Emerging Issues and Outreach Committee (EIOC) Update

Vania Borgerth, EIOC Chair

IESBA Meeting
June 6-8, 2022
To update the Board on EIOC activities since March 2022; and

To discuss the following:
(a) Matters that warrant Board action; and
(b) Matters with broader strategic implications
Emerging Issues – Ukraine Conflict

Independence and other ethics implications:

- Queries from stakeholders on ethical matters other than audit/accounting issues
- With several economies placing sanctions on Russia, some topics that are of significant concern to stakeholders:
  - Financial interests in Russia
  - Audits of Russian subsidiaries/affiliates in group audit situations
  - Independence of service providers based in Russia

EIOC Recommendation

IESBA to commission development of an IESBA Staff Alert
Ukraine Conflict – Illustrative Staff Alert Topics

- Application of FPs
- NOCLAR
- Pressure
- Preparation / Presentation of info, incl. disclosures
- Using the work of an expert
- Acting with sufficient expertise
- Client / engagement acceptance
- NAS / Assuming management responsibility
- Overdue fees
• Does the Board agree with EIOC’s recommendation to commission a Staff Alert on this topic?

• View and suggestions on potential topics that might be addressed in the Staff Alert?
Emerging Issues - UPDATES

EU Consultation on Corporate Reporting reform (slides 7-9)

UK BEIS Consultation on audit market reforms (verbal update)
Emerging Issues – EU Consultation on Corporate Reporting reform

• EC issued public consultation on the strengthening of the quality of corporate reporting and its enforcement, to strengthen the three pillars of corporate reporting:
  – corporate governance
  – audit and
  – supervision (of both reporting entities and auditors)

• Aims to:
  – improve the quality of corporate reporting and its enforcement
  – increase investor protection
  – improve the depth and attractiveness of the single market for capital in the EU

• Sought views from a wide range of stakeholders including:
  – companies
  – auditors
  – public authorities and supervisors
  – asset managers
  – retail investors and civil society with others welcome to provide views
Emerging Issues – EU Consultation on Corporate Reporting reform

Consultation Document:

• The consultation covered a broad range of topics, asking for respondents’ assessment of the effectiveness, efficiency and coherence of current EU rules and views on possible future action.

• Further, the consultation covered additional questions regarding:
  – Enhancing companies’ risk management and internal control systems for corporate reporting, board transparency and auditor assurance on these systems.
  – Increasing EU-level supervision of companies and auditors.
  – Harmonizing EU audit legislation.

• With respect to audit, the questions covered:
  – Firm governance.
  – Raising or eliminating liability caps.
  – Joint audit.
  – Greater role for audit regarding fraud.
  – EU supervision of PIE auditors.
  – Harmonizing firm rotation and independence rules.
Emerging Issues – EU Consultation on Corporate Reporting reform

Next steps:

• Replies were due by 4 February 2022

• EC received over 200 replies to its consultation, with one-third of respondents representing companies or business organizations and more replies received from France than any other Member State (23% of the total)

• Consultation will directly feed into an impact assessment that the Commission will prepare with a view to:
  – assess problems with the quality of corporate reporting
  – compare possible options to remedy these problems

• The consultation does not necessarily indicate an intent to propose legislation

• Commission has not yet provided the factual summary report

• Commission adoption planned for fourth quarter 2022 or first quarter 2023
EIOC’s Watch List
Watch List

• Other Topics on EIOC’s Watch List (raised during March 2022 meeting)

  A. Outreach Activities

     • Explore ways to more effectively reach stakeholder groups outside accountancy profession, and how best to engage with jurisdictions outside G20

  B. Emerging Issues

     • Issues arising from unwinding of COVID-19 government measures, including emergency financial support

     • Respond to ethics and independence challenges arising from remote/hybrid work and lack of face-to-face engagement

     • Consider ethics- and independence-related matters arising from the impact of high inflation

     • Cryptocurrency: interaction with TWG
Do IESBA Members have any questions or feedback on the:

- EU and UK updates
- Topics on EIOC’s watch list?