

## BRIEFING MEMO | IESBA

June 12-16, 2023 | In-Person Meeting

*Disclaimer: This memo is prepared by PIOB staff, in advance of the SSB/CAG 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/CAG meeting observation and to help maintaining consistency and continuity of oversight.*

The Agenda includes the following topics:

- 2 – SUSTAINABILITY COMMON ISSUES
- 3 – SUSTAINABILITY WS1
- 4 – SUSTAINABILITY WS2
- 5 – USE OF EXPERTS
- 6 – TAX PLANNING
- 7 – PIE ROLLOUT
- 8 – IAASB - IESBA COORDINATION
- 9 – TECHNOLOGY (WG UPDATE)

### 2 – SUSTAINABILITY (COMMON ISSUES)

Objective/scope, Background and Status: the Sustainability WG was established in March 2022 and the project proposal was approved in December 2022. The Sustainability work was split in three workstreams: two workstreams within Sustainability (profession-agnostic independence standards for sustainability assurance (workstream 1) and ethics standards for sustainability reporting and assurance (workstream 2); and one separate project for the Use of Experts (see agenda item 5).

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

The IESBA will receive a presentation on common issues (item 2) and specific proposals from the two sustainability workstreams (items 3 and 4). The proposed definitions involving the two WS are included in agenda item 2-B.

Those proposals are the response to the previous discussions at the IESBA, the input from the CAG and the outcome of the four global roundtables conducted in March/April.

During the session, there will be a report-back on the roundtables (item 2-A) and a presentation from AccountAbility (a management consulting firm involved also in sustainability).

The IESBA and IAASB staff/representatives have been engaged with ISO, which is developing standards for validation and verification of sustainability information.

During the roundtables, the IESBA sought expression of interest, from non-PAs who have expertise in sustainability, to be part of the Sustainability Reference Group (SRG). The group should be composed of 10 members and should meet in June, in advance of the IESBA meeting. An update will be provided during the session.

A summary of the feed-back from the roundtables is presented in agenda item 2-A. In terms of participation to the four global roundtables, categories of stakeholders included: Accounting Firms (25%), PAOs (16%), Regulators (14%), Users/Investors (9%), non-PAs (8%), Preparers/TCWG (6%) and others. Among MG representatives, IOSCO and World Bank. Please refer to the document, to get a more granular view on the themes and the outcome of the discussion at the roundtables.

### Public Interest Issues

#### PIOB Staff comments on PI

It would be helpful to get information about the composition of the SRG (profiles of individuals who joined it, professionals other than accountants involved), the extent of interest expressed in participating in the group and the initial feed-back provided during its meeting in June, preceding the IESBA meeting.

### 3 - INDEPENDENCE (WORK STREAM 1)

The TF will present the draft Part 5 of the Code, split in the different sections (items 3-A to 3-G). The IESBA will have to provide its views on these proposals.

The issues paper reads: *"as a first step, the ethics and independence standards for sustainability assurance engagements that are equivalent to standards for the audit of financial statements only apply to sustainability assurance engagements of heightened public interest where:*

- *The assurance is provided on sustainability information reported in accordance with a general-purpose framework, and the sustainability information:*
  - o *Is publicly available to support decision-making by investors or other stakeholders;*
  - o *Is required to be provided in accordance with law or regulation; or*
- *Law or regulation determines a sustainability assurance engagement as being of heightened public interest".*

Therefore, the scope of the provisions will be on "sustainability assurance engagements of heightened public interest"<sup>1</sup>. For sustainability assurance engagements which are not of "heightened public interest", Part 4B of the Code will apply (independence standards for assurance engagements other than audits).

We would like to highlight some of the proposals tabled by the TF (Part 5, consistent with extant provisions in the Code dealing with audits of financial statements from Section 400 to 600 – items from 3-A to 3-G):

- Independence required from practitioners (both individuals and their firms, both PAs and professionals other than accountants) performing sustainability assurance engagements. Independence is required during both the engagement period and the period covered by the sustainability assurance report prior to the start of engagement period<sup>2</sup>. Among the provisions:
  - o prohibition to assume management responsibilities for a sustainability assurance client; threats and safeguards approach; prohibition to accept

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<sup>1</sup> The scope will cover reasonable and limited assurance. The provisions will apply to attestation engagements (*where a party other than the sustainability assurance practitioner measures or evaluates the underlying subject matter against the criteria*) but not to direct engagements (*where the sustainability assurance practitioner also measures or evaluates the underlying subject matter against the applicable criteria*). This is in line with the scope in ISSA 5000, which covers attestation engagements only.

<sup>2</sup> *"Given the forward-looking nature of sustainability information, the Task Force does not believe it would be appropriate to require the firm to be independent during the entire period covered by the sustainability information".*

a sustainability assurance engagements if the firm has previously provided a NAS, which might create a self-review threat on the sustainability information; communication to TCWG; documentation of compliance with independence requirements; proportion of fees for sustainability assurance engagements, fees dependency, transparency and disclosure of fee-related information; financial interest; long association and rotation/cooling-off required for engagement leaders, key audit partners, engagement quality reviewer, or individuals acting in a combination of roles; prohibition of NAS to a sustainability assurance client (PIE) if self-review threat is created on the sustainability information on which an opinion is expressed; concept of materiality in NAS and reference to double materiality; threats and related provisions associated to providing sustainability data and information (similar as when providing bookkeeping and accounting services).

- A quality management system is in place, at least as demanding as ISQM1, to comply with ethical requirements.
- Definition of Engagement Team and Sustainability Assurance Team, including the leaders, staff performing procedures, within or outside the network, components, service providers, internal experts (e.g. the ones specialized in sustainability information or assurance are part of the ET; the ones having an influence on the outcome of the engagement are assurance team members but not ET members). External experts are excluded.
- Independence required for group sustainability assurance engagements (for practitioners and firms), based on requirements in ISA 600 (currently not addressed in ISSA 5000). New requirement for the group sustainability engagement leader to take responsibility for confirming whether the component firms understand and comply with ethical requirements.
- Application to PIEs, according to the definition which will become effective in December 2024 (equivalence of treatment as in audits of financial statements).
- For firms performing both a sustainability assurance engagement of heightened public interest and an audit for the same client, the provisions in the Code applicable to an audit, including Part 4A, apply to the firm, a network firm and the audit team members, in addition to the provisions of Part 5 (whereas Part 5 will address specific situations for sustainability assurance engagements, e.g. cooling off and proportion of fees). Staff non-authoritative guidance will be developed as well to address those cases.

### Public Interest Issues

Please refer to the latest PIOB PI Issues on IESBA projects published in May 2023 in the PIOB website:

[https://ipiob.org/wp-content/uploads/2023/05/PIOB-PI-Issues-IESBA-projects\\_April-2023.pdf](https://ipiob.org/wp-content/uploads/2023/05/PIOB-PI-Issues-IESBA-projects_April-2023.pdf)

## *PIOB Staff comments on PI*

### WS1 – Independence Standards for Sustainability Assurance Engagements

The TF has advanced its work and has produced its first proposals for a new Part 5 of the Code of Ethics, in line with the presentation options previously discussed and the feed-back received at Board, CAG and roundtables level. Qualitative characteristics (i.e. coherence, clarity and conciseness, implementability and enforceability) of the PIF have been considered in the decision on how to draft and present the provisions.

The scope of the newly drafted independence provisions (Part 5) has been limited to sustainability assurance engagements of heightened public interest and a number of elements has been listed to meet those cases. The current Glossary (item 2-B) includes the revised definition of Assurance Engagement and makes a reference to the ones which are not of “heightened public interest”. It would be helpful, in terms of clarity and to facilitate application, to specify what is meant by “heightened public interest”, as its definition determines the application (or not) of the provisions in Part 5.

Moreover, we understand (from the scope proposed) that “publicly available” information is one of the requisites to determine the “heightened public interest”. We wonder whether sustainability information helpful for decision making would maintain its “heightened public interest” even if not public.

The TF has included, in its proposals, independence required for group sustainability assurance engagements (for practitioners and firms), based on requirements in ISA 600. This is one of the topics not yet addressed in ISSA 5000, for which the two Board will therefore need to coordinate their efforts in the future. In this sense, according to the documentation distributed by the IAASB for the June meeting, the TF has concluded that group sustainability assurance engagements should be addressed in a separate ISSA (as ISSA 5000 is an overarching standard).

The ED is expected to be approved in December 2023, which should allow the completion of the project by the end of 2024, in line with the market expectations.

To achieve the objectives established by the project proposal, among which the most important one is a Code of Ethics which is profession-agnostic, further work is needed in the terminology and language used, to make sure that the concepts are fully adapted to sustainability assurance engagements and that they are also accessible to professionals other than accountants.

#### 4 - ETHICS (WORK STREAM 2)

The WS2 will present the proposed scopes and preliminary drafts of: a) ethics standards for sustainability assurance (applicable to both PAs and non-PAs); b) ethics standards for sustainability reporting (applicable to PAs only). Revised definitions will also be presented. The IESBA will provide its strategic direction and input. The Sustainability Reference Group's (SRG) input will also be sought.

For the proposals on the scope, the TF has considered different options (described in the agenda item 4-A), and recommends Option 2: "Setting ethics standards for the performance of sustainability assurance engagements of heightened public interest and other engagements performed by sustainability assurance practitioners for the same sustainability assurance clients". The "... WS2 considers that such a role should not extend so far as to cover all engagements performed for all clients as that would mean that in practice the IESBA would be setting ethics standards for the multiple professions that provide sustainability assurance services. The WS2 is of the view that whilst such a broad approach could provide guidance to non-PA practitioners over a broader range of ethical behavior, it would be outside the scope of the project, which focuses primarily on the service, and not on its providers or the profession they belong to". The issues paper also deals with the concepts of "profession", the fundamental principle of "professional behavior", "professional activity" and "professional service".

On ethics standards for sustainability reporting, according to the issues paper (item 4-A) "at the roundtables, participants recognized the importance of all preparers of sustainability information abiding by ethics standards, but their views differed on which path (e.g., corporate governance codes and the 'comply or explain' mechanism) should be followed or the responsible entity (e.g., professional bodies or the companies themselves) for the development of those standards. There was no strong support for IESBA to develop profession-agnostic ethics standards for sustainability reporting at this moment".

As a result of this, the TF will propose a draft (item 4-D) of an equivalent Part 2 (in extant Code: PAIBs), which deals with sustainability reporting and which applies only to PAs.

*“The TF recommends the IESBA to consider, as a separate work stream, the development of guidance material based on Part 2 of the Code for preparers of sustainability information who are not PAs, for voluntary adoption by entities (for instance, as internal policies or procedures)”.*

The TF has used, as a basis, the text of Part 1, 2, and 3<sup>3</sup> of the extant Code and has adapted/edited the language to the sustainability assurance engagements (agenda items 4-B, 4-D, 4-C, respectively). The remaining sections of the Code will be presented in September.

Among the proposed provisions, the TF will seek input on (most significant ones selected):

- Reference to the quality management system, and equivalence to ISQM1, in line with ISSA 5000 and subject to ongoing coordination with the IAASB, recognizing the difficulty for non-PAs to implement such equivalent system.
- New examples of self-review threats added (par. 300.6 A1 – item 4-C):
  - *A sustainability assurance practitioner having provided sustainability reporting services for an entity in a sustainability assurance client’s value chain, the outcome of which is subject to the sustainability assurance engagement for the client.*
  - *A sustainability assurance practitioner having provided sustainability-related certification services before performing the sustainability assurance engagement.*

Among terms and definitions, “sustainability information” has been revised and enhanced. It currently reads: *“Information expressed in financial or non-financial terms, historical or forward-looking, about the economic, environmental, social, governance or other sustainability impacts of an entity’s activities, services or products. The impacts may be on the entity or on the environment, the public or the economy. Sustainability information includes information that may be:*

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<sup>3</sup> Part 1 deals with the Fundamental Principles and the Conceptual Framework, Part 2 deals with PAIBs, Part 3 deals with PAPPs.

- *Defined as ‘sustainability information’ by law, regulation or the applicable reporting or assurance framework.*
- *Prepared for internal purposes or for mandatory or voluntary disclosure.*
- *Obtained from an entity or its value chain.*
- *Related to the measurement of an entity’s performance over the short, medium, or long term”.*

The definitions of other (reporting) frameworks (EFRAG, GRI) have been taken into account, including the “impacts” and therefore the concept of double materiality. The issues paper mentions coordination with other organizations such as ISO and AccountAbility. The ongoing coordination with the IAASB is highlighted and it is said that the TF has some concerns with the revised definition of the IAASB, which makes reference to “sustainability matters” instead of “sustainability information”. An update on the alignment between the two boards will be provided at the meeting.

The term “assurance practitioner” has been chosen instead of “provider”, as it is more profession-agnostic and consistent with the IAASB’s choice. Other definitions revised include “sustainability assurance engagement”.

In the introduction of the equivalent Part 1 (item 4-B), there is a reference to the public interest, to investors, customers, employees and other users of the sustainability information. The section also clarifies that if the sustainability assurance practitioner is a PA, also the other parts of the Code apply (from Part 1 to Part 4B), while if he/she is a non-PA, he/she will be encouraged to adopt high standards of ethical behavior.

The text of the extant Code (which deals with the Fundamental Principles and the Conceptual Framework/threats and safeguards approach and its application) has been adapted/edited to reflect the sustainability assurance language, e.g. replacing the term “Professional Accountant” with “sustainability assurance practitioner” and audits, review engagements with “sustainability assurance engagements of heightened public interest”. Some narrative or examples have been provided to embed the sustainability information (item 4-B and 4-C) and some reference to misleading information, misrepresentation and greenwashing has been added (item 4-D).

### Public Interest Issues

Please refer to the latest PIOB PI Issues on IESBA projects published in May 2023 in the PIOB website:

[https://ipiob.org/wp-content/uploads/2023/05/PIOB-PI-Issues-IESBA-projects\\_April-2023.pdf](https://ipiob.org/wp-content/uploads/2023/05/PIOB-PI-Issues-IESBA-projects_April-2023.pdf)

## WS 2 – Ethics Standards

The TF has advanced its work and has used the extant Code to adapt it to the sustainability realm. The redrafted Parts aim to make the Code usable by and accessible to sustainability practitioners. Among the themes, highlighted in the roundtables discussion (item 2-A), which will require further work there are: additional threats to be considered, for pressure on professionals, on sustainability information in a short time frame. The initial suggestions by the TF go in that direction, considering greenwashing as well as the involvement of practitioner in producing the information in the value chain.

While progressing its work, the TF will need to consider the implications of the different nature of sustainability engagements, to fully reflect them in the extant Code and adapt it accordingly. The replacement of terms in the extant Code is just a first step but it is not enough to achieve that goal. To achieve the objectives established by the project, among which having provisions in the Code which are profession-agnostic, further work is needed in the terminology and language used, to make sure that the concepts are fully adapted and accessible to professionals other than accountants.

One topic raised by participants in the roundtable is also the cost-effectiveness of having one provider (sustainability and audit, integrated reporting), and what kind of threats and risks it may bring. The TF has already considered the provisions of NAS in those situations, the relation to fees and fees dependency, as well as the rotation for partners/leaders involved in sustainability assurance engagements and in audits. Such consideration is positive, though it may require adaptation to a different public (professionals other than accountants) and to a different kind of services (sustainability assurance engagements vs. audits of financial statements).

In the issues paper it is mentioned that there are concerns on the IAASB definition of sustainability information. It is important that the two Boards coordinate their work and that they come up with consistent definitions. The IAASB has revised its definition of “sustainability information” in June but further coordination is needed to align the two.

The revised definition of sustainability assurance engagement could be further simplified, in view of adoption by professionals other than accountants, as it retains the concepts of “underlying subject matter” and “applicable criteria”.

The Glossary could include an explicit definition of “assurance engagements of heightened public interest”, to facilitate its clarity and applicability.

The IESBA’s approach, to limit the scope of the sustainability reporting provisions to professional accountants only, is still adequate, given the limited resources and the urgency of the project. The TF intends, however, to continue the dialogue with stakeholders and, even if there is no regulatory call in this area, there may be further initiatives in the future. The IESBA may continue advocating and promoting the Code of Ethics, as a robust set of ethics and independence rules which can ultimately benefit the integrity of sustainability reporting as well as the quality of sustainability of assurance engagements. That would be in line with the approach undertaken by the WS1, which deals with independence provisions affecting all assurance providers (both professional accountants and not).

The TFs has used the PIF to assess the qualitative characteristics met by each option of presentation and determine which ones would be better. Because of the option chosen to present the provisions, the drafting inevitably implies duplication of several Parts of the Code.

Coordination among WS1 and WS2, as well as with the Use of Expert workstream, and with the IAASB should continue.

## 5 – USE OF EXPERTS

Objective: to address ethics and independence considerations concerning the use of experts in the preparation, audit, assurance of financial and sustainability information.

Background and Status: The IESBA approved a Project Proposal in December 2022, that will run in parallel with the two workstreams on Sustainability. The IESBA expects to approve an exposure draft (ED) in December 2023.

At the June 2023 meeting, the task force (TF) will present feedback on the use of experts from the roundtables (RT) on Sustainability held in March and April and its preliminary views on certain matters, including a strawman of proposed provisions.

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

The issues paper (5-A) and the presentation (item 5-B) provide feedback received from roundtables and the TF's key proposals. To reflect some of those proposals, the TF has also provided a preliminary strawman of Part 3 of the Code and the Glossary (item 5-C), that will be further developed, including sections for Part 2 and Part 5 of the Code, for the September meeting.

The TF has identified 5 themes that arose from the comments of the sustainability RT that relate to use of experts:

- Rationale for the project – For some participants it was not clear why the project is necessary.
- Suggestions on determining who is an appropriate expert.
- Mixed views regarding requiring external experts independence – some participants raised concerns over practicalities of requiring external experts to be independent (Code not enforceable, no experts available, unduly onerous, impossible to monitor, competence is more important than objectivity), but also support from other respondents (suggested the TF to take perspective of a reasonable, knowledgeable investor, and if external experts used are not independent, the PA should disclose the fact to stakeholders).
- Concerns raised over the appropriateness of the “significant influence” test.
- Suggestions on other matters such as use of multiple experts, use of management's expert, use of external experts by SMPs, limited vs reasonable assurance, use of experts by non-PAs, use of the work of other assurance providers (similar to component auditors in group audits).

The TF addressed concerns and suggestions raised by participants of the RT in the following key proposals (also reflected in the Strawman in item 5-C, as necessary):

- Rationale for the project – the TF reiterates the calls from several stakeholders (including the PIOB) to address the matter and proposes to explain further the rationale in the Explanatory Memorandum for the ED.
- Proposed definitions for “expert”, “expertise”, “external expert” and “management's expert” – the definition of expert and external expert have been expanded to include expertise in “fields outside the PA's competence” (i.e., it would encompass experts in accounting, audit or assurance in addition to experts in other fields, as SMPs might need to use experts for complex accounting/assurances matters).

The TF assessed the interaction of the proposed definitions with extant definitions of “engagement team” (ET) and Audit team (AT) (and Assurance/Review Team) (approved in December 2022)<sup>4</sup>:

- o No impact to the definition of ET as it explicitly excludes external experts.
  - o Internal experts would be considered part of the ET, and therefore required to be independent, because they perform procedures on the engagement.
  - o Interaction with the definition of AT (in particular individuals that provide consultation under (b) (ii)) – the TF considered that external experts perform work that the PA will use if they determine it is adequate, hence external experts cannot directly influence the outcome of the engagement and are not part of the AT – therefore, they cannot be subject to independence requirements of part 4 of the Code. See comments under PIOB Staff comments on PI in relation to the distinction between an expert vs an individual that provides consultation.
- Determining who is an appropriate expert – the TF has developed preliminary provisions in the Strawman to determine appropriateness of an expert, that would require evaluating the expert’s competence, capabilities and objectivity (see further below), including guidance with factors relevant to evaluate each of these characteristics, as well as to evaluate the work of the expert and whether the PA can rely on such work; and sets out potential threats that may arise when using the work of an expert and how to address them, including transparency with TCWG. Documentation is encouraged (not required).

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<sup>4</sup> The following definitions of the extant Code (2022) are relevant to understand the conclusions reached by the TF regarding the application of independence requirements to experts (internal or external).

Emphasis added for key aspects:

Engagement Team: *All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding external experts and internal auditors who provide direct assistance on the engagement.*

Audit Team (also Assurance and Review Team would be relevant for other assurance and review engagements): *(a) All members of the engagement team for the audit engagement; (b) All others within, or engaged by, the firm who can directly influence the outcome of the audit engagement, including: (i) *Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent); (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and (iii) *Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and (c) Any other individuals within a network firm who can directly influence the outcome of the audit engagement.***

- Independence vs objectivity of external experts – the TF has withdrawn the “significant influence test” based on the conclusions presented above (external experts are not part of the ET nor of the AT and the firm cannot monitor or enforce independence requirements). Nevertheless, given the perceptions that the lack of objectivity of an external expert would impact the credibility of the audit or assurance report, the proposed framework to evaluate the objectivity of the external experts is based on independence considerations from Part 4 of the Code.
- Other matters considered in developing the strawman include: guidance on the use of multiple experts; the TF will not include distinctions for limited vs reasonable assurance as this is not considered elsewhere in the extant Code. Also, the matter of group sustainability engagements will be part of the Sustainability project.

The TF still needs to consider several matters such as whether a client is a PIEs vs non-PIEs, or considerations by non-PAs in relation to sustainability assurance.

Also, further consideration needs to be given to the application of the PIF, as the assessment presented is still too high level and preliminary.

#### Public Interest Issues

Please refer to the [PIOB PI Issues on IESBA projects - March 2023](#) on the External Experts project, as of March 2023, published in the PIOB website.

#### PIOB Staff comments on PI

The PIOB welcomed the responsiveness of IESBA to address ethical and independence considerations when using experts, both in the preparation and the assurance of information, including sustainability information. We also acknowledged that adequately addressing all aspects covered under this broad scope will raise several challenges.

The revisions to TF’s preliminary proposals which take into account feedback from the sustainability roundtables are welcome, as consultation with a broad range of stakeholders is a key element of the PIF. Overall, the revisions are responsive to the comments and concerns raised, while maintaining a focus on complying with the Code’s conceptual framework and providing a principles-based framework. However, the proposals still need further clarity and development, including profession-agnostic

definitions and requirements for sustainability assurance engagements performed by non-PAs (currently not yet developed) clarity to fully assess their PI responsiveness.

A critical element of the experts' ethical framework will be the definition of expert and external expert, as well as the consideration of the use of the work of other practitioners (to be developed by the Sustainability project), since correctly determining which type of work is used in the engagement will determine applying independence rules or the "appropriateness framework" for experts.

In this respect, a key question that should be clarified is how to determine whether an individual is considered an expert (and subject to an evaluation of competence, appropriateness and objectivity as described below) vs. an individual that provides a consultation (that would be subject to a significant influence test to determine whether they should be part of the AT and independent). Further guidance and examples will need to be developed to ensure consistent application and enforceability of the provisions.

The additional assessment on the requirements applicable to internal experts, including the removal of the "significant influence" test, that was considered subjective and confusing, go in the right direction to clarify the provisions. However, further development of the proposals will be needed to ensure that the objectivity assessment is robust enough to ensure that reliance on external experts is appropriate. Also, IESBA should consider requiring documentation of key elements of the evaluation and conclusion on the appropriateness of the use of the expert's work to ensure adequate enforceability.

The preliminary assessment of relevant PIF characteristics seems too high level, as noted in the issues paper, and no rationale is provided on how the level of compliance was determined. As suggested in prior briefing memos and PIOB observations, it would be helpful to integrate the assessment of the PIF characteristics when the TF evaluates the proposals considered and to guide them in reaching and supporting their conclusions.

## **6 – 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 and the exposure draft in December 2022. The Task force (TF) will provide high level feedback received from the consultation. Revision proposals and first read of a redraft will be provided in September.

The approval of the final pronouncement is targeted for December 2023.

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

Based on the information on Agenda item 6, the consultation received 47<sup>5</sup> comment letters, none of them from MG members and only one from an IFIAR member (IRBA). Comments from tax professional organizations and regulators (outside PA organizations) were received from the Tax Practitioners Board of Australia<sup>2</sup>, the European Tax Adviser Federation and the Taxation Institute of Hong Kong<sup>2</sup>. Nevertheless, the majority of the comment letters (89%) came from the profession (PAOs and Firms).

The PIOB Staff reviewed a sample of comment letters and identified a number of key comments and recommendations, that are consistent with those reported in the high-level summary provided by the TF (item 6 – presentation deck):

- Overall support for having an ethical framework for tax related services
- Challenges to enforce the code beyond PAs – in many jurisdictions tax related services are provided by other professionals, some not subject to any regulations – IESBA is encouraged to coordinate with other professional bodies to promote convergence of ethical frameworks or to develop “profession-agnostic” provisions, similar to those under development for sustainability assurance
- Definitions of terms – some clarification and edit suggestions
- Credible basis – more guidance needed to clarify implementation
- Stand-back test - Challenges from the consideration of “economic consequences” and “different stakeholders views”

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<sup>5</sup> Note that there are two comment letters (from the Tax Practitioners Board of Australia and from the Taxation Institute of Hong Kong) that are listed on the issues paper but not available on IESBA’s website yet. As of the date of this BM, we have received one from IESBA’s staff and expect to receive the second shortly.

- Disagreements - Clarifications needed, in particular for requirement of “disassociation from engagement/management”
- Third party referrals - Provisions seem too broad/ far reaching when the PA is not providing the service/has no knowledge of the advice provided by the third party
- Documentation - Mixed views about the need to make it required vs encouraged

*Public Interest Issues*

Please refer to the [PIOB PI Issues on IESBA projects - March 2023](#) on the individual IAASB’s projects, as of March 2023, published in the PIOB website.

*PIOB Staff comments on PI*

As noted in our PI issues and previous BM and OMs, overall, the proposed ethical framework for TP services provided by PAs addresses the objectives set out in the project proposal and meet PIOB recommendations, in particular the stand back assessment that considers “reputational, commercial, and wider economic consequences”.

The PIOB had also recommended some additional considerations, such as requiring documentation or strengthening the communication/transparency requirements with external parties. These recommendations have also been raised by some of the respondents.

In considering the comments and suggestions received, the TF should be cautious not to reduce the ethical requirements for PAs in order to avoid unfair competition from other “unregulated” tax professionals. PAs and the accounting profession (PAOs, firms, regulators, etc.) should defend the higher quality that underlies a strong ethical framework. IESBA should also continue the relationship with other tax professional organizations to encourage them to develop ethical codes for tax professionals, that are equivalent or based on the proposed provisions.

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. Given the limited representation in the comment letters from organizations beyond

the accounting profession, the recommendation to continue the targeted outreach is still important. We welcome the outreach carried out with CFE, the European Commission and APESB, noted in the presentation prepared by the TF.

## 7 – PIE ROLL-OUT

Objective: to consider an update on Track 1 of the IAASB’s PIE project and on the implementation activities of the IESBA’s PIE pronouncements.

Background and status: The IESBA approved the PIE final pronouncements in December 2021 (approved by the PIOB in April 2022). The IAASB approved a project proposal to address PIE matters in March 2022 and issued an exposure draft (ED) on its transparency proposals (track 1) in June 2022. IAASB will discuss further revisions to the ED provisions and expect to approve the final pronouncement in June 2023.

The IESBA met in February 2023 to discuss some of the feedback on the IAASB’s ED and agreed to retain the transparency requirement applicable to both audits and reviews.

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

The issues paper (item 7) provides a summary of the final proposed provisions for track 1 of the IAASB PIE project. The IESBA PIE WG support the proposals, as they operationalize the requirement in R.400.20 of the Code. The IESBA PIE WG also acknowledges that they will consider how to address concerns and suggestions raised by respondents to the IAASB ED for situations when the audit report is not publicly available.

The issues paper finally provides an update on the rollout of the database of PIE definitions by jurisdiction.

### Public Interest Issues

There are currently no outstanding PI issues in respect of the IESBA PIE project, as this is a completed project. There are specific PI issues raised in respect of the IAASB’s PIE project.

Please refer to the [PIOB PI Issues on IESBA projects - March 2023](#) on the individual IAASB's projects, as of March 2023, published in the PIOB website.

*PIOB Staff comments on PI*

We welcome the acknowledgement from the WG to consider how to achieve the public disclosure required by para. R400.20 of the Code when the auditor's report is not made public, as the provisions envisaged by IAASB only refer to this mechanism (i.e., including a specific disclosure in the auditor's report). The PIOB will follow up on this matter.

There are no PI issues identified at this point from the implementation activities carried out by IESBA.

**8 – IAASB-IESBA COORDINATION**

The IESBA Liaison member to IAASB will make a presentation on the coordination activities, including projects with ongoing coordination (such as Fraud, Sustainability, Use of experts, Going Concern, Audit of LCEs, Audit Evidence and PIEs), and other projects/initiatives with potential coordination needs.

**9 – TECHNOLOGY (WG UPDATE)**

The IESBA keeps monitoring technology and the possible impacts on the Code of Ethics, according to the Technology WG (TWG) Phase 2 report which was presented in December 2022. The TWG has been reduced to two individuals (one IESBA member and one technical advisor). Liaison is maintained with the Technology Expert Group and other TFs.

The session includes an updated TWG's ToR (item 9-A) and an educational presentation by an external speaker on ethical use of generative AI, large language models and data governance (item 9-B).