

**Final Minutes of the 57th Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
Held on March 12-14, 2018 in New York, United States**

Voting Members

Present: Stavros Thomadakis (Chairman)
Richard Fleck (Deputy Chair) (Day 1 only)
Michael Ashley
Brian Caswell
Brian Friedrich
Hironori Fukukawa
Kim Gibson
Liesbet Haustermans
Robert Juenemann
Winifred Kiryabwire
Caroline Lee
Aldeun Leung
Myriam Madden
Ian McPhee
Reyaz Mihular
Patricia Mulvaney
Jens Poll
Sylvie Soulier

Technical Advisors

Saadiya Adam (Mr. Mihular)
James Barbour (Mr. Ashley)
David Clark (Ms. Soulier)
Gregory Driscoll (Ms. Lee)
Jens Engelhardt (Mr. Poll)
Ellen Gorla (Ms. Madden)
Josephine Haste (Mr. McPhee)
Selena Ho (Mr. Leung)
Gina Maldonado-Rodek (Ms. Gibson)
Nigyar Mamedova (Mr. Juenemann)
Andrew Pinkney (Ms. Mulvaney)
Sundeep Takwani (Ms. Kiryabwire)
Toshihiro Yasada (Mr. Fukukawa)

Apology: Denise Canavan

Non-Voting Observers

Present: Kristian Koktvedgaard, IESBA Consultative Advisory Group (CAG) Chair, and Takuya Emoto, Japanese Financial Services Agency (FSA)

Public Interest Oversight Board (PIOB) Observer

Present: Aileen Pierce

IESBA Technical Staff

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Senior Technical Director), Diane Jules (Deputy Director), Geoffrey Kwan, John Morrow, Szilvia Sramko

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Dr. Thomadakis welcomed all participants and public observers to the meeting. He welcomed especially the official observers, Ms. Pierce, as PIOB observer, Mr. Emoto, from the Japanese FSA, and Mr. Koktvedgaard, IESBA CAG Chair.

Dr. Thomadakis also welcomed and introduced the new members, Prof Kiryabwire, Messrs. Friedrich and Leung, Ms. Madden, and Prof. Dr. Poll, and the new technical advisors Dr. Engelhardt, Messrs. Driscoll and Takwani, and Mss. Haste and Ho, as well as new IESBA technical manager Ms. Sramko.

Dr. Thomadakis congratulated Mr. Gary Hannaford on having just been named the recipient of the Lifetime Achievement Award from CPA Manitoba.

Regarding participation, Dr. Thomadakis noted that Mr. Don Thomson, Chair of the e-Code Working Group and former Structure Task Force Chair would attend the last two days of meeting.

PLANNING COMMITTEE UPDATE

Dr. Thomadakis reported that the Planning Committee met in person in December and via teleconference in January and February to discuss the draft IESBA response to the November 2017 Monitoring Group consultation paper on the review of the governance and oversight of international audit-related standard setting, and the proposed Strategy and Working Plan consultation paper.

2018 MARCH CAG MEETING

Dr. Thomadakis debriefed the Board on the CAG meeting held the previous week. He thanked the Task Forces and the staff for preparing the agenda papers to that meeting and invited Mr. Koktvedgaard to share his observations and remarks. Mr. Koktvedgaard also acknowledged the quality and timeliness of the agenda papers and reported that the CAG expressed general support for the work of the various Task Forces and Working Groups.

RECENT OUTREACH AND RELATED ACTIVITY

Dr. Thomadakis thanked the Board members who participated in the recent activities. He informed the Board that Mr. Hannaford and Ms. Jules participated in the Audit Training for Trainers World Bank Webinar in February. He also encouraged all IESBA members and Technical Advisors to be actively involved in outreach activities this year.

Dr. Thomadakis announced that the annual meeting with national standard setters (NSS) would take place in May, in Vienna.

As part of the coordination between the Standard Setting Boards (SSBs), Dr. Thomadakis reported that Ms. Soulier presented a webinar to participants from the International Auditing and Assurance Standards Board (IAASB) about the revised and restructured Code in February. Dr. Thomadakis also had a coordination call with the Chair of the International Accounting Education Standards Board (IAESB), and there was commitment to maintaining regular contact.

Ms. Soulier debriefed the Board on the active ongoing coordination with the IAASB. She and Ms. Zietsman, Deputy Chair of the IAASB and IAASB liaison to IESBA, participate in the CAG meetings of each other's Boards to follow the projects and the Task Forces' activities. Ms. Soulier highlighted also that there is a closer coordination between Mr. Ashley and her with the IAASB ISQC 2 Task Force. She noted that

sometimes there is a lack of mutual understanding between the two Boards, and the aim of the coordination is to ensure that the ongoing project of the IAASB aligns with the Code. Dr. Thomadakis also reported on his on-going coordination with the Chair of the IAASB.

Mr. Siong updated the Board on two activities related to the coordination between the SSBs: the development of a document that summarizes general principles for, and approach to, coordination with the IAASB, which has already been reviewed by the Planning Committee and would be reviewed by the IAASB Steering Committee; and an initiative related to the alignment of the restructured Code with ISAE 3000 (Revised). The alignment initiative is at the early stages, and a project proposal might be developed for the Board's consideration later in the year.

MINUTES

The Board approved the minutes of the December 2017 meeting as presented.

2. Professional Skepticism

Mr. Fleck introduced the topic, reviewing the background of the longer-term professional skepticism (PS) initiative.

He reported that in the course of responding to previous consultations relating to PS, many commentators had commented that PS should apply to all professional accountants (PAs) – not just those who practice auditing – and that the Code should explain the role of PS in relation to non-audit services. Commentators also had noted that the Code should acknowledge that PS enables compliance with the fundamental principles (FPs) and that the three SSBs (IESBA, IAASB and IAESB) should cooperate on the issues arising. At the same time, some commenters had cautioned against potential unintended consequences.

With finalization of changes to the Code in December 2017 explaining how compliance with the FPs supports the exercise of PS in the context of audit and other assurance engagements, the Working Group had turned its attention to these longer-term issues. As a result, the current work stream is focusing on (1) the behavioral characteristics comprised in PS, (2) whether all PAs should exercise these characteristics, and (3) whether the Code should be further developed to deal with these matters.

Mr. Fleck addressed the public's expectations of PAs for PS, listing the related behavioral characteristics identified by the WG, as the basis for moving the thinking forward. He explained the Working Group's recommendation that the Board hold three global roundtables to engage directly with stakeholders and seek their early views on the issues being explored. The Board accepted the recommendation and resolved that the roundtables be held as follows:

Washington DC, USA	Monday, June 11
Paris, France	Friday, June 15
Tokyo, Japan	Thursday, July 12

This longer-term work stream was discussed with the IESBA CAG at its March 5 meeting. The CAG supported the approach being proposed for the longer-term initiative, including the proposed outreach via the consultation paper (CP) as well as the planned roundtables. Some on the CAG cautioned that the ultimate outcome should not adversely affect PS in the audit and assurance context, and that there should be appropriate linkage to the FPs. The CAG also commented on the importance of application material, noting that "one size does not fit all" members of the profession. Finally, the CAG emphasized the

importance of supporting any IESBA initiative with an effective education programme, which would require collaboration with the IAESB.

Mr. Fleck advised the board of the regular conference calls among the chairs of the PS Working Groups of each of the three SSBs. He reported that in the most recent call, the IAASB representatives had noted the IAASB chair's support for IAASB representation in the planned roundtables. In addition, the IAASB representatives had committed to providing comments (possibly including an additional paragraph and a question) on the draft CP. Mr. Fleck assured the Board that this relationship and coordination would continue constructively.

IESBA members were supportive of the work done by the Working Group and the proposed path forward, including the draft CP. Among other matters, Board participants raised a number of comments or suggestions for the Working Group's further consideration:

- The concept of "scalability" of PS should be developed in the paper because some circumstances would call for the exercise of greater skepticism and some less.
- Bias of the information provider should also be considered, in addition to bias of the person analyzing the information.
- The initiative could lead to the fundamental principles being re-opened for review. The WG should explore linking the concept to multiple FPs as has been done with independence.
- Whether PAs should actively seek evidence that contradicts assertions being made by others as opposed to evidence to corroborate such assertions, which is the direction in which auditing standards appear to be evolving.
- The paper should be clear that PS is not limited to audit work or work with large entities.
- Whether, in addressing the fundamental question of the applicability of PS across the profession and not just to auditors, there a risk of creating a fracture within the profession, and if so, whether that would serve the public interest.
- "Critical analysis" could be an alternative term to critical thinking/critical mindset because this term might be easier to convey and understand. In any event, it would be important to stress test and "future proof" any new terms that are being considered.

An IESBA member expressed a particular concern that reserving the term "professional skepticism" only for those PAs who are auditors could create a fractured profession between auditors and non-auditors, and whether this result would serve the public interest. The IESBA member felt that a term such as "challenging mindset" would not translate well, nor embody what is meant by PS. The IESBA member added that in exercising PS, the PA should take on a mindset consistent with an investigative behavior in regard to the activity being performed while being mindful of any form of bias entering the PA's assessment. The IESBA member was of the view that developing such a mindset should form part of the education of the PA. Finally, the IESBA member suggested that a new FP might need to be developed to embody PS as a behavior expected of all PAs, no matter how they practice the profession.

Dr. Thomadakis remarked that the paper could indeed give rise to divergent views, and the IESBA must be prepared to bridge those differences as it has done in the past. He reiterated that the Board's mandate covers all PAs. He stated that if after analyzing the feedback to the CP and roundtables, the Board concludes that the FPs are not sufficient the Board would have to revisit them. Finally, he cautioned that this effort should not turn into a terminological debate and that the Board needs to find the best way to respond to the public expectations.

Ms. Pierce expressed that the paper should not lose the concept of “challenge,” in terms of the PAs’ responsibility to question information presented that does not make sense to them. She further commented that PS is not only about diligence. Finally, she noted the continuing need to coordinate with the other SSBs.

WAY FORWARD

Mr. Fleck thanked the Board for the input, noting that the Working Group would be targeting mid-April for a revised CP to be sent to the IESBA for fatal flaw review, followed by a Board teleconference shortly thereafter to consider the final draft with a view to approving it for release. He noted that it is imperative for the Board to issue the CP by mid-May so that there is sufficient time to circulate it to stakeholders before the roundtables.

3. Non Assurance Services (NAS)

Mr. Fleck introduced the topic, emphasizing that the aim of the NAS initiative is to consider a broad range of public interest issues relating to the permissibility of NAS to audit clients. He noted that among other matters, the Working Group would be exploring:

- What the general policy objective should be;
- Whether the Code should continue to have materiality or significance as a consideration for determining whether certain NAS can be provided to audit clients;
- Whether the Code should continue to have different provisions for public interest entities (PIEs) and non-PIEs;
- The nature and extent of the “black list” that should be included in the Code;
- Whether the Code should require those charged with governance (TCWG) to pre-approve NAS or NAS fees; and
- Whether the Code should include explicit requirements regarding NAS or NAS fees disclosures.

Mr. Fleck noted that there is some overlap between the NAS initiative and the fees fact-finding initiative, and that the two Working Groups are already liaising closely.

Mr. Koktvedgaard highlighted some of the more significant feedback from the CAG, as follows:

- While there was support for undertaking benchmarking to understand the facts about the NAS provisions at the jurisdiction level, it was suggested that the IESBA caution against an approach that only seeks to harmonize provisions. Also, there was a view that the IESBA should not focus on the G-20 countries alone.
- There were questions about broader issues about audit quality and auditor independence that might arise from the multi-disciplinary consulting and advisory services provided by firms and network firms (i.e., firms’ business model).
- There was a view that the Code should include an explicit presumption that emphasizes that certain types of NAS, e.g., preparing financial statements, are significant or material in terms of threats. It was also suggested that the Code include additional guidance about how to apply the concepts of materiality and significance.

Mr. Siong briefed the Board on the relevant discussions at the International Forum of Independent Audit Regulators (IFIAR) Standards Coordination Working Group’s February 2018 meeting.

IESBA members generally supported the Working Group's proposals and commented as follows:

GENERAL

- There was a view that the conceptual framework in the Code contemplates new and emerging NAS that may not already have been identified. As a matter of principle, IESBA members generally believe that it is important for the Code to remain principles-based. There was a caution against an approach that involves establishing explicit “black” and “white” lists, which would require significant maintenance when new NAS emerge due to evolving businesses and technologies. It was suggested that the:
 - IESBA should not lose sight of the fact that the Code establishes global standards and that NAS provisions at the jurisdiction level may reflect local law and regulation as well as political motivations.
 - The roundtables might provide a useful forum to explain how the conceptual framework should be applied in the context of providing NAS to audit clients, and to highlight that supplemental publications might be a useful way to emphasize and explain the material that is already dealt with in the Code.
- Notwithstanding the continued relevance of the conceptual framework, it was noted that the list of NAS that are dealt with in the Code was established in 2011, and that it should be revisited to consider the need to address new and emerging services (e.g., cyber security services etc.).
- It was suggested that the Working Group revisit the statements in Code that describe the likelihood of a particular threat being created by providing a specific type of NAS (i.e., “...might create a threat...” versus “...will likely create a threat...”).
- Questions were raised about the exceptions to the NAS prohibitions that are included in the Code, and whether they undermined the robustness of the underlying requirement.
- It was suggested that the overlapping issues between the NAS and fees initiatives should be clearly articulated. It was agreed that the IESBA would revisit those overlapping issues at the June 2018 meeting when the Fees Working Group presents its final report.

PIES AND NON-PIES

- In relation to the question about whether the Code should continue to have different provisions for PIEs and non-PIEs, on one hand some IESBA members agreed with the Working Group's recommendation to first focus on addressing PIE concerns; on the other hand, others questioned the rationale for such an approach. IESBA members acknowledged that the NAS concerns were primarily from the regulatory community and were often about PIEs.
- It was also noted that the definition of a PIE is not applied in a consistent manner across jurisdictions, which might present a challenge for the Working Group.

MATERIALITY

- There was general agreement that the Working Group should revisit the NAS prohibitions with a “materiality threshold” as a qualifier for providing a NAS to an audit client.

WAY FORWARD

Mr. Fleck explained that the Working Group would use the NAS issues paper as the basis for developing a briefing paper for discussion at the three global roundtables in Washington DC, USA (June 11, 2018); Paris, France (June 15, 2018); and Tokyo, Japan (July 12, 2018). The roundtables would provide an opportunity to seek input on the specific NAS issues with stakeholders and solicit views about a possible way forward.

Mr. Fleck noted that the paper would be circulated to IESBA members for input and would facilitate a preliminary discussion with the IESBA-NSS Liaison Group at its May 2018 meeting.

The IESBA will consider the highlights of the Washington DC and Paris roundtables in June 2018 and a detailed analysis of feedback from all three roundtables in September 2018. It is anticipated that the Working Group will present an outline of a project proposal shortly thereafter.

4. Future Strategy and Work Plan

Dr. Thomadakis introduced the topic, outlining the context and environmental considerations relating to the development of the Strategy and Work Plan 2019-2023 (SWP). He summarized the key outcomes of the September and December 2017 Board and CAG discussions on the forward direction relating to the development of the SWP in the light of the responses to the April 2017 strategy survey. He also briefed the Board on the key feedback from the CAG on the proposed SWP CP the previous week, and on input received from the IFAC SMP Committee on the agenda material.

Dr. Thomadakis then explained the key elements of the proposed CP, highlighting, among other matters, the Planning Committee's proposed vision for the Code, the strategic themes, the criteria influencing the development of the work plan, and the explanations regarding how the Board manages the delivery of its SWP. Mr. Siong then outlined the pre-commitments and strategic priorities included in the CP. He also highlighted some concerns that the PIOB had communicated to the Board in February 2018 as part of the PIOB's new structured process of identifying and regularly conveying to the Board the main public interest issues the PIOB has identified in its monitoring of current IESBA projects and work streams.

IESBA members broadly supported the direction of the CP and its presentation. Among other matters, the following were raised for the Planning Committee's further consideration in refining the document:

- Whether more granularity could be provided with respect to available time and resources committed to the various pre-commitments and proposed new strategic priorities to enable stakeholders to better understand the degree of flexibility available to the Board.
- Whether the proposed strategic themes could be made more overarching in nature, focusing more on furthering the Code's relevance and impact and broadening the Board's perspectives and input, as the current themes seemed more a collection of actions.
- Whether the timelines for some of the proposed work streams were sufficiently ambitious.
- Whether greater clarity could be provided as to how the Board makes judgments about the balance between longer term and shorter term initiatives or projects.
- Whether greater emphasis could be given to the importance of coordination with the IAESB in the context of the role of education standards in promoting PAs' understanding of their ethical responsibilities.

- Making clear that not all work streams, for example, the proposed initiative on technology, should necessarily result in changes to the Code but that other outputs outside the Code would be considered.
- Whether an indication could be provided regarding the level of intensity of each work stream.

Ms. Pierce emphasized the need for timely standard setting and clear timeframes, noting that a few items included in the proposed work plan, such as PS and fees, appeared to either take a long time to come to fruition or have no deliverables after a fact finding phase. She also highlighted that there is an opportunity for the Board to consider the topic of firms' business model as part of the Fees initiative. Mr. Gunn noted that committing to specific timeframes for deliverables could constrain the scope of the issues that can be addressed for some topics. He emphasized the importance of delineating the right scope of issues to be addressed upfront and taking the time needed to deliver quality outcomes. Dr. Thomadakis noted that the topic of firms' business model goes beyond ethics and is a complex issue that requires a multi-stakeholder approach to dialogue.

APPROVAL

After agreeing all the necessary changes to the document, the Board approved the CP for release with the affirmative votes of 18 out of 18 members present. The Board set the comment period for a minimum of 90 days from the date of release of the CP.

5. Inducements

Mr. Ashley introduced the topic by informing the Board that the IESBA CAG was supportive of the Task Force's revisions to the Exposure Draft, [Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements](#) (ED), and that it had not raised any substantive issues during its March 2018 meeting.

PROPOSED SECTION 250

Description of Inducement and Examples

Mr. Ashley noted that respondents to the ED were generally supportive of the proposed description of inducement and that the Task Force had made some minor amendments as well as inserted new examples of inducements in response to comments from some respondents (See paragraph 250.4 A1 of **Agenda Item 5-B**). He further noted that the Task Force had agreed to add the description of an inducement to the glossary of terms in the Code. Some IESBA members expressed the view that the Task Force's revised description came across as less neutral than that in the ED. After due consideration, the Board asked the Task Force to revert the description back to the ED version. Mr. Ashley noted that the Basis for Conclusions will give a fuller explanation of the Board's thinking on the description and how it may apply to different situations.

A few IESBA members queried whether every gift or gesture of hospitality, such as a cup of coffee offered to a PA at a client's offices or a business lunch, should be considered as an inducement. Mr. Ashley responded that whilst it is conceivable that some gifts or hospitality might not be used as a means to influence behavior, the Code should not suggest that the nature of such gifts and hospitality is such that they are never designed to influence behavior.

In response to queries about what an ‘acceptable’ inducement is, Mr. Ashley pointed out that it would be difficult to explain in the Code what is acceptable as this can only be determined on a case by case basis. He further noted that the concerns about the burdens of documentation whenever a PA receives a small gift or hospitality, such as a cup of coffee, might be overstated. An IESBA member supported the proposals in that they provide sufficient room for a PA to exercise professional judgment on where to draw the line. The IESBA member felt that it is appropriate for a PA, whenever given a gift or hospitality, to at least think about whether it crosses the line.

Mr. Ashley noted that the Task Force had agreed to delete “facilitation payment” from the list of inducements examples in response to comments raised during the March 2018 IESBA CAG meeting. In reference to the addition of commercial opportunities to the list of examples, an IESBA member felt that the proposed text should clarify that certain activities that are within the normal course of business should not fall within the Code’s description of inducements. In response, Mr. Ashley noted that the description was designed to be wide-ranging and that commercial opportunities can be used as an inducement under certain circumstances. Dr. Thomadakis was of the view that the proposed text should not give the impression that everything is an inducement and that the decision should be a matter of professional judgment.

Inducements with Intent to Improperly Influence Behavior

Mr. Ashley summarized the key responses received and the Task Force’s proposed revisions but noted that most respondents did not raise any concerns about the intent test.

Paragraph 250.4 A2

Mr. Ashley noted that the Task Force had discussed at length what an inducement that improperly influences behavior is and had concluded that it means to encourage a person to act unethically. He further explained that the Task Force felt that the best approach was to tie the concept of acting unethically back to the FPs as that would reflect the Code’s position on what ethical behavior is. Some IESBA members questioned this approach as non-PAs are not required to comply with the Code. Mr. Siong also pointed out that as the Code, such as paragraph 200.7 A4, already refers to the unethical behavior of others, the Task Force should consider the potential implications in terms of how the term would be interpreted in other parts of the Code. After deliberation, the Board agreed that, for the purposes of the Code, an inducement should be regarded as improperly influencing an individual’s behavior if it causes the individual to act in an unethical manner. The Board also agreed that when judging what unethical behavior is, it is appropriate for a PA to use the FPs as a frame of reference.

Paragraphs R250.7, R250.8 and 250.9 A1

A few IESBA members were unclear about the relationship between the recipient of an inducement and “another individual” in the Task Force’s proposed revisions to the requirements relating to the offering and accepting of inducements with improper intent (See paragraphs R250.7 and 250.8 in **Agenda Item 5-B**). In this regard, Mr. Ashley noted that the use of the reasonable and informed third party test will enable the PA to conclude that this individual cannot be just any individual but must be related to the recipient in some way. Other IESBA members suggested using an adjective to describe the other individual or replace the term with other words such as “associate.” After deliberation, the Board agreed to include additional guidance in the application material. Mr. Ashley also agreed to provide additional explanation in the Basis for Conclusions to explain the rationale for including “another individual” within the scope of the prohibitions.

An IESBA member suggested that in addition to breach of the FP of integrity, breach of the FP of professional behavior should also be included to explain the rationale for prohibiting the offering or accepting of inducements with improper intent. In response, Mr. Ashley explained that whilst such actions might lead to a breach of other FPs, in particular the principle of professional behavior, they might not lead to such breaches in all cases. After due consideration, the Board supported this position.

Paragraph R250.11

After considering suggestions made by some IESBA members, the Board asked the Task Force to revise the proposed paragraph R250.11 to remind PAs that threats to compliance with the FPs might be created even if the requirements in R250.7 and R250.8 are complied with. The Board also agreed that the paragraph be revised from a requirement to application material as it was more in the nature of guidance.

Inducements with No Intent to Improperly Influence Behavior

Mr. Ashley noted that, in response to respondents' comments, the Task Force had revised the proposed text to include a requirement to apply the conceptual framework relating to inducements with no intent to improperly influence behavior (see paragraph R250.12 in **Agenda Item 5-B**). After deliberation, the Board agreed that the proposed requirement was unnecessary and duplicative of the overarching requirement to apply the conceptual framework in Section 120 of the Code. The Board agreed that further explanation of how to apply the requirements in the conceptual framework would be better addressed in the Basis for Conclusions.

After deliberating comments from IESBA members and IESBA CAG representatives, the Board also agreed to revise paragraph 250.12 A1 to clarify that if an inducement is trivial and inconsequential, any threats created will be at an acceptable level.

Immediate or Close Family Members

It was queried whether the section relating to immediate or close family members should be expanded to include other related parties such as business associates in order to close off any potential gaps. In response, Mr. Ashley pointed out that there needs to be an appropriate balance in terms of how far a PA's responsibilities should be extended in the Code. He also explained that the Task Force was satisfied that the scope in this section was appropriately delineated as the PA was required to take positive action to discourage others, compared with the proposed paragraphs R250.7 and R250.8 which only required the PA not to do something that encourages unethical behavior. The Board concurred with the Task Force.

A few IESBA members were concerned that the proposed requirement for PAs to "remain alert" suggested a monitoring responsibility. Mr. Ashley noted that the requirement to remain alert is a sensible starting point and that the term "remain alert" is used elsewhere in the Code. After consideration, the Board agreed to keep the term in the proposals.

An IESBA member felt that whilst the logic of the section appeared sound, the cross-reference to paragraphs 250.12 A1 to 250.12 A5 (see **Agenda Item 5-B**) might create confusion among users in terms of how the application material relating to inducements with no intent to improperly influence behavior would apply in this subsection. The Board considered revisions by the Task Force during the meeting to address these concerns and did not raise any further substantive concerns. The Board asked that the Task Force explain the rationale in this regard in the Basis for Conclusions.

PROPOSED SECTION 340

After discussion, the Board agreed to explicitly include reference to prospective client in Section 340 where appropriate. The Board did not raise any substantive concerns to the amendments to proposed Section 340 which were largely conforming in nature.

PROPOSED CONFORMING AMENDMENTS TO INDEPENDENCE PROVISIONS

Proposed Sections 420 and 906

In response to suggestions made by an IESBA member, Mr. Ashley agreed that further explanations would be provided in the Basis for Conclusions regarding the relationship between the proposed independence provisions and Section 340. The Board did not raise any other substantive concerns.

Future Project

Mr. Ashley advised that the Task Force's recommendation is for the independence provisions to be aligned with Section 340 as a future IESBA project. Dr. Thomadakis agreed that this matter will be considered as part of the IESBA's future strategy discussions.

WAY FORWARD

The Board asked the Task Force to consider the feedback from the discussion and present the revised text for consideration with a view to approval at a Board teleconference to be scheduled at the earliest opportunity, with the aim of seeking PIOB's approval at its June 2018 meeting.

6. Fees – Update to the Working Group Fact Finding Activities

Mr. McPhee, Chair of the Working Group, opened the session by recapping the background to, and fact finding activities of, the fees initiative. He then presented a preliminary high level overview of the first responses to the November 2017 IESBA Fees Questionnaire.

Mr. McPhee indicated that the Working Group would be meeting in April to discuss the outcomes of the fact finding activities and to develop its recommendations for the way forward to the Board. He added that the Working Group planned to work closely together with the Non-Assurance Services Working Group in relation to overlapping issues under consideration.

Mr. Koktvedgaard gave an overview of the comments from CAG Representatives at the CAG meeting the previous week.

Among other matters, Board members made the following comments or observations:

- Based on the comments made at the February 2018 IFAC SMP meeting, the topic of fees is a very significant concern for SMPs, more from the perspective of the profession as a whole than from an individual perspective.
- The number and composition of the respondents to the stakeholder survey represented only a small sample of stakeholders and the Working Group should take this fact into consideration when evaluating the responses.

Mr. Siong asked the Working Group to consider all options based on the outcome of the fact finding activities, and to present them to the Board together with the rationale for the recommended way forward. He emphasized the importance of the Working Group keeping a focus on the relationship between fees

and independence and compliance with the FPs, and not between fees and the broader topic of audit quality.

WAY FORWARD

The Board asked the Working Group to present its report, including its recommendations for the way forward, for consideration at the June 2018 IESBA meeting.

7. Technology

Dr. Thomadakis introduced Ms. Rebekah Brown, Manager of Membership Development and Engagement, Maryland Association of CPAs Business Learning Institute, as guest speaker on the topic of the impact of new technologies on the accounting profession.

Ms. Brown introduced her presentation by noting that the rate of growth in recent technological development is exponential in nature, a phenomenon that is consistent with Moore's Law, which predicted the exponential growth of computing power.

Ms. Brown stressed the need for PAs to be future ready but noted that a [survey](#) by CPA.com has found only 8% of CPAs in the U.S. consider the profession to be future ready. To be future ready, as defined by CPA.com, is to have the capacity to be anticipatory of emerging technology and trends in business, demographics and the social environment impacting an organization and industry. Ms. Brown further noted that CPA.com has expanded the capability to be anticipatory into the capacity to be aware, predict and adapt.

Ms. Brown questioned if PAs are taking the longer view of the changes within and outside the profession such as the development of blockchain technology. To predict future trends, Ms. Brown suggested that PAs should focus on identifying hard trends in addition to soft trends. She noted that hard trends are measurable and tangible, and more predictable facts, events and objects; whereas soft trends are based on assumptions and not future facts. She also discussed the three broad categories of hard trends according to [Daniel Burrus'](#) *The Anticipatory Organization Model*: Government regulations, technology (e.g. blockchain) and demographics (e.g. aging accounting profession in the US). Ms. Brown stressed the need for the profession to invest in these new trends and to adapt to the changes that lie ahead. Ms. Brown believed that there is still a role for PAs in the future and cited a quote from Ms. Cathy Engelbert, CEO, Deloitte US in support of her view:

“I still believe professional judgment and expertise is not replaceable by machines...I've never met a machine with courage and empathy, one that can read body language and adjust what they say. While we're going to digest larger volumes of data and information, the key is to use artificial intelligence to augment what the human does. ... Using these technologies to augment human intelligence and find the insights in the data is more important than ever.”¹

Following the presentation, Ms. Brown, together with her colleague Jackie Brown, facilitated small group discussions by IESBA participants focusing on what the technological developments and trends affecting the global accounting profession are and their potential impact, as well as the changes needed in standard setting in a time of exponential change. Amongst other matters, the following points were discussed by IESBA participants:

¹ <https://blionline.org/2017/01/want-beat-machines-learn-cant/>

- The impact of artificial intelligence, robotic process automation, big data and blockchain on the accounting profession.
- Trends in legislative development and potential impact such as costs of compliance and restrictions on innovation.
- The evolving skillsets within the accounting profession that are required to harness new technologies such as big data, and whether the profession is becoming less attractive to a new workforce.
- The need for the IESBA to maintain its focus on the Code's conceptual framework and FPs to ensure that they are sufficiently broad to address ethics issues that may arise from the future changes.
- The need for the Board to proactively identify trends and remain responsive.
- In light of the growing popularity and expansiveness of social media, how to use crowdsourcing to solicit more views from a broader range of stakeholders.
- How to harness technology, such as artificial intelligence and data analytics, to conduct more efficient and effective research, to develop standards and to provide support to stakeholders.

Dr. Thomadakis thanked Ms. Brown for her informative and lively presentation.

8. E-Code

Mr. Thomson, Chair of the eCode Working Group, updated the Board on the status of the planned eCode. He reported that the current web-based Code had only modest functionality, and the Working Group looked forward to using available tools to improve the experience, thereby attracting new users.

A goal of the eCode Working Group is employing electronic features that help users better understand and comply with the Code, and providing a tool to use when answering queries. It is important that the features reinforce application of the conceptual framework, with due consideration of relevant facts and circumstances. By increasing the prominence of the FPs, conceptual framework and other material, the eCode will educate users about how to use the Code so they can help themselves.

The nature of users will vary, with some being regular users of the Code, others occasional users, and some very infrequent users. The eCode will be designed to address the needs of each, taking into account efficiency and effectiveness. Enhanced navigability and search filters are key, as is copying without difficulty, and permission to share all or parts of the Code without a lengthy permissions process. The Working Group is exploring whether some level of artificial intelligence (AI) is appropriate, and would consider opportunities that reinforce appropriate application of the conceptual framework and compliance with the FPs.

Mr. Thomson addressed adding links to non-authoritative material (such as bases for conclusions and IESBA Staff publications).

IESBA members thanked Mr. Thomson for the informative update. Comments from Board members included the following, among other matters:

- Translation is a key issue and there is a question as to how to ensure quality. Mr. Siong responded that translation is not within the remit of the Board but that IFAC has instituted some policies to facilitate better control of the translation process and to ensure that it retains copyright in the translated text. Mr. Thomson added that enhanced clarity of the restructured Code is meant to avoid confusion and facilitate translation.

- User experience is very important to focus on and filtering in searches is also useful. A mobile app could also be very useful in the current environment. Consideration should be given to collecting questions users might have as these could be helpful in developing future guidance. Artificial intelligence, in the form of “check bots,” could also be useful. Mr. Thomson responded that the Working Group is keeping an open mind about what can be achieved and how. He cautioned, though, about the risk of users looking for “the answer” without considering their unique facts and circumstances.
- Filtering should not be so narrow as to lose context.
- Consideration should be given to developing a process for tracking changes to the Code as these are implemented in the eCode.
- It would be good if the eCode is useful to academic researchers and students, which could also help with public awareness. Accordingly, the eCode should be made user-friendly to them.
- Consideration should be given to exploring coordination with the other standard setting boards supported by IFAC to the extent that there is opportunity to leverage resources or combine efforts as this initiative develops.
- Care should be exercised in developing scenarios as tools have limitations, and it is important to avoid users finding a way to tip-toe around the requirements.

Mr. Gunn commented that the planned eCode is important strategically and that it could have a good reputational impact for the IESBA. He cautioned about the maintenance burden of some ideas that were expressed. He also reflected on the possible value proposition to IFAC as use of the Code expands, and NSS and others may want to participate in the eCode in some way. Mr. Thomson responded that the Working Group would reserve judgment on this matter at this early stage until ideas are further explored and developed.

Dr. Thomadakis highlighted that the Board’s core mandate is standard setting, not adoption and implementation. Accordingly, careful thought should be given as to how far to reach for the eCode in terms of functionality.

In closing, Mr. Thomson invited Board participants to provide suggestions or feedback to the Working Group regarding products or tools that look promising, for Working Group members’ consideration.

WAY FORWARD

The Board asked the Working Group to provide an update on its work at the June 2018 IESBA meeting.

9. Rollout Initiative

Ms. Gibson introduced the topic, noting that subject to the PIOB’s approval at its March 2018 meeting, the revised and restructured Code would be released on April 9, 2018. She explained that a successful rollout of the new Code would require effective communication and global stakeholder engagement. In this regard, the Working Group was partnering with the IFAC Communications department to develop a year-long Global Communication Strategy and Action Plan (the Plan). She then welcomed the senior IFAC Communications staff, Tony Mirenda (Head of Communications) and Nathaniel Webb (Deputy Director, Communications & External Affairs), who delivered a presentation about the key elements of the Plan. Among other matters, the Plan involves:

- Smart, efficient use of existing IFAC infrastructure, including its communication channels, committees and member organizations to reach target audiences.
- Use of digital and print publications, as well as social media (e.g., LinkedIn and Twitter).
- Continual engagement with stakeholders after the Code is released to assist in identifying opportunities to promote awareness and adoption and effective implementation. This might involve mobilizing IESBA members, Technical Advisors, the IESBA CAG, NSS and others as appropriate to:
 - Host, identify, or participate in national, regional and international conferences or similar events within their jurisdictions.
 - Host or participate in webinars, webcasts and other multi-media online videos or events to showcase key aspects of the Code.
 - Author general and audience-specific articles and publications highlighting key aspects of the Code.
 - Pass along questions about the Code that should be considered in developing IESBA Staff FAQs.

IESBA members broadly supported the Plan, including extensive outreach to stakeholders. Board members acknowledged the importance of coordinating or collaborating with local professional accountancy organizations, as the Code really gains relevance for PAs, especially PAIBs, only when it is adopted in the particular jurisdictions. It was also noted that writing articles for social media such as LinkedIn can be time consuming. Accordingly, IESBA participants would need appropriate support and guidance, especially as the audience can be wider than just parties who are involved in or concerned with the adoption process. The importance of reaching out to NSS who have adopted various antecedent versions of the Code was also emphasized.

WAY FORWARD

The Board asked the Working Group to brief it on the progress of the rollout initiatives at each Board meeting through June 2019.

10. IFAC Compliance Advisory Panel's Global Status Report on Adoption

Dr. Thomadakis welcomed Joseph Bryson, IFAC Director of Quality and Development (Q&D), to update the Board regarding IFAC's work to document the current status of global adoption of international standards, with emphasis on the *IESBA Code of Ethics for Professional Accountants*.

Mr. Bryson based his presentation on a report released in December 2017 which analyzes the adoption status of international standards and best practices. The report highlights the role of IFAC member organizations in the adoption process, and their fulfillment of IFAC requirements – the Statements of Membership Obligations (SMOs). The report is based on data collected through the IFAC Member Compliance Program, and covers 104 member organizations in 80 jurisdictions (total IFAC = 177 member organizations in 131 jurisdictions). This is not the full complement of IFAC member organizations as some were not reviewed during the period addressed.

In his presentation, Mr. Bryson highlighted a number of key points:

- The sophistication of the compliance program increases each year. Its main purpose is not to gather information about adoption but to influence and drive behaviors of member organizations, which

includes adopting the international standards. The IFAC compliance team works closely with many member organizations to identify challenges and tools needed to help make progress.

- For many countries, the member organization is not the decision-maker with respect to adopting specific standards; in these cases, it is often a regulator making the decision.
- Adoption is assessed at three levels: adopted, partially adopted, not adopted. Partially adopted could be for many reasons, including
 - The member organization only includes auditors so other parts of the Code do not apply.
 - Laws and regulations may prohibit full adoption for some reason.
 - The member organization adopted an earlier version of the Code – or the Code as of a certain date – and change might require an act of the national legislature.
- When the Code is “partially adopted” in a jurisdiction, the IFAC member organization is required by the SMOs to make best endeavors to:
 - Promote full adoption by the local jurisdiction (if this is an option).
 - Support the jurisdiction in its efforts to secure adoption.
 - Facilitate education and training for its members on the Code.
- Some member organizations go through a convergence process by minimizing differences between their Code and the IESBA Code. Mr. Bryson commented that in his experience, these are the member organizations that are most familiar with the Code because they have studied it to understand how close they can get to the IESBA Code.

Following the presentation, Dr. Thomadakis opened the floor to questions. The following matters were raised:

- What are the implications for a member organization that does not comply with the SMO to adopt the Code? Mr. Bryson responded that the member organization will be placed in a category calling for monitoring and coaching by his team to help it reach compliance. If the member organization responds with efforts to that end, the Q&D Team will work with that member organization for an appropriate period of time. If there is no effort on the part of the member organization, the organization will be referred to the IFAC board for consideration of whether it should continue to remain a member of IFAC.
- How can the IESBA help member organizations reach full adoption? In this regard, there was general agreement that more granularity is needed about the status of adoption for each organization, which would facilitate more targeted outreach. Mr. Bryson responded that he will review the plans for each organization to see how the IESBA might be able to assist.

In closing, Mr. Bryson made the point that the Q&D Team has a lot of information about each member body that would be useful to IESBA members undertaking outreach in different locations. He invited the IESBA to reach out to his team accordingly.

Dr. Thomadakis responded that this is a suggestion he planned to action. He thanked Mr. Bryson for the informative presentation.

11. PIOB Observer’s Remarks

Ms. Pierce remarked that it was a really good meeting with robust and constructive discussions. She outlined that the level of participation was excellent, especially from the new members. Ms. Pierce reported that from the PIOB's prospective, it was good to see that the inducements project was coming to an early conclusion. She believed it is important to be flexible and agile within the strategy, and that related topics be considered holistically in terms of areas of overlap.

She highlighted that while the consultations and due process are important, the Board should be courageous in considering issues where there are broad concerns. She noted that there will be further discussion on those matters when the SWP comes back on the agenda.

She also noted the PIOB's support for coordination between the SSBs. She added that both the forthcoming IESBA roundtables and the roll-out of the revised and restructured Code would provide good opportunities to engage with stakeholders and obtain their feedback. Finally, she thanked the Board and the Task Forces and Working Groups for their hard work in preparing the agenda materials presented at the meeting.

12. Closing Remarks

Dr. Thomadakis thanked Ms. Pierce for her remarks. He echoed Ms. Pierce's comments that this year, being the last year of the current strategic cycle, would be a year of wide consultation and outreach.

He thanked the new members for having adjusted well to the Board's activities and actively participating in the Board discussions. He also thanked the other members, the Technical Advisors, official observers, former members attending the meeting, and staff for their contributions. He also thanked IFAC for providing the meeting facilities. He then closed the meeting.