

IESBA Observation Memo

February 10, 2023 online

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Disclaimer: The observer applies her own judgment in identifying and communicating matters of public interest and due process at the meeting, and is responsible to the PIOB Technical Committee in doing so and in reporting on the observation. The views and opinions expressed in this Observation Memo are personal and belong solely to the observer and do not necessarily reflect or preclude the PIOB Board's position.

Summary of key issues from the meeting:

The public meeting was chaired by the IESBA Chair, who welcomed all participants to the first 2023 meeting, and in particular to the two new Board members who introduced themselves.

The only agenda item, the proposal made by the Working Group (WG) on PIE rollout, was unanimously approved.

The Chair announced that, following the MG recommendations, the 1st of January IFEA was established, and now both IAASB and IESBA are under its umbrella.

Agenda Item 2 - PIE ROLLOUT

Objective of the Agenda Item

The meeting was related to the development of the IAASB's PIE project and in particular to the transparency requirements for review engagements (track 1 of IAASB's PIE Project). The Chair of the WG introduced the topic, and explained that the Board should consider whether para. R400.20 of the Code should be revised to exclude review engagements from the transparency requirements. Code provisions apply to both audit and review engagements, but the ISAs only cover audit engagements, and based on the responses received in the consultation made by IAASB, it was considered convenient to clarify that aspect.

The recommendation of the WG was that the Code should not be amended, but, if amended, a re-exposure would be needed. In their view the current requirement meets public interest objective of ensuring consistency across engagements and the disclosure is relevant for both audits and reviews.

IESBA Key discussion points

The Chair asked the Board if they had questions or comments, several members intervened to support the WG proposal, and nobody disagreed with it. Based on those views and with the support of the WG members, the WG proposal to not amend R400.20 of the Code was approved.

After that the IAASB Technical Director intervened to explain about track 2 of IAASB's PIE Project that deals with convergence of concepts between the Code and ISAs and other matters (see the IAASB OM December 2022).

A discussion in which some Board members and IESBA staff participated took place regarding interim reviews. There was the doubt if this is covered or not by R400.20. If it is understood that it is, it was proposed that there could be a clarification in Q&A for the PIE implementation, but if it is seen more like an interpretation, this is extending the Code, then it will not be done. The staff will consult Board members about their views.

Lastly the IFAC Managing Director, James Gunn, said a few words about the developments in IFEA, how different aspects have been already organized (institutional, funding and operational), and mentioned that the transfer of people is now in process.

PIOB Observer's comments

I said that the PIOB is fully aligned with the decision made to clarify that the transparency requirements also apply to review engagements. We think that from the public interest perspective there are no reasons to limit the public disclosure requirement only to audit engagements, despite the low number of jurisdictions require it, and that would be seen as a step backwards from that perspective.

I also pointed out that we consider very important, and aim to keep, the strong coordination with the IAASB.

Regarding how to deal with interim audit reviews, if this is included in Q&As, or not, let's see what Board members decide, but clarity is important.