

18<sup>th</sup>  
PUBLIC  
REPORT



# BEYOND EXPECTATIONS

**PIOB**  
Enhancing Public Interest

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The background of the slide is a dark, high-contrast photograph showing a pile of broken concrete and rebar. The concrete is shattered into various sized chunks, and the rebar is visible as twisted metal rods. The overall tone is somber and suggests destruction or decay.

# INTRODUCTION

## The PIOB at a glance

# MISSION

To enhance confidence in capital markets by ensuring a Public Interest focus in the setting of international auditing and assurance standards and in the setting of ethics standards for the accountancy and audit professions.

# VISION

To provide oversight that improves the quality and Public Interest focus of the international audit and assurance, and ethics standards formulated by the international standard-setting boards.

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# ULTIMATE GOAL

To ensure relevant audit, assurance, and ethical standards  
that are responsive to the Public Interest



## **MULTI-STAKEHOLDER STANDARD-SETTING BOARDS (SSBs)**

with sufficient technical skills and diverse  
perspectives and experience



## **INDEPENDENT OVERSIGHT**

of the SSB strategies, work plans,  
and projects to ensure:

- Public Interest responsiveness
- Due process has been followed



## **SUSTAINABLE FUNDING**

for both SSB structures and the PIOB from  
diverse sources to ensure independence and  
absence of undue influence by the providers of  
funds on the work of the PIOB and the SSBs

# **KEY TOOLS TO ACHIEVE OUR GOAL**

- Nominations process
- Approval process for SSB candidates

- Stakeholder engagement for a deeper understanding of public interest needs
- A multi-skilled PIOB with diverse experience and perspectives for oversight
- Ongoing engagement with SSB chairs to ensure common goals and objectives, and a common view on the public interest

- Transparency and knowledge of the work done by the PIOB and the SSBs
- Clarity of value added through PIOB oversight

# About this Report

The annual public report of the Public Interest Oversight Board (PIOB) provides a comprehensive overview of who we are, why we exist, how we add value, and how we execute our mandate. The report aims to provide this information in a clear, concise, and user-friendly manner. To keep the report concise, we provide links to the PIOB website, where more information is readily accessible.

This 2022 public report continues to reflect our journey toward adopting the principles of integrated reporting.

It covers the activities carried out by the PIOB from January to December 2022, with passing reference to any material developments up to the date when the report was approved for publication.

The content of this report reflects solely the views of the PIOB. The institutions or bodies cited within are not responsible for its contents or for any use that may be made of the information it contains.

The PIOB is co-funded by the European Union. The views and opinions expressed are, however, those of the author(s) only and do not necessarily reflect those of the European Union. The European Union cannot be held responsible for them.

The PIOB also receives funding from the following organizations: the International Federation of Accountants (IFAC), International Organization of Securities Commissions (IOSCO), International Forum of Independent Audit Regulators (IFIAR), Bank for International Settlements (BIS) (on behalf of the Basel Committee on Banking Supervision), Financial Stability Board, International Association of Insurance Supervisors (IAIS), Federal Audit Oversight Authority (FAOA), Financial Supervisory Commission of the Republic of China, and UK Financial Reporting Council (FRC).

Please see Our funding and finances in section 4 of this Report.





# 1. LEADERSHIP REMARKS





Linda de Beer  
*PIOB Chair*

## Message from the PIOB Chair

### Mind the Gap initiative

In today's world, where things are constantly in motion and change is occurring at an unprecedented pace, fissures — narrow lines of splits and cracks — appear that, if not acted upon, result in wider gaps of incompatibility, disagreement, or fragmentation.

In October 2022, the PIOB launched its Mind the Gap campaign to support our role as a global independent body that oversees the standard setting of the International Ethics Standards Board for Accountants (IESBA) and the International Auditing and Assurance Standards Board (IAASB) to ensure that international ethics, audit, and assurance standards are responsive to the Public Interest.

In my address to you last year, I explained that we see our role at the PIOB primarily as that of a lighthouse — to act as a beacon of the Public Interest by helping the standard-setting boards (SSBs) to identify, and work toward narrowing, most notably, the expectation gap in respect of the role of auditors and accountants in the financial reporting ecosystem.

Our ultimate objective is to achieve high-quality, relevant audit and ethics standards that address the needs of users and beneficiaries of the services and products of auditors accountants and other assurance providers.

The Mind the Gap initiative was born to generate dialogue between the various actors in the financial ecosystem (accountants, preparers, audit practitioners and other assurance providers, policy makers, investors, users of financial statements, financial executives, audit committees, academics, and the public at-large), in which they can share their points of view on narrowing the expectation gap and serving the Public Interest.

As we roll out the Mind the Gap initiative over the course of 2023 and beyond, we will further consider the various gaps that need to be addressed to enhance the Public Interest responsiveness of the standards set by the IESBA and IAASB. These gaps include the following:



**The environmental gap** and the role of auditors and other assurance providers as well as preparers in addressing environmental, social, and governance matters in sustainability reporting and assurance on such reports. Both the IESBA and IAASB have prioritized projects that aim to address the ethical and assurance aspects of sustainability reporting, respectively.

**Cultural and legislative gaps** and the setting of global standards that meet the needs of global capital markets, while considering the perspectives of users. To this end, the IAASB is focusing on the need for an audit standard on less complex entities (LCEs) to avoid jurisdictional fragmentation when countries set their own separate and unique standards in the absence of an international standard. Such fragmentation could weaken the credibility of audit. The IESBA is similarly tackling a very difficult, but equally important, project on tax advisory services provided by professional accountants.

**The size gap**, which separates large corporations and audit practices from smaller ones and developed economies from emerging ones. The size gap is a consistent theme in the projects of the SSBs that are considering the scalability of standards.

Most importantly addressing, the long-standing **expectation gap** — what the public's expectation is of not only auditors but also finance executives and professional accountants in the reporting chain. The expectation gap is amplified in every corporate, reporting, and audit failure. The recently completed IESBA project on the Definition of public interest entities (PIEs) and the IAASB projects on Fraud and Going Concern fall squarely into this category.

# Reflecting on the PIOB's 2022 goals

We have three ultimate goals, as reported in 2021, and key success factors that must be achieved in reaching each of the goals.



*Multi-stakeholder  
standard-setting boards with  
sufficient technical skills and  
diverse perspectives and  
experience*

This goal is being achieved through a strong and independent nominations process and the PIOB's process for approving members appointed to the SSBs, as discussed further under Nominations in section 3 of this report.



*Independent oversight of the SSB strategies, work plans, and projects to ensure that they are responsive to the Public Interest and that due process is followed in the setting of standards*

- Stakeholder engagement for a deeper understanding of Public Interest expectations and needs. This engagement is discussed further under How we engaged with our stakeholders in section 4 of this report. I would, however, like to make special mention of our very successful [3rd Public Interest workshop](#), which was held in Madrid on 7 October 2022. After the extended period of virtual-only engagement, this workshop offered a long-overdue opportunity to reconnect with many of our stakeholders in the same room and online. I also appreciated an invitation from the Financial Stability Board to meet and address an important group of regulators and other stakeholders at a roundtable held in the beautiful building of the Bank of Spain in June 2022.
- Ongoing engagement between the PIOB as oversight function and the SSBs' leadership. This engagement drives progress toward achieving outcomes that will enhance the Public Interest responsiveness of standards. We hold regular leadership and technical catch-ups as well as invite the SSB chairs and senior staff to attend our quarterly PIOB meetings. We are progressing well in aligning our views as expressed in the PIOB's Public Interest issues and, most important, in achieving a commonly shared view of the [Public Interest Framework](#) (PIF).
- Further progress, through the Monitoring Group (MG) Nominating Committee, on achieving a PIOB membership with diverse experience, skills, and perspectives for oversight. At our December 2022 meeting of the PIOB board of trustees, we approved (as required by the PIOB bylaws) the appointment of four new PIOB members: three terms commenced in January 2023, and one will commence later in 2023 (elaborated on below).



Sustainable funding for both the PIOB and the SSB structure (International Foundation for Ethics and Audit) from diverse sources to ensure independence and the absence of undue influence by the providers of funds on the work of the PIOB and the SSBs

It is with great appreciation to the MG co-chairs, IFAC leadership, the accounting profession, and the Global Public Policy Committee (GPPC) that financial support was secured for the International Foundation for Ethics and Audit (IFEA), the newly established foundation housing the IESBA and IAASB, which migrated out of IFAC.

IFEA is governed by a board of trustees, which comprises four PIOB-nominated and two IFAC-nominated trustees ([IFEA Board of Trustees](#)). I chaired our inaugural board meeting on insert date. My PIOB colleague, Robert Buchanan, took over the role of chair on 1 January 2023. The two SSB chairs serve as co-chief executive officers (co-CEOs); James Gunn, who continues as the managing director for professional standards, serves as treasurer and secretary of IFEA.

Unfortunately, we still have some way to go to achieve a sustainable long-term funding solution for the PIOB and, even more urgent, to bridge our current funding gap for 2023.

Until 2021, the largest portion of the PIOB's funding came from IFAC. The reduction of this funding has unfortunately not yet been fully replaced with funding from other sustainable, independent alternative sources. In addition, implementation of the MG recommendations resulted in added responsibilities for the PIOB, which we are already executing, but at an additional cost that requires funding. Many of us, including the MG co-chairs, are working tirelessly to address this funding gap, and we are grateful to the many organizations that continue to provide, or even have enhanced, their financial contributions to the PIOB.

Solving our immediate funding gap without compromising our oversight role will remain a priority, together with attaining a sustainable solution over time for the standard-setting system as a whole.

## What value did the PIOB add in 2022?

We continually ask ourselves, Would the standards and standard setting be poorer if the PIOB did not exist?

Our worth is shown in the processes that we have in place to oversee, observe, engage, and influence. Our impact is especially evident at the level of individual projects and standards. This contribution is elaborated further in section 4 of this report: What we achieved in 2022.

In short, our impact at a project or standards level is aimed at addressing and minimizing the various gaps mentioned above. Most importantly, we aim to ensure that the standards set by the IESBA and IAASB are responsive to the Public Interest and set with a clear view of the principles in the [PIF](#). Therefore, in our oversight we focus on the following tasks:

## We can see our impact at the project/standards level:

- Reinforcing the SSBs' confidence in their pursuit of critical Public Interest initiatives by expressing support for the goals of the SSBs
- Challenging the prioritization of projects, timelines, and staff allocation to address the most pressing matters
- Challenging whether proposed new and revised standards go far enough in responding to underlying Public Interest issues
- Prompting reflection on the weight to be given to certain stakeholder views, highlighting their merits, and stimulating innovative solutions
- Reiterating our Public Interest issues and the criteria set in the PIF, as the SSBs consider proposed standards
- Bringing to light new Public Interest dimensions for the SSBs to consider
- Ensuring that the SSBs follow due process throughout their standard-setting activities

## In conclusion

The construct of the MG recommendations underscores the independence and legitimacy of the SSBs, despite an interrelationship between and co-dependency of the various actors: the MG, the PIOB, IFEA (which houses the SSBs), IFAC, and the accountancy profession. This legitimacy can only be maintained through mutual trust, respect, cooperation, and, in some instances, consensus.

I want to thank and applaud our co-habitants in this delicate ecosystem for their tireless commitment, professionalism, support, and solution-oriented mindset. In particular, I thank the MG, specifically Paul Munter and Jean-Paul Servais as co-chairs, the IFAC leadership — namely, outgoing president Alan Johnson, a giant gentleman, and CEO Kevin Dancey — and the SSB leadership in Tom Seidenstein, Gabriela Figueiredo, and James Gunn.

I would also like to thank every one of the PIOB board members for their immense commitment, wisdom, and solution-driven attitude to the work of the PIOB. To our retired and outgoing members Yugui Chen, Shigeo Kashiwagi, and Karen Stothers, I express my sincere thanks and appreciation for your service.

I would also like to give a warm welcome to our members who will commence their service in 2023: Philippe Christelle, Tom Forusawa, Sandy Peters, and Mark Smith (see their curricula under Our people in section 4 of this report).

[Paul Munter was appointed Chair of the Monitoring Group in April 2023.](#)

A heartfelt thanks goes to our secretary general, Gonzalo Ramos — my confidant, greatest cheerleader, most tactful critic, and wise counsel — who will, in the course of 2023, depart from his role at the PIOB. Thank you, too, to Gonzalo's team, our always committed, competent, and dedicated PIOB staff for which no task is too big or too mundane to give it their full support and effort.

Lastly, I want to thank you, our stakeholders, for your input and contribution, financial and otherwise, to our work.



Linda de Beer  
PIOB Chair

# Message from the Monitoring Group Co-Chair

The Monitoring Group is composed of international financial institutions and regulatory bodies committed to advancing the Public Interest in high-quality international audit, assurance, ethics, and independence standard-setting. We are responsible for the overall governance of the international standard-setting system and the review of its effectiveness. Our monitoring of the PIOB is a foundational component of our mandate, which in turn, increases the confidence of stakeholders that the activities of the standard-setting boards are responsive to the Public Interest.

In July 2020, the MG published the MG recommendations. In 2022, the MG, with strong multi-stakeholder support, faithfully worked to implement the recommendations, using the objectives agreed upon in 2020 as its guiding principle. The objectives of the MG recommendations are the implementation of an independent and inclusive multi-stakeholder standard-setting structure that is responsive to the Public Interest in the development of timely, high-quality ethics, independence, audit, and assurance standards.

Because of the collaborative efforts of all stakeholders, we made meaningful progress in implementing the MG recommendations during 2022. Implementation efforts focused on the important responsibilities of the PIOB to exercise its independent oversight and governance over the SSBs. For example, in 2022, the PIOB's SSB Nominations Committee (SSB NomCo) successfully completed the appointment, and reappointment, of SSB members for terms beginning in 2023.

The board members appointed by the PIOB are individuals who will further enhance the multi-stakeholder and experientially diverse composition of the SSBs as envisaged in the MG recommendations. During 2022, the MG and other stakeholders also made strides on other important work streams, including the implementation of the resource and costing plans for the SSBs, transitioning the SSBs to the multi-stakeholder model envisaged in the MG recommendations supported by strong professional staff, and the launch of the new independent legal entity which will house the SSBs.

As we look forward to 2023, the MG and other key stakeholders will continue the critical implementation work. The MG and the PIOB will continue their efforts to secure sustainable, long-term, multi-stakeholder funding to provide sustainable financial support for the standard-setting system, especially as the SSBs progress their important work on ethics and assurance standards for sustainability reporting.

In conclusion, the MG has full confidence that the ongoing changes made to the governance and oversight of the standard-setting system will continue to create a more independent and inclusive standard-setting structure that enhances the trust and confidence of all stakeholders in the standard-setting process that is responsive to the Public Interest.



**Paul Munter**  
*Monitoring Group Co-Chair*





Gonzalo Ramos  
*PIOB Secretary General*

## Remarks by the PIOB Secretary General

Reporting on events going back one year in such a fast-changing environment requires pausing and reflecting to focus on the main highlights.

In a nutshell, 2022 was the year of implementation of the MG reforms.

By the time these lines are published, the PIOB and the standard-setting boards will have embarked on the new journey set by the MG reforms, focused on their final destination of achieving a more independent process of setting ethics and audit standards for accountants and other assurance professionals.

Early in 2022, the PIOB launched its first cycle of independent nominations for membership to the IESBA and IAASB, a key milestone in implementation of the MG reforms. The objective is for the IESBA and IAASB to bring together all stakeholders who have a say in setting the standards by which audit, assurance, and ethics for accountants are conducted. The goal is to ensure a greater focus on achieving a multi-stakeholder board with a strategic mind-set in which the voices of investors, users, regulators, and others weigh sufficiently in the setting of audit, assurance, and ethics standards. Achieving this goal is the immediate challenge ahead, especially as sustainability reporting and assurance bring new challenges in terms of coordination of multiple disciplines and skills and new ethics and independence requirements to respond to the Public Interest.

As part of this process, Martin Manuzi joined the PIOB in February 2022 as nominations director to support the PIOB SSB NomCo, established at the end of 2021 and chaired by Liz Murrall. The PIOB appreciates the invaluable assistance from IFAC in supporting the transition of the nominations function from IFAC to the PIOB. The applications and outreach processes for membership to the standard-setting boards have been redefined to meet the objective of the reforms — namely, to have a maximum of five auditors in practice and to achieve a composition of SSB membership made up of different stakeholder groups that can collectively work in the Public Interest, without any one group exercising undue influence.

During the first cycle in 2022, we learned the breadth and complexity of this new responsibility. An unprecedented outreach effort was carried out to attract new candidates from different stakeholder groups and to nurture and grow a community of possible candidates willing to contribute to the Public Interest. This effort will continue in 2023 with the second invitation for applications, which will go a long way toward finalizing the transition of membership of the IESBA and IAASB to multi-stakeholder boards. A stipend will be made available for highly qualified candidates without a sponsoring organization.

In addition to the implementation of reforms regarding nominations to the SSBs, the IFEA was created at the end of 2022, after two years of positive and intense collaboration among the MG, IFAC, and the PIOB. Both the IESBA and IAASB are now independent from IFAC. IFAC will continue to support both boards through a service-level agreement that will ensure a seamless transition of both SSBs to IFEA, providing administrative support, including information technology, a human resources policy, office space, and a communication policy for both standard-setting boards. IFAC and the GPPC will continue to fund the IESBA and IAASB. The role of IFEA within the standard-setting structure is a critical safeguard to ensure the independence of the SSBs.

These two key structural milestones — implementing a PIOB-run system of independent nominations for SSB membership and legally housing the SSBs in IFEA — were complemented in 2023 with the implementation of the new certification process by the SSBs and the PIOB and the enhanced PIOB transparency policy, both recommended by the MG. The PIOB now publicly certifies that standards approved by the IESBA and IAASB are in the Public Interest. The PIOB has also enhanced its own accountability by publishing its briefing memos, observation memos, and minutes on the PIOB website and opening its meetings to the public.

Finally, the launch of the new Standard Advisory Council (SAC), commencing with an invitation for applications in the summer of 2023 and operations by early 2024, will further advance the implementation of reforms.

I have had the privilege of being able to contribute to improving the independence of global international standard setting in the field of ethics, audit, and assurance. I am grateful to all those with whom I have had the opportunity to work, very especially Eddy Wymeersch, who inspired me and the full PIOB along the process of reforms, all the PIOB board members through these years, Linda de Beer, PIOB chair since 2020, and, very especially, the superb team of colleagues at the PIOB Secretariat, who have made our work possible: Claudia, Heather, Martin, Nerea, Renzo, and Rocío.

Ensuring this enhanced independence is now in new hands, so that we can have greater confidence in the integrity of the information underlying the operation of capital markets.

Thank you.

**Gonzalo Ramos**  
*PIOB Secretary General*

## 2. WHY

# Our purpose is

To enhance confidence in capital markets by ensuring a Public Interest focus in the setting of international auditing, assurance, and ethics standards for the accountancy and audit profession.

PIOB

# Who we are

The PIOB is the global independent oversight body that seeks to improve the quality and Public Interest focus of the international ethics, audit and assurance standards formulated by the IESBA and the IAASB respectively.

The PIOB is a Technical Committee of the PIOB Foundation, which is an independent legal entity accountable to the Spanish foundations' regulatory body, the Spanish Protectorado. The PIOB Foundation entrusts the PIOB Technical Committee with carrying out its mandate of enhancing the confidence of investors and other users that standards developed by the IESBA and IAASB are in the Public Interest.

The PIOB Foundation, which is governed by a Board of Trustees, discharges its Public Interest mandate, employs PIOB staff and contracts PIOB members, owns PIOB assets, appoints the PIOB Audit Committee and is accountable for the funds and means that support the PIOB's activities.

All PIOB legal documents are available on the PIOB website.

The PIOB currently comprises the PIOB Chair, 9 members ([see page 63](#)), and a Secretary General, who coordinates a Secretariat that has a staff of six and is headquartered in Madrid ([see page 65](#)).

The PIOB Foundation Board of Trustees and the PIOB Technical Committee meet four times a year.



PIOB Headquarters in Madrid

# Where we fit into the ecosystem

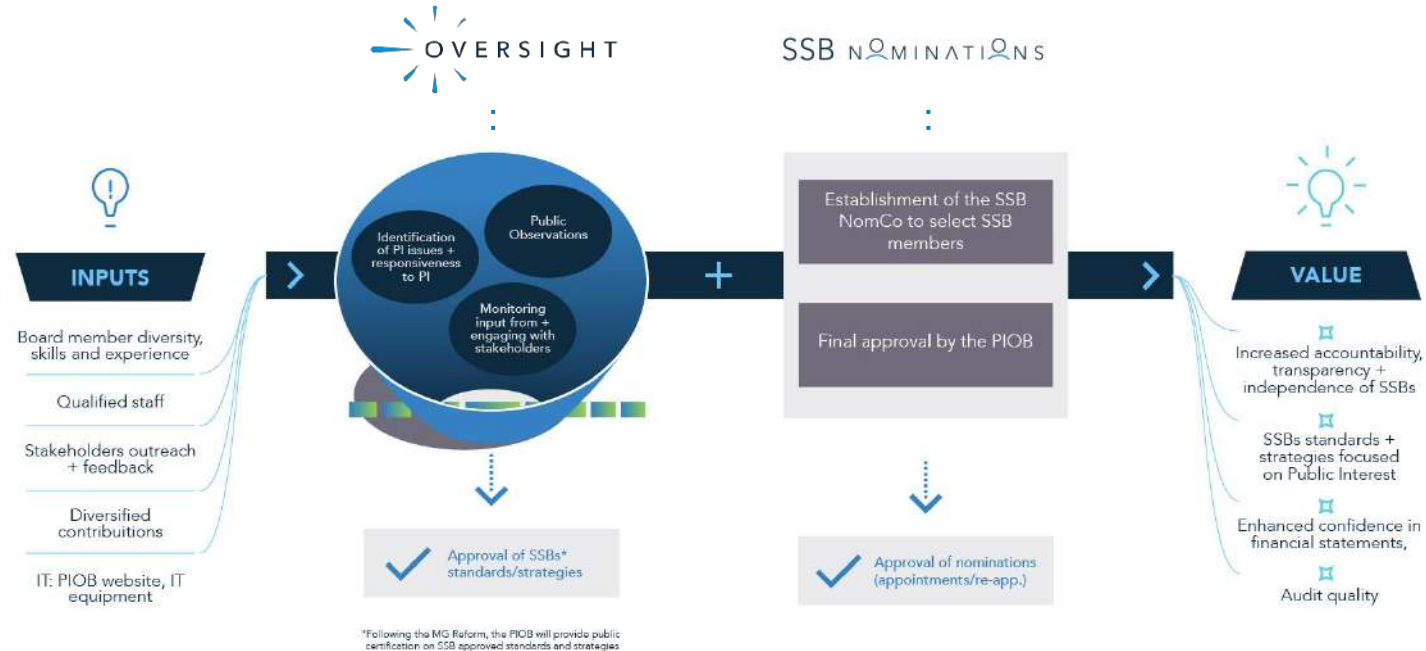
In the post-reform structure, the PIOB is one part of a three-tier collaborative model, as shown in this diagram.

Figure 1: Post-reform structure of the standard-setting structure



# How we create value

We create value for our stakeholders through our oversight of standard setting and the process of nominations to the SSBs, as depicted in the following diagram.



Note: MG = Monitoring Group. SSB = standard-setting board. IT = information technology. CV = curriculum vitae.

# 3. WHAT







What we achieved in 2022

# Introduction to oversight

Investors, stakeholders, and the public at-large need to understand what auditors do, how they do it and what they report. Transparency about an auditor's responsibilities and the relevant work effort contributes to enhancing trust in the profession and may help to address the expectation gap.

For this reason, overarching themes such as transparency and work effort are central to different projects developed by the IESBA and the IAASB. It is crucial not to diminish the responsibility of auditors in detecting fraud in view of the inherent limitations of an audit. It is important to report about the work they have done to detect fraud and how they respond when suspected fraud is identified, how management responds, and how control deficiencies are addressed.

Transparency in the auditor's report is essential to understanding both fraud and going concern risks. Auditors are called to perform a robust evaluation of management's assessment of going concern. They cannot rely solely on management's conclusions. When audits of PIEs are performed, the stricter requirements applied need to be disclosed.

The auditor's report is an important tool through which auditors effectively communicate how they discharge their mandate and how they address the Public Interest.

In the urgent and pressing area of sustainability, the PIOB strongly supports the IESBA and the IAASB projects being undertaken on sustainability, which aim to be profession-agnostic and thus globally applicable by all professionals in this field and to address the demands and needs of a broad and varied range of stakeholders. It is in the Public Interest to ensure that all professionals who perform sustainability reporting and sustainability assurance-related services, including accountants and auditors, abide by a single set of high ethical requirements as well as high-quality technical standards developed under independent oversight.

## PIOB decisions: Approvals and certifications



**The tables on pages 28-31 detail the standards that the PIOB approved in 2022 and highlight the value added by our involvement.**

With the purpose of implementing the MG reforms, the PIOB started in 2023 to provide an enhanced certification on the standards finalized by the SSBs, which reflects explicit consideration of both due process and the PIF. For those standards (that is, Engagement Team/Group Audits Independence and Technology-related Revisions to the Code of Ethics), the PIOB considered the responsiveness to the Public Interest, informed by the concepts and principles of the PIF.

## IESBA

### Definitions of listed entity and public interest entity

The pronouncement expanded the definition of PIE, which now includes publicly traded entities (replacing the term “listed entity”), banks, insurance providers, and entities specified in local law, regulation or professional standards. It also provides an overarching objective for setting independence requirements for PIEs and a list of factors to be considered when evaluating the extent of public interest in the financial condition of an entity.

An encouragement to local bodies was included to define more explicitly the categories of the Code of Ethics or to add new ones (“bottom-up” approach), such as pension funds or collective investment vehicles, among other examples. Firms are also encouraged to determine whether PIE requirements should be applied to other entities, beyond those in the Code of Ethics or in local regulation.

Finally, firms are required to disclose publicly when they have applied independence requirements for PIEs.

From the start of the project, the PIOB has supported a broad definition that captured entities with a public interest, including those that could pose threats to financial stability.

The PIOB’s oversight encouraged further consideration of the treatment of collective investment vehicles and pension funds, which resulted in the “bottom-up” approach to be applied by local bodies.

The PIOB also supported the inclusion of public disclosure requirements to ensure transparency about when a firm has applied PIE requirements to an entity.

## IESBA

### Quality management–related conforming amendments in the Code of Ethics

Conforming amendments aligned the Code of Ethics to the terminology and concepts used in the IAASB's Quality Management Standards (QMSs) — that is, the International Standard on Quality Management 1 (ISQM 1), which replaced the International Standard on Quality Control 1 (ISQC 1), the new ISQM 2, and ISA 220 (Revised). <sup>a</sup>

The objective was limited to actual or perceived conflicts between the Code of Ethics and the QMSs to ensure their interoperability. <sup>b</sup>

The PIOB supported the effective alignment of the Code of Ethics with the revisions made in the QMSs to ensure harmonization and interoperability between the standards.

a. Consequential and conforming changes to the Code of Ethics as a result of the changes to the definition of the term "engagement team" in ISQM 1 and ISA 220 (Revised) were addressed in the engagement team/group audits independence project.

b. Examples of conforming amendments include reference to a firm being required to "design, implement, and operate" a system of quality management.

For more information on the Public Interest issues raised by the PIOB during the development of projects, please refer to the [17th PIOB public report](#).

## IAASB

### 2022–2023 Work Plan

The 2022–2023 Work Plan built on the former public consultation and the resulting four-year IAASB strategy (2020–2023) as well as on the survey conducted in 2021 and the further outreach undertaken by the IAASB.

The Work Plan included the commitment of the IAASB to dedicate capacity and resources to standard setting or the development of guidance on sustainability assurance.

The Work Plan envisaged the completion of some projects (for example, Going Concern, the ISA for LCEs, and the definition of listed entity and PIE) as well as the advancement of others (for example, fraud, audit evidence) and the potential start of new projects (for example, revision of ISA 330, ISA 520, ISA 530, ISA 620, ISA 320).

The PIOB acknowledged the IAASB decision to dedicate resources to sustainability assurance and encouraged the IAASB to take a leadership role in this area, with the expectation that resource allocation would focus on this high-priority project as well as on Fraud and Going Concern. The scope and timing of the sustainability project would be determined considering the needs of investors and other stakeholders.

The PIOB also noted the lack of support, by some stakeholders, for some projects and relevant prioritization assigned in the Work Plan (that is, ISA for LCEs). The PIOB encouraged the IAASB to continue explaining the advantages of an ISA for LCEs and building support for this project with key stakeholders, such as regulators.

## IAASB

### ISA 600 (Revised) on Group Audits

International Standard on Auditing (ISA) 600 (Revised) on Group Audits clarified the scope and applicability of the standard, introduced a risk-based approach to planning and performing a group audit, and strengthened the cooperation and communication between the group auditor and component auditors as well as the oversight of the work performed by the latter.

The revisions also enhanced the requirements and guidance related to restrictions on access to people and/or information, materiality, and documentation in the group audit file.

The PIOB contributed to the revisions of ISA 600 by stimulating further consideration of the level of specificity in requirements related to communication with and the direction, supervision, and review of component auditors as well as the adequacy of documentation in light of regulatory inspection concerns.

# Oversight of the IESBA and its Consultative Advisory Group (CAG)

2022 saw progress on several projects in the IESBA's Strategy and Work Plan, including completion of the Engagement team/Group audits independence and Technology projects and approval of the exposure draft for Tax planning and related services. During this year, the IESBA was responsive to Public Interest demands and started work on the fast-moving area of sustainability, approving two project proposals that will provide (a) profession-agnostic ethics and independence standards relevant to sustainability assurance and ethics standards for sustainability reporting and (b) provisions addressing the use of experts, both in financial and sustainability reporting and in all other audit and assurance engagements.

In April 2022, the PIOB assessed and approved the responsiveness to the Public Interest of the revisions to the Definitions of listed entities and public interest entity, and the Quality management-related conforming amendments, both approved by the IESBA in December 2021. Further information on the Public Interest issues raised by the PIOB can be found in the [2021 public report](#).



# Projects finalized by the IESBA in 2022

## Engagement team/Group audits independence

The project revised the definition of the term "engagement team" in the Code of Ethics, aligning it with the definition in the IAASB's revised QMSs. The project also clarified the independence requirements applicable to the different individuals who are part of the engagement team and audit team. It also strengthened and clarified the independence requirements applicable to group audits, with a particular focus on component auditors who are not part of the audit firm's network. The IESBA closely coordinated the proposals with the IAASB group audits project to ensure that provisions in both sets of standards are aligned.

The PIOB followed the development of the Engagement team/Group audits project and raised some Public Interest issues, which were addressed by the IESBA, as described in [page 34](#). The PIOB certified the provisions in February 2023, which considered that the standard had been developed in a manner consistent with agreed due process and that it was responsive to the Public Interest, informed by the concepts and principles of the PIF.

### PIOB's Public Interest issues

### PIOB's analysis of SSB disposition

#### Definition of engagement team and opportunity for the IESBA to strengthen independence requirements in the Code of Ethics

The PIOB has encouraged the IESBA not only to take the opportunity to align the definition of engagement team in the Code of Ethics with the revised definition of the same term in the QMSs, but also to strengthen the independence requirements around component auditors outside the group auditor's network and the associated responsibilities of the group engagement partner. The interaction of multiple definitions, individuals with different characteristics, consideration of entities as PIEs or not, related entities, and components requires careful consideration, as it may have unintended consequences on auditors' and firms' independence. Despite that, the standard needs to be clear and understandable to be in the Public Interest. Implementation guidance, including practical examples about how and when those in the chain of command within a non-network component auditor firm could significantly influence the outcome of the group audit, will be necessary to ensure consistent application of the provisions.

The PIOB welcomes the coordination efforts between the IESBA and the IAASB to align the definition of engagement team in the Code of Ethics with the revised definition in the IAASB's QMSs. The PIOB acknowledges the careful work undertaken by the IESBA on this topic and notes the generally positive response from stakeholders. The PIOB welcomes the revisions that are responsive to feedback from stakeholders, with a special focus on clarity and consistent global applicability and enforceability. The PIOB also acknowledges the analysis carried out to ensure that independence requirements for non-network component auditors in group audits provide a proportionate approach that can be applied in practice and are based on evidence of challenges present in most large multinational group audits. Independence, both in appearance and in fact, is foundational and key to meeting Public Interest objectives.

#### Ultimate responsibility for the group audit and effective coordination with component auditors in relation to independence

The PIOB notes the importance of enhanced communication within the group engagement team and confirmation of the group engagement partner's ultimate responsibility in respect of independence matters (including those at the component level, as discussed above). In particular, the coordination of the proposals in the Code of Ethics and those of ISA 600 (Revised) requiring (a) strong communication within the group engagement team, particularly between component auditors and the group engagement partner, and (b) clarity about the group engagement partner's responsibilities will create consistency, in line with the PIOB's recommendations in relation to the revision of ISA 600 (Group Audits).

The PIOB acknowledges the inclusion in the provisions of a cross-reference to ISA 600 (Revised) and the group engagement partner's responsibility to "request the component auditor to communicate whether the component auditor has complied with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement." The PIOB also welcomes the alignment with ISA 600 (Revised) of the specific requirements for situations of breaches of independence of component auditors and the roles and responsibilities of the group engagement partner and the component auditor firms.

# Projects finalized by the IESBA in 2022

## Technology-related revisions to the Code of Ethics

The impacts, pervasive nature, and broad and exponentially growing use of technology pose significant ethical challenges to professional accountants. The PIOB has supported the IESBA's extensive work on the topic, through the complementary work of the Technology Task Force, which was in charge of proposing revisions of the provisions in the Code of Ethics (that is, fundamental principles and independence standards), and the Technology Working Group, which has been focusing on fact finding and developing non-authoritative guidance and thought leadership. The project also has relevance for the application of non-assurance services (NAS) provisions (Section 600 of the Code of Ethics) when audit firms or network firms provide certain information technology services to audit clients.

The PIOB followed the development of the project and raised some Public Interest issues that have been addressed by the IESBA, as described in table 3.

The IESBA reviewed the comments from respondents to the Technology exposure draft, addressed the relevant input, and approved the final provisions in December 2022. The provisions were certified by the PIOB at the April 2023 board meeting, which considered that the standard had been developed in a manner consistent with agreed due process and that it was responsive to the Public Interest, informed by the concepts and principles of the PIF.

## PIOB's Public Interest issues

## PIOB's analysis of SSB disposition

### The need for an ethical framework for the understanding and use of technology

The PIOB welcomes the IESBA's consideration of the ethical implications of a professional accountant using, or encouraging its clients to use, technology and clarifying how the fundamental principles in the Code of Ethics should be applied in such a complex and new environment. It is important for the Code of Ethics to signal clearly the level of competency and the nature of professional judgment needed to ensure an ethical approach.

It is similarly in the Public Interest for the IESBA to address within the Code of Ethics, supported by guidance where appropriate, how to evaluate ethical threats and biases when audit practitioners and firms use automation and artificial intelligence to perform audit procedures.

The IESBA revised the fundamental principles, the conceptual framework, the sections related to professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs), as well as the international independence standards in the Code of Ethics. Guidance and other non-authoritative material were issued, and the output of the Technology Working Group was considered in the revisions of the Code of Ethics and in the upcoming 2024–2027 Strategy and Work Plan.

### Independence issues and information technology services in the NAS section of the Code of Ethics

The PIOB appreciates the provisions recently approved by the IESBA to clarify that where there is a sale or licensing of technology by audit firms or network firms to audit clients, the independence provisions in the NAS section (600) in the Code of Ethics apply (including the prohibition to provide those services when a self-review threat might be created).

The PIOB also notes the clarifications and enhancements in the Code of Ethics related to information technology services as well as the prohibition of data-hosting services (included as an example of management responsibility).

The revisions to the Code of Ethics included the application of the NAS section when providing certain information technology services to audit clients. Additionally, some information technology services were listed as examples of management responsibility, hence explicitly prohibited in the Code of Ethics. The provisions in the Code of Ethics recently approved by the IESBA enhanced requirements and guidance for professional accountants who deal with technology issues. The PIOB assessed the approved provisions at its April 2023 meeting to provide a separate public certification on the approved standard, and noted the IESBA's consideration of the PIF and its qualitative characteristics when developing and approving the new Code of Ethics provisions.

### Effective coordination of effort

Coordination between the Technology Working Group and the Technology Task Force has been critically important to the IESBA's responsiveness on this issue. It is crucial that the outcome of the Technology Working Group's recently completed activity informs possible further actions to be included in the Strategy and Work Plan.

The outcome of the Technology Working Group's activity was considered in informing the development of the Strategy and Work Plan 2024-2027 consultation paper.

### External engagement needs to be broadened

A critical factor in ensuring responsiveness to the Public Interest is the nature and extent of stakeholder engagement. The surveys conducted by the Technology Task Force in 2020 ("Technology and Complexity in the Professional Environment" and "The Impact of Technology on Auditor Independence") revealed an imbalance in the input received, where the majority of respondents belonged to the audit profession and the level of participation from investors, regulators and other stakeholders was low.

The PIOB noted the establishment of a Technology Experts Group (TEG), which included NSSs, PAIBs, PAPPs, TCWG, and academics and acted as a sounding board for the Technology Working Group. The PIOB acknowledged that the selection of the group mainly considered the expertise in technology and noted that the composition could possibly benefit from the views of other stakeholders, such as regulators or users/investors or those from different geographies with relevant insights.

The PIOB notes that, following the surveys initially conducted, targeted outreach has also been conducted by the Technology Working Group with a number of groups, such as TCWG, public sector organizations, PAIBs, and technology companies, to obtain views from a broader and more complete group of stakeholders, in accordance with the PIF.

The composition of the TEG has not been broadened in terms of groups of stakeholders or geographies represented.

### Working with other projects and the IAASB

The pervasive nature of technology will be an ongoing challenge and will also raise the need for broader coordination, including with other IESBA projects (such as tax planning and sustainability) and the IAASB.

Ongoing coordination with the IAASB is noted.

# Ongoing projects of the IESBA

Please refer to the lists of Public Interest issues on the [PIOB website](#)

## Sustainability

The IESBA has taken a leadership role in identifying key ethical and independence challenges arising from Sustainability reporting and assurance services and has started a project to develop fit-for-purpose, framework-neutral standards, which would have an impact on the fundamental principles, the conceptual framework, and the independence requirements in the Code of Ethics.

The PIOB has encouraged and supported this approach as well as the IESBA's commitment to developing, in the Public Interest, ethics and independence standards for sustainability assurance that can be used not only by professional accountants but also by professionals other than accountants. The development of profession-agnostic standards for sustainability assurance would help to ensure that common rules are applied to all assurance providers. The PIOB has also encouraged the IESBA to consider developing ethics standards for sustainability reporting in a way that those standards can be applied to any preparer, including those outside the accounting profession. Ensuring a common baseline of ethics for all professionals involved in sustainability is in the Public Interest.

The IESBA approved a project proposal on Sustainability and expects the project to be completed by the end of 2024.

## Use of experts

Given the growing involvement of experts in areas such as estimates, technology, and, in particular, sustainability reporting, it is in the Public Interest to assess whether the nature of their work and contribution to the audit or assurance opinion could be strengthened with further independence requirements, similar to those of the audit or assurance engagement team. Several stakeholders as well as the PIOB have raised this topic in different consultations held by the IESBA and the IAASB.

In response to this demand, the IESBA approved a project proposal on the Use of experts, which should be undertaken in a holistic way.



## 2024–2027 Strategy and Work Plan

The IESBA prepared its draft Strategy and Work Plan for the period 2024–2027 during 2022 and subsequently approved a consultation paper on it in March 2023. The proposed Strategy and Work Plan emphasizes the need to enhance trust in reported and assured sustainability and financial information in response to emerging issues and stakeholder demands. As noted, coordination with the IAASB is a welcome strategic objective for the upcoming period. The IESBA expects to approve the final Strategy and Work Plan in December 2023.

## Tax planning and related services

This project is relevant and urgent given the growing interest around the globe on matters relating to tax, tax avoidance, and the broader societal responsibility of individuals and companies to pay their legally assessed tax dues as well as concerns raised by stakeholders on these topics. The PIOB welcomes the IESBA's leadership role and the proposed ethical framework, which requires professional accountants providing tax planning services to have a credible basis and to perform a "stand-back assessment" that considers reputational, commercial, and wider economic consequences.

Ethical considerations for professional accountants providing tax planning services should consider how to embed further transparency and good governance practices and involve a wide range of stakeholders, including civil society organizations, tax authorities, and lawyers/other professionals providing tax services.

The IESBA approved an exposure draft in December 2022 and expects to approve the final pronouncement in December 2023.

# Oversight of the IAASB and its Consultative Advisory Group (CAG)

The IAASB discussed and advanced several projects during the year. In response to stakeholders' needs and the international standard-setting agenda on sustainability, the IAASB committed to devote significant capacity and resources to, and subsequently started its work on, the overarching standard on Sustainability assurance. For this and other projects such as Fraud and Going Concern, the IAASB considered the PIF when developing the relevant project proposals, including the analysis of stakeholders' interests and needs and the qualitative characteristics that the standards should have.

The IAASB discussed proposed revisions to the standard on Fraud, Going Concern, ISA 500 (Audit Evidence), definitions of listed entity and PIE and proposed a new standard for LCEs. It also finalized the complexity, understandability, scalability, and proportionality (CUSP) project.

The IAASB continued to undertake outreach activities with stakeholders and coordinated its activity and projects with the IESBA.

# Ongoing projects of the IAASB

Please refer to the lists of Public Interest issues on the [PIOB website](#)

## International Standard on Sustainability Assurance (ISSA 5000)

To respond to the global demand expressed by different groups of stakeholders and to promote confidence in sustainability reporting, the IAASB started a project on sustainability assurance (ISSA 5000) with the aim of developing an overarching sustainability-specific and recognizable new standard that is neutral from the perspective of the reporting framework, users, and the assurance provider. The PIOB has encouraged and supported the IAASB in this approach, which considered the PIF criteria when defining the relevant project proposal.

Such a standard aims to address both limited and reasonable assurance, which should help to drive clarity, comparability, transparency, and consistency in the sustainability assurance engagements.

The standard is expected to be completed by the end of 2024.

## Going Concern

The PIOB considers Going Concern to be a high-priority project in the IAASB's Strategy and Work Plan. The proposals on Going Concern discussed by the IAASB strengthen risk assessment and response procedures in relation to going concern, including a more robust evaluation of management's assessment of going concern. These proposals address concerns that the auditor should consider the risks of going concern beyond those identified by management.

In terms of transparency, the IAASB proposed including a conclusion in the audit report as to whether the going concern assumption applied in preparing the financial statements is appropriate, as recommended by the PIOB. The IAASB could further consider whether "original information" (information that the entity has not made publicly available) might also be included in the audit report in certain circumstances to meet the expectations of stakeholders.

The exposure draft was approved in March 2023. The project completion was adjusted to the end of 2024 to ensure the best prioritization of the IAASB's resources and achieve alignment with the Fraud project.

## Fraud

Strengthening the auditor's responsibilities within ISA 240 in relation to the identification and reporting of fraud in audits of financial statements as well as highlighting the need for the auditor to address the risk of fraud throughout the audit process are in the Public Interest. The PIOB has stressed the importance of internal controls to enable auditors in detecting material weaknesses of controls and misstatements of financial statements due to fraud.

The IAASB discussed revisions in ISA 240 and the main proposals related to strengthening the responsibility of auditors in terms of fraud (where the inherent limitations of an audit explicitly do not diminish their responsibility), identification and assessment of the risk of material misstatements with a fraud lens, communication to TCWG, enhancement of professional skepticism, commitment to quality according to ISQM 1, and transparency in the auditor's report (for example, identified fraud risks and auditor's response). Those proposals should help to address the expectation gap.

The PIOB continues to support the Fraud project, which is expected to be completed in 2025, according to the current IAASB Work Plan.

## ISA for LCEs

The IAASB project to address needs and concerns related to the audits of LCEs should contribute to high-quality audits and promote consistency across jurisdictions. The PIOB continues supporting the ISA for LCEs and has highlighted the importance of conveying the message that an LCE audit needs to be of equal quality and level of assurance and should not dilute the value of the ISAs and audits in general.

The IAASB's proposals advanced in the year include an explanation of the qualitative characteristics that exclude entities from the scope of the standard and envisage quantitative thresholds to be established by local jurisdictions. The IAASB released an exposure draft of the group audits section of the ISA for LCEs in response to comments raised by stakeholders, as group audits were excluded from the scope in the initial exposure draft.

The standard is expected to be completed by the end of 2023.

## Audit evidence

The PIOB acknowledges the importance of the revisions made to the audit evidence standard (ISA 500) given the need to recognize the multiple sources of information currently available and the impact of the use of technology in audit work. This issue requires more and different work from auditors as well as the exercise of professional skepticism.

Recognizing the rapid evolution of technology, the IAASB aims to develop an effective principles-based standard to navigate through new technologies and highlight appropriate areas for the exercise of professional skepticism in the evaluation of audit evidence, including seeking external sources of specific information that could contradict or corroborate audit evidence obtained from the client.

The IAASB approved an exposure draft in 2022, which was open for comments until April 2023. The project is expected to be completed in 2024, according to the revised work plan.

## Definition of listed entity and public interest entity

The PIOB welcomes and supports the IAASB progress on a project to determine the impact on the ISAs and QMSs of changes in the definitions of listed entity and PIE approved by the IESBA. The project also assessed how to achieve transparency required by the Code of Ethics when PIE independence requirements are applied. Such transparency will be key to ensuring certainty for users of audited financial statements and to enhancing confidence in the audit of PIEs. Coordination with the IESBA is of critical importance to ensure that the ISAs are aligned with the Code of Ethics and that the two sets of standards are applied consistently.

The IAASB approved an exposure draft for transparency-related matters, with an estimated completion date of June 2023, to align its effective date with that of the IESBA pronouncement. The PIOB notes that the remaining aspects of the project are expected to be finalized at the end of 2024.

## 2024–2027 Strategy and Work Plan

The IAASB approved a consultation paper on its draft Strategy and Work Plan for the period 2024–2027. The proposed Strategy and Work Plan emphasizes the need for timely response in meeting stakeholder demands, with a focus on sustainability assurance and audit quality. Coordination with the IESBA is also a welcome strategic objective for the upcoming period. The consultation was open for comments until April 2023, and the IAASB expects to approve the final Strategy and Work Plan in December 2023.

# SSB NOMINATIONS / PIOB

What we achieved in 2022

# Message from the SSB NomCo Chair

It has been both an honor and a privilege to have served as chair of the standard-setting boards Nominations Committee over the last year. SSB NomCo was established in November 2021 with its main role being to recommend to the PIOB appointments to the IESBA and the IAASB. It is made up of myself as chair and eight members from diverse geographic regions with a mix of skills and experience and gender balance. I very much appreciate the constructive dialogue and input from SSB NomCo members and observers, all of whom have speaking rights, as well as the excellent support given to us by the PIOB.

It is an exciting time to be doing this work in view of the need to implement the MG reforms while ensuring that the boards can deliver their work streams, have a diverse composition in terms of geographic spread, skills, and mind-sets, and achieve gender balance. Moreover, in accordance with the MG reforms, our mandate is to achieve by 2025 a board composed of 16 members (currently 18), with no more than 5 audit practitioners.

In 2022, we successfully completed the first cycle and recommended appointments to both boards to take effect beginning in January 2023. Thus, we issued two global annual invitations for applications, reviewed all applications received, short-listed and interviewed candidates,

and carefully considered the outcome of interviews as well as the past performance of candidates eligible for reappointment. It is important that we act in the Public Interest, and independence and objectivity were paramount throughout our process.

I am delighted that our recommended appointments and reappointments to the IESBA and IAASB, nine candidates in total, were approved by the PIOB at its meeting in October. In 2022, we also established SSB NomCo's overall strategy for 2023–2025 to achieve multi-stakeholder SSBs, laying the groundwork for a much larger number of vacancies in 2023.

SSB NomCo is a key player in delivering on the MG reforms, and I very much look forward to working with everyone in advancing this agenda. I thank them for their ongoing support.



**Liz Murrall**  
*SSB Nominations Committee Chair*



# SSB Nominations overview

## Enhancing independence and delivering multi-stakeholder SSBs: Implementing MG reforms regarding nominations

PIOB oversight of nominations  
(2005–2021)



PIOB responsibility for nominations

Establishment of the SSB Nominations Committee  
(2021 onwards)

## Timeline and activities this year

SSB NomCo meetings  
and key achievements



Invitations for SSB  
applications and responses



SSB NomCo selections  
and recommendations



PIOB appointments  
and looking forward

From November 2021

January–February 2022

March– September 2022

December 2022

## SSB NomCo meetings

SSB NomCo held five meetings in 2022, one of which was in-person. The MG Co-Chair and SSB Chairs attended all meetings as observers.

The SSB NomCo Chair, Liz Murrall, reported on a quarterly basis to the PIOB during 2022.

## SSB NomCo key achievements

- The formulation of a detailed procedure for assessing submissions to invitations for applications and making recommendations to the PIOB, to ensure independence, objectivity, and fairness across new applicants and existing SSB members eligible for reappointment, transparency in decision making, and timeliness in the selection procedure
- The publication of two invitations for applications for 2023 SSB vacancies
- The timely completion of the first cycle of recommendations to the PIOB
- The formulation of a three-year strategy to achieve a multi-stakeholder composition for both SSBs by 2025, each with 16 members including no more than 5 audit practitioners, while ensuring that the SSBs can deliver on their remits
- The development of new criteria, with enhanced Public Interest focus, for the annual performance evaluation of SSB members and SSB chairs.

## SSB Nominations - First Cycle

	Vacancies in the 2022 Invitations for Applications	Applications received	Interviews held	Appointments in 2022	Re-appointments in 2022
IESBA	4	48	12	2	2
IAASB	5	43	13	2	3

## Invitations for SSB applications and responses

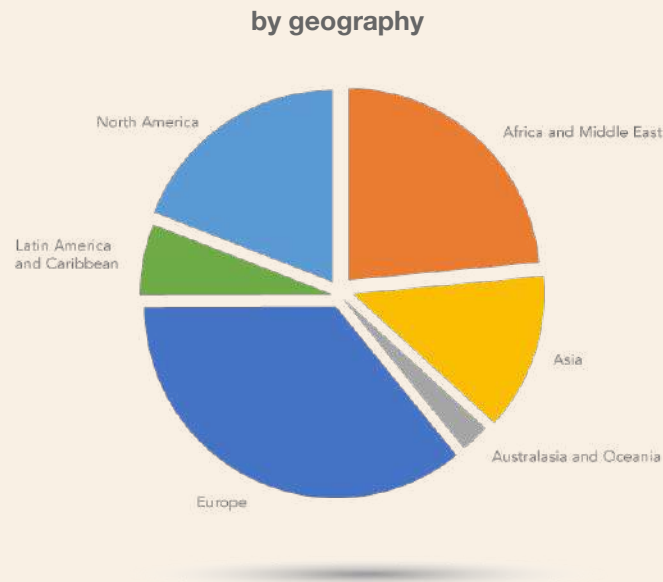
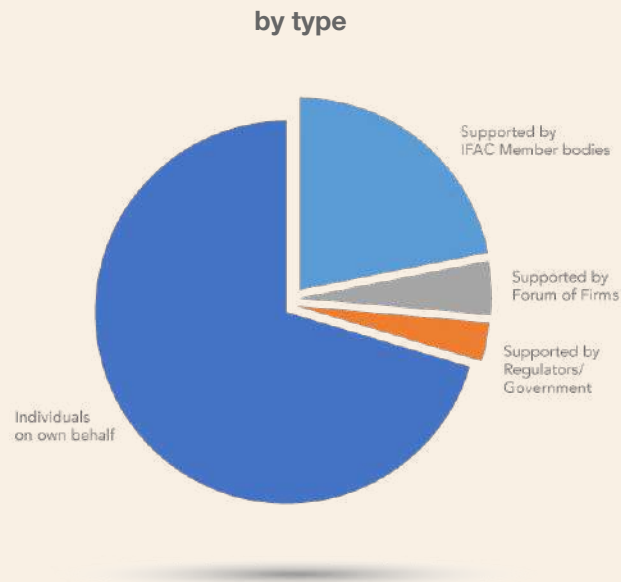
Invitations for applications to the IESBA and the IAASB for vacancies beginning on 1 January 2023 were launched on 27 January 2022 with a deadline of 30 March. The PIOB supported the invitations with individual outreach initiatives to potentially interested organizations, advertisements in the printed and online publications, and a dedicated LinkedIn campaign.

In total, 91 applications were received: 48 for the IESBA and 43 for the IAASB. The breakdown of applications according to background, geography, and gender are set out for each SSB, as shown in the following pie charts.

# Breakdown of IESBA applications

Total number of IESBA applications received: 48

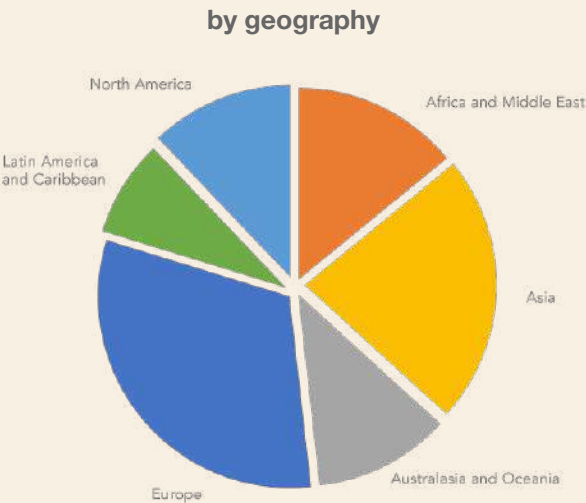
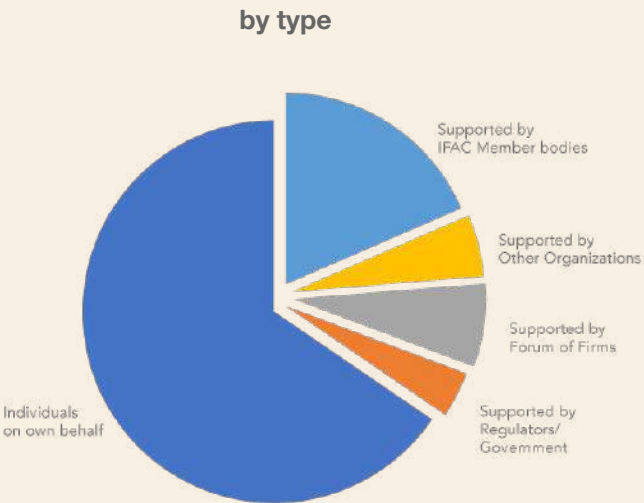
IESBA applications by gender: 31.3% Female - 68.7% Male



# Breakdown of IAASB applications

Total number of IAASB applications received: 43

IAASB applications by gender: 32.6% Female - 67.4% Male



# SSB NomCo candidate selection and recommendations:

## March–September 2022

In line with SSB NomCo's terms of reference, the assessment of applications involves transparent assessment with respect to the following:

- “the primary criterion for the selection of nominees is the most suitable person for the available positions, taking into consideration the need to balance the collective skills of the SSBs and to secure a composition that is diverse and made up of multi-stakeholders. Diversity encompasses geographic, and varied skills, and mind-sets and achieves a gender balance.”

The SSB NomCo process with respect to interviewing short-listed candidates involves the following steps:

- Anonymous SSB NomCo members' prior selection of applicants for short-listing, subject to full committee discussion and decision making
- Fair, focused, and tailored interviews for all short-listed candidates undertaken by interview subcommittees of SSB NomCo members with a diverse composition in terms of background, gender, and geographic area and with safeguards to prevent potential conflicts of interest
- Discussion with the full SSB NomCo of interview outcomes and other relevant information, including past performance in the case of applicants who are SSB members eligible for re-appointment.

## SSB NomCo Selection process

The SSB NomCo process for selecting candidates and preparing recommendations involves the following:

- Open and objective discussions within the SSB NomCo on the merits of all interviewed candidates
- Due consideration of the SSBs' rotation schedules and delivery of their Strategies and Work Plans, a discussion to which the SSB chairs are invited to contribute but with the final decision-making being the responsibility of the SSB NomCo
- Completion of proportionate due diligence procedures on the selected candidates, including in relation to (a) conflicts of interest and (b) eligibility to receive a stipend in the case of relevant candidates
- Preparation of detailed justification to accompany the SSB NomCo recommendations to the PIOB on how the final selection of the appointments to both SSBs would contribute to the transition of the SSBs to multi-stakeholder composition as per the MG reforms.

## PIOB appointments to the SSBs and looking forward

The PIOB approved the SSB NomCo recommendations on the basis that the selection procedure (a) was carried out objectively, fairly, and independently and (b) took into account both the objectives of the MG reform and the need for the SSBs to deliver timely standards in the Public Interest.

The following are key milestones in the delivery of the reform:

- All practitioner appointments and reappointments on 1 January 2023 are for a two-year term, with an option to extend further where relevant, to give flexibility when pursuing the cap on the number of practitioners in the following cycle
- Two new board members without supporting organizations who were selected as suitable for the roles were confirmed to be eligible for a stipend, as part of the transition towards remunerated SSBs as indicated in the MG recommendations.

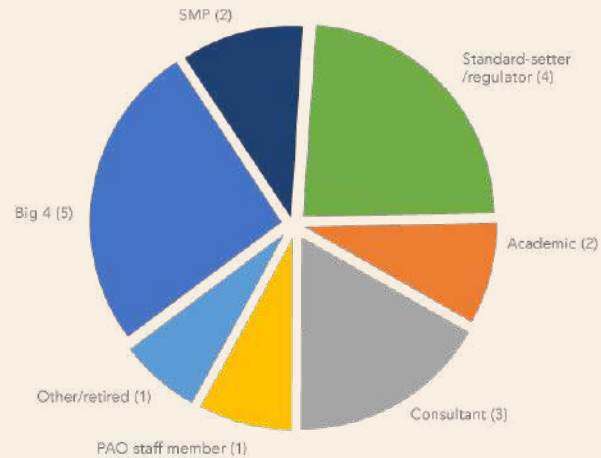
Looking forward, the 2023 cycle of invitations for applications will prioritize the achievement of diversity and balance of the SSBs, including with respect to geographic background.

"We would also like to express our gratitude to the SSB NomCo members for their commitment to a robust process in their first year. These appointments mark another important milestone in the implementation of the MG recommendations to strengthen the PIOB's independent oversight of the standard-setting system."

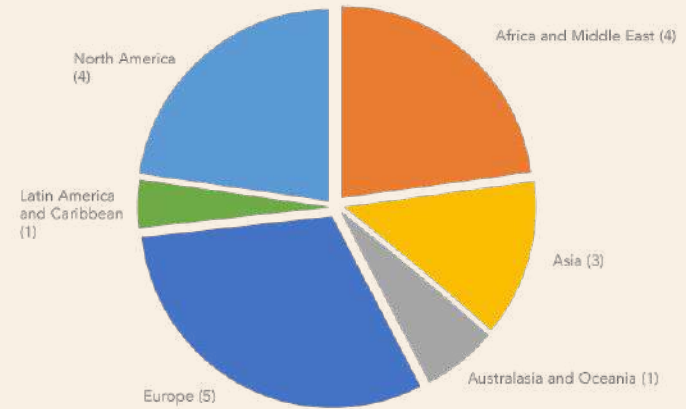
**MG quote from the October 2022 press release.**



## IESBA Background Composition 2023

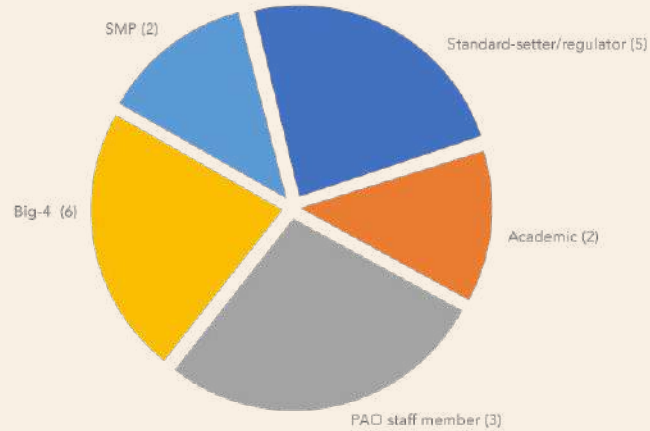


## IESBA Geographical Composition 2023



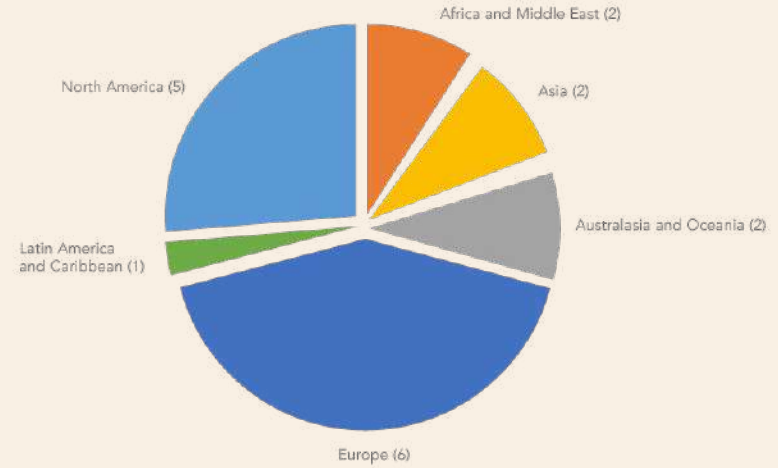
18 Board members: 11 Men- 7 Women

## IAASB Background Composition 2023



18 Board members: 11 Men- 7 Women

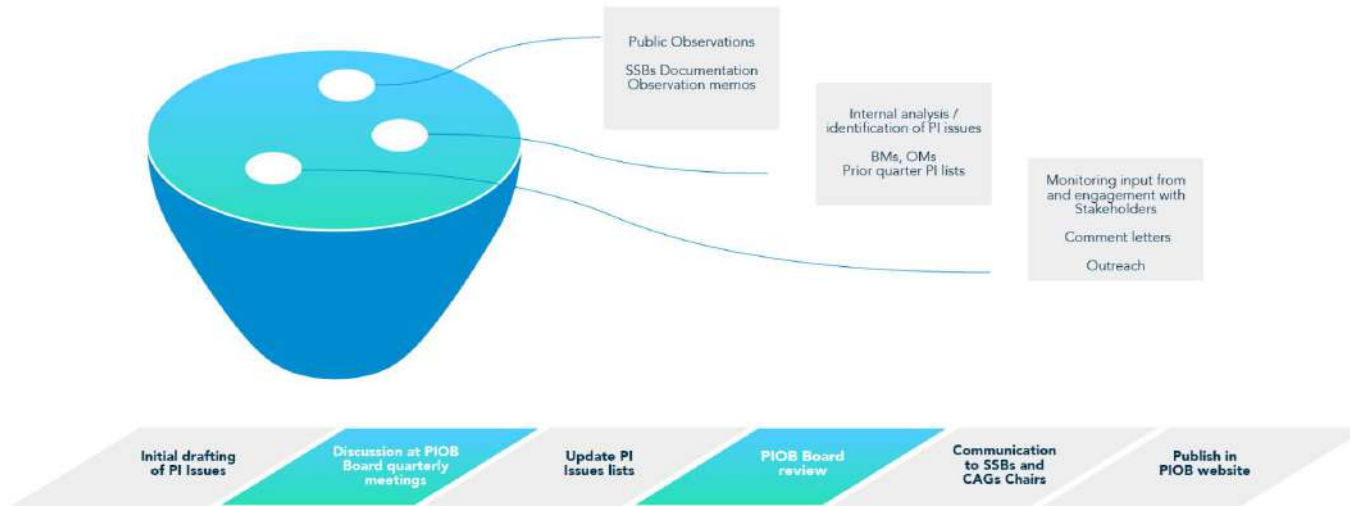
## IAASB Geographical Composition 2023



# 4 HOW

# Our methodology for oversight

The following chart explains the process through which we identify Public Interest issues.



Note: PI = Public Interest. SSB = standard-setting board. CAG = Consultative Advisory Group.

# Our methodology for oversight

Following the MG reform, the PIOB methodology will incorporate the [Public Interest Framework](#) to assess the Public Interest responsiveness of standards. Currently, the IAASB is using the PIF to develop proposals for the Going Concern and Fraud projects.

## The Public Interest Framework



# OUR PEOPLE /

# 1. The PIOB Members

To see the PIOB members' full curricula vitae,  
please visit [piob.org/who](https://piob.org/who)

## PIOB Board Members who retired in 2022:



**Yugui Chen**, Board member and PIOB Foundation Trustee since 2021




**Shigeo Kashiwagi**, Board member since 2017, PIOB Foundation Trustee and Audit Committee Member




**Karen Stothers**, Board member and Audit Committee member since 2017



**Linda de Beer** | PIOB Chair  
PIOB Foundation Chair  
 Appointed in March 2020




**Robert Buchanan** | Board Member  
PIOB Foundation Trustee// Audit Committee member  
 Appointed in March 2020




**Philippe Christelle** | Board Member  
 Appointed in December 2022




**Sandra Peters** | Board Member  
 Appointed in December 2022




**Tshego B. Modise** | Board Member  
Audit Committee member  
 Appointed in December 2021 - began in January 2022





**Begoña Giner** | Board Member  
PIOB Foundation Trustee  
 Appointed in April 2021



**Tom Furusawa** | Board Member  
Audit Committee Member  
 Appointed December, 2022




**Michael Hafeman** | Board Member  
PIOB Foundation Trustee // Audit Committee Chair  
  Appointed in December 2020



**Janine van Diggelen** | Board Member  
 Appointed in April 2021




**Dave Sullivan** | Board Member  
PIOB Foundation Trustee// Audit Committee member  
 Appointed in December 2021


## 2. The SSB Nominations Committee

To see the SSB NomCo's full curricula vitae, please visit the SSB Nominations website [CVs](#)




**Liz Murrall**  
Chair of the SSB Nominations Committee  





**Guy Andrade**  
SSB NomCo Member  





**Richard Thorpe**  
SSB NomCo Member  





**Mara Cameran**  
SSB NomCo Member  





**Onome Joy**  
SSB NomCo Member  





**Wallace D. Gregory**  
SSB NomCo Member  





**Kris Peach**  
SSB NomCo Member  




**Tatsumi Yamada**  
SSB NomCo Member  




**Naweed Lalani**  
SSB NomCo Member  




### 3. PIOB Staff

All PIOB staff hold university degrees or equivalent qualifications, have international working experience, and share a strong commitment to the public interest.



Claudia Deodati  
DIRECTOR OF OVERSIGHT



Heather Erickson  
EXECUTIVE ASSISTANT  
2013-2023



Claudia Schmiedbauer  
EXECUTIVE ASSISTANT  
Joined in 2023



Rocío Goudie  
COMMUNICATIONS DIRECTOR



Renzo Lari  
FINANCIAL CONTROLLER



Nerea Lastras  
OVERSIGHT ADVISOR



Martin Manuzi  
NOMINATIONS DIRECTOR



Gonzalo Ramos  
SECRETARY GENERAL  
2009-2023

To ensure that our staff thrive and perform at their best, staff needs and performance are assessed annually, and support is provided in the form of training and learning opportunities, such as language and skills training; investments in technology and tools, such as online communication software tools and training; and a focus on their well-being, including home-office support as needed.

## 4- Our stakeholders

Regular stakeholder engagement is the cornerstone to deliver on our mandate and therefore it has remained a priority in 2022.

The major stakeholder groups with which we had formal engagements in 2022 are as follows:



Stakeholder	Key individuals or groups	Objective of engagement
Standard-setting boards and their Consultative Advisory Groups	<ul style="list-style-type: none"> <li>• SSB chairs</li> <li>• Individual SSB members</li> <li>• Individual CAG members</li> <li>• Managing director of professional standards</li> <li>• CAG chairs</li> <li>• Technical directors</li> </ul>	<ul style="list-style-type: none"> <li>• Engage and report effectively</li> <li>• Offer recommendations for Public Interest issues</li> <li>• Understand stakeholder concerns</li> <li>• Oversee SSB meetings and CAG meetings</li> <li>• Implement MG reform</li> </ul>
Monitoring Group	<ul style="list-style-type: none"> <li>• Co-chairs</li> <li>• MG members               <ul style="list-style-type: none"> <li>◦ Basel Committee on Banking Supervision</li> <li>◦ European Commission</li> <li>◦ International Association of Insurance Supervisors</li> <li>◦ International Forum of Independent Audit Regulators</li> <li>◦ International Organization of Securities Commissions</li> <li>◦ Financial Stability Board</li> <li>◦ World Bank</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Provide IOB accountability and report back</li> <li>• Understand concerns raised by MG members</li> <li>• Understand the Public Interest responsiveness needs of the SSBs</li> <li>• Implement MG reforms</li> <li>• Agree IOB membership criteria</li> <li>• Pursue IOB funding</li> </ul>
International Federation of Accountants	<ul style="list-style-type: none"> <li>• IFAC president</li> <li>• IFAC chief executive officer</li> <li>• IFAC board members</li> </ul>	<ul style="list-style-type: none"> <li>• Oversee SSBs</li> <li>• Reform the standard-setting process</li> <li>• Pursue IOB funding</li> </ul>
Audit Firms	<ul style="list-style-type: none"> <li>• Global Public Policy Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Understand their concerns</li> </ul>
Academia	<ul style="list-style-type: none"> <li>• Universidad Autónoma, Madrid</li> <li>• Rutgers University, Continuous Audit and Reporting Laboratory</li> <li>• Instituto de Empresa, Madrid</li> <li>• Harvard Law School Global Certificate Program for Regulators of Securities Markets</li> <li>• EARNET</li> <li>• European Accounting Association</li> </ul>	<ul style="list-style-type: none"> <li>• Contact academia and engage with students</li> <li>• Circulating the Call for SSB NomCo members</li> </ul>

# How we engage

**2022.** The year of a communication revolution

# Doing the same Gets you the same results.

PIOB communications have continued to focus on building on the PIOB brand.

In 2022 We:

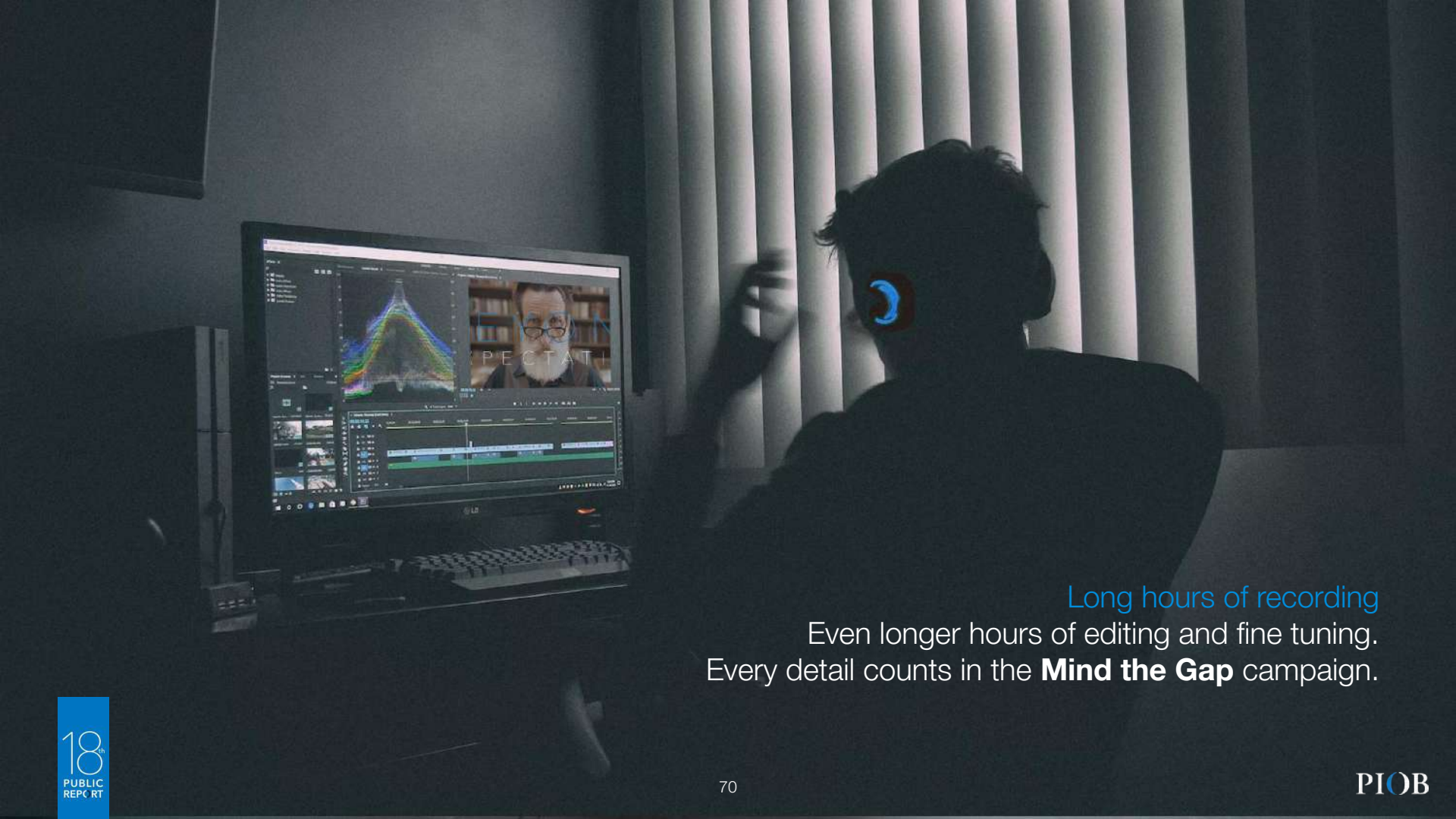
- Launched the Oversight brand as the core activity of the PIOB.
- Designed and promoted two Invitations for Applications to the SSBs
- Engaged with stakeholders at the [3<sup>rd</sup> Public Interest Workshop](#)
- Started a new campaign based on content creation to go beyond

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In 2023, We will be launching the [Mind The Gap Series](#). A broad diversity of stakeholders with different backgrounds will set the tone for some meaningful conversations that will inspire our stakeholders and the public at large.

Thanks to everyone on the team for the continuous innovation.





Long hours of recording  
Even longer hours of editing and fine tuning.  
Every detail counts in the **Mind the Gap** campaign.

# MIND THE GAP

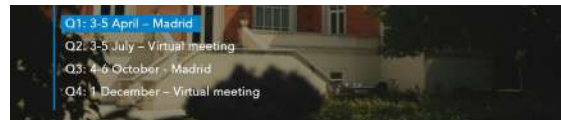
BEYOND EXPECTATIONS

# The key communications tools

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we use to better explain how the PIOB contributes to standard-setting in the Public Interest are:



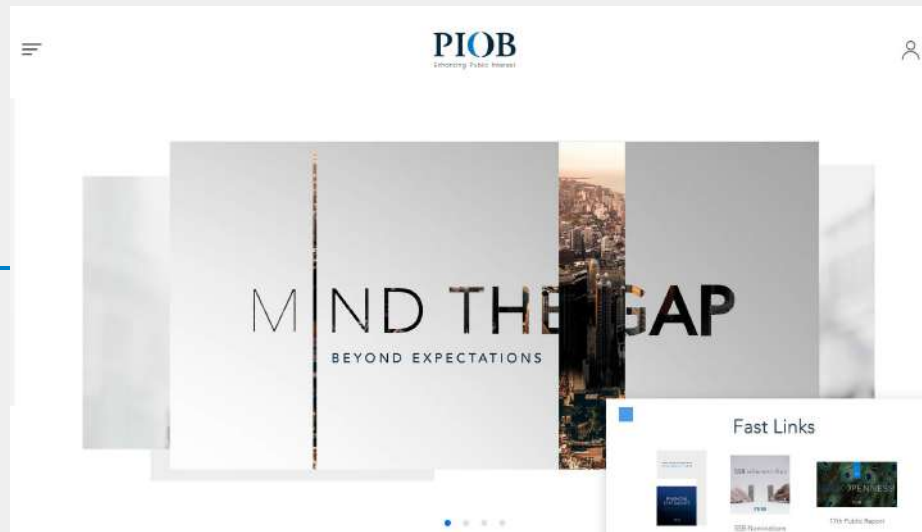


# Updates

PIOB quarterly updates

# +15%

Website new users have increased by 15% in 2022. Followed by **13,5% increase of total website visitors.**

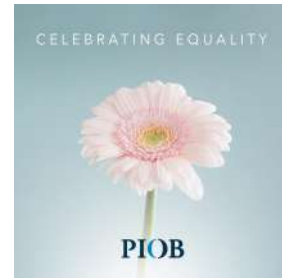


PIOB website [piob.org](http://piob.org)

# LinkedIn

LinkedIn 18<sup>th</sup> Public Report launch campaign,  
International women's day post

Followers: **1201**



[linkedin.com/company/piob](https://linkedin.com/company/piob)



## Launch Campaign

[Video 18th Public Report Campaign](#)



PIOB

18<sup>th</sup>  
PUBLIC  
REPORT

/ PIOB Chair

18th Public Report - Chair overview



# / PIOB Secretary General

[18th Public Report - Secretary General overview](#)

# What is next?



## Content creation + user experience

**The Mind the Gap Series**, is a turning point in how we deliver on the PIOB communications strategy. This change in content creation also requires changes in the packaging and communications channels we use. Therefore, as we develop the series going forward we are also rethinking our website.

**We are immersed in a digital era and our communications channels will also be crafted in a way that keeps user experience at its core.**

Stay tuned!

# OUR FUNDING & FINANCES







**Michael Hafeman**  
*PIOB Audit Committee Chair*

## Activities of the Audit Committee in 2022

The Audit Committee was very active in 2022, holding eight meetings and engaging in extensive written exchanges. I served as chair and Robert Buchanan served as a member throughout the year, while in December, Shigeo Kashiwagi and Karen Stothers retired and Tshegofatso Modise came on board. Our main activities are summarized below.

The Audit Committee met with the auditor, Deloitte, regarding the key risks identified in the audit of 2021 financial statements and at the conclusion of the audit. Based on our communication with the auditor, the Audit Committee considered the audit process to be effective. The auditor was independent, providing no non-audit services to the PIOB. The most significant issue discussed with the auditor regarding the funding of the PIOB was the phased reduction in IFAC's guaranteed funding until 2025. After fiscal year 2025, IFAC intends not to contribute to the PIOB. IFAC addressed this decision through a letter issued in May 2021. In line with our recommendation, the board approved the audited financial statements.

In October 2021, the board appointed Mazars as auditor for the 2022 to 2025 financial years. The Audit Committee worked with management, legal counsel, and Mazars to finalize the engagement letters. We met with Mazars regarding the strategy and risk assessment for the audit of 2022 financial statements.

The Audit Committee continued to engage actively with management and the board regarding the PIOB budgets.

This engagement included finalization of the 2022 budget, which the MG approved early in 2022. The Audit Committee provided input on the assumptions underlying the 2023 budget, including the development of a draft policy for board meetings and presentation of the budget. We carefully reviewed the draft 2023 budget proposal and multiyear projections of revenue and expenditures. These projections illustrate the likely effects of the MG recommendations on the PIOB's expenses and highlight the need to seek additional sources of revenue to avoid a significant funding gap in the coming years. We prepared a paper summarizing our conclusions regarding the budget proposal and setting out recommendations regarding next steps, which were substantially accepted by the board.

The Audit Committee's one in-person meeting focused on self-assessment of our performance in 2021 and 2022. Overall, we believe that we performed well. Our achievements included updating our terms of reference, meeting regularly, engaging in good discussions, effectively and efficiently handling rotation of the audit firm, and providing useful input to staff and recommendations to the board on budget issues. Several opportunities for improvement were identified, including refining our terms of reference, developing a related annual program of Audit Committee activities, and completing the review of financial controls.

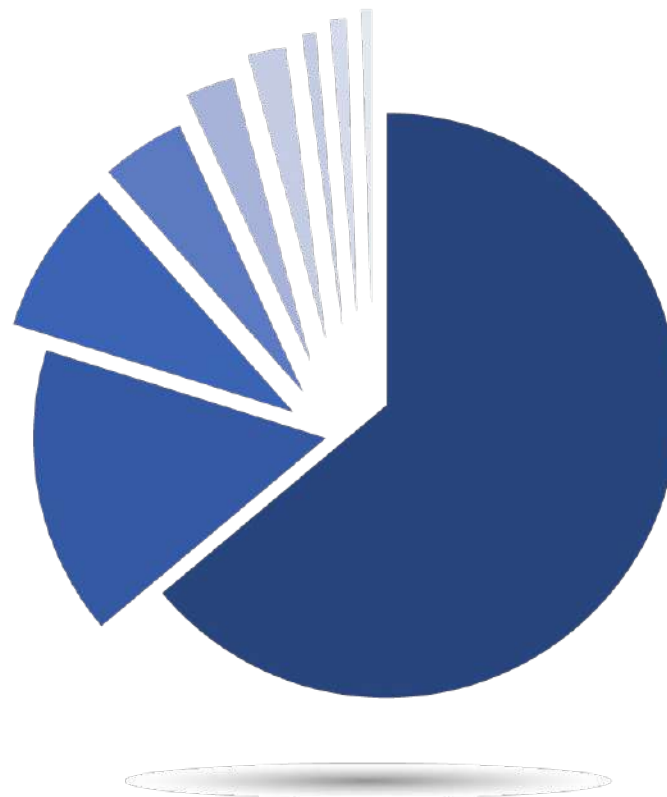
The final meeting of 2022 was devoted to reviewing financial controls and discussed the inventory of financial controls prepared by management. Work to enhance this framework and consider automating some controls continued in 2023.

## PIOB Funding Diversification

In 2012, the PIOB conducted a fundraising exercise in close coordination with the MG and IFAC. As a result, from 2013 to 2022, the PIOB achieved a diversified funding base that includes sources other than IFAC. In 2022, the PIOB received monetary contributions that amounted 1,943,624 euros.

Non-monetary contributions received in 2022 include an In-kind contribution from the Spanish authorities that amounted to 189,318 euros and carried-over surplus from 2021 for 58,178 euros.

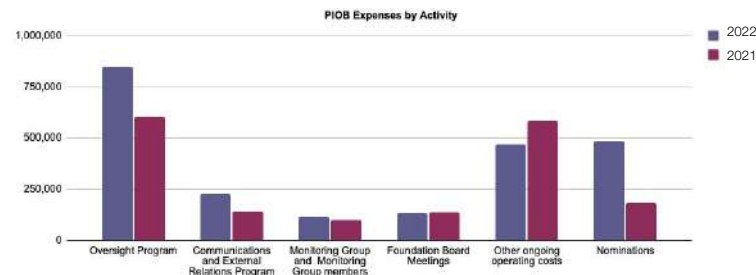
1,392,754 €	<b>63.57 %</b>	International Federation of Accountants (IFAC)
350,000 €	<b>15.97 %</b>	European Commission (EC)
189,318 €	<b>8.64 %</b>	In-kind contribution from Spanish Government
100,000 €	<b>4.56 %</b>	International Organization of Securities Commissions (IOSCO)
58,178 €	<b>2.66 %</b>	Carried-over surplus
45,870 €	<b>2.09 %</b>	International Federation of Independent Audit Regulators (IFIAR)
20,000 €	<b>0.91 %</b>	Financial Reporting Council (FRC)
15,000 €	<b>0.68 %</b>	Bank for International Settlements (BIS)
10,000 €	<b>0.46 %</b>	Swiss Federal Audit Oversight Authority (FAOA)
10,000 €	<b>0.46 %</b>	Financial Supervisory Commission (FSC)



# PIOB Foundation (1, 2) Summary

## Statement of Financial Performance

	2022	2021
TOTAL REVENUE (3)	2,191,120	1,937,836
EXPENSES		
Board-related operating costs		
Oversight Program	849,742	603,751
Communications & External Relations Program	227,787	138,955
Monitoring Group & Monitoring Group members	113,854	98,053
Foundation Board Meetings	133,975	137,250
Other ongoing operating costs	469,902	584,797
Nominations	484,358	184,155
Total Expenses	2,279,618	1,746,961
Surplus	-88,498	190,875



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

(2) In addition to local regulatory responsibilities, the PIOB Foundation is operationally and financially accountable to the Monitoring Group. This accountability includes the presentation of periodic operating reports, the PIOB's annual Public Reports, the PIOB Foundation yearly audited financial statements, and an annual budget for the Monitoring Group's review and approval.

(3) PIOB total monetary revenues for 2022 were contributed by the International Federation of Accountants (IFAC) in the amount of 1,392,754 Euros, the European Commission (EC) in the amount of 350,000 Euros, International Organization of Securities Commissions (IOSCO) in the amount of 100,000 Euros, the International Forum of Independent Audit Regulators (IFIAR) in the amount of JPY 6,150,000 (equivalent to 45,870 Euros), Bank for International Settlements (BIS) in the amount of 15,000 Euros (\*), Financial Reporting Council in the amount of 20,000 Euros, Swiss Federal Audit Oversight Authority (FAOA) in the amount of 10,000 Euros and Financial Supervisory Commission in the amount of 10,000 Euros. In addition, Non-Monetary revenues in 2022 include an In-kind contribution from the Spanish Government to use free of charge its premises located in Oquendo 12, Madrid for 189,318 euros, and Carried-over surplus from 2021 for 58,178 euros.

The PIOB Foundation's auditor, Mazars auditores S.L.P., delivered an unqualified opinion on the complete financial statements of the Foundation. The full version of these statements and the auditor's report are available separately on the PIOB website at [piob.org](https://piob.org).

(\*) In 2022 and 2021, provided through FSB, BCBS and IAIS.

# Appendix



## List of acronyms

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BIS — Bank for International Settlements

CAG — Consultative Advisory Group

CUSP — Complexity, Understandability, Scalability, and Proportionality

ESG — environmental, social, and governance

FSB — Financial Stability Board

GPCC - Global Public Policy Committee

IAASB — International Auditing and Assurance Standards Board

IAIS — International Association of Insurance Supervisors

IESBA — International Ethics Standards Board for Accountants

IFAC — International Federation of Accountants

IFIAR — International Forum of Independent Audit Regulators

INC — Interim Nominating Committee

IOSCO — International Organization of Securities Commissions

ISA — International Standard on Auditing

ISRS — International Standard on Related Services

LCE — less complex entity

MG — Monitoring Group

NAS — non-assurance services

PIE — public interest entity

PIF - Public Interest framework

PIOB — Public Interest Oversight Board

QMS — Quality Management Standards

SAC — Stakeholder Advisory Council

SSB — standard-setting board

SSB NomCo — Standard-setting Board's Nominations Committee

TCWG — those charged with governance



On behalf of the PIOB, we thank all who  
have contributed to the 18th Public Report!

**PIOB**

# PIOB

Enhancing Public Interest



[linkedin.com/company/piob](https://www.linkedin.com/company/piob)

[ipop.org](https://ipop.org)