

FINANCIAL REPORTING COUNCIL

MONTHLY UPDATES (December 2020 to April 2021) – What's new from the International Federation of Accountants (IFAC)

The main topics for discussion at the IFAC during the period from December 2020 to April 2021 were with respect to:

December 2020

- 1) **THE IPSASB ISSUES GUIDANCE ON PUBLIC SECTOR SPECIFIC FINANCIAL INSTRUMENTS**
- 2) **IRBA, IESBA AND IAASB JOINTLY ISSUE STAFF GUIDANCE ON NAVIGATING THE HEIGHTENED RISKS OF FRAUD AND OTHER ILLICIT ACTIVITIES DURING THE COVID-19 PANDEMIC**
- 3) **IFAC RELEASES NEW INTERNATIONAL STANDARD SUPPORT RESOURCES**
- 4) **GLOBAL ETHICS BOARD RELEASES REPORT ON ACCOMPLISHMENTS 2016-2020**

January 2021

- 5) **IESBA UNDERLINES IMPORTANCE OF OBJECTIVITY FOR ENGAGEMENT QUALITY REVIEWERS AND OTHER APPROPRIATE REVIEWERS THROUGH ENHANCED GUIDANCE**
- 6) **IPSASB ISSUES TWO LEASES-RELATED PUBLICATIONS FOR PUBLIC COMMENT**
- 7) **UK FINANCIAL REPORTING COUNCIL AND IESBA JOINTLY ISSUE STAFF GUIDANCE TO HIGHLIGHT THE ETHICAL AND AUDITING IMPLICATIONS ARISING FROM GOVERNMENT-BACKED COVID-19 BUSINESS SUPPORT SCHEMES**
- 8) **IESBA PROPOSES HOLISTIC APPROACH TO DEFINING A PUBLIC INTEREST ENTITY**

February 2021

- 9) **IFAC AND ICAEW RELEASE FIFTH INSTALLMENT OF SIX-PART ANTI-MONEY LAUNDERING EDUCATIONAL SERIES**
- 10) **IFAC AND IIRC SET OUT A VISION FOR ACCELERATING INTEGRATED REPORTING ASSURANCE**

March 2021

- 11) IFAC AND IESBA REACH KEY MILESTONE IN DELIVERING ETHICS AND INDEPENDENCE RESOURCE**
- 12) IAASB ISSUES SUPPORT MATERIAL TO HELP AUDITORS ADDRESS RISK OF OVERRELIANCE ON TECHNOLOGY**

April 2021

- 13) IFAC SEES CONTINUED OPPORTUNITY TO HARMONIZE CORPORATE SUSTAINABILITY REPORTING**
- 14) PUTTING THE PUBLIC INTEREST AT THE HEART OF OUR WORK: ACTING WITH URGENCY, PURPOSE AND RESPONSIVENESS**
- 15) GLOBAL ETHICS BOARD TAKES MAJOR STEP FORWARD IN STRENGTHENING AUDITOR INDEPENDENCE**

1. THE IPSASB ISSUES GUIDANCE ON PUBLIC SECTOR SPECIFIC FINANCIAL INSTRUMENTS

The International Public Sector Accounting Standards Board (IPSASB) has on 10 December 2020 issued [Non-Authoritative Amendments to IPSAS 41, Financial Instruments](#), to clarify the requirements for classifying, recognizing, and measuring a range of important public sector specific financial instruments.

This non-authoritative guidance is the final output from the IPSASB's Public Sector Specific Financial Instruments (PSSFI) project and applies to [four monetary items](#) unique to the public sector: monetary gold, currency in circulation, International Monetary Fund (IMF) quota subscriptions, and Special Drawing Rights (SDRs).

The guidance underlines that public sector items that meet the definition of a financial asset or financial liability should be accounted for by applying existing IPSAS principles. It also clarifies the principles themselves to help improve financial information provided on public sector specific financial instruments.

"The publication of additional non-authoritative guidance in IPSAS 41, Financial Instruments, will enable preparers and users of public sector financial statements to obtain more relevant and comparable information that faithfully represents their public sector specific financial instruments," said Ian Carruthers, IPSASB Chair. "Now more than ever, high quality financial information will help enhance government decision making as entities consider the use and issuance of these monetary items to address challenges posed by the ongoing COVID-19 pandemic."

2. IRBA, IESBA AND IAASB JOINTLY ISSUE STAFF GUIDANCE ON NAVIGATING THE HEIGHTENED RISKS OF FRAUD AND OTHER ILLICIT ACTIVITIES DURING THE COVID-19 PANDEMIC

On 16 December 2020, the Staff of the South African Independent Regulatory Board for Auditors, (IRBA) the International Ethics Standards Board for Accountants (IESBA) and the International Auditing and Assurance Standards Board (IAASB) jointly released the publication, [Navigating the Heightened Risks of Fraud and Other Illicit Activities During the COVID-19 Pandemic, including Considerations for Auditing Financial Statements](#).

The publication highlights the heightened risks of fraud arising from the disruptive and uncertain COVID-19 environment and the implications for professional accountants in business, including accountants in government, and professional accountants in public practice, including auditors.

Concurrently, the Staff of Chartered Professional Accountants of Canada (CPA Canada) and IESBA jointly released a Staff Alert, COVID-19 and Evolving Risks for Money Laundering, Terrorist Financing and Cybercrime. This document highlights the heightened risks of money laundering, terrorist financing and cybercrime in the COVID-19 environment. It describes the implications for both professional accountants in business and public practice.

The documents were developed by the IRBA and CPA Canada Staff under the auspices of a Working Group formed by the IESBA and national ethics standard setters (NSS) from Australia, Canada, China, South Africa, the UK, and the US. Chaired by Mr. Richard Fleck, IESBA Deputy Chair, the Working Group's mandate is to develop implementation support resources to assist accountants effectively apply the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) when facing circumstances created by the COVID-19 pandemic. The publications benefited from input from IESBA and IAASB Staff.

Both documents can be found on the [IESBA COVID-19](#) resource page.

3. IFAC RELEASES NEW INTERNATIONAL STANDARD SUPPORT RESOURCES

On 21 December 2020, the International Federation of Accountants (IFAC) released updates to two previously published international standard support resources:

- [Agreed-Upon Procedures \(AUP\) Engagements: A Growth and Value Opportunity \(the AUP Publication\)](#): Describes AUP engagements, when they are appropriate, and identifies key client benefits. It also covers AUP engagements on financial and non-financial subject matters, provides six short case studies with example procedures that might be applied and two illustration AUP reports from ISRS 4400 (Revised).
- [Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedures Services \(the Brochure\)](#): Explains and differentiates the range of audit, review, compilation, and agreed-upon procedures services which practitioners can provide in accordance with relevant international standards. It can help current and prospective clients understand the range of services available, when they are appropriate, as well as their benefits.

Both resources have been updated to reflect International Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements*, which was approved by the [International Auditing and Assurance Board \(IAASB\)](#) earlier this year and is effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022.

4. GLOBAL ETHICS BOARD RELEASES REPORT ON ACCOMPLISHMENTS 2016-2020

The International Ethics Standards Board for Accountants (IESBA) has on 30 December 2020 released a Report, [Ethics and Trust – Breaking New Ground summarizing the Board's Accomplishments](#) from June 1, 2016 to July 31, 2020. The Report includes an update on the IESBA's current projects and initiatives, and highlights the Board's extensive efforts in promoting awareness, adoption, and implementation of the International Code of Ethics for Professional Accountants (including International Independence Standards). The Report also touches on the outreach activities undertaken by the Board to extend and deepen its dialogue

with stakeholders about issues relevant to elevating global ethics and building public trust in the accounting profession.

“Ethics is the foundation on which public trust in the accounting profession is built,” said IESBA Chairman Dr. Stavros Thomadakis. “IESBA has been diligently focused on strengthening and enhancing the Code during the period covered by the report. The revised and restructured Code, which has been effective since June 2019, reflects these important enhancements. The current work program builds on that strong foundation and includes projects to further strengthen the International Independence Standards.”

Note:

The report can be found on the IESBA’s resource pages.

5. IESBA UNDERLINES IMPORTANCE OF OBJECTIVITY FOR ENGAGEMENT QUALITY REVIEWERS AND OTHER APPROPRIATE REVIEWERS THROUGH ENHANCED GUIDANCE

The International Ethics Standards Board for Accountants (IESBA) has on 14 January 2021 released revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) addressing the objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers. This project dovetailed with the International Auditing and Assurance Standards Board’s (IAASB’s) development of International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews, which was finalized in December 2020.

The revisions provide guidance that supports ISQM 2 in addressing the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity. Among other matters, the guidance:

- Elaborates on the need to identify, evaluate and address threats to compliance with the fundamental principle of objectivity that might arise in the appointment of an individual as an EQR for a given engagement;
- Explicitly refers to and supports the requirement in ISQM 2 for a firm to establish, as a condition for eligibility, a cooling-off period of two years before an engagement partner can assume the EQR role on the same engagement; and
- Emphasizes that this cooling-off requirement in ISQM 2 serves the dual objective of supporting compliance with the fundamental principle of objectivity and the high quality of engagements.

The guidance may also apply in situations where, as a safeguard to address identified threats to compliance with the fundamental ethics principles, an individual is appointed as an appropriate reviewer for work performed.

“It is in the public interest that individuals trusted to serve as engagement quality reviewers act with unquestioned objectivity, given the nature and importance of that role,” said IESBA Chairman Dr. Stavros Thomadakis. “This new guidance is intended to reinforce the guardrails around this important function. I commend the extensive coordination efforts between the

IESBA and IAASB in finalizing this guidance, and acknowledge the Public Interest Oversight Board's useful advice on this project."

The enhanced guidance will become effective December 2022.

6. IPSASB ISSUES TWO LEASES-RELATED PUBLICATIONS FOR PUBLIC COMMENT

On 15 January 2021, the International Public Sector Accounting Standards Board® (IPSASB®) has released for comment Exposure Draft (ED) 75, *Leases and Request for Information, Concessionary Leases and Other Arrangements Similar to Leases*. Stakeholder comments on ED 75 and Request for Information sought by May 17, 2021.

ED 75 proposes an IFRS 16, Leases aligned model for lease accounting in the public sector. For lessees, as with the IPSASB's previous proposals in ED 64, ED 75 proposes a right-of-use model that will replace the risks and rewards incidental to ownership model in International Public Sector Accounting Standard® (IPSAS®) 13, Leases. For lessors, ED 75 proposes to substantially carry forward the risks and rewards incidental to ownership model in IPSAS 13 in response to ED 64 comments and practical IFRS 16 implementation experience.

Issued alongside ED 75, the Request for Information will provide the IPSASB with further information on the issues that need to be considered in accounting for concessionary leases and other arrangements similar to leases that are quite common in the public sector. This will then allow the IPSASB to determine the nature and extent of the additional guidance required in phase two of the Leases project.

"In light of the responses to ED 64, Leases, and emerging practical experience with implementing IFRS 16, the IPSASB decided to revise its overall approach to the Leases project," said IPSASB Chair Ian Carruthers. "The proposals in ED 75 will improve the transparency of lease accounting in the public sector, while allowing it to benefit from the private sector experience in implementing IFRS 16. The Request for Information will provide the IPSASB with further background on the more complex lease-related transactions common in the public sector, enabling the Board to decide what further guidance is required."

7. UK FINANCIAL REPORTING COUNCIL AND IESBA JOINTLY ISSUE STAFF GUIDANCE TO HIGHLIGHT THE ETHICAL AND AUDITING IMPLICATIONS ARISING FROM GOVERNMENT-BACKED COVID-19 BUSINESS SUPPORT SCHEMES

On 26 January 2021, the Staff of UK Financial Reporting Council (FRC) and the International Ethics Standards Board for Accountants (IESBA) jointly released the publication, *Ethical and Auditing Implications Arising from Government-Backed COVID-19 Business Support Schemes*.

This staff publication highlights ethical and auditing implications arising from government-backed business support programs which have been utilized at unprecedented levels during the

COVID-19 pandemic. The guidance sets out important ethical considerations for professional accountants who are called upon to assist their employing organizations or clients in applying for and using COVID-19-related funding or financial support. The document includes guidance for those who prepare related financial information and disclosures, as well as for those who independently audit or provide assurance services regarding such information.

The publication was developed by the Staff of UK FRC under the auspices of a Working Group formed by the IESBA and national ethics standard setters (NSS) from Australia, Canada, China, South Africa, the UK and the US. Chaired by Mr. Richard Fleck, former IESBA Deputy Chair, the Working Group's mandate is to develop implementation support resources to assist accountants effectively apply the *International Code of Ethics for Professional Accountants (including International Independence Standards)* when facing circumstances created by the COVID-19 pandemic. The publication benefited from input from IESBA Staff.

The publication can be found on the [IESBA COVID-19 resource page](#).

8. IESBA PROPOSES HOLISTIC APPROACH TO DEFINING A PUBLIC INTEREST ENTITY

The International Ethics Standards Board for Accountants (IESBA) has on 29 January 2021 released for public comment the Exposure Draft, *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*.

The proposed revisions broaden the definition of a public interest entity (PIE) to include more categories of entities, given the level of public interest in their financial condition, for the purposes of additional independence requirements to enhance confidence in their audits.

"The PIE concept is central to the International Independence Standards as it determines whether the auditor of an entity should comply with additional independence requirements," said IESBA Chairman Dr. Stavros Thomadakis. "As economies around the world evolve, capturing the appropriate types of entities as PIEs and doing so in a globally operable way is a matter of public interest. I am grateful for the good input provided by the IAASB, under our established arrangements for close coordination."

Among other matters, the proposed revisions:

- Introduce an overarching objective for additional requirements to enhance confidence in the audit of financial statements of PIEs.
- Provide guidance on factors to consider when determining the level of public interest in an entity.
- Broaden the definition of PIE to additional categories of entities.
- Replace the term "listed entity" with the term "publicly traded entity" and redefine that PIE category.

- Introduce new requirements for firms to determine if additional entities should be treated as PIEs for independence purposes and to publicly disclose if an audit client was treated as a PIE.
- Recognize and encourage local regulators to refine PIE categories in regard to national conditions.

In the holistic approach adopted, the specifications for the PIE categories are set at a high level given the wide diversity in national PIE definitions which necessarily reflect local circumstances. Integral to this approach is the role the IESBA expects regulators, national standard setters or other relevant local bodies to play in refining these high-level categories so that the right entities in the local context are captured. To assist in understanding this prospective role, the IESBA will undertake outreach and education activities over the coming months, including guidance material in February and webinars in March.

9. IFAC AND ICAEW RELEASE FIFTH INSTALLMENT OF SIX-PART ANTI-MONEY LAUNDERING EDUCATIONAL SERIES

Together with ICAEW, the International Federation of Accountants (IFAC) has on 22 February 2021 released the fifth installment in its Anti-Money Laundering: *The Basics educational series: Installment 5: Tax Advice*.

The publication is part of a 6-month short series helping accountants enhance their understanding of how money laundering works, the risks they face, and what they can do to mitigate these risks and make a positive contribution to the public interest. Installment five examines tax advice and the multiple ways in which tax services may be vulnerable to money laundering.

The installment series, with its focus on accessibility and ease of use, will be a resource for Small and Medium Practices (SMPs,) and accountants less familiar with AML, while also providing guidance for those looking for a quick refresher or reference.

Anti-Money Laundering: The Basics is featured on both the IFAC (landing page) and ICAEW websites and available for download for free. To be globally relevant, the series uses the risk-based approach of the Financial Action Task Force (FATF) -- the global money laundering and terrorist financing watchdog -- as a starting point.

For more information about IFAC, please visit www.ifac.org.

For more information about ICAEW, please visit <https://www.icaew.com/>.

10. IFAC AND IIRC SET OUT A VISION FOR ACCELERATING INTEGRATED REPORTING ASSURANCE

As an increasing number of businesses around the world implement integrated reporting as a route to long-term value creation and sustainable development, the demand for assurance

services on such reports is expected to rise accordingly. To help meet this demand, and to increase confidence in integrated reporting, the International Federation of Accountants (IFAC) and the International Integrated Reporting Council (IIRC) has launched a new joint initiative, Accelerating Integrated Reporting Assurance in the Public Interest (“the Initiative”).

The Initiative recognizes that new thinking is required to determine what comprises integrated report assurance and how to best deliver it, given integrated reporting’s broad and forward-looking focus on value creation. The Initiative, which will be rolled out in installments, is designed to heighten awareness of key issues, drive constructive conversation with and among key stakeholders, and encourage providers and users of assurance services in particular to lend their voices to the effort.

The first installment has released on 26 February 2021 and set out what integrated reporting assurance involves for organizations, auditors, and others. This installment also addresses the difference between the two types of assurance - limited and reasonable - and what is required of auditors and organizations to strive for reasonable integrated reporting assurance.

Feedback on the Initiative and the first installment can be sent to stathisgould@ifac.org. All comments are welcome, especially those that address:

- perceived or actual opportunities and challenges for progressing integrated reporting assurance
- areas in which additional thought leadership and guidance would be useful for organizations, auditors and assurance providers.

Commenting on the initiative, Charles Tilley, Chief Executive Officer, IIRC said, “We believe the move toward assurance of integrated reports, particularly the move from limited to reasonable assurance, should lead to improvements in the quality of integrated reports and underlying business practices, and enable investors and other stakeholders to have more confidence in the information reported about the business and its resilience.”

Tjeerd Krumpelman, Global Head of Advisory, Reporting & Engagement, ABN AMRO N.V. said “We decided a few years ago to obtain cover-to-cover independent assurance, based on the Framework, from our financial statements auditor, EY, on our 2017 Integrated Report. We were a groundbreaker in this regard, and encourage all other integrated reporters to do the same. We believe this pathway has not only enhanced the credibility of our report and provided stakeholders with increased confidence, but we also received valuable reporting and process improvement recommendations. Our next step is to move from limited to reasonable assurance for parts of our integrated report, and to obtain assurance on other non-financial disclosures, such as our Human Rights report, because it makes good business sense.”

Kevin Dancey, Chief Executive Officer, IFAC, said, “Integrated reporting assurance, and indeed providing assurance on all non-financial (including sustainability) information, is a critical element in the future role of accountants, requiring them to apply their professional expertise to assurance engagements that enhance the credibility of corporate reporting. Practice needs to develop quickly in this immature part of the reporting and assurance world, particularly to

provide confidence in narrative and forward-looking information. Professional accountants, as preparers and assurance providers, are uniquely qualified to help lead the way in this important area.”

11. IFAC AND IESBA REACH KEY MILESTONE IN DELIVERING ETHICS AND INDEPENDENCE RESOURCE

On 28 February 2021, IFAC completed its inaugural series—*Exploring the IESBA Code*—a unique, educational resource developed in collaboration with the staff of the International Ethics Standards Board for Accountants (IESBA). Launched in November 2019, each installment of the series highlights important concepts and topics in the International Code of Ethics for Professional Accountants (including International Independence Standards).

The final instalment being released, explains the “building blocks” structure of the Code and its interconnected nature. This installment is intended to help readers better understand how to use and navigate the Code so that they can quickly identify and access the ethics and independence standards and guidance relevant to them. Other topics covered in the series include: the fundamental principles, the conceptual framework, auditor independence, conflicts of interest, inducements, non-compliance with laws and regulations (NOCLAR), pressure, and the role and mindset expected of the professional accountant with a focus on bias.

“The Exploring the IESBA Code series is a very useful tool to complement the IESBA eCode,” said Dr. Stavros Thomadakis, IESBA Chairman. “Each installment provides a summary of important aspects of the Code with cues on how to read and apply its authoritative text. This final installment spotlights the purpose of the Code, how it is structured, and how it should be used—by accountants in business (PAIBs) and public practice (PAPPs), including auditors. The successful completion of this initiative demonstrates once again how IESBA’s and IFAC’s partnership is valuable in supporting the global adoption and implementation of the Code.”

IFAC’s CEO, Kevin Dancey, said “The ethical foundation of the accountancy profession is one of its most important features. The Exploring the IESBA Code series demonstrates IFAC’s commitment to this ethical foundation and our role in supporting the important work of IESBA, as well as the International Auditing and Assurance Standards Board (IAASB) and International Public Sector Accounting Standards Board (IPSASB). I encourage our members, professional accountancy organizations and national standard setters around the world to leverage this new resource—to help raise awareness of the Code and to help professional accountants uphold their public interest responsibility.”

12. IAASB ISSUES SUPPORT MATERIAL TO HELP AUDITORS ADDRESS RISK OF OVERRELIANCE ON TECHNOLOGY

The Technology Working Group of the International Auditing and Assurance Standards Board (IAASB) has on 18 March 2021 released non-authoritative support material to help auditors

address the risk of overreliance on technology, whether it arises from using automated tools and techniques or from using information produced by an entity's systems.

The publication does not amend or override the International Standards on Auditing (ISAs), the texts of which alone are authoritative.

13. IFAC SEES CONTINUED OPPORTUNITY TO HARMONIZE CORPORATE SUSTAINABILITY REPORTING

IFAC, the International Federation of Accountants, which comprises 180 member and associate organizations and represents more than 3 million professional accountants globally, welcomes the publication of the much-anticipated draft text of the European Union's revised [*Corporate Sustainability Reporting Directive*](#).

This ambitious proposal demonstrates leadership on the issue of corporate reporting. The legislation seeks to put sustainability-related reporting on the same footing as traditional financial reporting. This is long overdue. Specific proposals, such as where sustainability information is reported, mandatory assurance, a digital reporting taxonomy, and expanded scope for oversight by audit committees, are all important elements of enhancing the corporate reporting ecosystem to include sustainability-related information.

As progress on the IFRS Foundation's Sustainability Standards Board accelerates, IFAC believes policymakers have a unique opportunity to build a truly global system for sustainability reporting. We hope the EU's important work ultimately contributes to—and amplifies the impact of—the emerging global system.

IFAC CEO Kevin Dancey said, "It is great to see a commitment to the needs of investors as well as other stakeholders, and to cooperation and alignment with international initiatives, including proposed work of the IFRS Foundation as well as the efforts of various public authorities. IFAC urges the IFRS Foundation to move with speed so that the benefits of baseline standards for enterprise value reporting will be available to all jurisdictions, while preserving the flexibility for disclosures that meet local needs addressing wider sustainability development goals. These are truly exciting times. We will continue to engage with the various stakeholders in this space as we all work toward the shared goal of a global system for reporting sustainability-related information in the public interest."

14. PUTTING THE PUBLIC INTEREST AT THE HEART OF OUR WORK: ACTING WITH URGENCY, PURPOSE AND RESPONSIVENESS

The International Auditing and Assurance Standards Board (IAASB) has on 22 April 2021 published its Public Report detailing its progress to support the public interest between July 2019 and December 2020. During this 18-month period, the IAASB completed five major standards aimed at enhancing audit and assurance quality, adopted a four-year strategy focused on the public interest, and established a new work plan focused on emerging issues. The IAASB also responded to a new environment sparked by the global pandemic by issuing

guidance and engaging with a broad range of stakeholders in order to sustain trust in audit and assurance.

The Public Report showcases the IAASB's efforts to be a responsive, agile and innovative standard setter, closely connected with its stakeholders. The report highlights completed and in progress standard-setting projects, other new initiatives to respond to stakeholder needs, and our efforts to improve the agility of the standard-setting process. The report also includes reflections from IAASB Chair Tom Seidenstein on his first 18 months in this role.

15. GLOBAL ETHICS BOARD TAKES MAJOR STEP FORWARD IN STRENGTHENING AUDITOR INDEPENDENCE

The International Ethics Standards Board for Accountants® (IESBA®) has on 28 April 2021 released revisions to the Non-Assurance Services (NAS) and fee-related provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). The revised NAS and fee-related provisions significantly strengthen the guardrails around auditor independence in two important areas that have the potential to create incentives influencing auditor behavior—non-assurance services provided to audit clients and fees.

“Independence is fundamental to the role of auditors as corporate guardians and ultimately to public confidence in financial reporting and market integrity,” said IESBA Chairman Dr. Stavros Thomadakis. “With the significant strengthening of the NAS and fees provisions, we have taken bold steps to set an even higher bar for the standards of independence required of auditors globally, especially in relation to public interest entities. We believe these changes represent a major advance in the public interest.”

The package of new measures includes:

- A far-reaching prohibition on audit firms from providing a NAS that might create a self-review threat to an audit client that is a public interest entity.
- New provisions to enable and promote more robust engagement between auditors and those charged with governance of public interest entities about independence matters relating to NAS and fees.
- Strengthened provisions to address undue fee dependency on audit clients.
- Provisions to stimulate greater public transparency about fees paid by audit clients that are public interest entities to assist stakeholder judgments about auditor independence.
- Comprehensive guidance to steer auditors' threat assessments and actions in relation to NAS and fees.

"The revised NAS and fee-related provisions reflect current public interest expectations with respect to auditor independence in two important areas," said Gaylen Hansen, IESBA Consultative Advisory Group (CAG) Chair. "The IESBA CAG, with its diverse membership base, has unanimously supported and encouraged the IESBA's formidable leadership in effecting these changes."

The revised NAS and fee-related provisions have been informed by extensive research, global roundtables and other outreach to investors, the corporate governance community, regulators, audit oversight bodies, national standard setters, accounting firms, preparers of financial statements, and others. In addition, the development of the provisions has benefited from close coordination with the International Auditing and Assurance Standards Board (IAASB).

The revised NAS and fee-related provisions become effective for audits of financial statements for periods beginning on or after December 15, 2022. Early adoption is permitted and encouraged.

In support of global adoption and implementation of the new standards, the IESBA has developed Bases for Conclusions and other resources which are available on the IESBA's website. Additional support materials and resources will be published in 2021.

For further information: <http://www.ifac.org>

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