

## BRIEFING MEMO: IESBA

September 18-22, 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 – STRATEGY AND WORK PLAN (SWP)
- 6 – IESBA-IAASB JOINT SESSION
- 7 – USE OF EXPERTS
- 8 - TECHNOLOGY
- 9 – TAX PLANNING

### 2 – SUSTAINABILITY COMMON ISSUES

The two Workstreams (WSs) for Sustainability will discuss common issues (definitions, title of Part 5 of the Code, numbering of the provisions, considerations to potentially change the name of the Code of Ethics, etc.).

The two WSs have been coordinating their work and have engaged with the Sustainability Reference Group (SRG) and the IAASB. Outreach has been held with ISO, IOSCO, AccountAbility ESG and many others (see item 2-A).

At this session, the International Forum of Accreditation (IAF) will provide a presentation, explaining its role also in the sustainability field, and potential opportunities for collaboration with the IESBA.

### 3 – SUSTAINABILITY WORK STREAM 1

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.

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

The WS1 TF will present its proposals and the independence provisions for sustainability assurance engagements drafted for Part 5 of the Code (item 3-A), along with a Revised Glossary (item 3-B, which is the same as item 4-E).

The main aspects of the TF's proposals are as follows:

- Scope of the standards: Part 5 will apply to assurance engagements (not to “certification” engagements), meeting certain criteria. It will apply to both limited and reasonable assurance. Provisions in Part 5 will be equivalent to the provisions in Part 4A (independence in audits of financial statements). The reference to “heightened public interest” (proposed in June) has been deleted, while the criteria for the applicability of Part 5 have been maintained (i.e. sustainability information reported according to a general-purpose framework; required according to law or regulation; publicly disclosed to support investors and other stakeholders decision). For all other engagements, Part 4B will apply.
- Quality Management System: a system of QMS, with requirements at least as demanding as in ISQM1, will have to be applied by the sustainability assurance practitioner (SAP) and its firm. This is consistent with ISSA 5000.
- PIE definition: Part 5 will differentiate requirements depending on the entity being a PIE or not (in line with Part 4A). Entities considered PIEs for the purposes of audits of financial statements, will also be considered PIEs for the purposes of sustainability assurance engagements.
- Providing NAS to sustainability assurance clients: current provisions and prohibitions of NAS in section 400 and 600 will apply also to sustainability assurance engagements. Given the context of sustainability, some NAS prohibitions have been adapted (e.g. instead of “accounting and bookkeeping”, the reference will be to “sustainability data and information”).

- Group sustainability assurance engagements: Part 5 addresses independence of groups in sustainability assurance, as well as the use of work of other practitioners (not part of the engagement team). The TF is addressing the situations where other practitioners cannot be subject to direction, supervision and review of the group firm. In these cases, the firm needs to obtain confirmation of the practitioner’s independence from the entity on which an opinion on the sustainability information is obtained. In case confirmation of independence cannot be obtained, the work of the practitioner cannot be used.
- Relationship with value chain entities: the reporting boundary for sustainability information may be different from the reporting boundary of the FS (e.g. activities and resources which are up and down of the entity’s value chain – suppliers, customers, etc.). There may be threats, which need to be addressed, in the relationship between the practitioner and the entities of the value chain (e.g. self-review threats, self-interest threats when there is a financial interest or a close business relationship).

The proposed revised Glossary (item 3-B) includes the following key definitions: “another practitioner”<sup>1</sup>; engagement leader; component sustainability assurance firm and client; engagement team; external expert; general purpose framework; group sustainability assurance engagement, client, team, etc.; key sustainability assurance leader; non-compliance with laws and regulations; reporting boundary; sustainability assurance client, engagement, etc.; sustainability information.

### Public Interest Issues

Please refer to the latest PIOB PI Issues as of June, published in the PIOB website:  
IESBA Public Interest Issues

### PIOB Staff comments on PI

Since the June proposal, the TF has progressed its work. The reference to “heightened public interest” in the scope of the independence standards has been deleted, in line with the discussions at that meeting and recommendations by the PIOB.

We see value in the provisions drafted for this meeting, taking into account some of the PIF qualitative characteristics, and which have been adapted to the context of

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<sup>1</sup> The current proposed definition of “another practitioner” reads: “An individual who performs assurance work relevant to a sustainability assurance engagement, and who is not under the direction, supervision and review of the sustainability assurance practitioner. The individual is not a member of the engagement team. In Part 5, the term “another practitioner” refers to individual practitioners and their firms”.

sustainability assurance. The most significant provisions addressing independence are, from our perspective (item 3-A):

- independence of the sustainability assurance Engagement Team; use of “another practitioner” (see definition in the Glossary); requirements addressing circumstances where direction, supervision and review from the practitioner on the “other practitioner” cannot be exercised and his/her work cannot be used;
- group sustainability assurance engagements (and relevant independence requirements);
- independence of the practitioner from the entities in the value chain of the entity which is subject to assurance engagement. When confirmation of independence is not obtained or threats cannot be addressed, the work of that practitioner cannot be used;
- prohibition to assume management responsibilities;
- fees (combination of sustainability assurance engagement and audit of FS) and fee dependency; communication to TCWG; transparency and disclosure of fees;
- threats concerning entities within the reporting boundary of the entity subject to assurance (e.g. financial interests, business relationships, etc.);
- long association prohibitions and evaluation of the threats related to the time-on requiring to consider both sustainability engagement and audit of FS;
- NAS: for the purpose of the threats (and prohibitions) to be evaluated, the entities which are part of the client’s reporting boundary are taken into account and the reason-to-believe test is applied; reference to reporting and assurance frameworks for determination of materiality (leaving that neutral in terms of single or double materiality); “sustainability data and information” replace the reference to “bookkeeping and accounting” in the NAS section and drive same prohibitions whenever they are relevant (in terms of ESG matters) to the information subject to assurance; valuation and “forecasting” services added to the NAS which may be provided, where estimates may be even non-monetary.

Those provisions are consistent with the extant Code and requirements currently set up for audits of FS. To some extent, they are also consistent with the ED of ISSA 5000, which is published for comments (e.g. use of experts, quality management system, definition of sustainability information/matters). The IESBA proposals also deal with group sustainability engagement, which is currently not dealt with in ISSA 5000. All these topics require ongoing and future coordination between the two SSBs, before both sets of standards are finalized.

Consideration of the value chain and the possible threats which may arise when a practitioner has some relations with such entities in the value chain, is very welcome. Sustainability reporting will require additional effort from an entity’s perspective, to gather information about its value chain and its resources upstream and downstream.

Demands of assurance on this information will therefore increase and independence threats may also arise.

One concern we would like to raise again at this stage is about the scope of the provisions, though we appreciate that it has been simplified since June (i.e reference to “heightened public interest” has been removed). Specifically, Part 5 does not apply to ALL sustainability assurance engagements, but only to those which meet certain criteria. At the same time, part of the scope of WS2 (ethics for sustainability assurance) will have a broader scope (PAs performing any sustainability assurance engagements, not only the engagements meeting certain criteria), hence that difference will need to be taken into account, with different layers of complexity. We believe clarity, simplicity, and consistency among the scopes (and WS) is essential. We do not argue on the robustness of the provisions drafted at this stage, but rather on the easiness to apply the different sets of provisions, which are deemed to be used also by non-PAs.

Please also see the PI issues on the External Expert project. Specifically, with a definition of “external expert”, which is different from “another practitioner”, there is a risk to lose the overall view on the provisions and the impact they will have on the different actors being involved in sustainability. It may be difficult to understand within which category each actor falls in, and which provisions should therefore apply.

Communication from IESBA is essential, also in view of the planned encouragement to all practitioners to use the Code (see WS2).

Could Part 5 be applied to all sustainability assurance engagements, without additional criteria to be met? This would achieve more clarity, one of the fundamental characteristics included in the PIF.

#### 4 – SUSTAINABILITY WORK STREAM 2

Objective/scope, Background and Status: See item 3.

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

The WS2 TF will present its proposals and the ethics provisions for sustainability reporting (item 4-B) and ethics for sustainability assurance (item 4-C) drafted, along with a Revised Glossary (item 4-E which is the same as item 3-B).

The main aspects of the TF’s proposals are as follows:

- Scope of the standards: ethics standards for sustainability reporting will be applicable to PAs only; ethics standards for sustainability assurance will be applicable to PAs and non-PAs. The IESBA intends to “encourage” all preparers (PAs and non-PAs) of financial and non-financial information to use

the Code. The issues paper (item 4-A) explains the pros and cons of the different options proposed (introduction in Part 5, public statement of the IESBA accompanying the ED, text in the Guide to the Code) and the recommendations from the TF.

- o The proposed scope of ethics standards for assurance engagements will cover: ALL sustainability assurance engagements and other services provided by sustainability assurance practitioners to the same clients. The rationale to include other services is that, if the fundamental principles in the Code are not applied for those services, there may be a negative impact on the credibility and trust of the sustainability assurance engagement. (Please note what we wrote in the PI section).
- Communicating NOCLAR: given the current regime in Section 360, which does not require the auditor of financial statements (FS) to communicate NOCLAR to other PAs but requires the PAs providing other services to communicate to the auditor of the FS, the TF is proposing to reinforce the requirements. The auditor of FS would be required to communicate NOCLAR to the sustainability assurance practitioner (SAP), while the SAP would be required to communicate to the auditor of FS. NOCLAR in sustainability would be relevant and may have financial materiality and impact as well.
- Revised definition of "sustainability information": while considering the definitions of different standard setters (e.g. ISSB, EFRAG, GRI, IAASB), the TF has revised the term "sustainability information", which is a comprehensive one and includes, for example, the reference to historical and forward-looking information, to ESG and other sustainability factors, to impacts and double materiality, to the value chain, to the quantitative and qualitative aspects. The proposed definition is very similar to the "sustainability matters" definition used by the IAASB in ISSA 5000 (currently under exposure).

### Public Interest Issues

Please refer to the latest PIOB PI Issues as of June, published in the PIOB website:  
IESBA Public Interest Issues

### PIOB Staff comments on PI

Please see what we wrote also in agenda items 3 and 7 – under PIOB Staff comments on PI.

### Ethics for sustainability reporting (item 4-B)

This applies only to PAs and includes revisions to Part 1, 2 and 3 of the Code, reflecting the reference to sustainability and non-financial information reporting. Among the most relevant provisions, we can mention: financial interests, self-interest and self-review threats, pressures on data and metrics, consideration of suppliers and

value chain, greenwashing and pressure to misrepresent information, NOCLAR. These provisions have been adapted to the context of sustainability and have maintained the robustness of the current provisions in the Code.

Ethics for sustainability assurance engagements (item 4-C)

These provisions, included in Part 5, are the equivalent of provisions in Part 1, 2 and 3 of the extant Code (e.g. fundamental principles, conceptual frameworks, threats and safeguards, inducements, NOCLAR). They are adapted to the sustainability context and apply to ALL practitioners, resulting in the application to ALL sustainability assurance engagements, as recommended by the TF (*"Expand the scope of the ethics standards under Part 5 to all sustainability assurance engagements including those that do not meet the criteria for the purposes of the independence standards"*). This means that the two scopes do not match and, within the same Part 5, some provisions will be applicable to all engagements, others will be applicable to engagements meeting certain criteria.

As we stressed in agenda item 3, clarity is essential. We appreciate the robustness of the provisions, but the understanding of the scope may be challenging, and the IESBA should seek a simplification of it. The PIF, and its qualitative characteristics, need to be taken into account to "test" the proposals.

The IESBA plans encouraging voluntary use of the Code also to non-PAs for what concerns sustainability reporting. That would have a public interest impact, as all preparers would abide by the same requirements and rules. However, potential new work on that is currently postponed. This decision has been taken on the basis of a lack of regulatory calls and the outcome of roundtables held. However, also in light of the feed-back to the SWP, the IESBA may need to revisit that decision before the end of the SWP cycle (2027).

The proposals to strengthen communication around NOCLAR are welcome and demonstrate how intertwined audits of FS are with sustainability assurance engagements. When considering integrated reporting, that relation is even more significant.

The revised definition of "sustainability information" has been enhanced and has many similarities, in terms of elements included, with the "sustainability matters" definition in ISSA 5000. We reiterate that it is crucial for both SSBs to have aligned and consistent terms and definition. This is a process, and we recognize the ongoing coordination of the two SSBs, which should lead to such alignment and consistency by the time the two sets of standards are finalized. Coordination is also needed among the workstreams (WS1, WS2 and Use of experts).

5 - 2024-2027 STRATEGY AND WORKPLAN

Objective: The IESBA needs to finalize its upcoming 2024-2027 Strategy and Work Plan (SWP).

Background and Status: The Consultation Paper (CP) of the 2024-2027 SWP closed its comment period in July. Comments from respondents will be analyzed and discussed by the IESBA at this meeting, taking into account the CAG's input. At the meeting there will also be a joint session (item 6) with the IAASB to discuss the SWPs of both SSBs. As with the IAASB, the IESBA intends to approve the final document in December 2023.

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

The documentation includes a Summary of Significant Comments on the Consultation Paper and the Planning Committee's Proposals (item 5-A), as well as a marked-up version of the SWP (item 5-B).

The CP generated 44 comment letters, split among the following stakeholder groups: 36 from accounting firms, IFAC/PAOs and regional profession groupings; 2 from NSS; and 7 from MG members, regulators and oversight bodies. The MG member responses were from IFIAR and IOSCO. The IESBA acknowledges that it did not receive any responses from other stakeholder groups, for example investors and those charged with governance – but refers to having received useful input from prior engagements as part of its ongoing outreach initiatives. No specific details of this input have been given at this stage.

The consultation generated overall support for the SWP and, within this, a number of comments and suggestions.

There is strong support for developing ethics and independence standards for sustainability reporting and assurance.

Among the other stand-out feedback points are: calls for IESBA to consider the issue of audit firm culture and governance - this in light of what are referred to as high profile "ethical lapses" and "ethical breaches" – terminology which potentially could be more plainly stated as "unethical behavior".

The ongoing impact of technology is recognized; the importance of PIRs receives considerable attention and there is strong support for IESBA's external engagement with stakeholders and coordination with standard-setters.

Some of the key points and concerns<sup>2</sup> from MG members and other regulators are as follows:

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<sup>2</sup> This is just a selection from PIOB staff and does not imply completeness.



IOSCO strongly supports the careful monitoring of new and emerging issues, citing not only sustainability and technology but also recent corporate and audit failures, noting that IESBA should seek to relocate resources to some degree as per need and should intensify efforts to enhance the quality and clarity of the Code, and thereby assist global adoption. Reference is also made to the potential addition of an “expedited process” to the IESBA standard-setting tool kit. IOSCO also strongly encourages IESBA to pursue benchmarking work with national regimes in order to better understand gaps.

IOSCO regards the profession-agnostic sustainability-related work and the related project on use of experts as high priority. In terms of new projects, IOSCO calls for the prioritization of audit firm-audit client relationship, to include also the reconsideration of the network definition – the latter being viewed as a narrow scope project. IOSCO also reiterates its calls from earlier submission on perceived shortcomings in the Code with respect to materiality-based premises for the loans to and close business relationships with an audit client. In other areas, IOSCO reiterated its concerns about the inadequacy of some safeguards in cases of the provision of non-assurance services to assurance clients.

Finally, IOSCO expresses support for the suggested PIRs in the pre-committed work streams and suggests adding an accelerated PIR in relation to the sustainability standard-setting projects. IOSCO calls for a general intensification of PIR efforts.

IFIAR expressed support for the SWP, stressing as per previous comments that the sustainability project must not be pursued at the expense of ethics and independence standards for accountants in other areas. IFIAR encourages IESBA to pursue ethical requirements for assurance on sustainability information which are “at least equivalent” to those for financial statements. IFIAR also encourages IESBA to look beyond the ISSB and engage in other national or regional standard-setters.

IFIAR comments that the recent “ethical breaches” at firms re-enforce IESBA’s importance. IFIAR emphasizes the importance of monitoring existing provisions in force and learning from this to pursue further enhancements. IFIAR called for further clarification on how IESBA will promote use of the standards outside of non-PAs.

With respect to the new proposals in the SWP, IFIAR called for greater focus on the expected outcomes of the projects. In this context and in similar vein to IOSCO, IFIAR sees the need to add prohibitions to the existing threats and safeguards where non-audit services are concerned.

An indication of some key comments from other respondents are as follows:

- NASBA expresses concerns about practitioners outside of PAs, specifically raising questions about requisite skills and oversight and noting that the SEC is still to decide what non-CPAs are authorized to do with regard to sustainability reports. It is a recurrent theme in responses from the profession.
- The APESB (Australia) calls for a systemic or holistic analysis of the trust crisis to be performed, noting that the ethical failures relate to the firms in Australia, US and Canada (not only in the tax area, as being investigated by the Australian Parliamentary Committee).
- The CEAOB emphasizes that, while ethical provisions on sustainability assurance engagements are required for non-PAs and PAs, as well as on the use of experts, the work in these areas must not lead to any weakening of the Code with respect to auditors.

In relation to the Planning Committee's responses, the following are some of the most significant points which stand out as new and especially relevant:

- A workstream on "Firm Culture and Governance" will be added as part of the strategic drivers and themes: coordination with the IAASB is foreseen due to the requirements in ISQM1.
- More consideration is needed on the point concerning all preparers adhering to a high standard of ethical behavior – and that is explored in the next strategy period. We presume this to mean that, while IESBA will be attentive broadly to developments, it will not actively explore until 2028. See comments under PI section below.

More specifically, the Planning Committee is proposing the following in relation to projects and work streams of greatest focus to the PIOB at the current time:

- Ongoing projects (Table A):
  - o Sustainability Work streams 1 and 2 and Use of Experts to proceed as planned with ED expected in Q1 2024; CIV, Pension Funds and Investment Company to proceed ("cautiously") and PIR-NOCLAR to be pursued as information gathering.
- Pre-committed Work Streams (Table C):
  - o All work streams to be included in the SWP, but no acceleration for the PIR for sustainability, NAS and fees and technology. PIE Definition and Restructured Code to go ahead.
- Potential Work Streams (Table B):
  - o The following prioritization is to be pursued: Role of CFOs and other senior PAIBs; Business relationships; Audit firms-audit clients relationships; Definitions and Description of Terms. Custody of data and Communication with those charged with governance are considered lower priority.

- o It is noted that the work streams will not automatically result in standard-setting projects.
- o As noted, the intention is to include the “Firm culture and governance” as a new workstream but it is still to be clarified how this will impact the above priority list.

### Public Interest Issues

Please refer to the PIOB PI Issues on IESBA projects as of June 2023, published on the PIOB website.

### PIOB Staff comments on PI

While recognizing the PI comments as of June, (ensuring integrity and trust in the preparation of sustainability information do, in some respects, go beyond matters of ethics), it appears worthwhile to question whether the Planning Committee’s proposal to defer detailed consideration of the ethical behavior of non-PAs until 2028 is the most appropriate decision when the relevance of sustainability information is so high for the public interest. This may need to be reconsidered before the SWP is finalized in December 2023 and may require some action by the IESBA before the 2024-2027 cycle is completed. This would be in line with the flexible and agile approach which the IESBA intends to apply in its SWP.

In a system of principles-based standard-setting, it would appear feasible to pursue amendments and/or additions to the Code relevant to sustainability reporting which are clear and accessible, and profession-agnostic, to the greatest degree possible. Adopting a principles-first approach appears possible even without prior agreement among the enforcement community – and indeed could enhance the engagement with the enforcement community.

To pursue, on the contrary, changes to the Code with the distinct perspective in mind that the standards being prepared are only for PAs may render less likely their use by the wider groups of preparers outside of PAs. Moreover, there is a risk that deferring to 2028 will mean that IESBA has missed a key opportunity. In this context, it may be worth further encouraging reflection by the IESBA on this point, weighting in the feedback received from previous outreach, roundtables and Consultation Paper.

The joint session with the IAASB will be an important element to consider as well, as the two SWPs are now aligned in terms of timeline and require close cooperation between the two SSBs, for the several topics overlapping (e.g. sustainability, use of experts, etc.) and the consistency expected in the outcome of their projects.

The IESBA will need to update the table of the potential new projects which may start in the 2024-2027 cycle (Table B in the SWP document), on the basis of its discussion at the September meeting and the priorities expressed by respondents on the different projects.

#### 6 - IAASB-IESBA JOINT SESSION

In this joint session, the two SSBs will discuss their SWPs as well as the strategic approach to their coordination. Among the points discussed, there are: challenges in the coordination on sustainability, any other pervasive issues which may require a joint effort and coordination, projects overlapping. A presentation is provided (agenda item J-1), summarizing also the feed-back received to the two Consultation Papers and key comments on coordination.

#### 7 – USE OF EXPERTS

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

Background and Status: The IESBA approved a Project Proposal in December 2022, that runs in parallel with the two workstreams on Sustainability. At this meeting, the TF will present a first read of proposed provisions. The IESBA expects to approve an ED in December 2023.

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

The issues paper (7-A) provides a description of key issues and how the TF intends to address them. The documentation includes a draft Glossary (item 7-B), and redrafted provisions:

- Section 320 – Professional appointments + new Part 390 – Using the work of an expert (item 7-C)
- Section 220 – Preparation and presentation of information + new Part 290 – Using the work of an expert (item 7-D)
- Part 5 (equivalent to Part 3) for Sustainability Assurance (including the new section 390)

The TF's key proposals, aimed at addressing concerns and suggestions raised by participants of the roundtables, are as follows:

- Definitions (item 7-B) of “expert”, “expertise”, “external expert” and “management’s expert”. The definitions of expert and external expert have been expanded to include expertise in fields “outside the PA’s or sustainability assurance practitioner’s competence” (i.e. other than accounting, audit or assurance; their work is used to assist in obtaining sufficient appropriate evidence).

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>3</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.
- Independence vs. objectivity of external experts. The TF has withdrawn the “significant influence test” presented in June, based on the conclusions above (external experts are not part of the ET or AT, they may not have a quality management system in place, and the firm cannot direct, supervise or review their work or enforce independence requirements). The onus is on the PA who needs to assess their objectivity. In addition, the PA is required to “evaluate specific interests, relationships and circumstances relative to the external expert’s objectivity” (in line with independence requirements in Part 4A and 4B of the Code, and applying the conceptual framework – i.e. inquiring mind, professional judgment, reasonable and informed third-party test). In case the external expert

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<sup>3</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.*

is not objective, his/her work cannot be used (consistent with proposals in Sustainability workstreams).

- The TF suggests an approach to objectivity which does not differentiate requirements when the client is a PIE or a non-PIE, unlike independence requirements (which are stricter for PIEs).
- Relationship between “another practitioner” (as defined in the Sustainability workstream) and “external expert”. The TF concluded that their function and expertise are different. The issues paper reads (item 7-A): “*The former performs assurance work that the practitioner uses to gather sufficient appropriate evidence. The latter does not perform any assurance work, and the practitioner must still perform procedures over the expert’s work to determine whether it can be used*”. Please see the PI issue section.

Drafted provisions in new Section 290/390 (item 7-C, 7-D, 7-E) include determining the appropriateness of an expert, evaluating the expert’s competence, capabilities and objectivity, including relevant factors to evaluate such characteristics, as well as whether to rely on his work. Threats and how to address them, as well as transparency and communication with TCWG, are dealt with in the provisions. Documentation is encouraged, but not required.

The TF’s proposals have been assessed against the key qualitative characteristics (i.e. comprehensiveness, scalability, clarity, implementability and enforceability) in the PIF, assigning a score to each of them.

### Public Interest Issues

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

### PIOB Staff comments on PI

The TF has progressed its work since the strawman in June, making an effort to provide clarity and guidance in evaluating when and whether an individual may be considered an expert, and which factors to take into account to evaluate competence, capability and objectivity. The additional requirements on PAs to evaluate external experts’ objectivity (i.e. specific interests, relationships and circumstances) are relevant and welcome.

While welcoming the IESBA’s responsiveness to address ethical and independence considerations when using experts, the PIOB has also recognized the challenges that this project would have raised.

Specifically, as definitions determine the relevant framework to be applied, coordination among all workstreams (sustainability and use of experts) is essential.

There are currently several definitions, which reflect the different functions and roles of individuals involved (in preparation, audit or assurance), such as *internal experts*, *external experts*, *individuals providing consultation*, *other practitioners*, etc. Considering all these, the overall framework may become too complex and there is a risk to lose overall view on the impact of all the parts of the Code redrafted, as well as the new ones. This may be a result of a piece-meal approach, despite coordination among TFs, which sees different drafting teams working on the same parts of the Code, but on different sections. It may be very challenging to understand how an individual should be labeled and, subsequently, which provisions should apply.

There is a need to get clarity and consistency, to make sure that all definitions are interoperable and do not conflict. Above all, there needs to be clarity to make sure that the appropriate objectivity and independence provisions from the Code are applied by the different individuals involved in the preparation, audit and assurance of financial and sustainability information (as the use of experts has such a broader scope).

It is evident, for this project as for the sustainability workstreams, that proposed provisions are going duplicated in different parts of the Code (i.e. Part 2, Part 3 and Part 5), which adds further complexity.

The PIOB had previously recommended to include the assessment of the PIF characteristics when evaluating the TF's proposals, to guide them in the decision-making process. The exercise made by the TF is provided at high level in the Issues paper but will be discussed at the meeting, hence it will be possible to assess whether it can be considered sufficient to draw conclusions.

## 8 – TECHNOLOGY

There will be an update from the Technology WG (item 8-A) and a member of the Technology Expert Group (TEG) will provide "*an educational session on navigating the evolving landscape of business risks and fraud in the technological era*" (item 8-B, not distributed at the date of this BM).

## 9 – 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 to employing organizations and clients.

Background and status: The IESBA approved the project proposal in September 2021 and the exposure draft in December 2022. The IESBA discussed a high-level summary of comments received during the June 2023 meeting and will discuss the full comments and revised proposals at this meeting. The approval of the final pronouncement is targeted for December 2023.

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

*This part of the BM (and relevant PI issues) is written according to the documentation distributed for the IESBA CAG<sup>4</sup> meeting held in September. The relevant documentation for the IESBA meeting has not been distributed yet at the time this BM has been drafted.*

The consultation received 49 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, the European Tax Adviser Federation and the Taxation Institute of Hong Kong. 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<sup>5</sup>, which mainly relate to: description of Tax planning and of Related Services, role of the PA to act in the public interest, credible basis, stand-back test, disagreements and documentation.

The TF is proposing reviews to the ED to clarify the scope and descriptions, align terminology with proposals from the Use of experts project, clarify the process to determine whether there is credible basis, including a new requirement to reassess the determination if circumstances change (R380.12), and clarify the provisions on disagreements and the stand-back test. No revisions are proposed related to documentation (only encouraged, not required).

Public Interest Issues

Please refer to the [PIOB PI Issues on IESBA projects](#) on the Tax planning project, as of June 2023, published in the PIOB website.

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<sup>4</sup> The Presentation to the IESBA CAG (item D-1) summarizes key comments received from respondents to the ED and TF's proposed recommendations to address them. The TF has also provided the revisions to the proposals marked up from the ED (items D-2 for Section 380, and D-3, for Section 280).

<sup>5</sup> Refer to [BM IESBA June 2023](#) for description of key comments and recommendations.



*PIOB Staff comments on PI*

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

The revisions proposed by the TF are responsive to comments from stakeholders, addressing key concerns and challenges raised, without reducing ethical requirements. This is a welcome approach, as some respondents had suggested that the provisions would create unfair competition from other “unregulated” tax professionals. Given recent tax related scandals affecting accounting firms, the Tax planning provisions provide a strong ethical framework for PAs and the accounting profession (PAOs, firms, regulators, etc.) to ensure high quality services and gain public trust.

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, however there are no proposed revisions to address these concerns.

Regarding the participation of a broad range of stakeholders (as set out in the PIF), in our prior comments, the PIOB had encouraged the IESBA to carry out further targeted outreach to obtain input from stakeholders beyond the accounting profession, such as tax regulators, international organizations (e.g., OECD) and other tax professionals. The recommendation to continue the targeted outreach is still relevant, since the representation from organizations beyond the accounting profession was quite limited. We welcome the outreach carried out to date and encourage IESBA to 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.

The IESBA Planning Committee is proposing a new work stream on firm culture and governance in light of responses to the SWP consultation which raised concerns about high-profile unethical behavior in the firms. It appears important in the public interest to give consideration to how relevant the proposed new Tax Planning provisions could have been if already adopted in the specific cases of unethical behavior at both national firm and international network level relating to tax matters. It is recognized that the full facts of the relevant cases may not be available for some time, but there appears to be an opportunity to draw on initial evidence generated through Parliamentary Inquiries in Australia and draw some reflections which are relevant for principles-based standard-setting.