

Briefing Memo – Part I  
IESBA  
November 29-December 2, 7 & 15, 2022  
Hybrid Meeting

*Disclaimer: This memo is prepared by PIOB staff, in advance of the SSB meeting, applying their best knowledge and their own judgement in identifying and communicating matters of public interest and due process. PIOB Staff views are discussed with the PIOB observer and the PIOB Board and do not pre-empt further PIOB's views or discussions. The main objectives of this memo are to support the PIOB member in his/her SSB meeting observation and to help maintaining consistency and continuity of oversight.*

The Agenda includes the following topics:

- 2 - ENGAGEMENT TEAM/GROUP AUDITS INDEPENDENCE
- 3 – SUSTAINABILITY
- 4 – TAX PLANNING AND RELATED SERVICES
- 5 – TECHNOLOGY (REVISIONS TO THE CODE)
- 6 – STRATEGY AND WORK PLAN (SWP) 2024-2027
- 8 – PIE ROLLOUT

*(The Technology Fact Finding documentation – item 7 – will be distributed in the next days and will be included in the BM – Part II).*

Please refer to the PIOB's Public Interest Issues on the individual IESBA projects, as of September 2022, published in the PIOB website:

<https://ipiob.org/wp-content/uploads/2022/11/PIOB-PI-Issues-on-IESBA-projects-October-2022.pdf>

## 2 – ENGAGEMENT TEAM – GROUP AUDIT INDEPENDENCE

Objective of the project: The project objective is to align the definition of the term “engagement team” (ET) in the Code with the revised definition in ISA 220 (Revised), that now includes component auditors (CA), within or outside of the network<sup>1</sup>, and service providers, and to clarify the independence requirements applicable to the different individuals that are part of the ET.

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<sup>1</sup> The extant Code is silent in respect to which independence requirements apply to CA that are outside of the network.

Background and status: The IESBA approved an ED in December 2021 with proposed changes to the Code to align the definition of ET to ISA 220 (revised) and to address group audits (GA) independence, and discussed the comment received and proposed revisions to the ED to address them in September. In this meeting, the TF will present additional revisions to further address comments from stakeholders and IESBA members, and will request IESBA to approve the final standard.

The IESBA has been working in close coordination with the ISA 600 TF (closely interrelated with the project).

Notes/key points from the review of the documentation for this meeting

The issues paper (item 2-A) provides a marked-up version from September of the Code provisions with an analysis of the most significant comments and revised proposals, including additional requirement to communicate in writing breaches to those charged with governance (R405.28) and clarification of language. A marked-up version from the ED is also provided in item 2-C.

The most significant item outstanding from the September meeting was the independence requirements applicable to individuals from CA Firm (CAF) outside of the group audit firm (GAF) network, where the TF has performed additional work. Item 2-B provides the background of the issue, the general principle stated in the ED (i.e. same independence requirements apply to all team members), practical challenges identified, options discussed at the September meeting, and further outreach carried out in Q4 and proposed solutions. The TF proposed solution to address practical challenges raised, as well as concerns raised by stakeholders (including IFIAR, IOSCO and the PIOB), involves the following:

- Retain the requirement for individuals from CAF outside of the network to be independent from the CA client, the group parent entity and any entity within the group that has direct or indirect control over the CA client (i.e. "option 2"). In addition, these individuals would be required to apply the "reason to believe test" to the other related entities not captured under the "chain of control".
- Evidence of practical challenges – the TF notes that most of the time the use of CAF outside of the network refers to big multinationals, conglomerates with presence in multiple jurisdictions – they provide some examples in Appendix 3. In this respect, the TF believes that practical challenges will be present in most large multinational group audits and therefore it would not be a few specific exceptional cases.
- Enhanced communication between GAF and CAF (leveraging on requirements from ISA 600). The TF proposes a requirement (R405.3) for the GAF to provide relevant information to the CAF to enable them to meet their ethical responsibilities (this may include related entities and other components).

- Change of approach – requirement for individuals (instead of the CAF) that are team members to identify and to communicate to the CAF any relationship or circumstance that may create a threat to its independence (R405.7 and 405.7 A1). The TF attempts to address the practical complexities of ensuring independence in large, complex groups and to avoid a checklist exercise (checking every single related entity) by putting the “burden” of identifying relevant and significant relationships (with any entity) on the individual, rather than on the firms, and then checking whether any of those relationships identified are with related entities of the group being audited. The CAF shall then evaluate and address any threats communicated by the individuals (R405.8).

Item 2-A also includes proposed effective date for the different provisions. Most provisions are proposed to be effective on the same date as ISA 600 (revised), that is, December 15, 2023. Given the short adoption time frame, the TF is also proposing that “*Staff can make the unofficial final text of the provisions available on the IESBA website by the end of the year, pending PIOB consideration and approval of the final text in early April 2023”*. This is a similar proposal to that discussed by IAASB in relation to the Audit Evidence project, which several PIOB members and the PIOB staff raised as a concern (see further comments below).

#### Public Interest Issues

Please refer to the PIOB’s Public Interest Issues on Engagement Team/Group Audits, as well as on External experts, as of September 2022, published in November 2022.

<https://ipiob.org/wp-content/uploads/2022/11/PIOB-PI-Issues-on-IESBA-projects-October-2022.pdf>

#### PIOB Staff comments on PI

Throughout the development of the project, the PIOB was supportive of the provisions included in the ED and the alignment with IAASB standards (ISQM, ISA 220 (revised), ISA 600 (revised)), but had raised some concerns regarding the complexity and potential challenges to implementation. The feedback received through the public consultation was aligned with those concerns.

The proposed revisions (in September and December) address most concerns raised by respondents, achieving further alignment between the ISAs and the Code, eliminating unnecessary differences in breach of independence requirements between network and non-network CA, and requiring written communications of those breaches (both to the GAF and to TCWG of the group).

Overall, the revised provisions strengthen and clarify independence requirements in Group audits, align the Code with the ISAs and meet the PIF qualitative characteristics, particularly *coherence* (alignment with ISA 220, ISQM, and ISA 600 in particular), *enforceability* (stating clearly who is the responsible party, requiring documentation in writing). The latest revisions, also aim to address concerns about complexity and consistent application across jurisdictions, and proportionality as described below.

The TF has also considered PIOB concerns raised at our latest meeting (see PIOB PI issues list), regarding independence requirements of individuals from CAF outside of the network. In general, the proposals and the background information provided note that the use of CAF outside of the network mostly happens in large, multinational groups and clarify that individuals still need to be independent from related entities, however the responsibility to meet those requirements is split between: a) the GAF – by providing relevant information about the group and the related entities, b) the CAF – ensuring independence for those relationships where the biggest threats lie (“chain of control”) and, c) the individual, for those relationships where the individual may have more relevant and readily available information (significant financial interests or close family relationships that could influence the FS). The ultimate responsibility to ensure that independence requirements are met still lies with the Group engagement partner (consistent with ISA 600 (revised)).

In this respect, the additional communication requirements (a) and the change of approach (c) are helpful to avoid the practical challenges identified, ensuring a proportionate solution. However, practical implementation of this solution may still be challenging and will require robust processes at CAFs to ensure that their individuals identify and communicate relevant relationships on a timely basis. Also, removing part of the responsibility from the CAF may result in the GAF and the group engagement partner having “less trust” in the communication from the CAF confirming compliance with relevant ethical (and independence) requirements, which may have unintended consequences on the use of out-of-network firms. This might be something that needs to be assessed at a PIR.

**Due process:** The proposal from the TF to have the IESBA staff publish an “unofficial” version of the standard before approval by the PIOB is concerning as it would not follow due process and is not in the public interest. Nevertheless, it should be acknowledged that IESBA (and IAASB) sometimes publishes the most up-to-date proposal (with changes discussed during the meeting) as part of the updated documentation of the meeting, usually the version that is subject to approval voting. This version is not the final version that is sent to the PIOB (even if substantive changes will not be made) and is not publicized or “marketed” in any specific form; it is just identified as part of the meeting documentation. Therefore, it should be

clarified what is the intent of IESBA with this proposal to publish an “unofficial” version and ensure that PIOB’s own due process of deliberation and assessment of the public interest of a standard is not impaired.

### 3 – SUSTAINABILITY

Background and Status: the Sustainability WG was established in March 2022. The objective of the WG is to raise awareness on how provisions in the Code apply when preparing, presenting and assuring sustainability information, as well as to undertake fact-finding and to provide recommendations that may inform future standard setting or other initiatives. The WG will present the sustainability draft project proposal, for approval, at this meeting. (The agenda includes a separate project proposal for the “Use of experts”, which will also be presented by the WG for approval).

#### Notes/key points from the review of the documentation for this meeting

Following the discussions at the November 1<sup>st</sup> meeting, the WG drafted the Sustainability project proposal (item 3-A) as well as the “Use of experts” project proposal (item 3-B).

#### Sustainability

The sustainability project will be split in two workstreams: one will address ethics and independence issues related to reporting of sustainability information, one will address assurance on sustainability reporting (provided by PAs and non-PAs). The project proposal is presented in agenda item 3-A.

The approach proposed by the WG is similar to what the IAASB is doing with ISSA 5000: overarching provisions which are framework neutral, with a flexible approach which allows the application in circumstances where sustainability information is integrated in the financial reporting or where it is reported on a stand-alone basis. Limited and reasonable assurance are meant to be covered.

Background information, as well as relevance of the Code in the sustainability area, are described in the project proposal (e.g. applicability of fundamental principles, preparation and presentation of information, pressures, NOCLAR, reference to ISAE 3000 requiring compliance with ethical and independence requirements at least as demanding as in the Code).

The PIF approach and qualitative characteristics have been used and tailored by the WG to draft the project proposal. Section F – How the project serves the public interest and Impact Analysis – par. 48 - described in item 3-A refer to the use of

experts and may, therefore be relevant for the other project proposal (item 3-B). The WG may need to review and update the text in the paper before the project is approved by the IESBA.

The qualitative characteristics and elements from the PIF included in the project proposal are: consistency, coherence, responsiveness to emerging issues or development in accounting practices, broad consultation and balanced stakeholder priorities, clarity and conciseness, effective implementation and global application.

Groups of stakeholders considered, include: users, investors, taxpayers, employees, PAs in sustainability reporting and assurance, those in charge of adoption and implementation, regulators, PAOs, preparers, TCWG, SMPs/SMEs. The WG plans to weigh and balance all those interests.

The scope of the project includes revisions to Part 1, 2, 3, 4A and 4B in the Code of Ethics, as well as guidance for non-PAs. Topics which will need to be addressed, include, for example, independence provisions, what constitutes a management responsibility, threats, misleading information and greenwashing, skills and expertise needed, professional judgement (increased due to uncertainty and qualitative information), etc. The use of experts will be dealt with in a separate project (see item 3-B).

At the November 1<sup>st</sup> meeting, the IESBA decided to postpone a strategic decision on how to “package” the sustainability provisions: whether through integration in the Code (in Part 4A or in a new part 4A\*), or through a stand-alone or new part in the Code (Part 5)<sup>2</sup>. That discussion will be resumed in June 2023.

Coordination with the IAASB and outreach with stakeholders will continue and will be complemented with the global roundtables planned for Q2 2023. At least one roundtable will target non-PAs.

The two workstreams will be advanced at an accelerated pace and will be given priority in the IESBA 2024-2027 Strategy and Work Plan. Additional meetings may be scheduled next year in each quarter.

The timetable envisaged for the project is as follows: approval of project proposal in December 2022, global roundtables in April-May 2023, approval of ED in December 2023, approval of final pronouncement in December 2024.

The item 3-A also includes the allocation of resources for the project: two IESBA principals, a secondee from UK FRC. The TF will comprise two drafting teams, one for

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<sup>2</sup> For the different options, please refer to the BM and OM prepared for the November 1<sup>st</sup> meeting.

each workstream, each one including up to 4 members, both from IESBA Board and among Technical Advisors. An IAASB member will be invited as correspondent member.

A Sustainability Coordination Working Group (SCWG) will also be formed, including the Chairs of the two TFs, the IESBA Chair, the IESBA Program and Senior Director. The SCWG will be responsible to coordinate the work and outreach to main stakeholders.

### Use of experts

As a response to the feed-back from many stakeholders, including from the PIOB, to different projects (the 2022 Strategy survey, Technology, Engagement Team/Group Audit Independence, Tax Planning, Sustainability), and recognizing the increasing use and importance of external experts, the IESBA has asked the sustainability WG to draft a project proposal on the use of experts, planned to be approved at this meeting (item 3-B).

The objective of this project is to address ethics and independence issues when experts' work is used in audit and assurance engagements, as well as in the preparation of financial and non-financial information, with the aim to revise the provisions in the Code, currently quite limited on the topic.

The Glossary of the Code mirrors the definition of engagement team in ISA 220 and therefore does not include external experts. Taking into account ISA 620 "Using the Work of an Auditor's Expert", guidance in ISAE 3000 on how to use the work of an expert, and the current proposals in ISA 500 "Audit Evidence" (use of a management's expert), the IESBA will need to coordinate its work with the IAASB.

The project will have to consider also the Technology and ET/GA provisions in the Code which are planned to be approved at this meeting (e.g. considering, in the definition of assurance team, the external experts who can directly influence the outcome of the assurance engagements).

The draft project proposal follows the same outline and, to some extent, the same content of the Sustainability project proposal (item 3-A) (e.g. the same content in Section F – How the project serves the public interest and Impact Analysis – par. 31, and basically the same qualitative characteristics of the PIF and group of stakeholders affected by the project).

The roundtables planned for the Sustainability project will be used to gather input also on this topic, and the two projects will be conducted in tandem. Coordination with the Tax Planning TF is foreseen. Outreach will supplement the consultation.

In terms of resources, the TF will comprise four IESBA representatives. The timeline of the “Use of experts” project is the same as for the sustainability project. It also envisages additional virtual meetings in each 2023 quarter.

At this meeting, the WG will provide a high-level update on the responses to the Sustainability questionnaire, which has been made available in the IESBA website since June 2022.

The WG has continued its outreach, including with IOSCO, the ISSB, GRI, and is coordinating its work with the IAASB. One representative from the IAASB will provide an update in December and the same will be done by one IESBA representative at the IAASB meeting. The WG is also monitoring some regulatory developments, including in the EU, New Zealand and UK.

They will report also about the IESBA Chair’s participation in a Sustainability panel at the World Congress of Accountants.

### *Public Interest Issues*

Please refer to the PIOB’s Public Interest Issues on the Sustainability project (and on the External Experts topic), as of September 2022, published in the PIOB website:

<https://ipiob.org/wp-content/uploads/2022/11/PIOB-PI-Issues-on-IESBA-projects-October-2022.pdf>

### *PIOB Staff comments on PI*

The Sustainability project is advancing and the IESBA committed to an accelerated timeline with a target finalization date in December 2024. The project proposal has been drafted applying and tailoring the PIF, identifying the qualitative characteristics which are applicable, as well as the group of stakeholders which may be impacted by the project. However, the objective in the document needs to be updated and reflect the specificity of this project (it seems that the objective has been copied and pasted from the “Use of experts” project proposal).

Though the IESBA decided, at the November 1<sup>st</sup> meeting, that it would defer the strategic decision on the “packaging” of the revisions to the Code, it is important to follow up on this and make sure that there is an ongoing discussion. The roundtables may be helpful to determine which would be the best approach and a decision may be made in June 2023.

The “Use of experts” project proposal is somehow unexpected at this meeting, and will be an holistic project, separate from Sustainability (even if the same WG has drafted the project proposal). It is important to have the scope clear, to have the appropriate use of resources and avoid overlap of work, as the use of experts, as explained above, is increasing and affects different aspects of PAs work, as well as different parts of the Code. It should be coordinated with the current projects, including Sustainability.

It is encouraging that the feed-back from the PIOB and other stakeholders on the need to deal with the work of experts has been considered as a priority by the IESBA and this should be reflected accordingly in the upcoming Strategy and Work Plan. The IESBA may need to further challenge the past discussions and current standards (e.g. ISA 220, and almost approved ET/GA provisions), to effectively recognize the influence/impact that external experts play in an audit or assurance engagement (including in sustainability). A common baseline, as well as ethics and independence requirements, are necessary.

The PIOB will have to follow up on also on the IAASB work on ISA 620 in its upcoming Strategy and make sure that both SSBs coordinate their efforts and align expectations.

Some comments, already expressed in the November 1<sup>st</sup> BM, are reiterated below.

Preparation and assurance on sustainability information implies dealing with qualitative rather than quantitative information, forward-looking vs. past information. Professional judgment, professional skepticism and use of experts will be key. All these topics go hand in hand with the work the IAASB is developing with the overarching assurance standard.

Further outreach and roundtables are welcome. They should include non-PAs in each roundtable which is going to be organized (vs. at least in one, as suggested in the papers by the WG).

Additional pending matters for discussion (at next meetings) include the IESBA’s discussion on whether providing assurance services to audit clients may be considered a NAS.

#### 4 – TAX PLANNING AND RELATED SERVICES

Objective of the project: The objective of the project is to develop a principle-based framework, leveraging the fundamental principles and the conceptual framework, to

guide professional accountants' (PAs) ethical conduct when providing tax planning and related services (TP) to employing organizations and clients (PAIBs and PAPPs, respectively).

Background and status: The IESBA approved the project proposal in September 2021. The Task Force (TF) provided a first draft of the proposed new sections to the Code in September 2022. During Q4 the TF circulated a revised version of the proposed new sections for comments by IESBA members. At the December meeting they will provide the comments received from board members to the November draft and proposed revisions and will ask IESBA to approve the ED for public consultation. The approval of the final pronouncement is targeted for December 2023.

Notes/key points from the review of the documentation for this meeting

The TF circulated a redrafted version of the new Code sections for comments by IESBA members in early November. A summary of comments received and how they were addressed are explained in the presentation in item 4-A (a more detailed tracker of comments is provided in item 4-E for reference). Tracked changes to the proposed sections are in items 4-B and 4-C (tracked from September). The consequential amendments are provided in item 4-D.

The revised text retains substantively the proposals presented in September and addresses certain concerns in relation to the role of PAs in providing tax services, clarifies that credible basis should be based on laws and regulations and is a matter of professional judgement, clarifies the stand-back provision, provides further guidance on the multi-jurisdictional tax benefits, the application of the CF, and situations of disagreements with the client (including guidance to communicate with TCWG).

Public Interest Issues

Please refer to the PIOB's Public Interest Issues on the IESBA Tax planning and related services project, as of September 2022, published in November 2022.

<https://ipiob.org/wp-content/uploads/2022/11/PIOB-PI-Issues-on-IESBA-projects-October-2022.pdf>

PIOB Staff comments on PI

As noted in September, overall, the proposed ethical framework for TP services provided by PAs is encouraging and addresses the objectives set out in the project proposal. The consideration of having both a credible basis and requiring a stand-back assessment that considers "reputational, commercial, and wider economic consequences" taking the perspective of stakeholders strengthens the framework and

meets PIOB recommendations. The revised text also has taken into consideration some suggestions raised by the PIOB to further highlight the need to exercise professional judgment as a critical element to establishing credible basis (380.11 A2), identifying threats and applying safeguards.

Some further suggestions could be considered to help strengthen the proposed framework and set a high bar in ethical behavior expected from PAs providing tax services:

- Transparency/communication with external parties – consideration could be given to whether the PA should further encourage the client/employing organization to clearly disclose TP arrangements in the financial statements or other relevant document, in addition to the tax authorities (e.g. 280/380.16 A1, 280/380.17 A4, R280/380.20), to ensure transparent and balanced reporting, in line with the PIF.
- Requiring documentation (instead of encouraging it in application material) of ethical considerations.

Regarding the participation of a broad range of stakeholders (as set out in the PIF), in our prior comments, the PIOB had encouraged the IESBA to carry out further targeted outreach to obtain input from stakeholders beyond the accounting profession, such as tax regulators, international organizations (e.g. OECD) and other tax professionals. The presentation notes outreach carried out with PwC Global tax policy leader, European Commission representatives, Australian Tax summit from the Tax Institute, ICAEW Wyman Symposium (Regulation of the tax profession) and AE Tax policy Group. It would be interesting to understand what feedback was received from those parties and whether they had a chance to comment on the draft text.

## 5 - TECHNOLOGY (Revisions to the Code)

Objective: “to enhance the Code’s provisions in response to the transformative effects of major trends and developments in technology in order to maintain the Code’s robustness and relevance as a cornerstone of public trust in the global accountancy profession”.

Background and Status: the comments to the Technology ED and subsequent revisions to the Code were discussed at the September meeting and the TF is going to present the last changes, which include the interaction the TF had with IESBA members in October, with a view to approve the final provisions (in advance of the original target date).

Notes/key points from the review of the documentation for this meeting

The main activities held by the TF, following the September meeting, include:

- a) Targeted outreach with IOSCO, IFIAR, Forum of Firms, IESBA CAG, IAASB Technology Consultative Group, coordination with IESBA Technology WG. The TF Chair will report about it at the meeting.
- b) A revised text of the revisions to the Code was circulated by IESBA staff to IESBA members (we were copied), to gather further input after the September discussion and advance the project.

The documentation includes a cover note (item 5), a compilation of the comments from members received to the text circulated in October and the TF's response (which were mainly editorials and on the effective date - item 5-A), the revised text of the Code (mark-up from October, mark-up from the ED, mark-up from extant Code and clean: items 5-C to 5-F) and a draft Basis for Conclusions (BfC – item 5-B).

(Please refer to agenda item 6-A, which *"provides an overview of the TF's consideration of recommendations set out in the final Phase 2 Report which have possible standard-setting implications broader than the scope of the Technology"*. The document lists the recommendations, the way they have been addressed and whether further actions are needed).

The latest PIOB's PI issues (published early in November) have been included in the item 5 and the TF has provided its response. No substantial issues remain outstanding.

PIOB staff notes the following main revisions to the ED (which also represent changes/additions to extant Code) – from a review of items 5-D and 5-E:

Fundamental Principles and Conceptual Framework:

R114.2 (and exceptions): prohibition to disclose confidential information and exception when a) there is a legal or professional duty or right to do so; or b) it is authorized by the client (compatible with NOCLAR, which actually overrides Section 114, as explained in the Basis for Conclusions).

120.5 A6-A8: complexity to be taken into account in professional judgment; managing complexity.

PAIBs and PAPPs:

200.6 A2 and 207.A4, 300.6 A2 and 300.7 A6 (PAIBs and PAPPs): identifying threats associated with the use of technology and evaluation of threats (impacted also by work and operating environment, e.g. oversight and internal controls on technology).

R220.7-8 (and 220.8 A1) for PAIBs and R320.10-11 for PAPPs: using work of others and output of technology.

300.5 A2 (PAPPs): expectation for PAs to encourage and promote ethics-based culture, also depending on their seniority, and exhibit ethical behavior in their business relationship.

Part 4A – Independence for Audit and Review Engagements

520.3 A3: example of a close business relationship (“arrangement under which the firm or a network firm licenses products or solutions to or from a client”).

520.7 A1: application of NAS provisions (section 600) when a firm or network firm sells, resells or licenses technology to an audit client or to an entity that provides services using technology to audit clients of the firm or network firm. (Same text in 600.6 – NAS Section of the Code).

601.5A – automation (and technology), expertise and judgment to be considered for routine and mechanical accounting and bookkeeping services.

606.2 A1: description of IT system services.

R606.3 prohibits assuming management responsibilities, and 606.3 A1 includes examples of IT system services which result in the assumption of management responsibilities (storing or managing the hosting data on behalf of the audit client; operating, maintaining, or monitoring the audit client’s IT systems, network or website).

606.4 A3 includes examples of IT system services which create a self-review threat.

Part 4B – Independence for Assurance Engagements other than Audit and Review Engagements

R900.13 prohibits assuming management responsibilities related to the underlying subject matter.

900.13 A4 provides examples of IT services that result in assuming management responsibilities (specular to 606.3 A1), which include storing or managing the hosting data related to the underlying subject matter; operating, maintaining, or monitoring an assurance client’s IT systems, network or website.

920.3 A3: specular to 520.3 A3, provides an example of a close business relationship (“arrangement under which the firm or a network firm licenses products or solutions to or from an *assurance* client”).

In terms of due process, the TF believes that the changes occurred to the ED are in response to comments received and do not substantially change the proposals in the ED. Therefore re-ED is not warranted.

Assuming that the IESBA will approve the final text at this meeting, and the PIOB will consequently approve it in April, the proposed effective date for the Technology Revisions to the Code is as follows<sup>3</sup>:

- *Revisions to Parts 1 to 3 will be effective as of December 15, 2024.*

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<sup>3</sup> The edited text and proposals circulated in October by IESBA staff envisaged some transitional provisions, which have been removed from the current proposals. This has taken into account some IESBA members’ and NSS’ input, asking for a reasonable time to translate provisions and allow time for adoption and implementation. From a clarity perspective, we believe this is better, even if the full revised text will be effective one year later (2024 vs. 2023). The original proposals in October were confusing.

- *Revisions to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after December 15, 2024.*
- *The conforming and consequential amendments to Part 4B in relation to assurance engagements with respect to underlying subject matters covering periods of time will be effective for periods beginning on or after December 15, 2024; otherwise, these amendments will be effective as of December 15, 2024.*

Early adoption is permitted.

### *Public Interest Issues*

Please refer to the PIOB's Public Interest Issues on the Technology project, as of September 2022, published in the PIOB website:

<https://ipiob.org/wp-content/uploads/2022/11/PIOB-PI-Issues-on-IESBA-projects-October-2022.pdf>

### *PIOB Staff comments on PI*

As described above, from our review of the mark-up changes occurred to the Code (both in respect to extant and in respect to the ED), the provisions have been enhanced. Changes mainly respond to stakeholders' comments raised through consultation and outreach. We therefore believe that re-ED, as concluded by the TF, is indeed not warranted.

The redrafting should also respond to the qualitative characteristics included in the PIF, such as consistency, coherence, appropriate scope, completeness, comprehensiveness, clarity and conciseness, implementability and enforceability.

The effective date (December 2024) seems to be reasonable, given that PIOB's approval will not be tabled before April 2023 and jurisdictions will need to translate, adopt and implement the new provisions.

In terms of PI issues raised during the development of the project, the main one was, at an early stage, about the lack of broad stakeholders' groups consulted during the surveys. This was part of due process and also required in the PIF, though not implemented at that time. Overall, the IESBA has positively responded to the PIOB's PI issues during the development of the project and there are no major issues outstanding.

The PIOB will need to follow up on the effective undertaking of projects such as "Use of experts" and "Close business relationship", which have been highlighted during the

development of this project and which should be included in the upcoming IESBA Strategy and Work Plan.

It is important that the IESBA takes into account the outcome of the work of the Technology WG (see item 6-A), as the two workstreams need to be coherent and complement each other. Considered together, they may also determine further actions which the IESBA needs to undertake in its upcoming 2024-2027 Strategy and Work Plan (e.g. project proposal for Use of Experts; potential new workstreams for: Data Governance, Communication with TCWG, Close Business Relationship).

## 6 – STRATEGY AND WORK PLAN (SWP) 2024-2027

Objective: the IESBA's current Strategy and Work Plan (SWP) will end in December 2023. The IESBA needs to approve the new SWP for 2024-2027 by December 2023.

Background and Status: The IESBA issued a survey in April 2022 to gather input on its SWP. The working group is made up by the Planning Committee and they will present a draft Consultation Paper (CP) on its SWP for 2024-2027 for consideration by the Board at the December 2022 meeting and to be approved in March of 2023.

The WG also used input from the CAG and from meetings with other stakeholders. They coordinated the development of its SWP with the IAASB.

### Notes/key points from the review of the documentation for this meeting

The Planning Committee will provide a draft SWP CP (item 6-B) that includes the proposed strategy for 2024-2027, proposed Work Plan for 2024-2027 and a list of questions for respondents. The draft CP has some placeholders for potential additional work streams to be included in the SWP CP resulting from the recommendations report of the Technology WG, as suggested by both the Technology TF and the WG (see further comments in agenda item 5).

The proposed strategy is based on a number of strategic drivers such as, among others, the demand for sustainability information, the expanding role of PAIBs (e.g. CFOs), need to address trust crisis due to corporate failures, impact of technology developments, timeliness expectations of stakeholders, widening the influence of the Code. They also highlight the coordination with the IAASB.

The proposed workplan covers the following projects and includes expected timeline (commencement and finalization dates):

- Projects started before 2024, include Sustainability, use of external experts (see agenda 3), CIVs, Pension funds and Investment company complexes, and PIR on NOCLAR
- Projects pre-committed, to start in Q1 2024 or later: PIRs for Long Association (phase 2), Restructured Code, NAS and Fees, and PIEs
- Proposed new workstreams (start between Q1 2025 and Q1 2026): business relationships, definitions and description of terms, Audit firm-Audit Client relationship, Role of CFOs and other senior PAIBs

The draft CP also notes the need to consider the impact of the implementation of the MG reforms in the proposed prioritization of projects.

### Public Interest Issues

Please refer to PIOB's Public Interest Issues on Assurance on non-financial information (IESBA project) and External experts, as of September 2022, published in November 2022.

<https://ipiob.org/wp-content/uploads/2022/11/PIOB-PI-Issues-on-IESBA-projects-October-2022.pdf>

### PIOB Staff comments on PI

The draft CP and the strategic drivers and themes identified emphasize the importance of enhancing the trust both in sustainability reporting and assurance and in audit of financial information. This is in line with PIOB's views and responds to the recommendation to the IESBA to take a leadership role in sustainability reporting topics, from an ethical perspective.

In terms of priority topics, we note that the IESBA has already committed to start work on sustainability reporting, use of experts, analysis of CIVs and Pension funds even before the start of the strategy period, which address some of the recommendations raised by the PIOB and other stakeholders. It is welcome that the draft CP includes proposed timelines that show the prioritization of other projects and will provide an opportunity for stakeholder to provide their feedback on the expected timelines. Nevertheless, the proposed work plan includes numerous projects, some of which will require significant resources to meet stakeholder timeliness demands, so IESBA needs to ensure that prioritization and allocation of resources is done in a transparent manner and appropriately takes into account these expectations and the need to deliver high quality standards.

## 8 – PIE ROLL-OUT

The TF will present an update on the roll-out plan to promote awareness and adoption of the recently approved provisions of PIEs, as well as to provide an update on the IAASB PIE project.

It is worth noting that the TF will propose the IESBA to hold an additional virtual meeting in late January/early February 2023 to consider whether para. 400.20 of the IESBA PIE provisions should be revised to exclude review engagements from the transparency requirements (effectively limiting the requirement to disclose the application of PIE differential requirements to audit engagements) in light of the feedback received by IAASB to its ED.