

## **Draft Minutes of the 91<sup>st</sup> Meeting of the INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS**

**Held on March 10-12, 2025 in New York, USA**

### **Voting Members**

Present: Gabriela Figueiredo Dias (Chair)  
Channa Wijesinghe (Vice Chair)  
Saadiya Adam  
Mark Babington  
Vania Borgerth  
Richard Huesken  
Tomoyo Imura  
Sung-Nam Kim  
Héctor Lehuedé  
Rania Uwaydah Mardini  
Christelle Martin  
Nancy Miller  
Paul Muthaura  
Luigi Nisoli  
Obichukwu Nwazota  
Amarjeet Singh  
David Wray

### **Technical Advisors**

Deepa Agarwal (Mr. Singh)  
Keith Billing (Mr. Babington)  
David Clark (Mr. Huesken)  
Ellen Gorla (Ms. Miller)  
Marta Kramerius (Mr. Nisoli)  
Ki-Tae Park (Mr. Kim)  
Natashia Soopal (Ms. Adam)  
Bruno Tesnière (Ms. Martin)  
Masahiro Yamada (Mss. Borgerth and Imura)  
Belinda Zohrab-McConnell (Mr. Wijesinghe)

### **Non-Voting Observers**

Present: Yohei Ito, Japanese Financial Services Agency (FSA)

### **Public Interest Oversight Board (PIOB) Observer**

Present: Janine van Diggelen

### **IESBA and IFAC Staff**

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Program and Senior Director), Linda Biek (Director), Rui Peres Jorge (Director), Geoffrey Kwan (Director), Kam Leung (Director), Laura Leal, Jon Reid, Szilvia Sramko, Carla Vijian, Jeanne Viljoen, Joanna Bernard, Joanne Holt, Elaine Cahoon (IESBA Staff Fellow), Astu Tilahun, Diana Vasquez  
David Johnson (IFAC Communications)

## 1. Opening Remarks

Ms. Dias welcomed all participants and public observers to the first meeting of 2025. She extended a special welcome to the new IESBA members Mss. Miller and Nwazota, as well as Mr. Wijesinghe's new Technical Advisor, Ms. Zohrab-McConnell, and Ms. Gorla, returning as Technical Advisor to Ms. Miller.

Ms. Dias then updated the Board on the activities of the Planning Committee during the quarter, including updates on various workstreams, the April 2025 IFAC summit in Paris on the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA), recent and upcoming outreach activities, and the planning of the March 2025 board meeting.

Mr. Siong welcomed Rui Peres Jorge as the new IESBA Strategic Communications Director. He also announced and congratulated Ms. Leung for her promotion to IESBA Director and Ms. Viljoen for her promotion to IESBA Principal, both with effect from January 1, 2025.

### APPROVAL OF MINUTES

The IESBA approved the minutes of the December 2024 public session as amended.

## 2. CIVs

Dr. Biek, Mr. Reid, and Ms. Viljoen summarized the Project Team's draft Consultation Paper (CP) on auditor independence with respect to collective investment vehicles (CIVs) and pension funds (collectively referred to as "Investment Schemes"). The aim of the CP was to obtain further stakeholder views and insights on the application of the Code in addressing auditor independence with respect to third parties that perform substantial functions for Investment Schemes, but do not meet the definition of "related entities" under the Code. Dr. Biek emphasized that the CP is an information gathering tool and did not include any recommendations on how the IESBA might address potential issues.

Ms. Dias highlighted the impetus for this workstream and the IESBA's decision in September 2024 to issue a CP.

In addition to structural and editorial suggestions for clarity and better understandability to stakeholders outside the accounting profession, IESBA participants raised the following comments, among others:

- With respect to the application of the conceptual framework and related entity definition in the Code to Connected Parties:<sup>1</sup>
  - The starting point for questions in the CP should be whether the conceptual framework sufficiently addresses independence threats in these circumstances and/or whether anything further is required to address these threats in the public interest.
  - Consideration should be given to asking practitioners if they have difficulties applying the conceptual framework and related entity definition to these scenarios. The aim would be to ensure consistent application of the Code, including scoping in the right entities when considering independence.

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<sup>1</sup> Subsequent to the meeting, the Board agreed to the use of the term "Connected Parties" when referring to third parties that perform substantial functions for Investment Schemes but are not related entities under the Code.

- While the conceptual framework applies to independence, consideration should be given to asking whether additional guidance is required or if specific independence threats need addressing.
- The Investment Scheme industry is diverse and highly regulated, making a homogenous standard difficult to develop; however, the conceptual framework is effective under the circumstances. Consideration should be given to asking whether the conceptual framework, combined with regulatory requirements, adequately addresses auditor independence in these situations.
- Consideration should be given to including an example of applying the conceptual framework in an Investment Scheme context and asking stakeholders whether such application is sufficiently clear, or if independence is otherwise adequately addressed through legislation or regulation. This would help establish whether there is a gap the IESBA needs to consider addressing through standard setting or non-authoritative material (NAM).

Mr. Siong noted that Part 4A of the Code applies to the audit client, including its related entities, and specifies how to apply the conceptual framework to maintain independence. He added that as the Code was developed for conventional corporate structures, and does not include specific provisions for Investment Schemes, it is important to gather evidence about whether the Code has sufficient clarity and is consistently applied with respect to Investment Schemes.

- Using “unrelated third party” in the CP would likely create confusion because management companies can have significant involvement with CIVs, including setting up the CIV. Further consideration should be given to the clarity of this term or whether there is a better alternative terminology.
- The CP should include a reference to management companies’ fiduciary duties. These duties help to ensure that the CIV auditor is independent. The audit of the CIV’s financial statements increases users’ confidence that the management company is acting in accordance with its fiduciary duties.

Ms. Dias agreed that fiduciary duties can increase confidence in auditor independence. Mr. Siong suggested that the CP could seek stakeholders’ views on whether fiduciary duties sufficiently protect auditor independence. Ms. Dias noted the importance of clarifying that the CP is addressing auditor independence rather than Investment Scheme decisions and actions. This may help address some stakeholder misconceptions that the IESBA intends to regulate CIVs/management companies.

- If changes were made to the Code to address a potential gap for Investment Schemes with respect to third parties that are not related entities, whether this might impact other structures, such as conventional corporate structures that use third parties for significant functions.

Dr. Biek reiterated that the CP focuses on Investment Schemes and emphasized that if any changes were made to the Code, they would be principles-based. The Project Team was alert to potential unintended consequences and would take this into consideration when developing recommendations to the Board.

- An example was provided where a management company selects the CIV auditor, the same auditor audits both the CIV and the management company, fees for the audits are disclosed, and auditor independence from the management company is clear. It was noted that requirements in India specify that the fund auditor must be separate from the auditor of the management company.

Mr. Reid indicated that the Project Team has seen variations where certain jurisdictions require the same auditor for both the CIV and the management company, whereas other jurisdictions prohibit the CIV auditor from auditing the management company.

- Identifying independence threats and arriving at a single solution in the Code would be difficult due to the complexity of structures and different legal forms, including potential misalignment between legal form and economic structure. An alternative view was expressed that such diversity is not unique to standard setters, who address it through principles-based provisions. It was suggested that the Project Team consider principles developed by the International Organization of Securities Commissions (IOSCO) with respect to collective investment schemes.
- Another example was raised where each fund manager within a specific pension fund is treated as a separate audit client from an independence perspective. It was suggested that NAM illustrating such situations might be more effective than revising the Code, which is not designed to address every situation.
- As the functions performed by Connected Parties could be deemed “control,” consideration should be given to asking stakeholders whether these Parties should be scoped in as related entities. An alternative view was that the IESBA should not attempt to address the meaning of “control.”

Dr. Biek noted the CP takes a neutral approach and does not seek to influence respondents towards any specific position with respect to control.

- The CP should focus clearly on the risks in an Investment Scheme audit if independence is not properly assessed. The CP should not bias respondents to conclude that auditors need to be independent of third parties that are not related entities.
- The IESBA should not wait for a market failure involving an Investment Scheme before addressing the topic. Proactive guidance for Investment Scheme auditors might help mitigate the risk of independence-related audit deficiencies.
- A determinative factor for independence considerations could be whether the Investment Scheme auditor places reliance on the management company’s assertions.

Mr. Reid noted that the Project Team has seen variations. For example, with certain corporate structures where the management company acts under the direction of the Investment Scheme’s board, the management company is not considered to be a related entity.

- Whether asking about the proportion of Investment Schemes in a particular jurisdiction that utilize third parties, or whether this is common in a jurisdiction, will provide meaningful responses, as responding to such a question could potentially require market research.
- It should be clarified in the CP that an investment company complex (ICC) is any fund structure that is subject to the US Securities and Exchange Commission (SEC) rules and not a unique type of fund structure.
- With respect to the criteria for third parties that are substantively involved in Investment Schemes, consideration should be given to using terminology other than “material,” which might create confusion among respondents, and specifying that performance relates to financial performance.

#### PIOB OBSERVER'S REMARKS

Ms. van Diggelen raised the following comments:

- The CP's focus on auditor independence should be clear. It should also be made clear that the CP does not intend to address the actions of management companies/fund managers.
- There appear to be some overlapping issues with private equity investment in accounting firms, which the IESBA is dealing with separately. So, the CP could clarify that it is not addressing such private equity investment.
- To establish whether there is a real and not a perceived gap, it is important to understand how audit firms address independence with respect to Investment Schemes in practice via the conceptual framework and whether it is consistently applied.
- Consideration should be given to asking respondents whether clear prohibitions with respect to third parties to Investment Schemes that are not related entities should be included in the Code in the public interest. In this regard, it was noted that prohibitions are only one way to address independence concerns, and if a gap in the Code is established, the IESBA should consider how to best address it.
- It is important to obtain responses from investors and other users about how they perceive auditor independence with respect to Investment Schemes.

Dr. Biek noted that the PEI workstream covers issues that differ from those in the CP. She also noted the Project Team has received offers from investors to provide assistance and that these stakeholders will be invited to respond to the CP.

#### APPROVAL OF CP

The IESBA approved in principle the CP on CIVs and Pension Funds, subject to final editorial refinements in light of the Board discussion.

The CP would be issued by the end of March 2025 with a public comment period of 90 days. The IESBA will consider an analysis of respondents' comments on the CP and the Project Team's preliminary report and recommendations at the September 2025 IESBA meeting.

### **3. Adoption & Implementation (A&I)**

#### IESBA A&I WORKING GROUP (A&I WG) UPDATE

Mr. Singh, A&I WG Chair, provided an update on the A&I WG's stakeholder engagement map, including the number, categories, and regions of identified stakeholders. Mr. Wray, A&I WG member, added that there are multiple entities behind certain stakeholders in the companies/CFO category. Mr. Singh reiterated the importance of focusing engagement on the trilogy of standards in the global sustainability reporting, assurance, and ethics ecosystem, and leveraging and coordinating A&I efforts with the International Federation of Accountants (IFAC).

Mr. Reid outlined A&I activities completed since the December 2024 IESBA meeting, including the joint launch of the IESBA Sustainability and Experts Standards<sup>2</sup> with the International Auditing and Assurance

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<sup>2</sup> *International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA); Other Revisions to the Code Relating to Sustainability Assurance and Reporting; and Using the Work of an External Expert*

Standards Board's (IAASB) ISSA 5000,<sup>3</sup> implementation support materials accompanying the launch, and the global IESBA webinar series in late February/early March on the IESBA's Sustainability and Experts Standards, which were attended by over 1,600 stakeholders.

Ms. Cahoon summarized additional planned implementation support materials, including IESBA Staff Questions and Answers, a summary of prohibitions in the IESSA for public interest entities (PIEs), and awareness-raising materials for investors and those charged with governance (TCWG). Ms. Cahoon also outlined ongoing collaboration and regular touchpoints between IFAC and IAASB staff, and summarized the A&I WG's jurisdictional prioritization.

Among other matters, IESBA members raised the following queries or comments:

- Similar to capacity building work by the International Sustainability Standards Board (ISSB), whether the IESBA has the ability and/or capacity to create a certification related to the IESSA to build expertise and capacity.

Ms. Dias noted that this would require negotiation with various stakeholders, and one of the A&I WG's focus areas is to leverage partnerships on matters such as capacity building. Mr. Singh added that certification in the IESSA could be considered from a jurisdictional perspective in collaboration with local certification organizations.

- Clarification regarding the status of adoption of the IESSA in Australia. It was noted that the Australian Auditing and Assurance Standards Board (AUASB) has initially referred directly to the IESSA in its adopted version of ISSA 5000 for sustainability assurance engagements for reporting periods beginning January 2025, and that the Australian Accounting Professional & Ethical Standards Board (APESB) will follow its due process on an Australian version of the IESSA. Thereafter, the AUASB will refer to the APESB version of the IESSA.
- Jurisdictional prioritization should also consider local appetite and speed for adoption, which are changing rapidly. Accordingly, the prioritization should be dynamic and flexible. A willingness to adopt the IESBA's standards can encourage other jurisdictions to adopt as well. It was queried whether A&I efforts will support jurisdictions with lower GDP.

Mr. Singh clarified the approach to jurisdictional prioritization in accordance with the A&I WG's Terms of Reference. The approach focuses on economic size and the adoption status of international sustainability reporting and assurance standards. He added that the A&I WG will consider other important factors such as willingness and speed to adopt, and that the approach will be dynamic and flexible.

- Suggestions for specific jurisdictions to consider with respect to prioritization, including:
  - Nigeria – the roadmap for adoption of the ISSB standards includes early adoption on a voluntary basis from 2024-2027, moving to mandatory reporting in 2028.
  - Brazil – the roadmap includes voluntary adoption of ISSB standards, with planned mandatory reporting from 2026. There has been emphasis in Brazil to adopt international sustainability reporting, assurance and ethics standards, and this effort will be promoted at a sustainability

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<sup>3</sup> International Standard on Sustainability Assurance 5000, *General Requirements for Sustainability Assurance Engagements*

forum in Brazil in June 2025. It was noted that Ms. Dias had been invited to speak at this event together with ISSB and IAASB representatives.

- Luxembourg, which already adopts the Code and might have an appetite to adopt the IESSA; however, this would need to take into account the impact of the delayed implementation of the CSRD in the EU.

Mr. Singh noted the A&I WG will further consider the comments received as it refines the jurisdictional prioritization. He requested IESBA members' future assistance with identifying potential stakeholder engagement and partnership opportunities in their specific jurisdictions.

#### IMPLEMENTATION MONITORING

IESBA members discussed and supported launching active monitoring of the implementation of the IESBA's sustainability-related standards, in coordination with the IAASB, including:

- The establishment of the IESSA Implementation Monitoring Advisory Group (IIMAG); and
- The development of a digital platform on the IESBA's website for stakeholders' submissions.

The IESBA approved the terms of reference of IIMAG and asked the A&I WG to coordinate and finalize the recruitment and the selection of the IIMAG's members.

Regarding the digital platform, a few IESBA members and Mr. Gunn suggested carefully calibrating stakeholders' expectations regarding the platform and its objective to provide information to IIMAG. They suggested that the platform specify parameters for implementation matters that IESBA Staff will triage for the IIMAG's consideration to avoid an overflow of submissions.

#### ENGAGEMENT WITH THE INTERNATIONAL ACCREDITATION FORUM (IAF)

Messrs. Siong, Reid, and Billing provided an update on IESBA's Staff's recent engagement with IAF representatives, including:

- An overview of a working meeting in London in late February 2025 with representatives from the IAF, TIC Council, and national accreditation bodies (ABs) (United Kingdom Accreditation Service (UKAS) and Accredia (from Italy)). The objectives of the meeting included:
  - Clarifying and addressing key issues with respect to the IAF's mapping of the current ethics requirements in the international accreditation framework to the IESSA;
  - Establishing next steps to develop a common framework of robust ethics and independence standards for Independent Assurance Services Providers (IASPs) performing sustainability assurance engagements (SAEs); and
  - Discussing the nature, scope, and timing of potential IESBA implementation support for IASPs.
- Background on IAF and ABs, including that they are not regulators and cannot set jurisdictional requirements. Jurisdictional laws or regulations might require SAEs to be conducted in accordance with ISSA 5000, but might not directly mandate compliance with the IESSA. Accordingly, the IAF intends to ensure that IASPs comply with ISSA 5000 in full and to establish a framework that is at least as demanding as the IESSA. ISSA 5000 is premised on compliance with the provisions of the IESBA Code related to SAEs or requirements that an appropriate authority has determined to be at least as demanding.

- The IAF's mapping to the IESSA. The IAF's approach identifies requirements that are equivalent, provisions that are substantially aligned, and provisions in the IESSA not covered under the accreditation framework ("gaps"). The mapping also specifies the IAF's proposed actions to address identified gaps. Certain IAF requirements related to competence, prohibited consultancy services, "quality review" committees, and annual assessments potentially exceed the IESSA's requirements.
- The IAF's proposed approach to developing a program to establish equivalency to the IESSA, which would recognize that it would be for an appropriate regulator or other public authority to determine that the jurisdictional ethics framework for IASPs is at least as demanding as the IESSA.
- The proposed next steps for IAF engagement during 2025, including the finalization of IAF's mapping, IESBA consideration of the mapping, and a potential IAF request for a joint factual statement between the IAF and IESBA on the nature of the IESBA's consideration of the IAF's mapping work. In this regard, the IAF is aware that the IESBA cannot endorse or otherwise confirm that the ethics and independence framework resulting from the IAF's mapping is at least as demanding as the IESSA.

Among other matters, IESBA members raised the following comments:

- While certain jurisdictions have settled on who must prepare sustainability reports, the applicable reporting framework, and who can provide assurance, many jurisdictions have yet to determine how the regime will work. This presents a challenge to ensure that the Board supports the adoption process but does not arrive at a position that jurisdictions might disagree with later.

Mr. Siong agreed there is uncertainty regarding jurisdictional frameworks. He indicated that it was too early for the Board to determine the nature of any messages it would be willing to include in any joint statement with IAF.

Ms. Dias agreed that the IESBA will not endorse or otherwise assert that the IAF's framework is equivalent to the IESSA. She noted that the IESBA's position should not limit how jurisdictions develop oversight systems or determine who should be allowed to provide SAEs. She added that the best public interest outcome is for all providers of SAEs to be subject to the same high ethics standards.

- The engagement with IAF might assist those jurisdictions that do not currently have a mechanism for monitoring or overseeing SAEs performed by assurance practitioners who are not professional accountants (non-PAs). However, the IESBA would need to exercise caution in its consideration of the IAF's assessment of equivalency to ensure that any joint public statement is not considered an IESBA endorsement.

Mr. Siong noted that the IAF has stated that it cannot require IASPs to directly comply with the IESSA due to the longstanding approach to ethics in the accreditation framework; however, the IAF intends to ensure that all gaps are addressed to establish equivalency. He added that in the EU context and the recent omnibus proposals, the IAF anticipates that only a limited number of IAPs, mostly the largest ones, would provide SAEs. Nevertheless, as the market evolves and more jurisdictions develop sustainability reporting and assurance frameworks, this number could potentially increase. He also added that IASPs also undertake voluntary SAEs, which would be covered by this framework.



#### PIOB OBSERVER'S REMARKS

Ms. Van Diggelen supported the active monitoring of the implementation of the IESBA's sustainability-related standards and the establishment of the IIMAG. She emphasized the importance of the IAASB and IESBA acting jointly and providing coordinated, rapid responses to address stakeholders' challenges regarding the implementation of ISSA 5000 and the IESSA. She questioned the type of rapid responses the IESBA could provide to address such challenges, and whether the IIMAG or the IESBA would decide on the appropriate actions.

Messrs. Gunn and Siong clarified that the objective of the IIMAG was to provide feedback and recommendations to the IESBA, and that it would be the IESBA who would decide on the necessary actions and responses after careful consideration of the nature of the specific matter. They clarified that the IESBA's due process allows flexibility for rapid responses if necessary.

Ms. Van Diggelen reiterated the need for caution with respect to any joint statement with the IAF that might be considered at a future Board meeting.

#### WAY FORWARD

The IESBA will consider updates on the A&I WG's activities, the IESSA implementation monitoring and IIMAG, and further engagement with the IAF at its June 2025 meeting.

### **4. Firm Culture & Governance**

#### GLOBAL ROUNDTABLES AND APPROACH TO NAM

Mr. Kwan and Ms. Leung provided an update on the upcoming Firm Culture & Governance (FCG) global roundtables, recent and upcoming outreach to stakeholders, as well as the proposed approach to developing NAM and other supporting materials.

Referring to the key comments raised in the IFAC Small and Medium Practices Advisory Group (SMPAG) comment letter on the agenda material for this session, Mr. Kwan emphasized that the objective of the project is not only to address unethical behavior in accounting firms, but also to help firms create an ethical culture so that they can operate as highly ethical firms. He also reiterated the importance of taking a principles-based approach, and giving due regard to scalability and proportionality.

The IESBA supported the global roundtables and the Project Team's approach to developing NAM. IESBA participants provided suggestions on the types of information that the Project Team should seek at the global roundtables.

There was general Board recognition of the importance of NAM for this workstream. In addition, IESBA participants also raised the following:

- A suggestion to develop materials that are practical and actionable, such as a decision-making framework.
- Suggestions for possible NAM topics, including a skills matrix for independent non-executives, formal and informal systems, and external factors that influence ethical culture.
- A suggestion for the Project Team to consider obtaining additional information from research on topics such as how to develop the right culture.

## DEVELOPMENT OF THE FCG FRAMEWORK

Mr. Huesken, Board Advisor to the project, presented three illustrative examples of possible requirements that could be included in a proposed new standard on FCG in order to facilitate strategic Board consideration on how to develop the FCG framework. These examples were developed by the FCG Working Group and were included in the Working Group's Final Report.

On the proposed development of the FCG framework in the Code, the IESBA continued to express strong support for a principles-based approach and avoiding a checklist approach. IESBA members also reiterated the importance of NAM in supporting implementation of the framework.

In addition, IESBA participants made the following comments:

- Stakeholders are interested to know what the standard-setting output will be, such as whether it will be a governance code.
- Consideration should be given to whether the aim is to develop a principles-based framework or a framework of principles. In this regard, it was noted that audit firm governance codes comprise largely principles. Mr. Huesken clarified that as the IESBA Code is a principles-based code, the Project Team should follow a similar approach in developing the proposed standard. Doing so would address concerns that the proposed standard would be similar to, or address matters already covered by, ISQM 1.<sup>4</sup> The outcomes of the global roundtables will help inform how the framework should be developed.
- Notwithstanding that the framework will be high-level, there should be some specificities for concepts such as accountability and transparency.
- The FCG framework should be supported by application material, recognizing the need for care to avoid turning such application material into policies and procedures. However, there was also a view that the framework should be able to stand alone without much application material, as detailed guidance may make the framework more complex and difficult to apply, with potential implications for scalability.
- It may be helpful to examine other organizations with structures or approaches that support ethical culture and consider how these could be transferred to an accounting firm setting.
- The Project Team could explore conducting a survey to determine if firms have already put into practice the principles that are being considered for inclusion in the framework. If many firms have already implemented these principles, it will help alleviate some stakeholders' concerns about the operability of the proposed framework.
- The proposed standard should encourage firms to implement an appropriate framework, as it might not be within the jurisdictional standard setters' remit to incorporate such a framework in their local standards.

Mr. Kwan noted that the Project Team plans to present a "strawman" draft of the FCG framework for the IESBA's consideration at the June Board meeting.

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<sup>4</sup> International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

#### COORDINATION WITH IAASB

Ms. Leung and Mr. Wijesinghe, Board Advisor to the Project Team, provided an update on coordination with the IAASB and the Project Team's initial consideration of ISQM 1. They highlighted the differences in objectives and scope between the proposed FCG framework and ISQM 1. Mr. Wijesinghe emphasized that the FCG framework is not intended to be an extension of a system of quality management.

Ms. Dias also clarified that the proposed FCG framework and ISQM 1 should complement, and not constrain, each other.

#### COMMUNICATIONS PLAN

Mr. Johnson highlighted the strategic shift towards project-specific communication plans and the close collaboration between the technical and communications teams. Ms. Dias underscored the importance of the communications strategy in eliciting meaningful stakeholder input and delivering clear messaging to stakeholders about the project's objectives.

#### PIOB OBSERVER'S REMARKS

Ms. van Diggelen acknowledged the valuable input by IESBA participants on the topic. She also raised the following comments:

- The importance of ensuring scalability, as this project is also relevant to small and medium practices (SMPs).
- There needs to be a balance between being timely with the development of the proposed standard and allowing sufficient time for effective implementation.
- While the Code is principles-based, it also contains prescriptive requirements. In this regard, she expressed the view that there should be requirements to create an ethical culture, particularly with respect to senior leadership, which is where culture begins to grow. She added that it would be important to embed ethical principles into a firm's strategies.
- The challenge is how to incorporate the proposed framework into the Code in such a way that it would impact behaviors without creating a checkbox exercise.
- Consideration should be given to the relevant qualitative characteristics of the public interest framework such as clarity, enforceability, and implementability.
- It would be helpful to clarify the interconnectivities among the FCG project, the CIVs workstream, and the proposed IESBA Staff Alert on private equity investments (PEI) in accounting firms.

Ms. van Diggelen agreed with the Project Team's approach of taking a neutral stance on firms' legal structures. She also welcomed the coordination with the IAASB regarding ISQM 1.

Ms. Dias summarized the discussion by noting that while no conclusions have been reached regarding the proposed FCG framework or any NAM material, the exchange of views among IESBA participants was useful. She also advised the Project Team to consider what NAMs could be progressed while the proposed standard would be developed.

## WAY FORWARD

At its June 2025 meeting, the IESBA will consider a summary of the feedback from the global roundtables and the next steps on the project.

### **5. Emerging Issues and Outreach Committee (EIOC) Update**

Ms. Borgerth, Chair of the EIOC, introduced the session by reminding the Board that the EIOC's mandate includes monitoring global developments and alert the Board to any potential ethical issues warranting the Board's consideration. One such development is the increasing trend of private equity investment in accounting firms (PEI).

#### PRIVATE EQUITY INVESTMENT IN ACCOUNTING FIRMS

Dr. Biek and Ms. Viljoen summarized key points with respect to PEI. They also provided an overview of the main topics proposed to be addressed in the IESBA Staff Alert.

IESBA members were generally supportive of the outline and made the following comments and suggestions:

- Given the complexity of these transactions, consideration might be given to a phased approach.
- End users of the Staff Alert should be clearly defined, and details should be tailored to their knowledge base and needs.
- Consideration should be given to the economic substance of PEI transactions rather than just their form. Providing guidance to help firms navigate the landscape and identify potential threats is crucial, as well as determining whether an investor would meet the criteria of a "covered person."
- The significance of the conceptual framework should be highlighted to help PAs when dealing with uncertainty arising from these transactions. Practical examples could be provided to help firms understand how to apply the Code effectively in these circumstances.
- Although there is a clear connection between PEI and the FCG Project, they present distinct challenges that warrant separate consideration.

#### PIOB OBSERVER'S REMARKS

Ms. van Diggelen noted the PIOB's support for the proposed Staff Alert and stressed prioritizing substance over form. She suggested a principles-based approach with examples of situations where threats cannot be mitigated by the application of safeguards. She also stressed the importance of auditors maintaining independence in appearance by applying the reasonable and informed third-party test. Finally, she highlighted the impact PEI could have on audit quality.

## WAY FORWARD

The draft Staff Alert will be shared with the IESBA for input in due course.

### **6. Technology**

Mr. Clark, Chair of the Technology Working Group (TWG), briefed the Board about the TWG's activities since June 2024, including highlights of meetings held with the Technology Experts Group (TEG). The key topics discussed by the TEG included the role of artificial intelligence (AI) in relation to data, the need for

quality data in AI, and ethical considerations related to AI usage. He noted that the TEG emphasized the need for transparency, accountability, and reliability in AI systems, as well as the importance of human involvement in AI processes and ethical considerations. Additionally, the TEG also noted the challenges of data retention and privacy, emphasizing the necessity to balance data retention for AI with data protection and security.

Ms. Viljoen outlined the TWG initiatives for 2025, including environmental scanning, education sessions for the Board, development of NAM, stakeholder engagement, and coordination with the IAASB. She described various AI models currently in the market and their associated risks, such as hallucinations, potential lack of reliability, bias, and potential breach of data privacy. Additionally, her presentation covered the key findings from [The State of AI in Accounting Report 2025](#), alignment faking in AI models, and the key themes from the AI Summit held in Paris.

Among other matters, IESBA participants raised the following comments:

- There is a need for a strategic approach to addressing ethics-related issues in AI, with an emphasis on long-term positions rather than reacting to every development. It is important to note the technology's limitations, as it has not advanced as far as it is often portrayed.
- There is significant pressure to adopt these AI environments, potentially before the technology is fully ready. The urgency to quickly implement Generative AI solutions might overlook critical aspects such as safety and reliability. Therefore, considering ethical culture and governance, along with compliance with the fundamental principles amidst these pressures, is important.
- Governance has not progressed as rapidly as necessary, highlighting the need for different approaches to test AI. Additionally, there should be a focus on how AI developments impact the Board and the need for ethical guidance on the use of AI in the accounting profession.

Ms. Dias thanked Mr. Clark and Ms. Viljoen for their presentations and stressed the importance of monitoring AI developments and creating accessible resources like podcasts and fact sheets.

#### PIOB OBSERVER'S COMMENTS

Ms. van Diggelen expressed the PIOB's support for integrating consideration of technologies into standards and commended the IESBA for its ongoing coordination with the IAASB on initiatives of common interest. She indicated that the PIOB has not identified any specific public interest issues at this time but will update its public interest issues document following the meetings of both standard-setting boards.

#### WAY FORWARD

The TWG will provide further updates to the Board in due course.

### **7. IESBA Communications**

Mr. Jorge presented the Communications team's strategy and activities, focusing on enhancing the IESBA's impact, engagement, and visibility during a time of global change and heightened expectations for ethics and sustainability.

Mr. Jorge underscored the urgency of adapting communication approaches in today's rapidly evolving environment. He emphasized that in turbulent times, communications must be guided by three principles: proactivity, clarity, and consistency.

He outlined three strategic pillars shaping the team's approach:

- Tools and Analysis: Developing methodologies to better understand the external environment, stakeholder needs, and communication risks and opportunities.
- Ethical Communication: Ensuring that messages are truthful, transparent, respectful, and aligned with the public interest.
- Impact Measurement: Monitoring whether communications are resonating and achieving desired outcomes.

Mr. Jorge then described three strategic objectives that guide the team's work:

1. Amplifying the IESBA's voice and reinforcing the link between ethics and the public interest.
2. Positioning the IESBA's standards as tools to support resilience, performance, and reputation.
3. Supporting the adoption and implementation of the Code globally.

He noted five tactical priorities to advance these goals:

- Promoting the conceptual framework as a practical instrument.
- Producing compelling, stakeholder-specific content.
- Deepening stakeholder engagement, especially with firms, professional accountancy organizations (PAOs), and newsletter subscribers.
- Increasing video output, given the reach and accessibility of that medium.
- Supporting Board members in external outreach and communications.

He introduced the members of the Communications team:

- David Johnson, who creates and implements communication plans at the project level; leads messaging and outreach for specific projects; and manages website and media monitoring platforms.
- Jake Fegan, who formulates and executes social media strategies and content, and supports video, social media, and visual content production.
- Astu Tilahun, who leads efforts to coordinate and promote Board member outreach.

Mr. Jorge indicated that he coordinates overall strategy and risk management.

He then shared highlights from recent communications efforts:

- Sustainability Standards Launch: This achieved coverage with a potential global media reach of 374 million over all publications. He indicated that website and social media metrics for the standards significantly outperformed previous benchmarks.
- Firm Culture & Governance Launch: This was picked up by key publications with overall potential media reach of 3.24 million, with strong engagement across digital platforms.

Looking ahead, Mr. Jorge outlined upcoming initiatives:

- Finalizing an internal newsletter for Board members to enhance issue awareness.
- Conducting a benchmarking study of peer organizations' communications practices.

- Supporting tailored communication plans for individual projects.
- Exploring op-eds by Board members and IESBA leadership.
- Piloting new content formats, including:
  - *IESBA Focus* (5-minute staff interviews)
  - *IESBA Insights* (3-minute topical explainers)
  - Meeting previews and summaries by the Chair.

He noted that the second half of 2025 would include further innovations, such as:

- Enhancing the website, social media, messaging, and other communication material.
- Starting a database of media coverage on ethics-related issues.
- Considering enhancing internal communications, including a monthly internal newsletter.

Among other matters, IESBA participants raised the following:

- The multifaceted communications approach was commendable. There is much value in the video and podcast formats, which could be further integrated with IESBA's digital platforms. In this regard, it was suggested that there should be emphasis on simplicity and clarity to maximize impact.
- Consideration should be given to pursuing expansion into other languages, particularly Spanish and Portuguese, to increase accessibility in non-English-speaking jurisdictions. The development of a regular newsletter, with links to full articles to overcome media paywalls, was welcome.
- Past launches that featured external voices (e.g., investors and sustainability experts) increased the communications impact. Accordingly, there is merit to continue using this approach to elevate credibility and visibility.
- There is value in repeated messaging to ensure stakeholder understanding, for example, there remains persistent confusion in some jurisdictions about the IESBA's position relative to IFAC.

In closing, Ms. Dias thanked the team and noted the high quality of work achieved with limited resources. She emphasized that communications is not an ancillary function but central to the IESBA's strategic impact and must remain fully integrated into all aspects of its work.

## **8. IAASB-IESBA Coordination**

Ms. Vijian provided the Board with an update on ongoing coordination efforts between the IESBA and the IAASB. She noted that the coordination framework established between the two Boards in 2018 continues to facilitate structured collaboration through regular liaison meetings involving both Boards' liaison members and staff.

The Board then considered a high-level overview of the proposed revisions to ISA 240 (Revised)<sup>5</sup> from Jasper van den Hout, IAASB Director, and Angelo Giardina, IAASB Principal. The presentation focused on the project's objectives, its public interest rationale, and key areas for revision, particularly those that intersect with ethical considerations.

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<sup>5</sup> International Standard on Auditing (ISA) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

Among other matters, IESBA members raised the following queries or comments:

- What the rationale was for linking fraud with non-compliance with laws and regulations (NOCLAR). The IAASB staff explained that this was a deliberate move to integrate ethical considerations directly into the standard, thereby reinforcing related obligations of the auditor under the IESBA Code.
- Whether new procedures had been introduced to facilitate the identification of fraud. The IAASB staff explained that the enhanced risk assessment procedures, including understanding of whistleblower mechanisms and internal controls, were intended to strengthen detection capabilities.
- Whether feedback during the public consultation addressed whether fraud always constitutes NOCLAR. The IAASB staff responded that, while there was general agreement that this was the case, a minority of respondents raised concerns which were addressed during the final drafting.
- Whether the revised standard addresses the need for specific expertise in high-risk engagements. The IAASB staff explained that the proposed standard now includes a requirement to assess whether the engagement team possesses appropriate competence. While the use of forensic specialists is not mandated, guidance has been included to assist auditors in determining when such input may be appropriate.
- Whether undue pressure from dominant individuals in the entity was appropriately addressed. The IAASB staff confirmed that application material had been added to assist auditors in identifying and responding to such pressures, and the list of fraud risk factors in the appendix had been updated accordingly.

Mr. van den Hout indicated that the revised ISA 240 was expected to be approved at the March 2025 IAASB meeting. The effective date of the standard would be for audits of financial statements for periods beginning on or after December 15, 2026. Implementation support materials, including a fact sheet and basis for conclusions, would be published following issuance of the final standard.

#### PIOB OBSERVER'S REMARKS

Ms. van Diggelen welcomed the ongoing coordination between IESBA and IAASB, noting it as essential to the global standard-setting system. She emphasized the value of project-level collaboration, particularly in areas like sustainability assurance, and encouraged joint communication efforts to ensure consistent messaging and to reinforce system integrity.

### **9. Closing Remarks**

Ms. Dias thanked the Board for the substantive discussions throughout the week, and the staff for their hard work in preparing the materials for the meeting and supporting the Board during the meeting. She summarized the key outcomes of the meeting, including the Board's approval in principle of the consultation paper on CIVs; the approval of the new IIMAG; the advancement of work on the FCG project, including the upcoming series of six global roundtables to shape the next phase of the project; the progress on the IESBA Staff Alert on PEI; and the development of the IESBA's strategic communications approach.

In closing, Ms. Dias thanked Board participants for their engagement and wished everyone safe travels.

### **10. Next Meeting**

The next IESBA meeting is scheduled for June 9-12, 2025 to be held in New York, USA.