

**Draft Minutes of the 2<sup>nd</sup> Joint Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD and  
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS  
Held on September 19, 2018 in New York, USA**

<b>Present:</b>	<b>Voting Members</b>	<b>Technical Advisors</b>
	<u>IAASB</u>	<u>IAASB</u>
	Prof. Arnold Schilder (Chairman)	Sara Ashton (Ms. French)
	Megan Zietsman (Deputy Chair)	Vivienne Bauer (Mr. Ruiz)
	Abhijit Bandyopadhyay	Nicolette Bester (Mr. Vanker)
	Fiona Campbell	Wolf Böhm (Prof. Marten)
	Chun Wee Chiew	Melissa Bonsal (Ms. Zietsman)
	Robert Dohrer	Andrew Gambier (Mr. Chiew)
	Karin French	Sylvia van Dyk (Ms. Provost)
	Marek Grabowski	Hiram Hasty (Mr. Landes)
	Len Jui	Josephine Jackson (Mr. Grabowski)
	Charles Landes	Susan Jones (Mr. Jui)
	Prof. Kai-Uwe Marten	Sachiko Kai (Ms. Tracq-Sengeissen)
	Lyn Provost	Jamie Shannon (Mr. Sharko)
	Fernando Ruiz Monroy	Eric Turner (Mr. Salole)
	Ron Salole	Denise Weber (Ms. Campbell)
	Rich Sharko	
	Isabelle Tracq-Sengeissen	
	Imran Vanker	
	<u>IESBA</u>	<u>IESBA</u>
	Stavros Thomadakis (Chairman)	Saadiya Adam (Mr. Mihular)
	Richard Fleck (Deputy Chair)	James Barbour (Mr. Ashley)
	Michael Ashley	Denise Canavan (Ms. Haustermans)
	Brian Caswell	David Clark (Ms. Soulier)
	Brian Friedrich	Gregory Driscoll (Ms. Lee)
	Hironori Fukukawa	Jens Engelhardt (Mr. Poll)
	Kim Gibson	Ellen Gorla (Mr. Caswell)
	Liesbet Haustermans	Selena Ho (Mr. Leung)
	Robert Juenemann	Ian Hutchinson (Mr. Friedrich)
	Winifred Kiryabwire	Gina Maldonado-Rodek (Ms. Gibson)
	Caroline Lee	Andrew Pinkney (Ms. Mulvaney)

Alden Leung  
Myriam Madden  
Ian McPhee  
Reyaz Mihular  
Patricia Mulvaney  
Jens Poll  
Sylvie Soulier

Sundeep Takwani (Ms Kiryabwire)  
Toshihiro Yasada (Mr. Fukukawa)

Apologies: IAASB  
Ge Zhang

IAASB  
Shu Duan (Mr. Zhang)  
Ahava Goldman (Mr. Dohrer)  
Sanjay Vasudeva (Mr. Bandyopadhyay)

IESBA  
Josephine Haste (Mr. McPhee)

**Non-Voting Observers**

Present: Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chairman), Kristian Koktvedgaard (IESBA CAG Chair), Takuya Emoto and Joshiharu Kawada (Japanese Financial Services Authority).

**Public Interest Oversight Board (PIOB) Observers**

Present: Karel van Hulle (IAASB PIOB Observer) and Aileen Pierce (IESBA PIOB Observer)

Present: **IAASB and IESBA Technical Staff**

James Gunn (Managing Director, Professional Standards)

IAASB

Dan Montgomery (Interim Technical Director), Beverley Bahlmann, Brett James, Natalie Klonaridis, Jasper van den Hout, Joy Thurgood, Schuyler Simms, Phil Minnaar, Armand Kotze

IESBA

Ken Siong (Senior Technical Director), Diane Jules, Geoffrey Kwan and Szilvia Sramko

## 1. Welcome

Prof. Schilder and Dr. Thomadakis welcomed all participants to the second joint meeting of the IAASB and IESBA, including members, technical advisors, official observers and Staff. Mr. Gunn shared reflections on the coordination efforts between the Boards on various pivotal projects, highlighting the efforts of Ms. Zietsman and Ms. Soulier, and Staff, in this regard.

## 2. IFAC Update

Mr. Dancey, incoming CEO of the International Federation of Accountants (IFAC), gave a presentation highlighting the key elements of IFAC's Strategic Plan 2019-2020, IFAC's interaction with the standard-setting boards (SSBs) and its commitment to supporting them financially and operationally. He also shared IFAC perspectives on strengthening the oversight and operations of the SSBs. Mr. Dancey also briefly explained IFAC's thinking regarding the future of the International Accounting Education Standards Board (IAESB).

In addition to questions about various matters related to IFAC and its interactions with its members, and the SSBs, Board members provided views and comments about the matters noted by Mr. Dancey, including:

- Noting that different standard-setting models have different drawbacks, and that these should be considered before making changes.
- Emphasizing the need to do more regarding implementation support for new and revised standards.

Prof. Schilder and Dr. Thomadakis thanked Mr. Dancey for his presentation, and IFAC for its efforts in supporting the SSBs.

## 3. Future Strategy

Mr. Siong introduced the session, noting that:

- The volume and pace of coordination work had increased significantly, in particular relative to what had been planned. As a result, there may be a need for more formality with regard to the coordination efforts, adding that this would also help provide transparency to these efforts. Consequently, further consideration may be needed with regard to the time and resources needed for coordination.
- More effort would be needed to align terminology as standards are revised by each SSB.
- Further consideration will need to be given to how to process changes to one Board's standards arising from the other Board's revisions to its standards, in particular the due process around making such changes.
- Coordination may be needed at different levels, for example at the leadership and Staff levels.

Messrs. Siong and Montgomery then provided a brief update about the current status of each Board's development of its future Strategy and Work Plan. Both noted emerging developments in technology as a key matter raised by stakeholders that would need to be addressed in the standards. The Boards further discussed matters relevant to their agendas, including:

- How firms' business models are being addressed in each Board's planned agenda.
- The current status and future plans for work in the technology area, as well as challenges around progressing work in this area.

Board members proceeded to break-out groups to more closely discuss matters related to Board coordination efforts as well as matters raised in Mr. Dancey's presentation. Common matters raised by the groups included:

- The need to work closely with IFAC in relation to the provision of implementation support for the standards. As part of this collaboration, it was noted that it would be important to distinguish what these efforts would be and which party or parties should take primary responsibility.
- Possible changes to the structure, governance and oversight of the SSBs that could arise from the Monitoring Group review and the related implications, including the resources needed to support these changes (financial and staff). It was highlighted that further consideration would need to be given to what it meant for a SSB to be 'operating strategically' as well as how the Boards' processes and procedures could be made more efficient.
- Aspects of collaboration related to addressing the tensions between the needs of the 'large end' of the market (including listed entities) and smaller end of the market (small-and medium-sized entities), including the distinction between proportionality and scalability relative to the competing needs of stakeholders.
- The need to coordinate more closely on matters related to technology.

For information, the main takeaways from the four groups are included in the Appendix.

#### **4. Next Meeting**

The next in-person joint session is scheduled for September 2019 in New York, USA. The timing will be confirmed in due course.

#### **5. Closing**

Prof. Schilder and Dr. Thomadakis thanked all participants for their contributions and the lively discussions in the break-out session, which illustrated a diversity of perspectives on various common matters. Both noted the success of the joint meeting, and thanked Staff for their efforts in organizing it.

## **September 2018 IAASB-IESBA Discussion Group Session – Main Takeaways**

### **Discussion Group 1**

#### Topic 1: Open reflections on matters raised in Kevin Dancey's address

- Adoption and implementation of standards
  - Re collaboration between SSBs and IFAC with respect to implementation support – SSBs should be sufficiently involved without compromising their independence
  - A key challenge is obtaining feedback on implementation of the standards, especially among SMPs.
  - IFAC has an important role to play in tracking adoption and implementation of the standards.
  - There is a need to know the quality of implementation at the firm level – NSS might be able to assist with this information.
- Monitoring Group review
  - Any transition plan to more strategic SSBs will need to factor in how to maintain the competence level within the current SSBs – individuals with the necessary expertise are a scarce resource.
  - The technical resources reside within the firms and IFAC member bodies – having a strategy to move these resources into the new model will be key.
  - The staffing issue is a conundrum, especially if the firms provide both funding and staff resources.

#### Topic 2: What approaches could the two Boards adopt in common to address the tension between catering for PIEs/large entities and addressing the needs of SMEs/SMPs in their standards?

- A strategic issue is the relevance of the standards to SMPs/SMEs. The challenge is how to get the right input from that constituency to ensure that the standards continue to be relevant to them.
- There is a view that the issue is about trying to develop standards for one size fits all. The SSBs, however, should not rush to the conclusion that there must be two separate sets of standards for large firms/entities and SMPs/SMEs. It is important to understand the root causes of the concerns.
- The key issue is proportionality (not scalability), i.e., costs should be proportionate to the benefits, consistent with the principles of better regulation, and that is in the public interest.
- Re definition of a PIE – the question is what makes an entity significant in the public interest. The purpose of the definition as well as the users of the PA's services should also be taken into account.
- Consideration could be given to developing new services that better address SME needs, e.g., assurance on tax reporting. The debate also is what the alternative is if audit is too costly for SMEs.

## Discussion Group 2

### Topic 1: Open reflections on matters raised in Kevin Dancey's address

- Adoption and implementation of standards
  - General relationship between IFAC and SSBs – To be clarified, recognizing that the independence of the SSBs has to be maintained.
  - Collaboration in relation to implementation of standards – With the objective of IFAC taking on a bigger implementation role, it is important to establish the mandate or role of the SSBs in that process.
- New model for education standards
  - Regulators need to understand and be on board with the new model.
  - The importance of technology in the context of education standards cannot be underestimated.
- Changes in Board processes
  - There will be some commonalities in terms of changes to Board processes, i.e., what can we learn from each other?

### Topic 2: What approaches could the two Boards adopt in common to address the tension between catering for PIEs/large entities and addressing the needs of SMEs/SMPs in their standards?

- To design the best response or approach, the Boards first need to understand the core concerns or issues at hand
  - Engage in dialogue with the SME/SMP community, audience to include stakeholders beyond the IFAC SMP Committee and the respective CAGs.
- Standards should be principles-based
  - 'Think small first'
- Explore more opportunities to make use of technology, such as the e-code of the IESBA.

### Discussion Group 3

#### Topic 1: Open reflections on matters raised in Kevin Dancey's address

- IFAC Strategy
  - Strategy had good high-level messages, but seemed too complicated to measure and too ambitious to be effective or achievable.
  - IFAC's vision for the IAASB and IESBA was not clear. There is a need for massive process improvement, in particular with respect to the SSBs.
  - Too many priorities. A reassessment of resources and funding is needed. Something needs to be sacrificed.
- Adoption and implementation of standards
  - Too much focus on issues that affect larger countries (Europe and North America). Not enough global representation on SSBs.
  - Standards are changing too fast – the world doesn't move as fast. In many jurisdictions, adoption takes time – two to three years after SSB issuance.
  - IFAC is well positioned to facilitate adoption and implementation of the standards, but currently its efforts are not visible. More engagement needed with NSS.
- Monitoring Group review
  - Lack of clarity about authority of monitoring group and questions about the problem that the monitoring group's proposals are trying to fix.
  - It is clear that IFAC is concerned about funding. But a clear value proposition is not yet laid out – IFAC should not expect that firms will just pay. Yes it is difficult, but IFAC should be focused on identifying and securing alternate funding sources.
  - Monitoring group criticism creates a unique opportunity for IFAC to embrace and lead change in the accountancy profession in a manner that is responsive to concerns about trust and confidence. If IFAC is not seen to be responsive to issues that are affecting PAOs and jurisdictions at the national level, NSS will eventually step in.
  - There should be a strategic plan aimed at improving engagement with the monitoring group.

#### Topic 2: How best to respond to stakeholder calls for implementation support, taking into account the Boards' strategic objectives and resource constraints?

- Consider how best to disseminate information to stakeholders.
  - Efficient to leverage advancing technologies and social media to reach stakeholders more timely.
  - However, it is critical to interact in-person with firms, PAOs, NSS and SMPs because they adopt the standards. Interactions that involve a two-way dialogue enable stakeholders to discuss issues among themselves, listen to each other and contribute to solutions.
  - There is an increase in the desire for material to be visually communicated.

- Consider having champions at the regional and jurisdictional level to help rollout and socialize changes to the SSBs' standards. It is helpful to have someone who was privy to the Board deliberations explain the rationale for changes to the SSBs' standards and answer questions.
- The availability of timely translations for the standards is a real challenge. There is also a concern about the quality of the translations. PAOs and NSS are looking to IFAC to lead.

## Discussion Group 4

### Topic 1: Open reflections on matters raised in Kevin Dancey's address

- Challenges and opportunities relating to the Boards
  - Broadly welcomed the opportunity to challenge the operating model
    - Boards struggle with workload and prioritization (sometimes having to make decisions based on what seems to be limited information about resources available)
    - Boards need to continue to focus on how to act more strategically – sometimes too much detailed drafting at plenary sessions (think about other valuable work that can be done) – e.g., can more be done outside of plenary sessions instead
  - Boards need adequate resourcing to make the model work properly (need to think more broadly about how capacity can be increased)
  - Need to consider what success would look like in 5 years – be more strategic about an appropriate response to an issue
  - Need to understand and address implementation issues.
  - Challenge on length of standards – many asking for shorter standards, but there is a balance with being clear about what needs to be done
- Monitoring Group review
  - Encouragement to resolve MG issues as soon as possible
  - Pleased to see IFAC taking ownership of uncertainty
  - Comfortable with separate Board model

### Topic 2: How best to enhance the extent and quality of feedback from SMEs/SMPs?

- Organization of how feedback is collated is very different globally, some jurisdictions lack formal structures to gather it.
- Many practitioners have no or very limited time to provide feedback – running own businesses. Think more creatively about how we ask for feedback, also realizing that we are competing with others who are also seeking feedback (e.g., accounting standard setters).
- Translation issues affect the timeliness and quality of feedback
- Suggestion to use Board members to assist – many jurisdictions represented – more targeted outreach
- Better communication of the issues for SMPs/SMEs needed
- One member believed that we do get adequate feedback

The group valued the opportunity to have this discussion, and noted that these types of discussions should be conducted on an ongoing basis.