Council: 40,000 euros.
- Bank for International Settlements: 30,000 euros.

### 2018 CONTRIBUTIONS

- International Federation of Accountants (IFAC)
- European Commission (EC)
- In-kind contribution from Spanish Government
- International Organization of Securities Commission (IOSCO)
- Financial Reporting Council
- Bank for International Settlements (BIS)



# SUMMARY OF FINANCIAL STATEMENTS

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

	2018	2017
TOTAL REVENUE (3)	1.825.620	1.784.154
<b>EXPENSES</b>		
Board-related operating costs		
Oversight Program	813,174	944,466
Communication and External Relations Program	181,747	163,195
Monitoring Group and Monitoring Group members	172,437	175,160
Foundation Board Meetings	141,896	131,079
Other ongoing operating costs	438,432	388,664
<b>TOTAL EXPENSES</b>	<b>1.747,686</b>	<b>1.802,564</b>
Surplus	77,934	-18,410

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

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

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

(3) PIOC total monetary revenues for 2018 were contributed by the International Federation of Accountants (IFAC) in the amount of 1,135,302 Euros, the European Commission (EC) in the amount of 331,000 Euros, International Organization of Securities Commissions (IOSCO) in the amount of 100,000 Euros, Financial Reporting Council (FRC) in the amount of 40,000 Euros and Bank for International Settlements (BIS) in the amount of 30,000 Euros (\*). In addition, at 31 December 2018, the PIOC voluntarily decided to record in its financial statements the right of use of its premises located in Oquendo 12, Madrid.

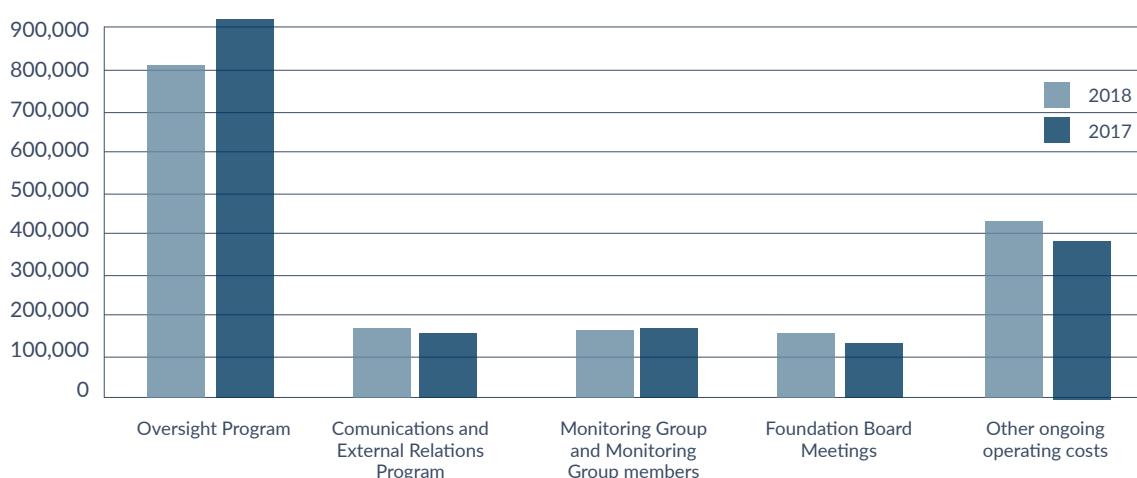
The right of use represents a non-monetary revenue of 189,318 euros. This has been applied retrospectively and is also included as part of the 2017 figures.

The PIOC 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 PIOC website at [www.ipioc.org](http://www.ipioc.org).

(\*) In 2018, provided through FSB, BCBS and IAIS.

## PIOC EXPENSES BY ACTIVITY



## SECTION VI

### ANNEX - PIOB BOARD IN 2018



**MR. EDDY WYMEERSCH - PIOB CHAIRMAN**

Former Member of the board of Euroclear SA and of the Association for the Financial Markets in Europe (AFME); former chairman of the Committee of European Securities Regulators (CESR) (2007–2010) and of the European Regional Committee of IOSCO, in that capacity also taking part in the Executive and the Technical Committees (2006–2010); former chairman of the Belgian Commission Bancaire, Financière et des Assurances (CBFA, chief executive in 2001–2007 and chairman 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, IOSCO (2004–2011) and chairman, New Zealand Securities Commission; Chairman Abu Dhabi Regulatory Committee, Abu Dhabi Global Market; Director, Singapore Exchange Limited director of the Singapore Exchange, Ltd.; director of the Australian Financial Services Group Party, Ltd.; director of the International Integrated Reporting Council Board; 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**

He joined the German Federal Financial Supervisory authority (BaFin) in 2003.

Since January 2013, he became Chair of the International Association of Insurance Supervisors Accounting and Auditing working group. Until 2016, he represented the IAIS within the IFRS Advisory Council. Since 2016, he represents BaFin within the advisory body of the German Auditor Oversight body. Internationally he has served as a member within IOSCO's Committee on Issuer Accounting, Audit, and Disclosure; EBA-SCARA; and ESMA's Corporate Reporting Committee. He is still a member of the Basel Accounting Expert group.



**MR. SHIGEO KASHIWAGI**

Held several decision-making positions during his 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 (IMF) and the Asian Development Bank (ADB). After retirement from the government, Mr. Kashiwagi was a full-time professor at Keio University for nine years. He has also been 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); audit manager at PwC Sweden (1989–1991); audit partner at Ernst and Young Brazil (1991–2012); consultant and independent board member (2012–present); vice president of the Brazilian National Association of Accountants and Management Professionals (ANEFAC).



### DR. AILEEN PIERCE

Emeritus Professor of University College Dublin (UCD), Ireland. Chair of the Consultative Advisory Group (CAG) of the International Accounting Education Standards Board (IAESB) (2012–2015), 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), Chair of the Irish Accounting and Finance Association (2004–2005). She is currently a member of the Board of Trustees for Enactus Ireland, National Treasurer and member of the governing body (ARD COMHAIRLE) of the Camogie Association (an Irish female sports organization), and a member of the Financial Management Committee of the Gaelic Athletics Association (GAA). Ceased to be a member of the Board of Rowland Hill fund Ireland on July 26, 2018.



### MS. KAREN STOTHERS

Senior Director of the Office of the Superintendent of Financial Institutions (OSFI) in Canada. She is responsible for accounting, auditing, and public disclosure prudential requirements for federally regulated financial institutions. She is also responsible for OSFI's international positions with the Basel Committee on Banking Supervision's Accounting Experts Group and the International Association of Insurance Supervisors' Accounting and Auditing Working Group.



### MR. KAREL VAN HULLE

Associate professor at the Business and Economics Faculty of the KU Leuven, honorary professor at the Economics Faculty of the Goethe University in Frankfurt, and academic member of the Insurance and Reinsurance Stakeholder Group of the European Insurance and Occupational Pensions Authority (EIOPA). Former head of unit at the European Commission until March 2013 with subsequent responsibilities for accounting, auditing, company law, insurance, and pensions.



### **MR. GONZALO RAMOS - PIOC SECRETARY GENERAL**

Former chairman of the International Monetary Fund External Audit Committee, former Executive Director of the European Bank for Reconstruction and Development, former chairman of the Financial and Operations Committee, and former vice chairman of the Audit Committee. Former Director General of International Finance for the Spanish Ministry of Economy and Finance.

## **PIOC STAFF**

**SUSANA NOVOA – DIRECTOR OF OVERSIGHT**

**Rocío Goudie – COMMUNICATIONS AND EXTERNAL RELATIONS ADVISOR**

**Claudia Deodati – OVERSIGHT ADVISOR**

**Heather Erickson – EXECUTIVE ASSISTANT**

**Renzo Lari – FINANCIAL CONTROLLER**



From left to right:

Back row: Jules Muis, Karel Van Hulle, Karen Stothers, Shigeo Kashiwagi and Markus Grund (PIOC Members).

Front row: Gonzalo Ramos (PIOC Secretary General), Aileen Pierce (PIOC Member), Eddy Wymeersch (PIOC Chairman), Jane Diplock and Maria Helena Pettersson (PIOC Members).



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