

**Draft Minutes of the Public Session of the Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS CONSULTATIVE
ADVISORY GROUP (CAG)**

Held on September 11, 2023

PRESENT

Gaylen Hansen (Chair)

Hilde Blomme

Prof. Hysen Cela

James Dalkin

Michael Fritz

Harrison Greene

Akihito Ishiwata

Natasha Landell-Mills

Dr. Bello Lawal Danbatta

Dr. Conchita Manabat

Wei Meng

Asha Mubarak

Dr. Claes Norberg

Dr. Christian Orth

Jeanne Riggs

Sanders Shaffer

Juan Carlos

Serrano-Machorro

Paul Sobel

Paul Thompson

Member Organizations

National Association of State Boards of Accountancy (NASBA)

Accountancy Europe (AE)

European Federation of Accountants and Auditors for SMEs (EFAA)

International Organization of Supreme Audit Institutions (INTOSAI)

National Association of State Boards of Accountancy (NASBA)

Basel Committee on Banking Supervision (Basel Committee)

International Organization of Securities Commissions (IOSCO)

International Corporate Governance Network (ICGN)

Islamic Financial Services Board (IFSB)

International Association of Financial Executives Institutes (IAFEI)

World Federation of Exchanges (WFE)

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)

Business Europe (BE)

AE

IOSCO

International Association of Insurance Supervisors (IAIS)

World Bank (WB)

Institute of Internal Auditors (IIA)

EFAA

Observer Organizations

Dawn McGeachy-Colby IFAC Small and Medium Practices (SMP) Advisory Group (SMPAG)

George Kabwe International Monetary Fund (IMF)

Barbara Vanich¹ U.S. Public Company Accounting Oversight Board (PCAOB)

¹ Views expressed by the PCAOB Representative represent her views and do not necessarily reflect the views of the PCAOB Board or PCAOB Board members or staff.

Public Interest Oversight Board (PIOB)

Sandra Peters

IESBA Members and Staff

Gabriela Figueiredo Dias	IESBA Chair
Laurie Endsley	IESBA Vice Chair and Experts Task Force Chair
Mark Babington	IESBA Member and Sustainability Work Stream 1 Chair
Christelle Martin	IESBA Member and Sustainability Work Stream 2 Chair
Jens Poll	IESBA Member and Tax Planning and Related Services Task Force Chair
James Gunn	Managing Director, Professional Standards
Ken Siong	IESBA Program and Senior Director
Linda Biek	IESBA Director
Geoffrey Kwan	IESBA Director
Laura Leal	IESBA Principal
Kam Leung	IESBA Principal
Jon Reid	IESBA Principal
Szilvia Sramko	IESBA Principal
Carla Vijian	IESBA Principal
Jeanne Viljoen	IESBA Senior Manager
Astu Tilahun	IESBA Assistant Manager
Diana Vasquez	Associate, Professional Standards

APOLOGIES

Member Organization

Jazmin Gamboa	Financial Executives International (FEI)
Daniel Sarmiento Pavas	Inter-American Accounting Association (IAA)
Huseyin Yurdakul	IOSCO
Annie Giraudou	Organisation for Economic Co-operation and Development (OECD)

A. Opening Remarks

Mr. Hansen welcomed all participants to the meeting. He specially welcomed Ms. Dias, IESBA Chair, Ms. Endsley, IESBA Vice Chair, Ms. Peters, PIOB Observer, and Mr. Jim Dalkin, IAASB CAG Chair.

APPROVAL OF MINUTES

The CAG approved the minutes of the March 2023 public session as presented, subject to a correction in attendance for a representative from the OECD.

B. Sustainability – Ethics (Work Stream 2)

Ms. Martin, Chair of the Sustainability Task Force's Work Stream 2 (WS2), commenced the session by providing a report-back on the IESBA's global sustainability roundtables held in March-April 2023 and other key sustainability-related outreaches since the last CAG meeting. She also provided an update on the establishment of the IESBA's Sustainability Reference Group.

ETHICS STANDARDS FOR SUSTAINABILITY REPORTING – SCOPE

Ms. Martin provided an overview of the IESBA's proposal to develop ethics standards for sustainability reporting for professional accountants (PAs) only under the current Sustainability project. She added that in order to highlight the relevance of the Code to a broader group of stakeholders, WS2 is recommending a number of ways to effectively communicate that the Code's ethics standards can be used by all preparers of financial and sustainability information.

Dr. Lawal Danbatta, Mss. Meng and Riggs, and Messrs. Ishiwata and Thompson expressed support for the IESBA's proposed approach. Among other matters, the following were raised:

- Mr. Thompson queried the mechanism by which practitioners who are not PAs (non-PAs) could adopt the IESBA standards in the future. He suggested the option of co-branding the Code with another professional body as a possibility.

In response, Ms. Dias noted that making the Code applicable to all preparers, whilst of strategic importance, requires an integrated approach involving different stakeholders, such as those charged with governance (TCWG), that goes beyond simply setting profession-agnostic standards.

- Mr. Ishiwata and Dr. Lawal Danbatta suggested that guidance material could be provided for non-PAs.
- Mr. Ishiwata commented that expanding the scope of the ethics standards may be considered when the sustainability reporting market becomes more mature and that careful consideration of feedback from a broad range of stakeholders is essential.
- Ms. Meng highlighted the challenge of enforcement with respect to non-PAs. She stressed that a low level of voluntary compliance by non-PAs might impact the authority of the Code.

Mr. Hansen, Dr. Manabat, and Mss. Blomme and Landell-Mills shared a view that it would have been preferable for the scope of the Sustainability project to include all preparers of sustainability information. Among other matters, they provided the following comments:

- Mr. Hansen suggested that there should be some explanation from the IESBA about its decision to limit the scope of the ethics standards for sustainability reporting to PAs only under its Sustainability project.

- Ms. Blomme appreciated the rationale for the IESBA's proposal but encouraged the IESBA to maintain a focus on the ultimate goal of setting the same ethics standards for all preparers of sustainability information and thus creating a level-playing field.
- Ms. Landell-Mills queried why the regulatory community did not consider having profession-agnostic standards for all preparers as a priority. She suggested that the voice of investors and other users, such as ICGN, can be a helpful catalyst in setting clear user expectations.
- Dr. Lawal Danbatta commented that, from a regulatory perspective, the IESBA's standards need to demonstrate consistency with corporate governance standards used in jurisdictions, such as the OECD's corporate governance principles.

Other comments raised by CAG Representatives included the following:

- Mr. Greene expressed concerns about how to enforce non-PAs' compliance with the new ethics and independence standards.
- Mr. Dalkin gave the example that within the public sector in the United States, the Government Accountability Office has a set of auditing standards that include standards for practitioners who are not independent public accountants (IPAs). However, for the ethics and independence standards, all IPAs and non-IPAs must comply with them to ensure consistency.

ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE – SCOPE

Ms. Martin provided an overview of the proposed scope for the ethics standards under the new Part 5 of the Code for sustainability assurance, which would apply to both PAs and non-PAs. Ms. Martin explained the reasons underlying the proposal that the ethics standards apply to all sustainability assurance engagements and other services provided to the same sustainability assurance client. She also highlighted the proposed encouragement for non-PAs to apply the Code to their other professional activities which would not be covered by Part 5.

On the proposed encouragement for non-PA practitioners to apply the ethics standards in Part 5, the following comments were raised, among other matters:

- In response to Mr. Hansen's query about the purpose of the proposed encouragement, Ms. Martin clarified that whilst the proposed scope covers all the professional services a sustainability assurance practitioner (SAP) provides to a sustainability assurance client, professional services undertaken for non-sustainability assurance clients are outside the scope of the project.
- Drs. Orth and Lawal Danbatta, Mr. Dalkin and Ms. Peters stressed the importance of developing a common set of standards for all SAPs in order to achieve a level playing field between PAs and non-PAs.
- Ms. Peters and Mr. Hansen expressed the view that the scope of the ethics standards in the proposed Part 5 seems complicated. Ms. Peters further queried how stakeholders, such as investors, would know which ethics standards the SAP has applied and how this information would be communicated to stakeholders.
- Mr. Dalkin suggested that the observation about the IESBA not being able to enforce these standards on non-PAs might be perceived as reducing the requirements for non-PAs. Whilst agreeing with the proposed scope, Prof. Cela queried the enforceability of the ethics standards on practitioners who are not PAs.

- Dr. Manabat queried if the encouragement for non-PAs only relates to sustainability assurance but not sustainability reporting.

Ms. Dias was pleased to note the increasing stakeholders' support for the IESBA's standards to be fully profession-agnostic in order to cover all preparers and SAPs, whilst acknowledging the need for the IESBA to take a phased approach.

COMMUNICATING NON-COMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR) TO THE AUDITOR AND THE SUSTAINABILITY ASSURANCE PRACTITIONER

Ms. Leal explained WS2's proposals regarding the communication of NOCLAR or suspected NOCLAR between the auditor and the SAP set out in extant Part 3 and the new Part 5 of the Code.

Ms. Landell-Mills, Dr. Orth and Mr. Fritz expressed the view that the proposed requirement for an auditor and a SAP to *consider* communicating NOCLAR or suspected NOCLAR to each other should be elevated to a requirement to communicate if permitted by laws and regulations. Among the reasons for their view, they highlighted a responsibility for the auditor to report the incident to the SAP and vice versa, as well as the difficulty in enforcing a requirement to consider. In addition, Ms. Landell-Mills believed that the recipients of any communication should be extended to include shareholders.

Ms. Landell-Mills, Dr. Orth and Mr. Hansen also suggested that incidents of greenwashing should be reported as part of the NOCLAR framework.

In response, Ms. Leal clarified that under the NOCLAR framework, management and TCWG have the primary responsibility to communicate NOCLAR to third parties, including the auditor or SAP. She added that one of the proposed factors for the auditor or SAP when considering communicating NOCLAR to the other is whether management or TCWG have already done so. Further, Mr. Kwan noted that the extant and proposed NOCLAR provisions also require an auditor and SAP to report NOCLAR and suspected NOCLAR to management and TCWG.

DEFINITION OF "SUSTAINABILITY INFORMATION"

Ms. Martin explained WS2's proposed definition of "sustainability information," noting its connectivity with the definitions of "sustainability information" and "sustainability matters" set out in the International Auditing and Assurance Standards Board's (IAASB) Exposure Draft, International Standard on Sustainability Assurance (ISSA) 5000.²

With regards to alignment with ISSA 5000, the following comments were raised by CAG Representatives:

- Mr. Thompson supported the proposed definition and expressed the view that the ISSA 5000 definitions should have been aligned to the IESBA definition since ethics is a broader, overarching concept.
- Whilst acknowledging the need for two different definitions of "sustainability information," Mss. Blomme and Riggs remarked that this might create confusion among users and impact buy-in from stakeholders.

PIOB OBSERVERS' REMARKS

Ms. Peters found the outcomes of the global roundtables to be helpful but she also recognized the challenges associated with managing the views of a broad group of stakeholders. She also noted that the

² Proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

evolving nature of this field makes it difficult to reach the right conclusions on key matters such as the definition of “sustainability information.”

WAY FORWARD

WS2 will present a full set of the proposed ethics standards for sustainability reporting and assurance for the IESBA's consideration at its September 2023 meeting. WS2 aims to present the second read of the proposed text at the December 2023 IESBA meeting with a view to seeking the IESBA's approval for exposure.

C. Sustainability – Independence (Work Stream 1)

Mr. Babington, Sustainability Work Stream 1 (WS1) Chair, and Ms. Sramko provided an overview of the key independence matters relating to sustainability assurance engagements and the proposed International Independence Standards (IIS) in the new Part 5 of the Code.

SCOPE OF INTERNATIONAL INDEPENDENCE STANDARDS IN PART 5

Mr. Babington briefed CAG Representatives on the proposed scope for the IIS in the new Part 5, which focuses on sustainability assurance engagements that have the same level of public interest as for audit engagements.

Among other matters, the following were raised:

- Ms. Landell-Mills sought clarification regarding the types of sustainability assurance engagements that would not fall within the scope of Part 5.

Mr. Babington responded that sustainability information that is not prepared in accordance with a general-purpose framework, such as a special purpose framework, would be addressed under Part 4B of the Code instead of Part 5.
- Mr. Orth noted that SAPs who are not PAs often provide certification-type sustainability engagements. He asked if there would be any independence implications if (i) a SAP provides both a certification-type engagement and an assurance engagement to the same client; and (ii) the outcome of such a certification-type engagement is used during the sustainability assurance engagement or the audit of the financial statements.
- Mr. Norberg expressed support for the proposed approach regarding the scope of International Independence Standards in Part 5.

UPDATE ON KEY INDEPENDENCE ISSUES

Ms. Sramko presented an update on the proposed changes to the draft IIS since the March 2023 CAG meeting and the IESBA's discussions on the following independence considerations:

- (a) The quality management systems applied by a SAP.
- (b) The determination of public interest entities (PIEs) in the context of sustainability assurance engagements; and
- (c) Non-assurance services (NAS) provided to a sustainability assurance client.

Among other matters, the following were raised:

- Mr. Dalkin commented that the determination of whether a specific quality management standard is at least as demanding as ISQM 1³ would raise questions from stakeholders. He suggested that the IESBA consider developing a framework and guidance for the evaluation of equivalence and what would be acceptable quality management standards.

Ms. Sramko responded that in specific jurisdictions, regulators would determine the equivalence of standards and not the users of the Code.

- Mr. Hansen asked if the IIS in Part 5 would also address the situation where the SAP provided services relating to internal control over the sustainability reporting, similar to internal control over financial reporting.

Ms. Sramko responded that Part 5 would also address that situation.

- Mr. Thompson supported the proposal regarding the determination of PIEs in the context of sustainability assurance engagements. However, he asked whether it was aligned with the approach in the European Union's (EU) Corporate Sustainability Reporting Directive (CSRD). Reflecting on that comment, Ms. Blomme noted that EU laws only mandate sustainability reporting and assurance for PIEs. She asked whether the IESBA had considered if that would create some inconsistencies with the proposed new IESBA standards, especially in the context of trying to achieve a level playing field.

Ms. Sramko responded that there are different regimes for PIE and non-PIE clients in the equivalent independence standards in Part 4A of the Code applicable to audit engagements.

- Mr. Hansen asked if the independence standards in Part 5 would apply only to PIE sustainability assurance clients.

Ms. Sramko explained that the IIS in Part 5 apply irrespective of whether the client is PIE if the engagement meets the criteria set out in Part 5.

- Ms. Landell-Mills suggested that consideration should be given not only to who the SAP needs to be independent from but also who they need to be accountable to. In this regard, she noted that in the case of an audit of the financial statements of a listed entity, the auditor is accountable to shareholders who take part in the auditor's appointment and in the determination of audit fees. She questioned whether the approach would be similar with sustainability assurance engagements.

Mr. Babington responded that he would expect that the same requirements on accountability and transparency for audit engagements should apply. However, he added that discussions regarding what should be the appropriate approach remain ongoing across jurisdictions, recognizing that the current developments in the EU may be a high-water mark compared to the progress in other jurisdictions.

- Mr. Greene expressed his concerns about how the IESBA would ensure compliance with the Code if there is no regulatory monitoring yet for non-PA SAPs. He believed that without proper transparency on enforcement, the IESBA's Sustainability project could give the wrong perception that there was supervision for all practitioners.

³ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance Engagements or Related Services Engagements*

In response, Mr. Babington clarified that the IESBA does not have monitoring and enforcement powers, which are matters for local jurisdictions to determine, perhaps with some involvement from international regulatory bodies, such as IOSCO. He added that the IESBA will be careful in explaining this point in the explanatory memorandum to the Exposure Draft. He also stressed the importance of the IESBA's ongoing coordination with the IAASB as the IAASB's standards will address the reporting on the assurance side.

- Mr. Thompson pointed out that sustainability assurance clients would likely turn to the SAP for advice on sustainability reporting issues, especially when they are reporting on sustainability information for the first time. He noted that this could raise several independence challenges and put pressure on SAPs. He asked whether WS1 and the IESBA had considered such situations.

In response, Ms. Sramko explained that WS1 proposed that the new Part 5 set out the same approach regarding providing advice and recommendations to a sustainability assurance client as Part 4A of the Code does with respect to audit clients.

Mr. Babington then presented WS1's approach and proposals regarding the following issues:

- (a) Group sustainability assurance engagements;
- (b) Using the work of another practitioner; and
- (c) Interests, relationships and circumstances involving value chain entities.

With regards to independence considerations for group sustainability assurance engagements, the following comments were raised:

- Observing that since ISSA 5000 does not specifically address groups, and recognizing the importance of alignment between the IESBA's and IAASB's standards, Ms. Blomme queried whether this will have any impact on how the IESBA develops its proposed independence standards.

In response, Mr. Babington clarified that WS1 proposes including that section in the draft standards for public consultation and asking for stakeholders' comments on this specific issue.

- Mr. Akihito expressed his support regarding the inclusion of the proposed section addressing group sustainability assurance engagements. He emphasized the need for close coordination between the IESBA and IAASB on this matter once the IAASB considers developing specific assurance standards for group engagements.

Among other matters, CAG Representatives also raised the following comments:

- In relation to using the work of another practitioner, Ms. Blomme suggested that the IESBA take a pragmatic approach that would allow SAPs to rely on and use the assurance work of other practitioners as appropriate.
- Regarding the approach to addressing the relationship between the SAP and an entity within the client's value chain, Mr. Hansen sought clarification if the proposed application of the "knows or has reason to believe" principle is expected to be the same as in the case of component auditor firms outside of the group auditor firm's network.

Ms. Sramko confirmed that it is the same principle.

Mr. Siong also informed the CAG Representatives that IESBA Staff has been engaging closely with Representatives from the International Accreditation Forum (IAF) as the IAF seeks alignment with the

IESBA Code in order to support the accreditation of non-PA SAPs in carrying out assurance engagements on corporate sustainability disclosures in jurisdictions such as the EU. He added that the IAASB's proposed ISSA 5000 is premised on compliance with relevant ethical requirements, which are the IESBA Code or national ethical provisions that are at least as demanding as the IESBA Code.

PIOB OBSERVER'S REMARKS

Ms. Peters expressed the importance of transparency and need to highlight the differences between some of the key concepts and definitions to facilitate understanding, such as sustainability assurance engagements and certification engagements, financial reporting and sustainability reporting, as well as PAs and non-PAs.

WAY FORWARD

WS1 will present a full set of the proposed IIS in Part 5 for the IESBA's consideration at its September 2023 meeting. WS1 aims to present the second read of the proposed text at the December 2023 IESBA meeting with a view to seeking approval for exposure.

D. Tax Planning and Related Services

Prof. Poll and Ms. Vijian provided an update on the Task Force's activities since December 2022, the three global webinars in February 2023 to inform stakeholders on the key proposals in the February 2023 Exposure Draft (ED), [Proposed Revisions to the Code Addressing Tax Planning and Related Services](#), and recent outreach activities with stakeholders.

Prof. Poll and Ms. Vijian then provided an update on significant matters raised by respondents to the ED. CAG representatives expressed their general support for the Task Force's responses to the comments received on the ED. Among other matters, the following were raised:

DESCRIPTION OF TAX PLANNING

- Dr. Norberg expressed his support for the Task Force's direction in adopting a neutral term to describe Tax Planning as the description needs to be adopted globally. He added that the strategy to focus more on the general provision of tax planning advisory services rather than the narrower scope of aggressive tax planning is appropriate.
- Ms. Meng noted her support for the description of tax planning and the focus on tax efficiency presented by the Task Force.

RELATED SERVICES

- In relation to the examples of related services, and specifically regarding a related service to assist the client in resolving a dispute with the tax authority on the tax planning arrangement, Mr. Hansen requested that the Task Force reconsider the wording "dispute" as it seemed too strong. He noted that a related service is not restricted only to matters that would arise from a dispute between the tax authority and the client. He suggested that alternative wording such as "disagreement" be considered.

ROLE OF THE PA IN ACTING IN THE PUBLIC INTEREST

- Dr. Lawal Danbatta suggested clarification of the phrase “tax minimization arrangements” to avoid negative connotations associated with tax evasion. Mr. Hansen agreed, noting that the phrase refers to tax planning through specific arrangements rather than the illegal act of tax evasion itself.
- Dr. Norberg cautioned the Task Force against assigning a prescriptive term to define what is in the public interest. With regard to tax evasion, he noted that it may not be understood in the same way in all jurisdictions. He expressed his support for the approach undertaken by the Task Force. Ms. Blomme concurred with Dr. Norberg.
- Ms. Peters shared concern about referencing both the client and the public interest, as they may not be aligned in terms of interest.

Prof. Poll clarified that the reference pertains to PAs who provide tax advisory services, as opposed to an auditor who is responsible to both the client and the investors. The Task Force is of the view that PAs have a role in assisting clients as they navigate complex tax laws and regulations while also helping them meet their legal obligations and pay their fair share of tax.

CREDIBLE BASIS

- Ms. Blomme noted her support for the Task Force’s direction with respect to the principle of establishing a credible basis. She encouraged further guidance on how this can be translated into practice.
- Dr. Norberg concurred with Ms. Blomme. He noted that one example of a credible basis situation is where a tax planning practice has become generally accepted even though there is no tax ruling on the matter.
- Dr. Manabat complimented the work of the Task Force and suggested that the Task Force clarify circumstances involving the PA who may be engaged in dual roles. For example, the Task Force was asked to consider whether there would be a threat to the PA’s ability to comply with the fundamental principles if the PA has been engaged to provide tax planning advice involving a tax scheme that the PA had previously been engaged by the tax authority to develop.

Prof. Poll shared his initial view that there are instances where PAs are engaged as policy advisors on tax planning strategies by the government and later find themselves providing advice to the client on that tax planning strategy. He noted that compliance with the fundamental principles of the Code is of utmost importance, especially the PA’s ability to remain objective and confidential in their ethical conduct. Recent events reflecting this type of behavior have become a matter of significant concern for the IESBA, such that the Board felt it was necessary to issue a public [statement](#) emphasizing the critical importance of ethical behavior for all PAs and their obligations to adhere to the fundamental ethical principles of the Code. The Task Force intends to discuss this matter further with the IESBA at its September 2023 meeting.

- Ms. McGeachy-Colby supported the Task Force’s proposals and encouraged it to provide further examples of applying proposed Sections 280 and 380.

DISAGREEMENTS

- Dr. Norberg supported the proposed revision to paragraph R380.21(b), which addresses concerns raised about confidentiality when disclosing information to tax authorities in jurisdictions where disclosure is permissible and applicable.

DOCUMENTATION

- Ms. Blomme shared her view that documentation should be required rather than encouraged, although she understands the Task Force's position on this point. She encouraged the Task Force to take inspiration from the Professional Conduct in Relation to Taxation (PCRT) guidance issued in the United Kingdom, which states that documentation is essential for PAs to enable them to substantiate their work if the tax authorities or a court challenges them. Ms. Blomme also mentioned that it is both in the public interest and the client's interest that PAs document their work on a timely basis so that all substantive information relating to the transaction is captured. Mr. Hansen concurred with Ms. Blomme.
- Mr. Thompson expressed general support for the Task Force's revisions to Sections 280 and 380.
- Dr. Norberg stated his support for the Task Force's direction regarding documentation, noting that requiring documentation is a jurisdiction-specific matter. He was of the view that if documentation were to be a requirement, there should be an impact assessment.
- Dr. Manabat supported the Task Force's proposal regarding documentation. She suggested that the Task Force consider a stronger encouragement for PAs to document, adding that this would enable PAs to better assist their clients manage the risks involved.

WAY FORWARD

The Tax Planning Task Force will present a full analysis of respondents' comments to the ED and its revised proposals to the Board at its September 2023 meeting.

E. Use of Experts

Ms. Endsley, Chair of the Experts Task Force, introduced the topic by briefly recapping the genesis and objective of the project. Ms. Leung walked through key feedback from the March 2023 CAG meeting and the discussions on the project at the March-April 2023 IESBA global sustainability roundtables. Mss. Endsley and Leung then presented the further developments in the Task Force's approach to the proposed ethical framework addressing the use of experts in light of the broad feedback from the CAG and other stakeholders.

Specific to the proposed approach for external experts used in an audit or other assurance (including sustainability assurance) engagement, Ms. Endsley explained how the approach addresses public interest expectations concerning the "independence" of such experts while being proportionate and implementable. In particular, the proposed approach requires a PA or SAP to (a) request the external expert to disclose specified information, (b) evaluate the information received against the independence attributes of the Code, and (c) determine whether the external expert is objective. This brings the additional rigor of "independence" to the external expert used yet recognizes that external experts do not have extensive systems of quality management to monitor "independence." It also recognizes that the Code is not enforceable on external experts who are not PAs or SAPs performing sustainability assurance engagements.

CAG representatives expressed general support for the proposed approach. Among other matters, participants raised the key comments below.

EVALUATING THE OBJECTIVITY OF EXTERNAL EXPERTS USED IN AN AUDIT OR OTHER ASSURANCE ENGAGEMENT

- Mr. Hansen questioned whether the proposed approach would prohibit using an external expert who is not objective in an audit or other assurance engagement. He also questioned whether such an expert could still be used, similar to the work of a management's expert.

Ms. Leung responded that if the PA or SAP determines that the expert is not competent, capable or objective and the PA or SAP continues, or proceeds, to use such an expert, the PA or SAP would not be complying with the Code. She also explained that the proposed provisions do not address using the work of a management's expert. Under ISA 500,⁴ the work of a management's expert is deemed to be other information received from management for the purposes of the audit or other assurance engagement. ISA 500 sets out the performance responsibilities of the PA in determining whether the work of a management's expert constitutes sufficient appropriate evidence.

- Mss. Blomme and Riggs and Drs. Norberg and Orth expressed support for the focus on evaluating the objectivity of external experts used in an audit or other assurance engagement.

Ms. Blomme also encouraged the Task Force to consider whether the independence attributes that the PA or SAP will be required to evaluate in relation to the external expert is a balanced list from a cost-benefit perspective, considering that many experts might not be able to meet the independence attributes set out in the proposed approach. She highlighted that achieving this balance would be important in practice to avoid unduly constraining the supply and use of external experts.

Dr. Norberg observed that with sustainability reporting in the EU now being mandatory, it is likely that there would be a high demand for expertise and, inevitably, a shortage of experts in the early reporting cycles. He noted that it would be challenging for PAs or SAPs to decide whether to use an external expert for a sustainability assurance engagement who has the expertise but is not objective. He also observed that this might be the case for certain niche sectors, such as oil and gas.

Dr. Orth and Ms. Riggs commented that it would be important to consider the significance of the expert's work on the engagement, given that it is likely that there will be only a few experts available in some sectors. For example, if the expert's work is significant, there might be some benefit to using an expert even with some limitations to the expert's objectivity.

- Mr. Ishiwata observed that the extent of use of external experts in a sustainability assurance engagement depends on the topic and related disclosure requirements. Hence, he supported the development of provisions in a principles-based manner. He suggested that such provisions could be reviewed from a post-implementation perspective.
- Mr. Hansen observed that an expert could be an expert witness providing litigation support. He questioned how the PA or SAP could ensure that the expert is entirely objective and not an advocate. He further asked how a PA or SAP would decide which expert to use when two separate experts are considered, with the outputs of each expert being different, yet both experts having been determined to be competent, capable, and objective.
- Mr. Kabwe questioned if the proposed approach also covers experts used in reporting. Ms. Leung confirmed that it does.
- Dr. Lawal Danbatta questioned if generative artificial intelligence (AI) is considered an expert and whether the proposed approach would cover the outputs of AI used as an expert. He also questioned

⁴ ISA 500, *Audit Evidence*

whether the proposed approach would include guidance concerning the “risk” of using the work of an external expert.

Ms. Endsley responded that the Task Force is of the view that AI is not an expert. Ms. Leung explained that the output of AI is akin to the output of any other technology. She added that the PA is responsible for evaluating the threats to compliance with the fundamental principles that might arise from using the output of technology, as set out in the recent technology-related revisions to the Code. Concerning the “risk” of using the work of an external expert, Ms. Endsley noted that this consideration is inherent in the PA’s or SAP’s exercise of professional judgment when applying the proposed provisions.

- Mr. Hansen questioned if an expert is always an individual or if it could be an organization. Ms. Endsley responded that an expert could be either, and that even if it is an organization, individuals will always be involved.
- Mr. Greene noted that an expert can be objective but not necessarily independent and that if the expert is not independent, there is a high risk it impacts the expert’s objectivity. Therefore, if an expert is not independent, this would impact objectivity in appearance. In light of this, he questioned whether using the work of an external expert is similar to using the work of a client’s internal audit function, that is, the PA or SAP needs to test the expert’s work before they can use such work.

Ms. Endsley acknowledged that the appearance of an expert’s objectivity is a judgment area as it is subject to the PA’s or SAP’s evaluation. A PA’s or SAP’s performance responsibilities regarding using an expert’s work are set out in ISA 620⁵ and the proposed ISSA 5000.⁶

PROPOSED NEW AND REVISED DEFINITIONS

- Dr. Orth highlighted the importance of contemporaneous revisions to both the IAASB’s and IESBA’s standards, especially regarding definitions such as for the term “expertise.” He noted that having two different definitions of the same term would confuse auditors. Ms. Riggs noted that ensuring consistency with the IAASB standards, including with proposed ISSA 5000, and resolving or providing clear rationales for any differences would be critical.
- Messrs. Sobel and Lawal Danbatta questioned why internal auditors are expressly excluded from the definition of an expert. Mr. Dalkin agreed with the concept of excluding internal auditors from the definition of an expert, but expressed concern that, as drafted it might raise questions.

PIOB OBSERVERS’ REMARKS

Ms. Peters echoed Mr. Greene’s comment and questioned the difference between an audit team member and an external expert. She further asked if there were many views expressed by users of financial statements in the roundtables and whether, in their perspective, the evaluation of an expert’s objectivity meets the public interest expectation.

Ms. Leung explained the difference between an audit team member and an external expert and noted that a few mixed views arose from users at the roundtables: some believed that independence should be required of external experts, while others believed that using an external expert who has expertise is the

⁵ International Standard on Auditing (ISA) 620, *Using the Work of an Auditor’s Expert*

⁶ Proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

priority even if they are not objective. Mr. Gunn added that the exposure process would provide further feedback about the proposed approach, including from users.

Ms. Peters also questioned whether the Task Force had considered transparency concerning the use of an expert. For example, she wondered whether a user would know about the PA's or SAP's determination of whether the expert is objective and how significant the expert's work is to the engagement.

Ms. Endsley responded that the Task Force had considered transparency as a safeguard to using the work of an expert who is not objective. However, the Task Force's view is that introducing transparency as a mitigating action for objectivity could create an "easy out" and shift the burden and responsibility to evaluate the objectivity of an external expert from the PA or SAP to stakeholders. Mr. Gunn further noted that it is a given that the expert's work is influential to the engagement, otherwise such an expert would not be engaged.

WAY FORWARD

Ms. Endsley noted that the Task Force would consider all the comments from CAG representatives as the Task Force finalizes its thinking and proposals for the IESBA's second-read of the draft provisions. The IESBA will be asked to approve the proposals for exposure at its meeting in December 2023.

F. Strategy and Work Plan (SWP) 2024-2027

Ms. Dias introduced the session, highlighting that the SWP will guide the IESBA's work over the next strategic period while the IESBA remains flexible and agile, responding to emerging issues that are of public interest significance.

Mrs. Viljoen provided a high-level overview of the respondents, noting their general support for the proposed SWP set out in the Consultation Paper (CP), [*Proposed IESBA Strategy and Work Plan 2024-2027: Towards a More Sustainable Future: Advancing the Centrality of Ethics*](#).

Mrs. Viljoen and Mr. Kwan then provided a high-level summary of the significant comments from respondents on the identified strategic drivers and themes, the potential topics that might be included as new work streams in the SWP as well as the IESBA Planning Committee's (PC) responses and proposals. They also informed the CAG that respondents recognized the importance of coordination with the IAASB on matters of mutual interest.

The CAG was generally supportive of the PC's views and proposals.

FIRM CULTURE AND GOVERNANCE

On the PC's suggestion of a potential topic on firm culture and governance, Mss. Blomme and Riggs as well as Messrs. Dalkin, Kabwe, Thompson and Sobel expressed support for a proposed new work stream on the topic. Among other matters, they provided the following comments:

- Messrs. Thompson and Kabwe expressed the view that this issue is important and could lead to a high-impact project as firm culture and governance are a key driver for the quality of professional services. Mr. Thompson further suggested that addressing this issue will enable firms to demonstrate a commitment to high ethics standards, which in turn may help attract new talent.
- Ms. Blomme noted that AE has recently commenced a project on firm governance but is not anticipating the findings to be available for at least another 12 months given the complexity of the

subject matter. She further noted that the Netherlands government has commissioned a review on firm culture which is due to be completed by the end of 2023.

- Mr. Dalkin encouraged the IESBA to conduct an analysis of the apparent failures by PAs in public practice to identify the root causes and key issues so the IESBA can focus on how the Code can address them.
- Ms. Riggs suggested that given the subject matter, the IESBA should consider having the accountancy profession lead the work stream to ensure successful delivery of the work stream's outputs.

OTHER MATTERS

Among other matters, CAG Representatives also provided the following comments:

- Ms. Blomme noted respondents' comments on the need for a period of stability to allow the new standards to bed down. She also agreed with broadening the focus of the IESBA's standards beyond the accountancy profession as the ecosystem as a whole is coming more into play.
- On the topic of technology, Ms. Blomme observed that technology will be a major global issue in a few years as entities will be more and more technology-driven. Mr. Dalkin suggested the use of a working group to explore ethical issues relating to the growth of technology.
- Dr. Lawal Danbatta provided an overview of IFSB's membership which has over 188 members in 58 jurisdictions, including a number of international organizations such as the World Bank and the International Monetary Fund. He noted that in developing its standard-setting work, the IFSB adopts and references the IESBA Code and the IAASB standards. He suggested, in line with the IESBA's proposed vision, the inclusion of more jurisdictions in order to increase the influence of the Code as well as collaborations with more stakeholders in a number of areas.
- Mr. Sobel noted that the work plan appears ambitious. He recognized the challenge in prioritizing projects.

PIOB OBSERVER'S REMARKS

Ms. Peters noted that both sustainability and technology are currently not included in the SWP beyond 2024 as potential work streams. She encouraged the IESBA to consider its capacity to assist non-PAs once the sustainability project is finalized, as there could potentially be interpretation issues for non-PAs relative to the new standards in the proposed Part 5.

WAY FORWARD

The IESBA plans to approve the SWP in December 2023 and to conduct a review of the progress of its work streams in Q4 2024.

G. Closing Remarks

Mr. Hansen thanked the CAG participants for their contributions, noting that this would be the final meeting for the CAG, ahead of the transition to the Stakeholder Advisory Council (SAC) in January 2024.