PIOB's Public Interest Issues - IESBA projects

(document updated as of October 2026)

The PIOB's Public Interest Issues presented in this document are based on the status of the IESBA´s projects after its September 2026 meeting and the PIOB meeting in October 2026. The PIOB oversees all IESBA projects and, depending on the stage of development, the relevance of the project, and other public interest considerations, decides whether to include any Public Interest Issue(s) in this document. For each selected project, brief background information and project status are provided, followed by the identified Public Interest Issues. The Public Interest Issues may contain questions or concerns relating to the responsiveness of specific initiatives and projects to the public interest. We encourage the IESBA to consider these questions and concerns during the due process of developing the relevant standards.

Projects for which new Public Interest Issue(s) have been raised or that have been substantively revised are identified as **NEW or REVISED** in the title.

Projects in which recent developments have been reflected, or clarification of the text have occurred, without any substantive change to the PIOB's position or in the content, are marked as **UPDATED**.

Projects for which no changes have been made since the previous version, or when only minor edits have been included, are marked as **UNCHANGED**.

For further information and details about the IESBA projects, please refer to the website: https://www.ethicsboard.org/consultations-projects.

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Use of main acronyms

Code	The IESBA's Code of Ethics
ED	Exposure Draft
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IESSA	International Ethics Standards for Sustainability Assurance
ISA	International Auditing Standards
ISSA	International Standard on Sustainability Assurance
NAM	Non-authoritative materials
PIOB	Public Interest Oversight Board

1. NEW – STRATEGY AND WORK PLAN

Background

As the IESBA and IAASB enter the final part of the 2024-2027 Strategy and Work Plan (SWPs), both SSBs have started developing the Consultation Papers for the 2028-2031 SWPs. To this end, the Boards issued a Joint Stakeholder Survey in January 2026, with a comment period ending in May 2026.

The SSBs are also assessing priorities for completion within the existing SWP period, and what should be carried forward to the new SWP.

Status

In September 2026, the IESBA considered the feedback received and discussed possible strategic objectives for the draft Consultation Paper on the SWP, that is expected to be discussed in December 2026.

The IESBA also considered an approach for assessing the level of priority of potential new workstreams and agreed on the following initiatives that will be prioritized through the end of the current strategic cycle in December 2027: pilot test of NAM for the Role of CFOs project, information gathering on strategic alliances with AI providers for the Technology project and Code simplification initiatives.

1.1. Prioritization of projects and allocation of resources

The PIOB notes the comprehensive feedback received through the joint stakeholder survey, which provides an adequate basis to develop the proposed SWP for the next cycle. The Consultation Paper should explain the linkage between the feedback received and proposed strategic objectives, as well as include clear articulation of the criteria behind proposed project prioritizations, including continuation of existing and commencement of new projects, and proposed resources allocation. Providing clarity and transparency in these regards would better enable stakeholders to understand how strategic and operational decisions are made and provide relevant feedback.

This is particularly relevant in relation to decisions to continue, pause or commence any new workstreams during the final year of the current SWP. Such decisions may leave unaddressed public interest matters that were pre-agreed or create commitments that extend into the next strategy cycle and, therefore, clear articulation of how they align with the IESBA's overall strategic objectives and priorities is key. In this respect, we draw the attention to the PII noted in Section 6 for Collective Investment Vehicles and Pension Funds.

In addition, continuous coordination between the IAASB and IESBA in the development of strategic areas of focus of their respective SWP Consultation Papers

remains critical to supporting effective future development and delivery of the SWP, especially where matters of interoperability and interdependency arise.

2. UPDATED - FIRM CULTURE AND GOVERNANCE

Background

The project of Firm Culture and Governance (FCG) was included in the Strategy and Work Plan 2024-27, due to a clear need to respond to persistent cases of ethical failures within firms and to consider the role of culture and governance in shaping ethical behavior and compliance with the Code. Given the importance of these issues, the PIOB has expressed strong support for this project since its inception.

Status

The IESBA approved the FCG project proposal in December 2024. Before that, it had undertaken extensive outreach and research to inform its development and ensure broad stakeholder input. A commissioned academic research informed the FCG Working Group report which identified the 8 FCG elements. In 2025 the IESBA expanded its outreach through a series of global roundtables. Based on the feedback received, the IESBA decided to re-sequence the project activities, prioritizing the development of non-authoritative and supporting material, while exploring the best approach for the FCG Framework. In 2026 the IESBA organized the "FCG Dialogues" with several stakeholder groups and conducted a simulation exercise with two firms. It also released the 8 sets of "Viewpoints" on FCG, the elements of the envisaged framework, and a document titled "Linkages between IESBA Viewpoints and ISQM 1".

The IESBA decided to develop "*a single, overarching requirement in the Code, supported by limited application material referencing the eight proposed interconnected FCG elements… Practical guidance and educational materials to support awareness-raising and consistent adherence to the Code's ethical provisions will be developed in parallel in collaboration with firms, jurisdictional standard setters, and professional accountancy organizations*". At the September 2026 meeting the IESBA discussed a first draft of the FCG provisions in the Code and an action plan to develop Non-authoritative Material (NAM). The draft will be revised based on the deliberations at the October mid-quarter meeting, with the aim to approve an ED in December 2026.

2.1. Behavioral changes as the ultimate goal of the project and relevant scope

Ethical failures within firms often originate from weaknesses in culture, incentives and governance arrangements. Accordingly, the PIOB supports the project objectives which aim at addressing the drivers of behavior through areas deriving from the 8 FCG

elements, such as leadership, oversight and governance, independent input, firm-wide accountability, incentives and disincentives, open discussion and challenge, education and training, and transparency. An ethical culture that is integrated in the firm's strategy covering all service lines with supporting performance indicators, measurement and monitoring, can guide a systematic approach to continuous improvement. Ethics should be consistently applied across all professionals, regardless of their backgrounds or roles, and across all service lines.

A focus on firms as multi-service organizations, encompassing audit and non-audit activities, network arrangements operating across jurisdictions, and the evolving ownership and governance structure of firms, is crucial to ensure that the intended Framework supports ethical behavior. While networks are outside the scope of the overarching requirement, their influence on firms' culture and governance can be significant. Accordingly, when developing the Code provisions and the planned NAM, consideration should be given to how interactions between networks and firms affect these elements. Implications of legal structures, including Private Equity Investments (PEIs) and related incentive arrangements, should be considered as well in the development of the project (please refer to Section 2 of this document). The importance of scalability and compatibility with local legal frameworks needs to be emphasized, acknowledging that the regulation of firm ownership and legal structures remain the responsibility of regulators.

The PIOB has encouraged the IESBA to pursue a principle-based and enforceable Framework, that promotes effective ethical behavior, rather than being a mere "compliance" exercise, while providing transparency and strengthening confidence among users of professional services and the public at large.

2.2. Clarity with the objectives of the Framework and interoperability with ISQM 1

Ethical behavior and independence are fundamental drivers of audit quality and are embedded within quality management requirements, although ethics affects all service lines, not just audit and assurance. While the PIOB considers that the "Linkages between IESBA Viewpoints and ISQM 1" is an informative document, it recommends the IESBA to clearly articulate, in the document planned to accompany the ED, how the FCG framework will complement ISQM 1 and how it will also address identified gaps from an ethics standard-setting perspective. As part of this work, it will be beneficial to have a clear explanation of how the FCG Framework provisions would apply in practice and be enforceable, particularly for firms that have already implemented ISQM 1, including when voluntary implementation has been extended to other service lines, besides audit and assurance. Coordination with the IAASB on the development of the document is crucial.

Recognizing the diversity of views across stakeholder groups outreached throughout the development of the project, with some expressing support and others expressing limited or no support, the PIOB stresses that due process would benefit from a more detailed articulation of the identified gaps in ethics standards and how the Framework will achieve the public interest objectives it intends to address. For this reason, continued engagement with stakeholders, including with groups that are outside the audit and assurance system, is strongly recommended, both in developing the Exposure Draft and in evaluating the feedback received after public consultation. Such engagement would help ensure that the final outcome serves the public interest and is responsive to stakeholder perspectives.

3. UPDATED - PRIVATE EQUITY AND OTHER EXTERNAL INVESTMENTS

Background

Private equity and other external investments (PE&OEI) in accounting firms have been increasing in recent years, particularly as firms seek capital to grow, invest in technology, or expand service offerings. As this trend is impacting the traditional structure of many accounting firms, the topic has become relevant to several on-going projects and initiatives of the IESBA.

The IESBA agreed in September 2024 to monitor PE&OEI developments through its former Emerging Issues and Outreach Committee (EIOC) to understand their broad implications for firms. Separately, the FCG project proposal approved in December 2024 recognized that external investments can impact a firm's culture and noted the need to consider any FCG-related issues identified by the former EIOC. In addition, in July 2025 the IESBA issued a Staff Alert regarding Private Equity Investments (PEI) in accounting firms, which provides guidance on how to apply the Code, particularly its conceptual framework, to different investment arrangements.

Status

Given the rapid evolution of these investments in some jurisdictions, the IESBA launched a workstream in March 2026 to undertake information gathering about the current developments around PE&OI in Accounting Firms and analyze potential ethics and independence issues. As of July 1, 2026, the IAASB has established a PE&OEI Project Team to work collaboratively with the IESBA Project Team. The Project Teams will assess whether there is a need for any standard-setting initiatives by no later than March 2027.

3.1. Addressing PE&OEIs ethical and independence implications

The PIOB supports evidence-based standards that address real risks in market practice to the public interest and as such welcomes the IESBA's commitment to performing a robust analysis of the ethics and independence considerations of PE&OEIs, including addressing emerging questions in areas such as the type of service arrangements between firms and the PEI providers and exit scenarios for PEI in relation to the replacement of external investment or return to partner capital. It is recognized that the IESBA may face some limitations with respect to information gathering given confidentiality clauses in service arrangements and the fact that there is no significant experience to date of PEI exits from firms.

As part of its information gathering activities, the PIOB encourages a phased approach to the analysis, including proactive outreach with jurisdictional standard setters and audit regulators. This would allow IESBA to leverage on any relevant regulations or developments and inspection findings, to promptly identify emerging needs, such as gaps in the Code or lack of clarity in its application, that may require standard setting.

3.2. Coordination with the FCG project and with the IAASB

The PIOB encourages the IESBA to consider how and to what extent the development of an exposure draft for the FCG project, as referred to above, will consider relevant findings from the PE&OI workstream.

In addition, close coordination with the IAASB on the risk assessment aspects of the PE&OEI, in the context of its quality management standard (ISQM 1), is crucial to ensure consistency and coherence in their approaches. Accordingly, the establishment of the IAASB Project Team is an important step in advancing this objective.

4. UPDATED - TECHNOLOGY

Background

Technology remains a key strategic area in the IESBA's work program following the completion of the Technology-related Revisions to the Code (effective December 2024), which strengthened requirements and guidance on ethical behavior in a digital environment. The current focus has shifted towards monitoring emerging technologies such as AI, identifying new ethical risks and considerations, and developing supporting material (NAM) to assist professional accountants (PAs) in applying the Code in this evolving environment.

Status

In July 2026 the IESBA published an overarching NAM, which introduces a characteristics-based framework, focusing on common features of emerging

technologies. This publication is expected to be complemented with more targeted guidance focused on AI, in the upcoming quarters.

The September 2026 meeting focused on the increasingly integrated alliances between accounting firms and technology providers, particularly AI companies. The IESBA considered the potential ethical implications of such alliances, the relevance of specific provisions in the Code of Ethics, and the next step to gather information for a deeper understanding of the developments in this area.

3.1 Impact of technology on ethics and independence

Digitalization profoundly impacts the role of professional accountants, including auditors, transforming the way they conduct their work and the skills required to perform their activities. With respect to ethics and independence, new risks from the use of technologies, especially AI, have appeared.

The PIOB therefore supports the IESBA's plan to remain attentive to market developments and to provide professional accountants with new practical guidance, specifically in light of fast-moving developments in AI, including "agentic" as well as "generative" AI. The PIOB is equally supportive of the IESBA monitoring of the alliances between audit firms and technology providers, as they may require responses in areas of the Code such as professional competence and due care, close business relationships, non-assurance services, network firm considerations, interactions with PE&OI arrangements, self-interest threats.

The overarching NAM released in July 2026 is a constructive step as it reinforces the application of the conceptual framework in the Code and emphasizes the importance of professional judgment and of an inquiring mind.

In the context of NAM, the PIOB draws attention to the public interest issue about balancing agility and standard-setting activities (see relevant Section in this document).

Because the technology-related risks are highly relevant for audit quality, assurance engagement and use of automated tools in evidence gathering, the PIOB reiterates the importance of close coordination with the IAASB. Aspects which both Boards will have to tackle include what constitutes sufficient human oversight and how to address potential accountability gaps, due to risks of PAs' overreliance on technology.

It is also important that both Boards benefit the most from their existing technology expert groups, to ensure an appropriate understanding of the strategic risks associated with technology.

5. UNCHANGED - SUSTAINABILITY REPORTING AND ASSURANCE AND PART 4B OF THE CODE

Background

The IESBA approved the *"International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting"* (also referred to as the "standards" or IESSA), in December 2024. Following the PIOB certification of the IESBA and IAASB sustainability standards at the beginning of 2025, market participants and policymakers around the world benefit from a robust global baseline to instill confidence in sustainability reporting. Sustainability reporting has wide relevance for users both within and outside of capital markets and requires additional information sources as well as the exercise of key judgments beyond financial reporting. There are also heightened risks, such as greenwashing, where organizations might seek to misrepresent their performance. Avoiding such risks, which could undermine public trust and capital flows into sustainable development, is clearly in the public interest.

The new IESBA sustainability standards for robust and consistent ethics and independence for sustainability reporting and assurance were developed in an accelerated timeline, to meet the expectations of users placing reliance on reported information. The next step will be a successful implementation of the sustainability standards, which does not only require further work of the IESBA, but also significant input from assurance practitioners, regulators, preparers and those charged with governance[1].

Status

Given concerns raised during consultation on IESSA about potential uneven application of independence standards, and the lack of a level playing field across practitioners, the IESBA established a Project Team (Part 4B PT) in 2025, regarding the independence standards for sustainability assurance engagements outside the scope of the International Independence Standards in the IESSA, to evaluate the adequacy of Part 4B in addressing the independence considerations for such engagements and whether the independence standards in Part 4B should be profession-agnostic. Please refer to the sections below which explain the different scope of Part 5 and Part 4B in

[1] *The PIOB notes that, in the context of implementation of the global standards on ethics and independence for sustainability reporting and assurance, there are public interest matters beyond the remit of the IESBA. The implementation will require a robust level of public interest oversight, where regulators and those charged with governance have a role to ensure that preparers of the sustainability information as well as assurance practitioners have the appropriate skills and experience and comply with ethical reporting and assurance standards.*

the Code and relevant application by Professional Accountants and other Practitioners.

At the June 2026 meeting the Part 4B PT presented the final report and the IESBA concluded not to initiate a standard-setting project. The IESBA will continue monitoring the implementation of the standards through the IESSA Implementation Monitoring Advisory Group (IIMAG), reassessing the need for actions as more evidence emerges.

The Public Interest Issues below reflect the areas that require further considerations in the context of the necessary evolution of the standards.

5.1. Supporting implementation through monitoring and rapid response

As sustainability reporting and assurance is a relatively new field, it is foreseen that questions will arise, and clarifications will be needed across jurisdictions as sustainability practitioners start implementing the standards. Such challenges might arise, for example, in respect of expected involvement of those practitioners who are less familiar with the IESBA standards or in relation to the deferral of the effective date of the independence clauses for value chain components.

The PIOB encouraged the IESBA to create an effective monitoring and rapid response mechanism(s) to identify implementation challenges and to respond to them appropriately. In this context, the IIMAG has been providing insights, feedback or advice on identified areas relating to the implementation of the IESSA. Engaging with all relevant stakeholders, as an integral part of the monitoring and rapid response mechanism(s), will help ensure successful adoption and implementation of the IESSA through wide collaboration within the sustainability ecosystem, which is undergoing constant evolution in various jurisdictions.

The PIOB also emphasized the need for coordination with the IAASB and welcomed the appointments of an IAASB observer on the IIMAG and an IESBA observer on the corresponding working group of the IAASB, as well as joint outreach activities and publication of supporting implementation materials.

5.2. Scope of new Part 5 and applicability of Part 4B of the Code

The certified standards were scoped to cover specific types of assurance on sustainability information as defined in the new Part 5 of the Code. This approach was considered appropriate at the time of certification, with an acknowledgement that further work was needed to achieve consistency in the standard's application for all sustainability assurance practitioners. There remains a difference in the application of the Code between professional accountants on one hand, and other practitioners who are not professional accountants, on the other:

- Both professional accountants and other practitioners shall apply Part 5, which covers specific types of assurance on sustainability reporting with respect to sustainability information that is reported according to a general-purpose framework and required according to law or regulation, or publicly disclosed to support investors' and other stakeholders' decision making.
- Only professional accountants shall apply Part 4B, which relates to other sustainability assurance services which are not covered under the scope of independence requirements in Part 5. Other practitioners are only encouraged to apply the requirements of Part 4B.

Having a level playing field for all sustainability assurance practitioners, in the long term, is in the public interest because of the benefits for users to have reliable and trustworthy sustainable information as well as the quality of assurance.

In light of the evolving sustainability assurance landscape, with significant variation in terms of application across jurisdictions, the IESBA has been gathering evidence about the current status of the sustainability assurance market.

The information-gathering effort has revealed that many engagements remain voluntary or limited in scope and that information on Part 4B engagements is often incomplete or unavailable, particularly for voluntary or non-PA engagements. These factors have contributed to the IESBA decision, in June 2026, not to proceed with standard-setting (Part 4B of the Code). This conclusion is considered appropriate at this stage, given the competing public interest priorities and the limited or inconsistent information available.

The PIOB encourages the IESBA to keep monitoring market and regulatory developments, in case public interest priorities need to be revised. In this context, the potential expansion of the scope of the Code, as described in the relevant section 7 of this document, may need to be considered again in the future.

The high proportion of sustainability assurance engagements with no disclosed ethics framework and limited transparency regarding independence requirements applied, warrants ongoing monitoring. Users of sustainability assurance reports may not understand the basis of independence and be exposed to uncertain assurance quality. This suggests a need to consider whether transparency should be strengthened, and how awareness of the Code of Ethics could be raised.

5.3. Strengthening NOCLAR communication

The certified IESSA standards require communication on suspected or actual non-compliance with laws and regulations (NOCLAR), from the sustainability assurance practitioner to the financial statements' auditor, or vice versa, unless prohibited by law or regulation. This requirement is currently only applicable if the sustainability

assurance client is also an audit client, or a component of an audit client, of the same firm. In other instances, the standard only requires that the assurance practitioner shall consider whether to communicate, which is consistent with the general approach of the Code.

The IESBA's plan to consider whether to expand and strengthen this requirement, in a holistic way and in the near term, is described below.

Two-way NOCLAR communication between the financial statements' auditor and sustainability assurance practitioner, in all instances

The PIOB underlines the importance of two-way communication between different assurance practitioners to ensure adequate and timely follow-up of identified instances of suspected, or actual, NOCLAR, which may include suspected greenwashing, in both the financial statements audit and the sustainability assurance engagement.

While communication may be easier in instances where the group and component sustainability assurance practitioners, as well as the financial statements auditor are from the same firm, the communication is necessary in all instances to address the risk of an uneven level-playing field for all assurance arrangements.

Two-way communication between the group sustainability assurance practitioner and assurance practitioners of the value chains

The PIOB notes that the approved standards only contain requirements for communication between the group sustainability assurance team and sustainability assurance practitioners of group components. There is no required communication by another practitioner performing work for the group assurance practitioner at a value chain component.

The IESBA is encouraged to address the need for timely broader two-way communication in the context of NOCLAR between all relevant assurance practitioners. In this context, the PIOB welcomes that the IESBA has committed to address the NOCLAR communication matter throughout the Code in a holistic manner and that it has commenced the NOCLAR post-implementation review.

6. UPDATED - COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS

Background

The definition of "Public Interest Entity" (revised in 2022) does not explicitly include Collective Investment Vehicles (CIVs) and Pension Funds (PFs), but the Code contains a strong encouragement for local bodies to consider adding CIVs and PFs as categories of PIEs in their own jurisdictions. The PIOB supported this approach while

strongly encouraging the IESBA, at the time, to undertake further research activities in respect of CIVs and PFs, specifically with respect to their interaction with related entities, and relationships with and between trustees, managers and advisors.

Status

In line with the approved Strategy and Work Plan for 2024-2027, the IESBA conducted research on this area in 2024.The initial conclusions were that unrelated third parties, that undertake significant management responsibilities on behalf of CIVs and PFs, are currently not explicitly captured by the Code's definitions of "audit client" and "related entity". Therefore there is a risk that auditors would not apply the conceptual framework in a consistent manner.

Based on information gathered, including responses to a Consultation Paper, the IESBA agreed in December 2025 to develop NAM to provide greater clarity and support the consistent application of the Conceptual Framework. This project was put on hold due to other emerging priorities, such as PE&OEI. As of October 2026, there is no indication on when the project will be resumed.

6.1. Incorporation of CIVs and PFs into the Code

The PIOB acknowledged the intention of the IESBA to consider potential enhancements to independence provisions in the Code rather than reconsidering inclusion of CIVs and PFs explicitly in the PIE definition.

In this context, the PIOB supported the IESBA's activities, including issuing a Consultation Paper, to identify to what extent there is currently a public interest "gap" in coverage of the Code – i.e. risks arising from the absence of the specific independence provisions addressing audits of CIVs and PFs, before proposing any amendments to the Code.

The analysis conducted, as reflected in the Project Team's final report, provided clear evidence about the need for supporting guidance on the proper and consistent application of the Conceptual Framework in this area.

As noted in the final report, it is encouraged to consider a phased approach, over time, to develop application material that can be incorporated in the Code In this context, the PIOB draws attention to the public interest issue about the development of NAM.

It will also be important to ensure that risks to the public interest are clearly articulated so that the guidance is tailored appropriately, also with scalability in mind, in order that it meets the public interest without unintended consequences.

The PIOB also encourages the IESBA to investigate potential similar issues arising across CIVs and PFs and private equity investments (see Section 3) to ensure their consistent treatment in the Code.

Given the significant role of CIVs and PFs in the global economy, clear guidance on the application of independence requirements to the audit of these structures remains an important matter to be addressed. Accordingly, the PIOB recommends that the project is resumed as soon as practicable, in line with strategic priorities (see Section 1).

6.2. Engagement with investors and other respondents

The PIOB underlines that the independence of auditors is fundamental for fostering trust in financial reporting and decision making. The Consultation Paper directly addressed independence challenges and provided relevant feedback to understand how independence may be compromised, either in substance or appearance, due to relationships with "connected parties" of CIVs and PFs.

Recognizing the strong interest expressed by investor stakeholder groups in the matters addressed in the Consultation Paper, the PIOB encourages the IESBA to further engage with the investor community in the development of NAM, once the project is resumed. This dialogue remains important to gain deeper insights into the key concerns and challenges surrounding auditor independence in the context of CIVs, PFs, and similar structures, and explore potential approaches for effectively addressing these public interest issues.

7. UNCHANGED - POTENTIAL EXPANSION OF THE SCOPE OF THE CODE OF ETHICS

Consideration of the potential expansion of the impact of the Code, including possibly expanding the scope and application of the Code, is part of the IESBA's 2024-2027 Strategy and Work Plan, which the PIOB concluded in April 2024 has been developed in a manner consistent with agreed due process and is responsive to the public interest. The PIOB has already acknowledged the intention of the IESBA to expand the applicability of Part 4B to other practitioners who are not professional accountants (see Section 5.2 for details).

As the IESBA considers further expanding the applicability of the Code to individuals other than professional accountants, the PIOB underlines the importance of clear articulation of the anticipated benefits as well as any specific risks from the public interest perspective. Robust engagement would be imperative with investors, users, regulators and stakeholders both within the accountancy profession as well as among other professionals who would be the subject of any such extension of application of the Code. Equally, a wider impact analysis would be required to identify any potential unintended consequences regarding the efficacy of the Code as a whole where professional accountants are concerned. By way of example, this analysis would cover

potential risks arising from the use of more universal language in any extension to enable other professionals to understand and apply the Code.

In summary, taking into account all the relevant perspectives, a potential extension of the application of the Code will require time and resources and therefore impact on other areas of IESBA's work. Therefore, careful evidence-based evaluation of priorities will be needed, considering the significance of risks to public interest issues to be addressed.

The IESBA's mandate to serve the public interest lies in setting ethics standards, including independence, as a cornerstone to ethical behavior. By definition, this mandate is distinct from, while complementary to, the remit of regulators. Preserving this complementarity while guarding against any overlap will help ensure that the Code continues to be responsive to the public interest and assist regulators in achieving efficient regulation.

8. UNCHANGED - CLASSIFICATION OF ASSURANCE SERVICES AND THEIR IMPACT ON INDEPENDENCE

The Code prescribes that auditors of financial statements consider potential threats to their independence in cases when a large proportion of fees charged to their clients is generated by providing services other than audit (paragraph 410.11 A1). Under the current approach, the non-audit services which trigger the application of these provisions include all assurance services, with the exception of reviews of financial statements (paragraph 410.3 A3) and sustainability assurance within the scope of the new Part 5 of the Code (paragraph 410.11 A2a). Consequently, a wide range of assurance services are considered as threats to auditors' independence, based on IESBA's view that they have a lower level of public interest.

Recognizing the importance of the principle-based nature of the Code and its coherence, the PIOB is concerned about the public interest implications of such an inconsistency in the treatment of assurance services and the resulting stringent independence requirements. From the user and broader external perspective, the inconsistent treatment of different types of assurance creates unnecessary complexity which is not conducive to the credibility of the auditor and the assurance work performed. On these grounds, the PIOB encourages the IESBA to reflect on the public interest benefit of overall coherence in the approach with respect to independence of the financial statement auditor in the Code.

OVERARCHING PUBLIC INTEREST MATTERS

9. UNCHANGED - INTEROPERABILITY OF ETHICS AND AUDIT: IESBA AND IAASB COORDINATION

The PIOB notes that ethics and audit are two sides of the same coin, both from practitioners' and users' perspectives, as standards need to be interoperable to properly serve the public interest.

The PIOB acknowledges that the IESBA and IAASB coordinate their efforts at different stages of the development cycle of standards to determine potential implications on their respective projects, in alignment with the Public Interest Framework. In some instances, however, due to the complexity and nature of the topic and the challenge of achieving coherence in the standards, projects would require further joint efforts e.g. through joint board sessions, joint project teams, and potentially also by recasting some projects as joint projects.

A joint approach will enable the IAASB and IESBA to identify risks, opportunities, and impacts at an early stage for topics that overlap between ethics and audit and assurance. Clear communication of these matters will enhance stakeholders' understanding of the respective roles of ethics and audit and assurance, as well as their interdependence. The PIOB therefore encourages the IESBA and IAASB to consider whether to deepen the cooperation and coordination in the following projects and initiatives:

- Implementation of Sustainability standards (see Section 5 and IAASB Public Interest Issues),
- Technology (see Section 4 and IAASB Public Interest Issues),
- Firm Culture and Governance and ISQM1 (see Section 2),
- Private Equity Investments (See Section 2)
- Definition of Public Interest Entity (see IAASB Public Interest Issues)
- Evolution of the use of NAM (see Section 10 and IAASB Public Interest Issues).

In this context, the PIOB strongly supports the proposal to launch a joint survey by the IESBA and IAASB to inform the preparation of the Boards' next Strategies and Work Plans, which raises awareness among stakeholders of the critical role that both standard-setting boards play in the development of high quality interoperable ethical and assurance standards.

10. UPDATED - EVOLUTION OF THE USE OF NON-AUTHORITATIVE MATERIALS AND OVERSIGHT

Background

In the current hierarchy of the IESBA's publications, NAM provides practical, voluntary guidance to help in the application of the Code. NAM does not override or modify the Code but supports its consistent implementation and application in practice.

In a number of ongoing workstreams, questions are arising about this hierarchy in view of the evolution in the use of NAM and the role of public interest oversight.

The IESBA is currently developing NAM for the FCG project (see Section 2) and Technology (see Section 4). Additionally, the IESBA intends to use NAM in the area of CIVs and pension funds (see Section 6). Similarly, the IAASB is using NAM to address technology quality management.

10.1. NAM Development and oversight

The Code's principle-based requirements are designed to be neutral to legal structures or specific technologies. In this context, NAM is considered a timely and effective tool to support consistent application of those principles in practice, allowing IESBA to address specific circumstances, the rapid evolution of emerging technologies, and raise awareness while maintaining the principle-based nature of the Code.

The increased use of NAM, however, raises public interest concerns about their non-authoritative nature and the fact that its development is not subject to due process, not requiring public consultation and PIOB certification. It is therefore important to balance the need for agility in rapidly changing environments with transparency and public interest oversight. This includes leveraging specialized expert input with limited consultation while retaining the IESBA's ownership and accountability for NAM content.

Moreover, attention should be paid to the risk that overreliance on NAM could result in a perception that they are de facto requirements, thereby compromising principles-based standard-setting.

Public interest oversight may also need to evolve to help achieve this balance and ensure that NAM does not replace standard setting where this is needed.

10.2. Coordination and consistent approach for both SSBs

As some of the topics for which NAM are developed by each SSB are interrelated, it is essential to coordinate the technical contents of the materials and take into account possible impacts of NAM issued by IESBA on the IAASB's projects, and vice versa.

The PIOB also emphasizes the importance of establishing transparent and consistent approaches for both boards (IAASB already expressed its intention to use a specific mechanism for the development of its technology-related NAM that requires formal

board approval). Such approaches, although outside of the due process established for authoritative standards, would enhance the credibility and authority of the NAM in the public interest.