



17th
PUBLIC
REPORT

HELL (OPEN)NESS!

PIOB
Enhancing Public Interest

INTRODUCTION

- The PIOB at a glance
- About this report

1.LEADERSHIP REMARKS

- Message from the PIOB chair
- Message from the MG co-chairs
- Remarks by the PIOB secretary general

2.WHY

- Our Purpose
- Who we are
- Where we fit into the ecosystem
- How this structure will change
- How we create value

3.WHAT

(WE HAVE ACHIEVED THROUGH OUR OVERSIGHT ACTIVITIES IN 2021)

- Approvals in 2021
- Oversight of the IAASB and the IAASB CAG
- Oversight of the IESBA and the IESBA CAG
- Oversight of the IFAC Nominating Committee
- SSB Composition in 2021
- PIOB involvement in the Interim Nominating Committee

4.HOW

- How we identify Public Interest Issues
- Our Methodology for oversight
- SSB Nominations – preparing for the future

Our people

- The PIOB Members
- The PIOB Foundation
- The SSB NomCo Members
- PIOB staff
- Our stakeholders
- How we engage
- What is next?

Our funding and finances

- Funding Diversification
- Activities of the Audit Committee
- Summary of financial statements

APPENDIX

- List of acronyms

INTRODUCTION

The PIOB at a glance



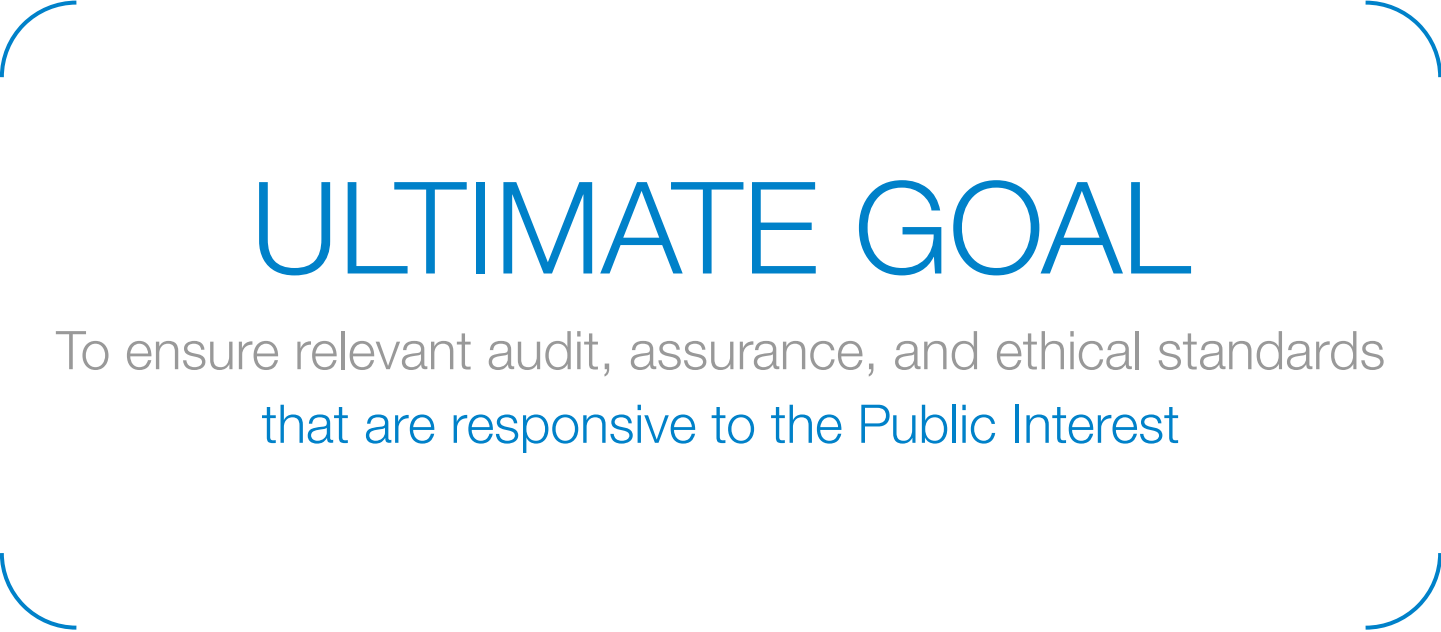
MISSION

To enhance confidence in capital markets by ensuring a Public Interest focus in the setting of international auditing and assurance standards and in the setting of ethics standards for the accountancy and audit professions.



VISION

To provide oversight that improves the quality and Public Interest focus of the international audit and assurance, and ethics standards formulated by the international standard-setting boards.



ULTIMATE GOAL

To ensure relevant audit, assurance, and ethical standards
that are responsive to the Public Interest



MULTI-STAKEHOLDER STANDARD-SETTING BOARDS (SSBs)

with sufficient technical skills and diverse perspectives and experience.



INDEPENDENT OVERSIGHT

of the SSB strategies, work plans, and projects to ensure:

- Public Interest responsiveness
- Due process has been followed



SUSTAINABLE FUNDING

for both SSB structures and the PIOB from diverse sources to ensure independence and absence of undue influence by the providers of funds on the work of the PIOB and the SSBs.

KEY TOOLS TO ACHIEVE OUR GOAL THROUGH:

- [Nominations Process](#)
- Approval process for SSB candidates

- Stakeholder engagement for a deeper understanding of public interest needs
- A multi-skilled PIOB with diverse experience and perspectives for oversight
- Ongoing engagement with SSB chairs to ensure common goals and objectives, and a common view on the public interest

- Transparency and knowledge of the work done by the PIOB and the SSBs
- Clarity of value added through PIOB oversight

What we have achieved in 2021



APPROVALS IN 2021 AND OUR IMPACT THEREON

[See more on pages 33-35](#)



PUBLIC INTEREST ISSUES IDENTIFIED IN 2021

[See more on pages 38 - 47](#)



KEY FOCUS AREAS

[See more on page 17](#)

About this Report

The **annual public report** of the **Public Interest Oversight Board (PIOB)** is the jewel in our communication crown and is therefore aimed at providing a comprehensive overview of who we are, why we exist, how we add value, and how we execute our mandate. We aim to provide this information in a clear, concise, and user-friendly manner to all the readers of the report. To keep the report concise, we provide links to the PIOB website, where more information is readily accessible.

This 2021 Public Report continues to reflect our journey toward adopting the principles of integrated reporting.

It covers the activities carried out by the PIOB from January to December 2021, with passing reference to any material developments up to the date when the report was approved for publication.

The content of this report reflects solely the views of the PIOB. The institutions or bodies cited within are not responsible for its contents or for any use that may be made of the information it contains.

It is co-funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union. The European Union cannot be held responsible for them.



The PIOB also receives funding from the following organizations. Please see section 4 of this report – Our funding and finances.



1. LEADERSHIP REMARKS





Linda de Beer
PIOB chair

Message from the PIOB chair

Dear PIOB Stakeholder

Welcome to our 2021 Integrated Report. I believe it is the ancient Greek philosopher, Heraclitus, who said, “Change is the only constant.” His words have certainly stood the test of time. However, I wonder if the staggering and ever-increasing pace of change has ever been felt so much as in the past few years.

In my comments in our [2020 report](#), I stated, “*2021 is destined to be another year of change, hard work, and challenge*,” and the implementation of the Monitoring Group (MG) Recommendations has certainly not disappointed in bringing about many exciting changes in the corridors of the PIOB in the past year.

In principle, though, despite process changes and role enhancements, the PIOB’s role, as the global independent oversight body remains steadfast.

In some of our recent presentations to stakeholders, we used a picture of a lighthouse. I believe that our role as oversight body is to be that for the standard-setting boards (SSBs) – to act as a beacon of the Public Interest and shed light for the SSBs on where to go and where not to go. It is the role of the SSB chairs, though, to steer the ship through the waters.

What has changed or is changing?

Unless you are closely involved in the PIOB’s or SSBs’ processes, it is sometimes confusing and unclear what we have reached to date with the implementation of the MG Recommendations and what the outcomes thereof will be. Let me attempt to summarise this, in short, by firstly highlighting that the objectives are to achieve an independent and inclusive multistakeholder standard-setting structure, to reinforce consideration of the Public Interest throughout the standard-setting process, and to foster the development of high-quality standards that are responsive to the accelerated pace of change. To this end, the following are key aspects of the changing process, which is by no means a complete list:

The SSBs:

- Currently two committees housed in the International Federation of Accountants (IFAC) that will be moved into a new nonprofit legal structure. The two SSB chairs will be the joint chief executive officers of this new structure.
- Each SSB, currently comprising 18 members, of which 9 are audit practitioners, will be changed over the next three years to 16 members with a maximum of 5 audit practitioners*.
- SSB members, with the exception of the chairs, are now volunteers not remunerated for their time. In the future, it is envisaged as part of the MG Recommendations that SSB members will receive a stipend.
- SSBs are supported by a small staff complement and as a result, most of the drafting of the standards is done through task forces comprising mostly SSB members and external experts as required. In the future, it is envisaged that the staff complement will be strengthened to enable the work of the SSB members to be more focused on key debates and decision making, leaving the detailed drafting to the expanded staff and removing reliance on technical advisors.
- Nominations to the SSBs were managed through the IFAC Nominating Committee, for approval by the PIOB. In 2021, this process moved to the newly-established PIOB SSB Nominations Committee (SSB NomCo) which has 9 committee members from multiple backgrounds, skills, and jurisdictions, chaired by an investor, and is still subject to PIOB approval.
- The International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) Consultative Advisory Groups (CAGs) currently comprise organizational membership. These two voluntary structures will be combined into a joint Stakeholder Advisory Council (SAC), whose members will be selected on the basis of personal qualifications and capacity, through the PIOB SSB NomCo process, in consultation with the SSB chairs.

*A practitioner is a member or an employee of an audit firm. IFAC classifies candidates from such firms into 4 categories: Big 4 firms, large national firms, small and medium-size practices, and other international networks.

PIOB:

- Our oversight role remains consistent with our mandate, but there will be enhanced transparency in the future by having PIOB meetings open to the public, with minutes, observation and briefing memos becoming public documents among other actions.
- As noted, the PIOB has established an SSB NomCo to manage the nominations process for SSB members as well as for the members of the SAC.
- Previously, the 10 PIOB members were appointed by MG member bodies. Appointments are now based on a public call for nominations issued by the MG with the objective to create a multistakeholder board with multiple skills and diverse perspectives based on an agreed skills matrix developed as part of the MG recommendations.

What do we do and why?

Our role at the PIOB is that of the global independent oversight body, that provides oversight of the standard-setting processes of the IAASB and IESBA to ensure that international audit, assurance, and ethics standards for auditors and accountants are responsive to the Public Interest.

This is a critical role considering the importance of both auditors and accountants in the financial reporting chain, which forms the basis of information for decision making not only in capital markets, but also in all other spheres of business and government. Therefore, high-quality relevant standards, that address the needs of the users and beneficiaries of the services and products of auditors and accountants, are the ultimate objectives.

We fulfill this role through direct oversight of the Public Interest responsiveness of final standards, including through ongoing engagement with the SSBs throughout the standard-setting development cycle. As part of our oversight, we also oversee that due process is followed by the SSBs.

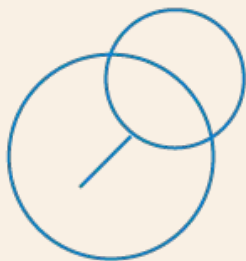
In order to achieve this, the following building blocks are required:



Multi-stakeholder SSBs with members who have sufficient technical skills and diverse perspectives and experience to set the required standards. This is achieved through a strong and independent nominations and approval process for members of the SSBs.

We are privileged to have appointed a strong committee [\(see more information on page 68\)](#), which has already kicked off its invitation for membership application process for terms beginning in 2023. A word of thanks goes out to the IFAC staff and leadership who were generous with their time, skills, and other resources to ensure a smooth transition of this important nominations process from IFAC into the PIOB.

It is a key objective of the PIOB to ensure the quality and diversity of SSB members. To this end, SSB NomCo members reach out to their stakeholder networks to ensure that we get strong candidates who have deep experience and technical skills to serve as IAASB and IESBA members. Ultimately, the quality of standards is in the first instance dependent on the quality and diversity of relevant skills and perspectives on the two SSBs.



Independent oversight of the SSB strategies, work plans, and projects to ensure that they are responsive to the Public Interest and that due process is followed in the setting of standards. This is achieved through:

- *Stakeholder engagement for a deeper understanding of the Public Interest needs*
- *A multiskilled PIOB with diverse experience and perspectives for oversight*
- *Ongoing engagement between the PIOB as oversight function and the SSB leadership to help drive progress toward outcomes that will serve the public*
- *A commonly shared Public Interest Framework (PIF)*

It is important for us to understand the SSB projects, and stakeholder perspectives and views well enough that we can effectively ensure the Public Interest responsiveness of the individual projects and collective strategies and work plans of the IAASB and IESBA. To this end, we have enhanced our internal processes to ensure that, as a board, we are collectively and individually well equipped to fulfill our oversight role. We do this through ongoing discussions, debates, and updates among ourselves, with our stakeholders, and with the SSB leadership on the substance of the projects. We also observe SSB meetings. We are comfortable that we have continued to positively influence and impact the outcome of several important standards issued in 2021. [We talk more about this contribution on page 33 of the report.](#)

The PIOB's two-pronged role of overseeing (1) Public Interest responsiveness of the standards within a Public Interest Framework (PIF) shared with the SSBs and, (2) that due process is followed, is sometimes misunderstood.

Our role is not to ensure that every comment, or even all material comments of all stakeholders, or of all MG member bodies, are taken on board by the SSBs. Instead, our role is to ensure that the SSBs give sufficient consideration to all material comments received and perform adequate outreach and consultation to come to their decisions and conclusions. This is the due process oversight role of the PIOB.

For us to perform our duty to oversee that the standards are responsive to the Public Interest, we have a number of tools in our toolkit.

First, and foremost, we are a multistakeholder board with various backgrounds, experiences, and skills sets to bring many different perspectives to the debate. With this as a foundation, we engage stakeholders, study the comment letters to the SSBs, and follow our internal processes through our preparatory and education sessions, briefings and debriefings as well as internal debates and external engagements with the SSBs. We agree on what we concluded, on the back of stakeholder engagement and other evidence, the Public Interest issues of every project are, to ensure Public Interest responsiveness. Those issues are communicated to the SSBs and to our stakeholders at large through our quarterly reporting, and are tracked and updated on a quarterly basis. Ultimately, when a standard is presented by the IAASB or IESBA, after its own approval process, to us for approval (in the future this will be in the form of a certification in respect of due process and Public Interest responsiveness), we have a trail of detailed documentation throughout the lifespan of the project to support our conclusion.

Even though this is not an area that will be subject to significant change due to the MG Recommendations, we intend further enhancing our stakeholder engagement in the year ahead, hopefully in an environment where we can gradually start meeting in person again. The PIF will become our common beacon and guardrails, collectively for the PIOB and the SSBs, in considering the Public Interest responsiveness of projects on the work plans of the SSBs.



Sustainable funding for both the PIOB and the SSB structures from diverse sources, to ensure independence and the absence of undue influence by the provider of funds on the work of the PIOB and the SSBs.

This is achieved through:

- Transparency and knowledge of the work done by the PIOB and the SSBs
- Clarity on the value added through PIOB oversight

Until 2021, the largest portion of the PIOB funding came from IFAC. There is the need for the PIOB to reach a stage where we have a sustainable and more diverse funding solution for our oversight function in the first instance, but also for the SSBs. This is currently a key focus area of all the role players, and I am confident that by next year's report, much more clarity and certainty would have been reached and communicated.

This does not mean that the profession does not have a critical role to play in this ecosystem. The MG co-chairs, whom I would like to thank for their ongoing support and leadership, often remind us that we are not reforming against the profession, but with the profession. There are strong initiatives in process, under their leadership, to ensure that a pool of diverse funding is established, on a sustainable basis, for the funding of both the PIOB and the SSBs.

What value did the PIOB add in 2021?

We often spend a lot of time explaining our oversight process and the work that we do. However, we have come to realize that our stakeholders are less focused on how we do our work than on the impact we have as an organisation. Our acid test is exactly that: Would the standards and standard-setting be poorer if the PIOB were not there?

We do not only show our worth through the processes that we have in place to oversee, observe, engage and influence. We strongly see our impact, at an individual project/standard level. I would like to point the following out to you in respect of the 2021 IAASB and IESBA approvals, but also in respect of the ongoing projects on the work plans of these two boards. Again, these are not complete lists, but the more pertinent points:

We can see our impact at the project/standards level:

- In reinforcing the SSBs' confidence in their pursuit of critical Public Interest initiatives – for example, by expressing unwavering support for SSBs' decision to take leadership roles in sustainability.
- In challenging prioritizations – for example, in relation to the timing of work on the topic of going concern notwithstanding other projects competing for resources.
- In challenging whether proposals go far enough to address underlying Public Interest concerns – for example, by stimulating further consideration of the adequacy of the level of specificity in requirements for group audits in relation to communication, supervision, and documentation in light of inspection concerns.
- In prompting reflection on the weight to be given to certain stakeholder views, further highlighting their merits, and stimulating innovative solutions – for example, by encouraging advancement of the issue of treatment of collective investment vehicles and pension funds in the regime constructed for the new definition of Public Interest Entities (PIEs).
- In reiterating thematic Public Interest objectives as the SSBs bring forward proposals – for example, in relation to robust transparency such as when the SSBs are considering disclosures in relation to determination of an entity as a PIE and in relation to fraud and going concern.
- In bringing new Public Interest dimensions to light for SSB consideration – for example, in relation to the level of importance attaching to fraud as is attached to material misstatements.

All of these matters are further elaborated on later in this report, refer to [section 3, page 31](#)

In conclusion

The one principle I am deeply aware of in implementing the reforms is that all players – the MG, IFAC, and the PIOB – are co-dependent and only through cooperation and consensus will we be able to co-exist and execute this very important set of MG Recommendations in the Public Interest. I want to thank the leadership of the MG and IFAC for your support, frank and open communication, and tireless collaboration.

I would also like to thank every one of the PIOB board members, including Jane Diplock, Aileen Pierce and Karel Van Hulle, who retired from the PIOB in 2021, as well as Yugui Chen, Begoña Giner, Janine Van Diggelen, Tshego Modise and Dave Sullivan who joined us, for their tireless commitment and wisdom.

Similarly, a word of thanks to Gonzalo and the PIOB staff, without whom we would have been unable to do this work. As I said last year, it is priceless for every one of us at the PIOB to be able to play a role in these important processes and unprecedented times.

Most important, I want to thank the SSBs, both at board and staff level, under the leadership of Stavros Thomadakis, Tom Seidenstein and James Gunn in 2021. Ultimately everything we do is linked back to and in furtherance of the work of the IAASB and IESBA. We wish Stavros well as he retires from the IESBA Chair position at the end of 2021 and Gabriela Figueiredo Dias well too as she takes over the reins from him.

Lastly, I want to thank you, our stakeholders, for your input and contribution to these important standard-setting processes. We hope we can, not only continue our engagement, but can also enhance and mature it with you, and with those stakeholders that have not yet received the attention warranted in 2022.



Linda de Beer
PIOB Chair



Jean-Paul Servais
Monitoring Group co-chair



Paul Munter
Monitoring Group co-chair

Message from the Monitoring Group Co-Chairs

The Monitoring Group is composed of international financial institutions and regulatory bodies committed to advancing the Public Interest in high-quality international audit and ethics standard-setting and high audit quality. We are responsible for the overall governance of the international audit and ethics standard-setting system and the review of its effectiveness. Our oversight of the PIOB is a foundational component of our mandate, which in turn, increases the confidence of investors and others that the activities of the SSBs are responsive to the Public Interest.

Monitoring Group Recommendations

Development of transition plan

The Monitoring Group Recommendations (MG Recommendations) published in July 2020, when fully implemented, will provide significant enhancements to the independence and inclusiveness of the international audit-related standard-setting system. These enhancements will result in standard-setting that will be more responsive to the public interest through contributions to the standard-setting process from all stakeholders in the financial reporting ecosystem, with standards developed using the Public Interest Framework, which we expect will lead to improved audit quality for the benefit of users of financial statements. The MG Recommendations envisaged that a transition plan to address the critical components of the reforms would be developed within nine months from the publication date.

We are pleased to report that, through the dedication of and contributions from the MG and other key stakeholders, a transition plan was developed in 2021 and implementation of that plan commenced.

Implementation efforts

The MG Recommendations specified that implementation efforts would occur over a three-year transition period that began in mid-2021. Our focus during the implementation phase is to ensure that we have proper sequencing of activities to minimize the disruption to the SSBs in achieving their ongoing work plans that are in the Public Interest.

Because of the collaborative efforts of all stakeholders, we have made significant progress during 2021 in implementing the MG Recommendations, including key enhancements to the mandate and oversight (which includes consideration of Public Interest responsiveness) responsibilities of the PIOB. Specifically, two important activities were completed that increased the multistakeholder representation on the PIOB and significantly enhanced their oversight to further the quality of standard-setting in the public interest. Those are:

- *Establishment of the PIOB's Standard-Setting Boards Nominations Committee.* Transferring responsibility for the selection of members to the SSBs to the PIOB will provide greater independent oversight of the process of appointing members who have the collective mix of skills and experiences, in accordance with the skills matrix, to the SSBs.
- *Establishment of the Monitoring Group Nominating Committee for PIOB members.* The enhanced process promotes collaborative decision making and evaluation of the collective skill set of PIOB members in accordance with the skills matrix that brings a mix of leadership, expertise, and diversity of thought and geography to facilitate the PIOB's execution of its oversight responsibilities.

The Monitoring Group looks forward to continuing its work with all stakeholders in the financial reporting ecosystem during this period of transition as we fully implement the reforms to achieve enhancements in the standard-setting system that is in the Public Interest and that can drive improvements in audit quality.

What is next in 2022?

As we look forward to 2022 and continue to be flexible and adaptable to be responsive to the ongoing COVID-19 pandemic, we are excited to see results of our implementation efforts that have been completed to date. We also believe that our efforts will further enhance the ability of the standard-setting system to be responsive to the Public Interest in areas in which there is rapid pace of change and evolving needs of stakeholders including assurance over sustainability information. We also understand the importance of building a stable, multistakeholder funding model that supports the objectives of the MG Recommendations. We expect that we will make further significant progress in the implementation of the MG Recommendations during 2022.

In conclusion, we want to express a huge thank you to our Monitoring Group colleagues, the PIOB and its members and staff, and the various other global stakeholders in the financial reporting ecosystem for all of the support during this past year. We are excited for what is ahead, and we believe that the momentum is strong as we drive to fully achieve enhancements to the international audit and ethics standard-setting structure for the benefit of all who rely on high-quality international audit and ethics standard setting in the Public Interest.

Jean-Paul Servais
Monitoring Group co-chair

Paul Munter
Monitoring Group co-chair



Gonzalo Ramos
PIOB secretary general

Remarks by the PIOB secretary general

During 2021, PIOB oversight activity was carried out against the background of the start of implementation of the [Monitoring Group \(MG\) reforms](#) published in July 2020. This effort was made possible through the outstanding dedication of the PIOB board members and staff.

The start of the implementation of the MG reforms is truly an historic event for the accounting, audit, and broader assurance professions. Since the MG launched its consultation for strengthening the governance and oversight of the international audit-related SSBs in the Public Interest in 2015, the MG, IFAC and PIOB have been working together to agree on a standard-setting system that is more independent from the profession and more responsive to the Public Interest. This long journey has had to contend with the additional challenges imposed on international negotiation processes by the pandemic in the last two years. Implementation of the reforms is now an ongoing process that started before 2017 and is expected to end in 2024-25.

During 2021, the MG, IFAC and PIOB developed a variety of significant workstreams in a spirit of agreement and cooperation. These workstreams covered all areas of the reforms, including for instance, new Terms of Reference and composition of the SSBs, new Terms of Reference for the PIOB, new skills matrices and new nomination processes of SSB members and of PIOB members, among others. A key element has been the agreement on the details of the new not-for-profit legal structure to house the IAASB and the IESBA.

Implementation of the reforms started with the launch of a global invitation for membership to establish the new SSBs NomCo. This was a key reform to be implemented first to begin the process to make the SSBs multistakeholder boards. The start was the setting up of this committee for the selection and recommendation to the PIOB of candidates for SSB membership. The committee was appointed in December 2021 and approved its first Invitation for Applications for membership of the SSBs starting in 2023. The selection process will take place during 2022, the objective of SSBs NomCo being to achieve multistakeholder SSBs at the end of transition.

Credit must be given to IFAC for their support of the process of transferring the nominations responsibility to the PIOB and to the setting up of the new committee. In line with the objectives set by the MG Recommendations, the activities of the SSB Nominations Committee will be guided by the need to continue to support the SSBs in the delivery of their projects, while reducing their size to 16, limiting the number of audit practitioners in each SSB to five and enhancing the multistakeholder nature of the SSBs. In 2021, Martin Manuzi agreed to join the PIOB as nominations director to support the SSB NomCo and its chair, Liz Murrall.

An important precedent to the SSB NomCo was the selection process of the new IESBA chair conducted in 2021, managed by an ad-hoc committee under the able chairmanship of Makoto Sonoda.

All this work took place alongside a very intense program of standard-setting activity and therefore of its oversight. In 2021, the PIOB had to work in an environment similar to living in a house while it is being renovated.

In relation to oversight, a separate section in this report outlines the main elements of progress in 2021 and the beginning of 2022. I would only like to remark that, after 17 years of oversight experience, the PIOB continues to contribute very significantly to the standard-setting process by ensuring that the strategies and work programs of the IAASB and IESBA, and the standards they develop are responsive to the Public Interest. The PIOB has a complex role in this regard. The PIOB often needs to exercise judgment over Public Interest issues in instances where consultation processes do not succeed to elicit clearly the Public Interest. The PIOB on occasion needs to challenge the boards in the pursuit of its Public Interest mandate, aware of the importance to support the work of the SSBs. The complexity of this role should be facilitated with the further ongoing implementation of the Public Interest Framework.

In 2022, we expect to continue to support and challenge the IAASB and IESBA through our oversight activities, and, together with IFAC, help the MG implement the rest of the reforms.

Gonzalo Ramos
PIOB secretary general

2. Why

Our purpose is

To enhance confidence in capital markets by ensuring Public Interest focus
in the setting of international auditing and assurance standards,
and in the setting of ethics standards for the
accountancy and audit profession.

Who we are

The PIOB is the global independent oversight body that seeks to improve the quality and public interest focus of the international audit, assurance, and ethics standards formulated by the international standard-setting boards: the IAASB and the IESBA.

The PIOB is a Technical Committee of the PIOB Foundation, which is the independent legal entity accountable to the Spanish foundations' regulatory body, the Spanish Protectorado. The PIOB Foundation entrusts the PIOB Technical Committee with carrying out its mandate of enhancing the confidence of investors and other users that standards developed by the IAASB and IESBA are in the Public Interest.

The PIOB currently comprises the PIOB chair, nine members [See page 68](#), and a secretary general, who coordinates a Secretariat with a staff of six that is headquartered in Madrid [See page 71](#). The PIOB Foundation Board of Trustees and the PIOB Technical Committee meet four times a year.



PIOB Headquarters in Madrid

1.MONITORING

A group of international public interest and financial institutions (**the Monitoring Group**), responsible for monitoring the overall structure and to which the PIOB is accountable.



MONITORING GROUP

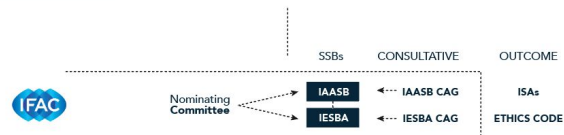
2.OVERSIGHT

An independent oversight body (**the Public Interest Oversight Board**), responsible for overseeing the standard-setting processes by the two SSBs as well as their nominations processes.



3.STANDARD SETTING

The two SSBs (**IAASB** and **IESBA**) responsible for setting international standards in the fields of Audit, Assurance and Ethics.



Where we fit into the ecosystem

The PIOB is one part of a three-tier collaborative model:

Previous Structure

MONITORING BY THE MG



OVERSIGHT OF SSBs

PIOB



SSBs

Nominating Committee

Board gov/oversight

Admin Finance,IT

Comms Website

Budget setting

STANDARD SETTING

Post - reform Structure

MONITORING BY THE MG



OVERSIGHT OF SSBs

PIOB

NON-PROFIT
LEGAL STRUCTURE



SSB NOMINATIONS

Board gov/oversight

Budget setting

Comms Website

Admin Finance,IT

SSBs

STANDARD SETTING

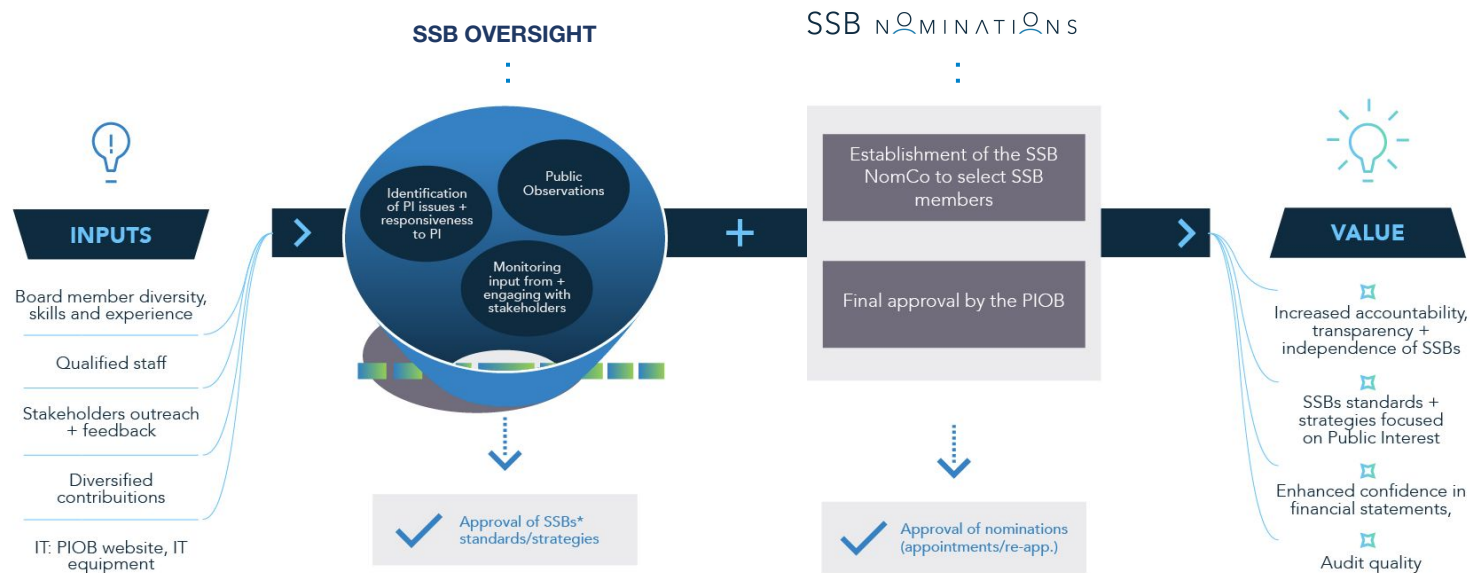
In July 2020, the MG published its Recommendations to Strengthen the International Audit and Ethics Standard-Setting System following a consultation issued in 2017. The report is available at iosco.com/about..

The MG Recommendations also include the request that the PIOB set up an independent Nominations Committee to select IAASB and IESBA members. The PIOB [set up this committee in 2021](#).

The MG Recommendations include a public interest framework (PIF) developed to ensure that the public interest is observed throughout the full cycle of a standard's development and that the standard developed is responsive to the public interest. These goals are accomplished by:

- Reinforcing the importance of independence in the standard-setting process and the benefits of deep technical expertise and diverse perspectives
- Having a common understanding by the SSBs and the PIOB about the meaning of responsiveness to the public interest and the judgments required to achieve this objective
- Ensuring that the SSBs focus on the public interest in their development of the standards
- Providing independent oversight, giving stakeholders confidence that the two SSBs develop standards that are in the public interest
- Demonstrating appropriate accountability of the PIOB and the two SSBs in fulfilling their mandates.

How we create value at the PIOB



Note: MG = Monitoring Group. SSB = standard-setting board. IT = information technology. CV = curriculum vitae.

3. What

WE HAVE ACHIEVED THROUGH
OUR OVERSIGHT ACTIVITIES IN 2021

Approvals 2021

IAASB

Conforming amendments to other standards arising from IAASB's Quality Management Standards (QMS)

Effective alignment with substantial aspects of the QMS (for example, directing, supervising, and reviewing the work of the engagement team; establishing a monitoring and remediation process to identify deficiencies; and addressing firms' responsibilities in designing and operating policies and procedures of a quality management system, documentation requirements, definition of engagement team, responsibilities of the engagement partner, reference to engagement quality reviews, and relevant ethical requirements applicable to the engagement team)

The PIOB supported the effective alignment of other IAASB standards with the substantial revisions made in the QMS

IESBA

Revisions to the non-assurances services (NAS) provisions of the Code of Ethics

- Prohibition for an audit firm or network firm to provide NAS to Public Interest entity (PIE) audit clients if the provision of that service might create a self-review threat
- New requirements strengthening communication between the audit firm and those charged with governance (TCWG) (that is, concurrence before accepting NAS)
- Prohibition to provide bookkeeping and accounting services to audit clients that are PIEs (with limited exceptions)

Among the main recommendations provided by the PIOB during the revision of NAS provisions in the Code:

- The project should be given priority in the IESBA strategy and work plan, also following PIOB's recommendations on the urgency of the project after the first review of NAS (finalized in 2015)
- Independence requirements in the Code should be substantially reviewed
- Transparency and communication with TCWG should be sought
- Sufficiency and appropriateness of safeguards should be reviewed

IESBA

Revisions to the fee-related provisions of the Code of Ethics

- Audit fee should be a stand-alone fee
- Prohibition of contingent fees for audit engagements
- Specific thresholds to address fee-dependency situations, with stricter requirements for audit clients that are PIEs and obligation to cease engagement under certain circumstances
- Enhanced transparency toward TCWG and the public

Among the main recommendations provided by the PIOB during the development of the fee-related provisions in the Code:

- The project should be given priority in the IESBA strategy and work plan. The PIOB recommended the need to address fee-related issues (for example, a cap on NAS fees, dependency) when approving NAS in 2015
- The potential impact of the level of fees on audit quality and independence should be addressed
- Transparency and communication with TCWG should be sought
- Sufficiency and appropriateness of safeguards should be reviewed

** For more information on NAS and fee-related provisions, as well as on the Public Interest issues raised by the PIOB during the development of the two projects, please refer to the [16th PIOB public report](#).

Oversight of the IAASB and the IAASB CAG

The IAASB discussed and advanced several projects during the year. Its main achievements included finalization of International Standard for Accounting (ISA) 600 (Revised — Group Audits) as well as, approval of its 2022–2023 work plan. The IAASB made progress on fraud, approving the project proposal, and on the ISA for less complex entities (LCEs), publishing the relevant exposure draft. Among other achievements, the IAASB also worked on the complexity, understandability, scalability, and proportionality (CUSP) project and on ISA 500 (Audit Evidence). It continued to undertake outreach activities with stakeholders and coordinated with the IESBA on, among other issues, the definition of PIEs.

Projects finalized by the IAASB in 2021

ISA 600 (Revised) on Group audits

Group audits affect major economic operators, including the most systemically important entities. Among others, a crucial aspect of group audits is the cooperation and communication between the group auditor and the component auditors, which have been strengthened in the revisions to ISA 600. The revised standard also addresses aspects such as the scope and applicability of the standard, the risk-based approach, including the involvement of component auditors, the definition of component, and the application of the definition of engagement team in the context of a group audit. The definition of engagement team, already revised in ISA 220, has an impact on independence issues, which the IESBA is exploring as well.

The project to revise ISA 600 was finalized and approved by the IAASB in December 2021. The PIOB followed the development of the project and raised several Public Interest issues that have been addressed by the IAASB and are described in the table below. The PIOB assessed and approved the final standard's responsiveness to the Public Interest in April 2022.

Scope and applicability of the standard

The scope of the standard must be clear and should consider more than just the legal structures when determining whether an audit would be subject to the standard. Significant audit risk can be more than just in the legal structure.

The PIOB noted that the scope of the standard has been clarified in the introduction, as well as in the related application material.

Ultimate responsibility for the group audit

The PIOB emphasized the need for the standard to retain that ultimate responsibility for the group audit is placed on the group auditor.

The PIOB welcomed paragraph 11, which states, "The group engagement partner remains ultimately responsible, and therefore accountable, for compliance with the requirements of this ISA."

Effective coordination between the group auditor and the component auditors

The standard should clearly communicate that the group auditor is required to: (a) carry out effective coordination with the component auditors; and (b) to oversee the work performed by them. To ensure effective coordination and oversight, and to allow adequate supervision and review of the work performed by component auditors, the standard should establish the requirements on how to do this.

The PIOB acknowledged that, overall, the standard has been revised to further emphasize the involvement of component auditors in all phases of the audit and to strengthen the communication between the group auditor and component auditors, as well as the responsibilities of the group auditor in respect of the direction and supervision of component auditors and the review of their work.

Relevant documentation in the group audit file

The standard should clearly establish the required content of the group auditor's file, which must be sufficient to facilitate regulatory assessment. The PIOB highlighted that experience has shown that it can be difficult to assess after an audit failure to what extent the group auditor has overseen the work performed by component auditors and taken appropriate action based upon the evidence provided.

The PIOB welcomed the explicit reference to ISA 230 in the standard, stating that documentation needs to "be sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of the audit procedures performed, the evidence obtained and the conclusions reached with respect to significant matters arising during the group audit", as well as the expanded documentation requirements and further guidance for practitioners.

2022–2023 work plan

During the year, the IAASB conducted a survey on its work plan to gather input from stakeholders and prioritize its proposed projects for the remainder of the strategy period (2022–2023). The IAASB also consulted with stakeholders, including the PIOB, CAG, and MG members on its work plan. The list of projects included ones to be completed and potential new ones.

Reporting on nonfinancial information, including sustainability and environmental, social, and governance (ESG) reporting, is in demand throughout the world, and the assurance that this information is free from material misstatement is critical to enhance the confidence of its users.

Along with diverse initiatives on sustainability and ESG reporting, many stakeholders have called for the IAASB to prioritize standard setting for assurance engagements of such reporting as part of its work plan. The IAASB should work closely with IESBA to identify key ethical and independence challenges that will arise in this area.

The PIOB acknowledges that the IAASB agreed to dedicate resources to the assurance of nonfinancial information, including sustainability and ESG reporting, in its 2022–2023 work plan. Scope and timing of the work, which will be determined once the project starts, should consider the needs of investors and other stakeholders regarding assurance of sustainability and ESG reporting. The PIOB supports the willingness of the IAASB to collaborate with key stakeholders, including standard-setting and regulatory communities. The PIOB also notes that a key focus will remain the progression and completion of projects under way, several of which are discussed below. The IAASB finalized its 2022–2023 work plan in December 2021, which was approved by the PIOB in April 2022.

Conforming amendments

Conforming and consequential amendments to the IAASB's other standards as a result of the new and revised quality management standards.

During 2021, the IAASB considered and finalized the conforming and consequential amendments to the IAASB's other standards — International Standard on Review Engagements (ISRE), International Standard on Assurance Engagements (ISAE), and International Standard on Related Services (ISRS) — resulting from the new and revised Quality Management Standards (QMS). The objective of the project was to identify any actual or perceived inconsistencies between the IAASB's other standards and the QMS, and to address such inconsistencies to ensure that the different sets of standards can be applied in conjunction and without conflict. The PIOB approved the conforming and consequential amendments in December 2021.

[See page 33 in this report](#)

Ongoing projects of the IAASB

Please refer to the lists of Public Interest issues on [PIOB website](#).

Less complex entities

The IAASB developed an exposure draft of a separate standard for audits of LCEs with the aim of developing requirements that are scalable and proportionate to the typical nature and circumstances of an LCE, as requested by multiple stakeholders.

The PIOB supports such an approach and believes that the ISA for LCEs should contribute to high-quality audits and promote consistency across jurisdictions, while ensuring that assurance is not weakened. The scope of the standard should be sufficiently restrictive to limit application to the correct entities (that is, those that are truly less complex). It is also important to convey the message that an LCE audit is of equal quality and level of assurance; it is not intended to dilute the value of the ISAs and audits in general.

The exposure draft of the ISA for LCEs was published during the year, and the comment period closed at the beginning of 2022, while finalization of the standard is expected in 2023, according to the 2022–2023 work plan.

Fraud

In light of corporate scandals and audit failures in the past and the additional risk of fraud placed on entities due to COVID-19, auditors have an important role to play in fraud to serve the Public Interest.

The PIOB believes that it would be in the Public Interest to strengthen, not just to clarify, the auditor's responsibilities within ISA 240 and other related standards in relation to the identification and reporting of fraud in audits of financial statements. Requirements that drive significant changes in the attitude and behavior of auditors throughout the audit process, including through the exercise of professional skepticism and professional judgment, should be strengthened as well.

The IAASB approved the fraud project proposal in December 2021. The PIOB strongly supports the fraud project and expects resource allocation to be focused on this important project. The project is expected to be completed in 2024, according to the 2022–2023 work plan.

Going concern

Similar to the fraud project, the corporate and audit failures of the past and the additional going concern risk placed on entities due to COVID-19 have emphasized the Public Interest of this project. The IAASB should explore how to implement an explicit statement in the audit report, which might require a conclusion as to whether the going concern assumption applied in preparing the financial statements is appropriate.

The IAASB gathered information on this project during 2021 and approved the project proposal in March 2022. It is expected to be completed in 2024, according to the 2022–2023 work plan.

Audit evidence

The project on audit evidence has become even more important as the COVID-19 pandemic has introduced a high level of uncertainty that affects how information is obtained and that impacts accounting estimates and the risk of material misstatements. This effort requires more work from auditors as well as the exercise of professional skepticism.

Recognizing the potentially rapid evolution of technology, the IAASB should develop an effective principles-based standard to navigate through new technologies and highlight appropriate areas for the exercise of professional skepticism in the evaluation of audit evidence.

This project is deeply interrelated with technology and requires close coordination within the IAASB and with the IESBA to avoid duplication of efforts and to ensure appropriate sharing of information.

A timely project was recommended by the PIOB. The IAASB approved the project proposal at the end of 2020 and is targeting approval of an exposure draft in 2022. It is expected to be completed in 2024, according to the 2022–2023 work plan.

Complexity, understandability, scalability, and proportionality

The IAASB has undertaken the CUSP project to address complexity, understandability, scalability, and proportionality more broadly, including through the development of drafting principles and guidelines, which were discussed during the year. The project was completed in April 2022 although the IAASB intends to maintain the Drafting Principles and Guidelines on an ongoing basis. The PIOB supports this initiative.

Technology

The PIOB recommended deeper and timely consideration of developments in technology, and welcomes and supports the initiatives undertaken by the IAASB in relation to emerging and disruptive technologies. Standards should be revisited to reflect the impact of technology on preparers and on audit and assurance engagements. Coordination with the IESBA should be sought, and information should be shared with the relevant technology consultation group.

Definitions of listed entity and Public Interest entity

In coordination with the IESBA, the IAASB has started gathering information to determine the impact on the ISAs and QMS of changes in the definitions of listed entity and PIE approved by the IESBA. This coordination is of critical importance to ensure that the ISAs are aligned with the Code of Ethics and that the two sets of standards are applied consistently. Achieving transparency is key to ensuring certainty on the independence requirements applied by the auditor and to achieving enhanced confidence in the audit of PIEs.

The IAASB approved the project proposal in March 2022, with an estimated completion date of June 2023 for transparency-related matters, to align its effectiveness with that of the IESBA pronouncements, and 2024 for the remaining aspects of the project.

Sustainability

The PIOB strongly supports the IAASB's willingness to play a leadership role in solving the global assurance aspect in a holistic manner. The PIOB believes that a set of assurance standards on sustainability reporting should be neutral from different perspectives (reporting framework, users, assurance provider) and would help to drive clarity, comparability, transparency, and consistency.

Oversight of the IESBA and the IESBA CAG

During 2021, the IESBA discussed and made progress on several projects within its strategy and work plan for 2019–2023, achieving an important milestone with approval of the revisions to the definitions of listed entity and Public Interest entity in the Code of Ethics. The IESBA also made progress on its engagement team/group audits and technology projects, for which corresponding exposure drafts were approved.

In addition, in April 2021 the PIOB assessed and approved the responsiveness to the Public Interest of the final non-assurance services and fees provisions (approved by the IESBA in December 2020). Further information on these projects, the Public Interest issues raised by the PIOB, and the PIOB's analysis of the IESBA response can be found in the 2020 annual report.

Projects finalized by the IESBA in 2021

Definitions of Listed Entity and Public Interest Entity

The IESBA revised the definitions of listed entity and PIE in the Code of Ethics. The definitions of these terms have significant Public Interest, as they are used in the Code to prescribe differential, more stringent independence requirements for the auditors of entities defined as such. The project was coordinated with the IAASB, with a key objective to achieve convergence between concepts in the Code and the IAASB standards, as well as to achieve transparency about independence rules applied by the firm. The PIOB followed the development of the PIE project and raised some Public Interest issues that were addressed by the IESBA, as described in the table below. In particular, the “top-down/bottom-up” approach emerged following our strong encouragement to consider how collective investment vehicles and pension funds could be addressed within the PIE definition. The PIOB assessed and approved in April 2022 the responsiveness to the Public Interest of the final PIE provisions.

Importance of the definition of PIE

The definitions of listed entity and PIE are crucial to determine the categories of entities that are subject to stricter requirements in the Code (and the ISAs), such as NAS and fees.

The PIOB has conveyed since the start of this project that the global definition of PIE should be broad enough to capture all entities with a Public Interest, due to their impact on society (for example, financial institutions, listed companies, significant utility companies), both through the global applicability of the Code of Ethics and as defined by local regulatory and legislative bodies in their own jurisdictions. The definition should also enable consideration to be given to any other entities outside the financial sector that could pose a threat to financial stability, to ensure that the definition achieves the overarching objective and that there are no evident gaps.

The PIOB noted that one of the factors included in the pronouncement approved by the IESBA to determine the extent of Public Interest in the financial condition of an entity is “the potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.”

The PIOB also noted the overarching objective approved by IESBA that reflects the “significant Public Interest in the financial condition” of these entities, and that the purpose of having differential requirements is to “meet the heightened expectations of stakeholders,” “thereby enhancing stakeholders’ confidence in the entity’s financial statements that can be used when assessing the entity’s financial condition.”

The PIOB welcomed the approach followed by the IESBA setting a broad approach to defining PIEs, with an extended list of factors that help define these entities and an expanded list of entities categorized as PIEs within the Code. This list can then be further refined and extended by local regulatory bodies or standard setters, with the possibility of audit firms determining whether to treat other entities as PIEs for purposes of applying the Code’s independence provisions. The PIOB agreed that this approach allows to consider scalability and may facilitate consistent application across different jurisdictions.

PIOB Public Interest issues on PIE revisions to the Code of Ethics

PIOB's analysis of SSB disposition

Categories of PIEs

The PIOB noted the concerns raised by some stakeholders in response to the exposure draft about whether the broad approach should include all of the proposed categories of PIEs, in particular, pension funds and collective investment vehicles. The PIOB acknowledges IESBA's assessment of stakeholder concerns, including potential implementation issues, and that these categories would need to be further refined or clarified to address the concerns. However, the PIOB considered that the removal of both of these categories would not be consistent with the qualitative characteristics of PIEs underlined in the exposure draft. These entities, even when they are small in size, can generate significant interest in their financial condition given that they exercise fiduciary responsibilities of the general public or a limited group of investors and pensioners, can have a significant systemic impact on the economy due to the nature of their business, and are in many jurisdictions regulated or subject to supervision (all of which are factors included in paragraph 400.9 of the Code to consider an entity as a PIE).

The PIOB noted the additional analysis carried out by the IESBA and the proposed actions to address the concerns raised by the PIOB before the approval of the pronouncement by the IESBA, including the strong encouragement in the Code for local bodies to explicitly consider adding pension funds and collective investment vehicles as categories of PIEs in their own jurisdictions.

The PIOB acknowledged that further research and deeper understanding are needed in respect of pension plans and collective investment vehicles, as well as their interaction with related entities, and the impact on the provisions of the Code. The PIOB strongly encouraged the IESBA to initiate an assessment of these entities in a dedicated project as soon as possible, and notes that a holistic review of post-employment benefits and collective investment vehicles might be started by the IESBA in the remainder of its 2022–2023 work plan.

Transparency needed on the entities treated as PIEs

Transparency is key to ensure there is certainty for the users of the audit report and financial statements on the independence rules applied relating to the audit of an entity's financial statements and to achieve enhanced confidence in the audit of PIEs.

The PIOB welcomes the provision approved by the IESBA that requires firms to disclose the application of the independence requirements of PIEs when they have done so and urges both the IAASB and IESBA to coordinate their work to ensure this transparency is achieved in a manner that is readily accessible for users. The PIOB notes that the options for achieving this include disclosure in the auditor's report.

Coordination with the IAASB

Coordination between the IESBA and the IAASB is of critical importance to ensure alignment of the ISAs and QMS with the Code of Ethics and the application of the two sets of standards consistently.

The PIOB notes the coordination between the IESBA and the IAASB.

Quality Management-related Conforming Amendments

This project sought to align the Code of Ethics with the terminology and concepts used in the IAASB's QMS. The objective was limited to actual or perceived conflicts between the Code and QMS to allow their interoperability.

The IESBA approved the quality management-related conforming amendments in December 2021, which the PIOB approved in April 2022.

Ongoing projects of the IESBA

[Please refer to the lists of Public Interest issues on the PIOB website.](#)

Engagement team/group audits independence

The project seeks to align the definition of the term "engagement team" in the Code with the revised definition in the QMS issued by the IAASB and to clarify the independence requirements applicable to the different individuals who are part of the engagement team. This project offers an opportunity not only to improve the definitions in the Code, but also to strengthen the independence requirements applicable to group audits, in particular, for component auditors who are not part of the audit firm's network. The IESBA has closely coordinated the proposals with the IAASB group audits project to ensure the alignment of provisions in both sets of standards.

The IESBA approved an exposure draft in December 2021, and the consultation closed in May 2022.

In addition, this project has highlighted the need for IESBA to undertake a new project to address the independence requirements for external experts used in the audit. These experts currently are not subject to independence requirements in the Code of Ethics.

Technology

The pervasive nature of technology and its broad and exponentially growing use pose significant ethical challenges. The IESBA has split the topic into two workstreams:

- The "technology project", which focuses on the ethical implications of new technology and how these implications may affect the fundamental principles and independence standards in the Code of Ethics, led by a task force.
- The "technology fact-finding and thought leadership" workstream focuses on developing, or assisting in the development of, non-authoritative guidance and thought leadership, as well as fact finding in other areas of technology beyond artificial intelligence and big data, led by a working group to complement the work of the task force.

The project has relevance for the application of NAS provisions (Section 600 of the Code of Ethics) when audit firms or network firms provide certain information technology services to audit clients.

The pervasive nature of the technological challenges raises the need for broader coordination, including with other IESBA projects (such as tax planning) and the IAASB.

The IESBA approved the exposure draft on technology with the proposed changes to the Code in December 2021, with the consultation concluding in June 2022. The PIOB strongly supports this work.

Tax planning and related services

Given the emphasis across the globe on matters relating to tax, tax avoidance, and the broader societal responsibility of individuals and companies to pay their legally-assessed tax dues, as well as concerns raised by many stakeholders on these topics, the PIOB welcomes the IESBA's willingness to take a leadership role undertaking a project to develop ethical provisions and associated guidance for professional accountants (both in public practice and in business) providing tax planning and related services.

The IESBA approved the project proposal in September 2021 and expects to issue the exposure draft in December 2022 and to approve the final pronouncement in December 2023.

Sustainability

The Emerging Issues and Outreach Committee of the IESBA identified sustainability reporting and assurance as an emerging issue, and the IESBA established a sustainability working group in March 2022. The PIOB notes that greenwashing raises Public Interest concerns. The IESBA is considering how best to ensure that professional accountants (preparers and auditors) are not associated with misrepresentation in sustainability reporting.

The PIOB supports the IESBA's exploration of the possible extension of the remit of the Code to non-accountants, including the fundamental principles and independence requirements to ensure that common rules are applied to all assurance providers and preparers (noting that other professions are also involved in ESG/sustainability work). Ensuring a common baseline of ethics for preparers and assurance providers is in the Public Interest.

The IESBA plans to consider the ethical implications of sustainability reporting and assurance in development of the IESBA 2024–2027 strategy and work plan.

Other initiatives

The IESBA also made progress on other initiatives during 2021, such as the benchmarking initiative to compare the independence standards in the Code of Ethics to the independence rules of the U.S. Securities and Exchange Commission and the Public Company Accounting Oversight Board. IESBA also launched an updated version of the eCode together with IFAC. These initiatives are intended to raise awareness of the Code of Ethics.

Oversight of the IFAC Nominating Committee in 2021

The PIOB's oversight of the IFAC Nominating Committee is intended to ensure that the process of nominating and selecting SSB members is conducted according to clear selection criteria and in a transparent manner. The IFAC Nominating Committee performs its mandate with the aim of selecting the most suitable person for the job, based on a candidate's professional background and the needs of the board or committee. It also seeks to achieve broad regional, professional, and gender balance within the SSB.

The 2022 Call for Nominations for IFAC groups, including vacancies for the IFAC Nominating Committee membership, was issued in November 2020. In addition, two separate Calls for Nominations were issued in December 2020 (one for the IAASB and one for the IESBA).

During the year, the IFAC Nominating Committee ran the nominations cycle for the vacancies shown in the following table.

	Member's Category	# Vacancies advertised in the CfN	# Eligible for re-appointment	# Net Vacancies available
IAASB	PM	2	0	2
	NP	2	2	0
	P	1	1	0

IESBA	PM	1	0	1
	NP	2	0	2
	P	4	2	2

IFAC Nom Com	Non ex-officio members	4	2	2
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The Nominations Cycle of the IFAC Nominating Committee

Note: P = Practitioners; NP = Non-Practitioners; PM = Public Members.

The PIOB Board approved the appointments and reappointments recommended by the IFAC Nominating Committee for 2022.

The IFAC Nominating Committee considered the skills matrix for the new composition of SSBs and acted on some matters, such as having a shorter term (two years instead of three) for practitioner members to be reappointed, to allow more flexibility in the transition to multistakeholder SSBs, according to the MG reforms.

The IFAC Nominating Committee also conducted additional outreach to ensure geographic and gender diversity in the 2022 SSB composition.

A designated PIOB member, as well as an MG observer, attended the IFAC Nominating Committee meetings, who observed the full nominations cycle.

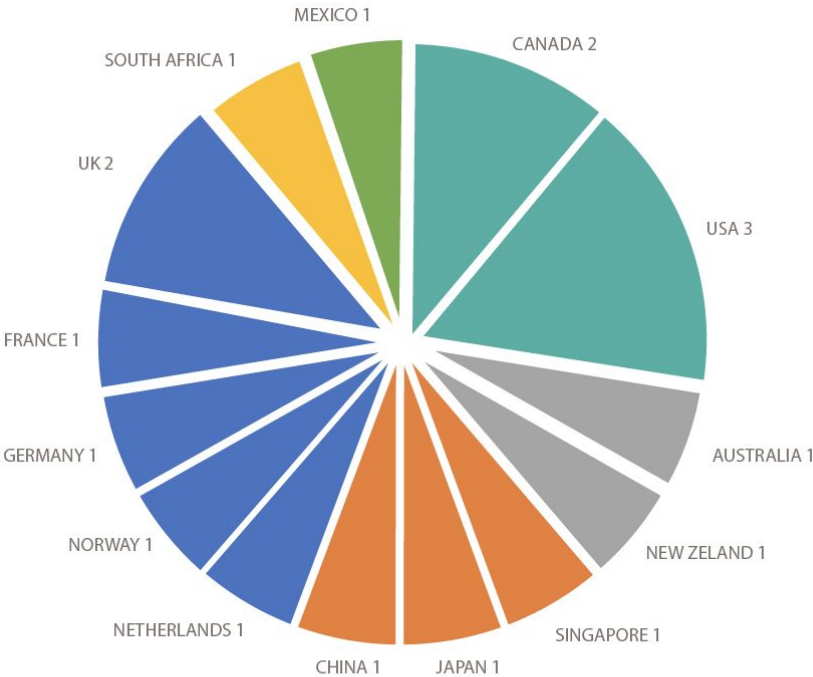
SSB Composition in 2021

The composition of the IAASB and the IESBA in 2021, which is depicted in the pie charts below, shows the geographic diversity of the membership of both the IAASB and the IESBA by region and by country. Out of 18 members, the IAASB includes 14 nationalities. Out of 18 members, the IESBA includes 15 nationalities. The United States contributes three or more members to both boards, and Canada and the United Kingdom each contribute two members to the IAASB. Other nationalities are represented evenly, with one member in each SSB.

**IAASB - geographical composition
by region and country in 2021**

Regions, according to IFAC definition:

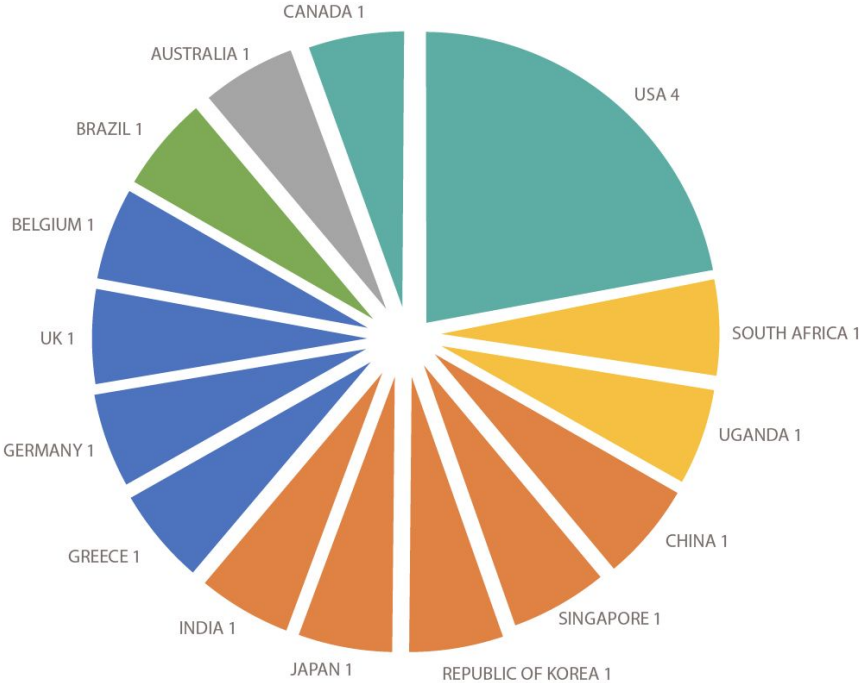
- AME: Africa and Middle-East
- AS: Asia
- AU: Australia and Oceania
- EU: Europe
- LA: Latin America
- NA: Northern America

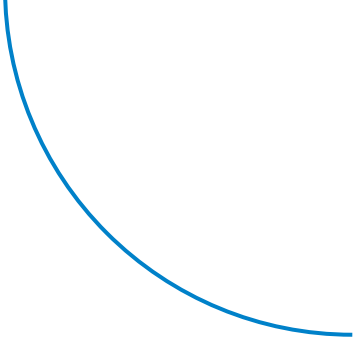


**IESBA - geographical composition
by region and country in 2021**

Regions, according to IFAC definition:

- AME: Africa and Middle-East
- AS: Asia
- AU: Australia and Oceania
- EU: Europe
- LA: Latin America
- NA: Northern America





PIOB involvement in the Interim Nominating Committee

An Interim Nominating Committee (INC) was set up by the MG, IFAC, and PIOB to select the IESBA Chair for the 2022-2024 term. The INC was chaired by Makoto Sonoda, chair of IOSCO's Committee on Issuer Accounting, Auditing and Disclosure, and consisted of Kathryn Byrne, Simon Longstaff, David Tweedie, and Eddy Wymeersch, as members.

The Interim Nominating Committee meetings were observed by MG representative, Jonathan Bravo of the IOSCO general secretariat; IFAC President, Alan Johnson; and Chair of the PIOB, Linda de Beer. The PIOB secretary general supported the IFAC secretariat through the process.

The IESBA Chair was nominated through an open call, appointed using a skills matrix that prioritizes the public interest and fosters a strategic mindset, and selected by the INC. The INC recommendation was submitted to the PIOB for appointment, and the PIOB approved Gabriela Figueiredo Dias as the new IESBA Chair, starting January 2022.

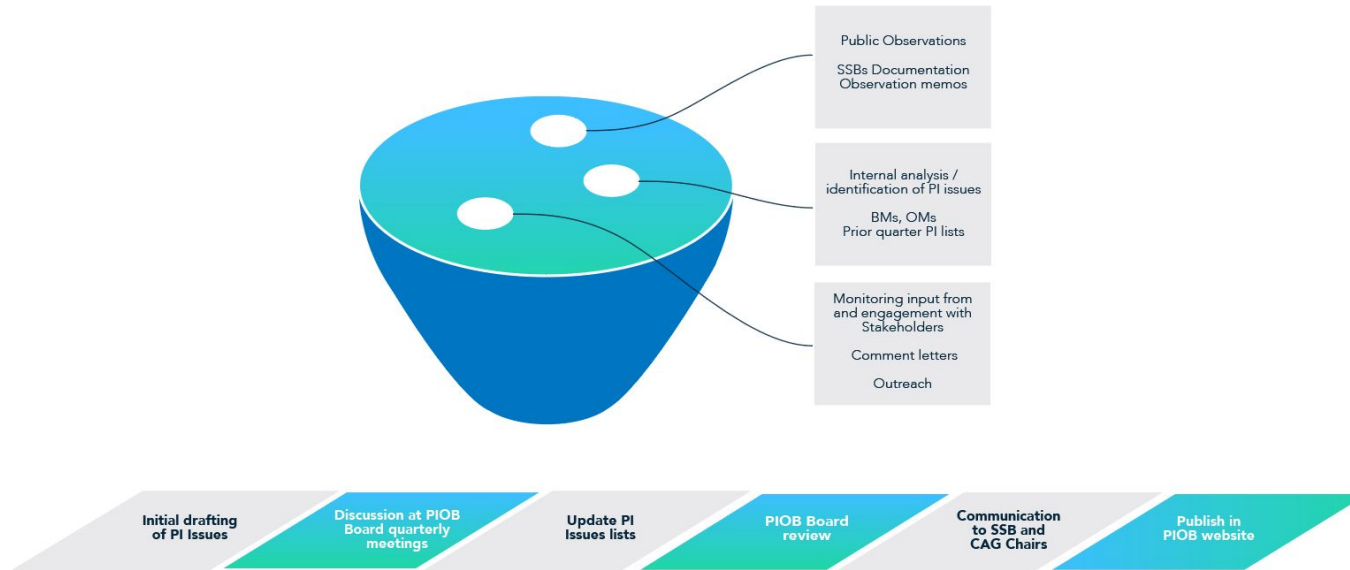
Ms. Figueiredo Dias has extensive experience in international standard setting, legal and regulatory structure and governance, and academia. She succeeded Dr. Stavros Thomadakis, who had led the IESBA since 2015.

4. How

PIOB identification of public interest issues

Through our oversight of the development of strategies and standards and through our stakeholder outreach, we ensure that the SSBs identify the issues that need to be addressed for standards and strategies to be responsive to public interest concerns. In the past year, we have increased our engagement with the SSBs to ensure greater mutual understanding of views, as well as of public interest issues and responsiveness by the SSBs to the public interest. The following figure explains the process through which we identify public interest issues.

How we identify Public Interest issues



Note: PI = public interest. SSB = standard-setting board. CAG = Consultative Advisory Group.

Our methodology for oversight

Following the MG Reform, the PIOB methodology will incorporate the PIF to assess the public interest responsiveness of standards. Currently, the PIF has been used by the IAASB to develop the Going Concern and the Fraud project proposals. The PIF includes the following phases:



SSB NOMINATIONS



Preparing for the future

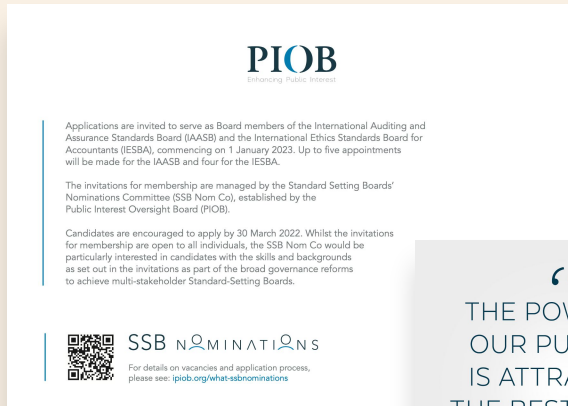


Until 2021, the PIOB oversaw the nomination of members for the IAASB and IESBA in order to strengthen the integrity, diversity, and transparency of the nomination process and ensure the diverse composition of the two SSBs.

Starting in 2022, the PIOB's role over SSB Nominations will change from an oversight to a management role, with the objective being to transform the composition of the IAASB and IESBA into multistakeholder boards by 2025. This change was undertaken to enhance the independence and diversity of experience and expertise of the global standard-setting system described in the MG reforms.

The PIOB set up the Standard-setting Board's Nominations Committee (SSB NomCo) in November 2021 to:

- Prepare and issue the global annual Invitations for Application to the IAASB and IESBA
- Review the applications and shortlist candidates
- Interview shortlisted candidates as required
- Make recommendations to the PIOB for appointment of IAASB and IESBA members, including the chairs in consultation with the MG.



The establishment of the [SSB NomCo was announced](#) in November 2021 and the new website was launched in January 2022 together with the Invitations for Application to the [IAASB](#) and the [IESBA](#).

A LinkedIn campaign was launched on January 31, 2022, to give visibility to the SSB NomCo and the vacancies on the SSBs in 2023, and this was further supported by a print and online media campaign in two major newspapers: Financial Times and the Economist.



[Watch the campaign](#)



Making-of shooting

OUR PEOPLE



1. The PIOB Members

To see the PIOB members' full curricula vitae,
please visit [ipoib.org/who](https://www.ipoib.org/who)

PIOB board members who retired in 2021:

- Jane Diplock AO, board member since 2012
- Karel Van Hulle, board member since 2014
- Aileen Pierce, board member since 2015



Linda de Beer | PIOB chair
PIOB Foundation chair
 Appointed in March 2020



Robert Buchanan | Board member
PIOB Foundation Trustee// Audit Committee member
 Appointed in March 2020



Shigeo Kashiwagi | Board member
PIOB Foundation Trustee//Audit Committee member
 Appointed in February 2017



Yugui Chen | Board member
PIOB Foundation Trustee
 Appointed in April 2021



Tshego B. Modise | Board member
 Appointed in December 2021 - began in January 2022



Begoña Giner | Board member
PIOB Foundation Trustee
 Appointed in April 2021



Karen Stothers | Board member
Audit Committee member
 Appointed in February 2017



Michael Hafeman | Board member
PIOB Foundation Trustee // Audit Committee chair
  Appointed in December 2020



Janine van Diggelen | Board member
 Appointed in April 2021



Dave Sullivan | Board member
 Appointed in December 2021 - began in January 2022

2. The PIOB Foundation

The PIOB Foundation, which is governed by a Board of Trustees, discharges its Public Interest mandate, employs PIOB staff and contracts PIOB members, owns PIOB assets, and is accountable for the funds and means that support the PIOB's activities. All of the PIOB's legal documents are available on the [PIOB website](#).

The Technical Committee is entrusted by the PIOB Foundation with carrying out its mandate of Public Interest oversight.

The Audit Committee reviews the PIOB Foundation's audit matters prior to their approval by the Board of Trustees of the foundation.



Linda de Beer | PIOB chair
PIOB Foundation chair
 Appointed in March 2020



Robert Buchanan | Board member
PIOB Foundation Trustee// Audit Committee member
 Appointed in March 2020



Yugui Chen | Board member
PIOB Foundation Trustee
 Appointed in April 2021



Begoña Giner | Board member
PIOB Foundation Trustee
 Appointed in April 2021

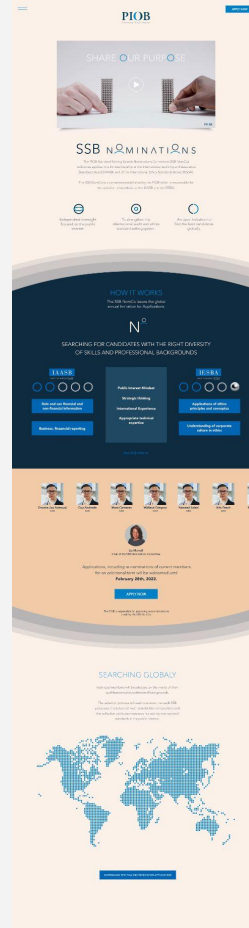


Michael Hafeman | Board member
PIOB Foundation Trustee // Audit Committee chair
 Appointed in December 2020




Shigeo Kashiwagi | Board member
PIOB Foundation Trustee//Audit Committee member
 Appointed in February 2017

3. The SSBs NomCo



SSBs NomCo Composition



Liz Murrall
Chair of the SSB Nominations Committee

The SSB NomCo members: Onome Joy Adewuyi, Guy Andrade, Mara Cameran, Wallace Gregory, Naweed Lalani, Kris Elizabeth Peach, Richard Thorpe and Tatsumi Yamada.

[See their CVs](#)

4- PIOB Staff

All PIOB staff hold university degrees or equivalent qualifications, have international working experience, and share a strong commitment to the public interest.



Claudia Deodati
DIRECTOR OF OVERSIGHT



Heather Erickson
EXECUTIVE ASSISTANT



Rocío Goudie
COMMUNICATIONS ADVISOR



Renzo Lari
FINANCIAL CONTROLLER



Nerea Lastras
OVERSIGHT ADVISOR



Martin Manuzi
NOMINATIONS DIRECTOR

To ensure that our staff thrive and perform at their best, staff needs and performance are assessed annually, and support is provided in the form of training and learning opportunities, such as language and skills training; investments in technology and tools, such as online communication software tools and training; and a focus on their well-being, including home-office support as needed.

5- Our stakeholders

Regular stakeholder engagement is the cornerstone to deliver on our mandate and therefore it has remained a priority in 2021.

The major stakeholder groups with which we had formal engagements in 2021 are as follows:



Stakeholder	Key individuals or groups	Objective of engagement
Standard-setting boards and their Consultative Advisory Groups	• SSB chairs • Individual SSB members • Individual CAG members • Managing director of professional standards • CAG chairs • Technical directors	• Engage and report effectively • Offer recommendations for Public Interest issues • Understand stakeholder concerns • Oversee SSB meetings and CAG meetings • Implement MG reform
Monitoring Group	• Co-chairs • MG members ◦ Basel Committee on Banking Supervision ◦ European Commission ◦ International Association of Insurance Supervisors ◦ International Forum of Independent Audit Regulators ◦ International Organization of Securities Commissions ◦ Financial Stability Board ◦ World Bank	• Provide IOB accountability and report back • Understand concerns raised by MG members • Understand the Public Interest responsiveness needs of the SSBs • Implement MG reforms • Agree IOB membership criteria • Pursue IOB funding
International Federation of Accountants	• IFAC president • IFAC chief executive officer • IFAC board members	• Oversee IFAC Nominating Committee • Oversee SSBs • Reform the standard-setting process • Pursue IOB funding
Audit Firms	• Global Public Policy Committee	• Understand their concerns
Academia	• Universidad Autónoma, Madrid • Rutgers University, Continuous Audit and Reporting Laboratory • Instituto de Empresa, Madrid • Harvard Law School Global Certificate Program for Regulators of Securities Markets • EARNET • European Accounting Association	• Contact academia and engage with students • Circulating the Call for SSB NomCo members

How we engage



2021

a year to remember how
strategy, **creativity** and **design**
are helping to build our brand in
a more meaningful way.

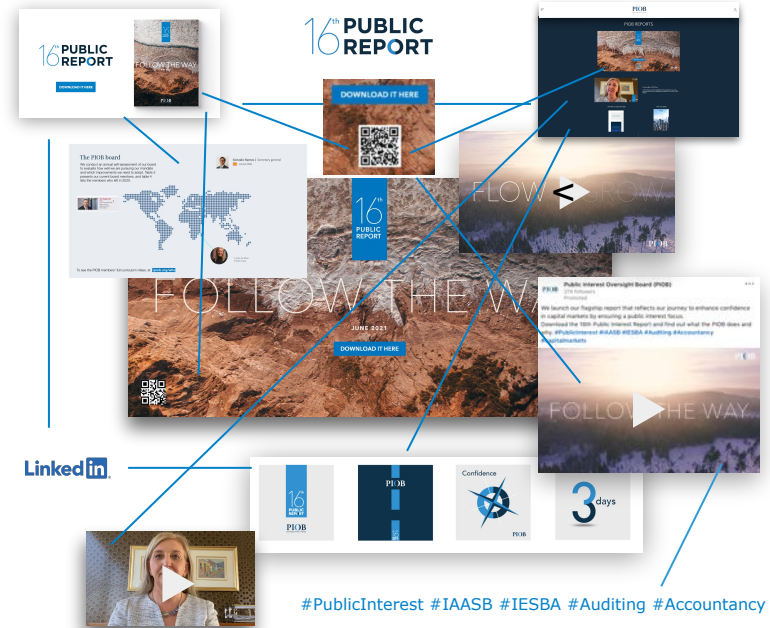


The PIOB has been applying a consistent communications and outreach strategy since 2020 to increase its brand awareness and engage with a broader audience. In 2021, similar to the year before, the largest part of our communication with stakeholders took place through virtual media, as the various waves of the Covid-19 pandemic precluded many opportunities for face-to-face stakeholder engagement.

In 2021, we refined the PIOB narrative to explain the impact of the MG reforms on its oversight activities and its new role regarding nominations to the SSBs. We sought to become more transparent and accountable to the public by elaborating on our methodology and decisions and by clearly communicating the PIOB's added value in standard setting. The PIOB intends to explain more clearly the substance of its oversight on standard setting.



complete communication ecosystem.



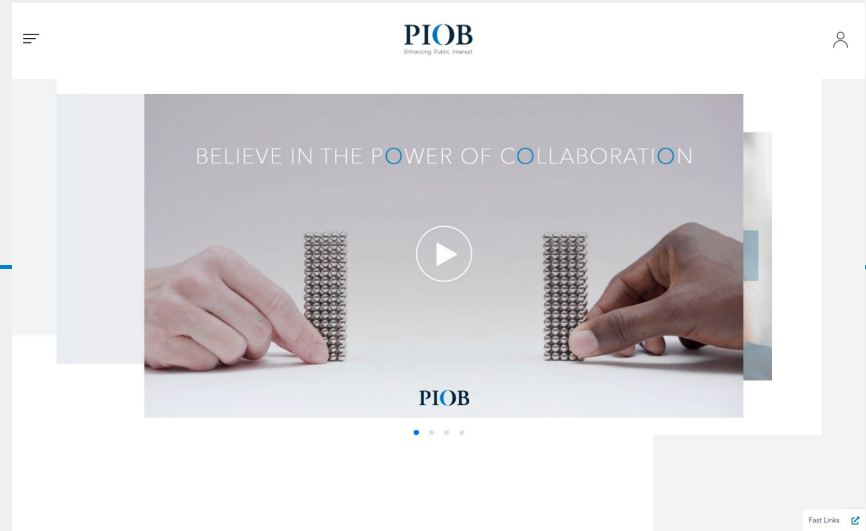
Today

The key communications tools

we use to better explain how the PIOB contributes to standard-setting in the Public Interest are:

+40%

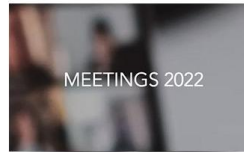
Website visits have increased by 40% in 2021



PIOB website piob.org



JUNE '22/UPDATE



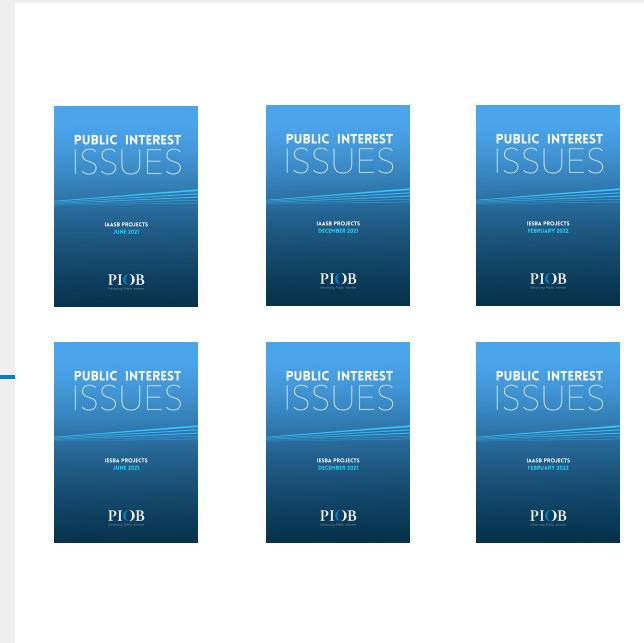
PIOB
Enhancing Public Interest

Updates

PIOB quarterly updates

Lists

Publication of Public Interest issues lists
Feb, June, August 2021, February and May 2022



PIOB website piob.org

Monitoring

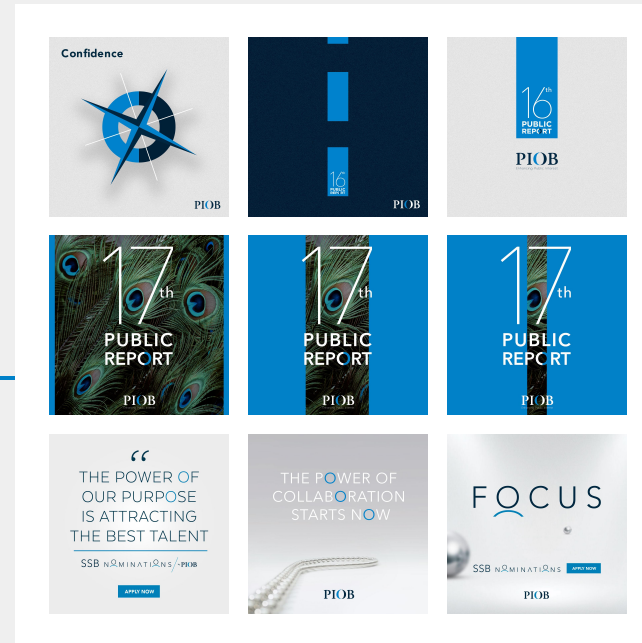
Publication of the monitoring of MG members and other regulators' comments



PIOB website piob.org

LinkedIn

LinkedIn campaigns:
16th - 17th Public Report launch,
SSB Nominations launch



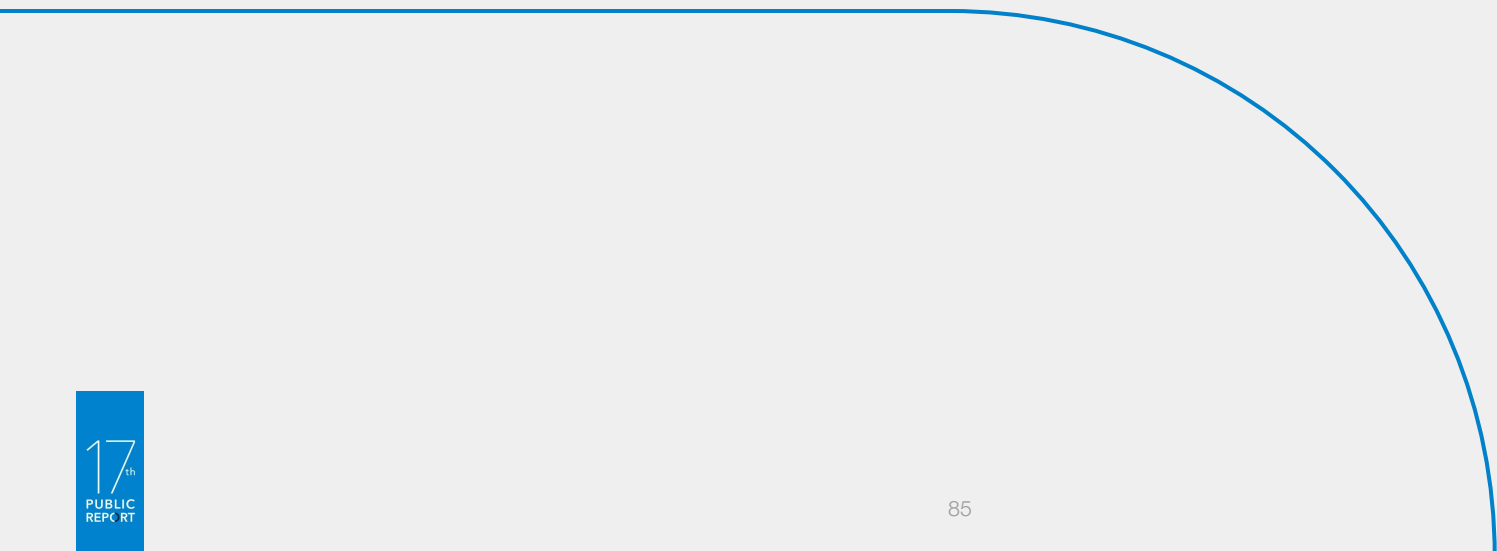
linkedin.com/company/piob



Campaign

[Video 17th Public Report Campaign](#)

What is next?





New ways to enhance public interest

Coinciding with the release of the PIOB 17th Public Report, we are launching **Mind the Gap**, a project aimed at bringing together contrasting mindsets, including businesses of all sizes, regulators, the accountancy profession, users, preparers and the wider public to stimulate an exchange of views around the public interest in standard-setting and narrow the expectation gap.

[This project will offer you a space to participate in the oversight debate on the global standard-setting architecture.](#)

Stay tuned!

Our communications strategy

In 2022, we have begun focusing much more on our communications strategy in order to enhance the following.

- Being much more deliberate and focused with our messages to stakeholders to concentrate more on the “what” and “why” of our role and less on the “how.” We have realized that our impact is of more interest than our processes and input. Our stakeholders want to understand key focus areas and the reason why we are focusing on them, as well as the progress made.
- Ensuring that our communication is substantially focused on our core activities, namely, oversight of the SSBs, their strategies, work plans, and projects. To this end, we communicate our Public Interest issues regularly with the SSBs and quarterly with our stakeholders. However, we also need to explain better what the PIOB’s impact is on individual projects of the SSBs, as well as on their strategies and work plans as a whole. To this end, we will provide more specific communication on key projects and on instances where we believe we have successfully encouraged and influenced the SSBs to enhance the Public Interest responsiveness of their standards.
- Ensuring that we, as individual PIOB board and staff members, as well as our close community, such as the MG members and co-chairs, SSBs chairs, and others, are equipped to communicate important messages consistently, transparently, and robustly.
- Using the networks of our individual members for more focused and bespoke engagement with key stakeholders on a bilateral basis.
- This enhanced approach will not only improve the understanding of the work of the PIOB and the value that we add, hence raising our profile and credibility, but also assist in explaining our worth when it comes to obtaining funding for the larger standard-setting structures.

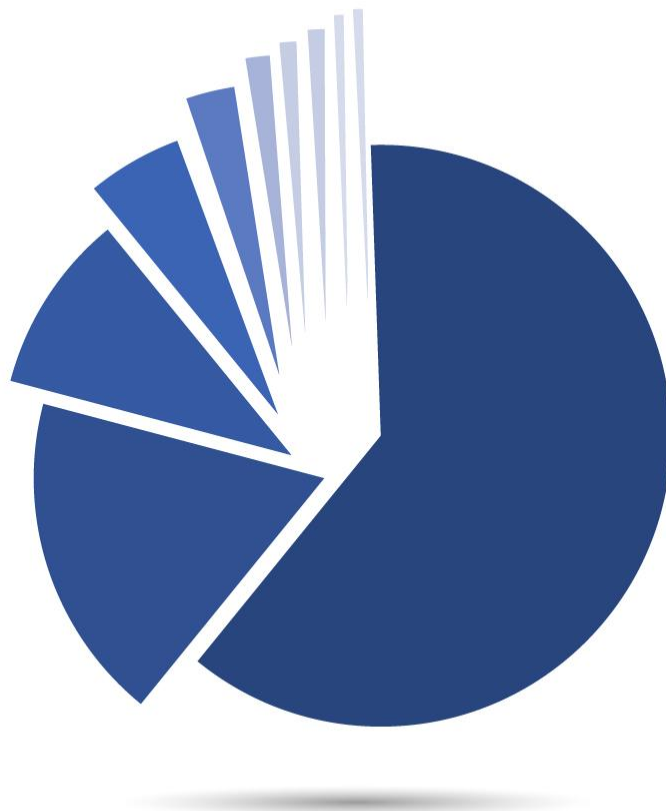
OUR FUNDING & FINANCES



PIOB Funding Diversification

In 2021, the PIOB achieved a diversified funding base that includes sources other than IFAC. In 2021, the PIOB received monetary contributions that amounted 1,661,254 euros. Non-monetary contributions received in 2021 include an In-kind contribution from the Spanish authorities that amounted to 189,318 euros and carried-over surplus from 2020 for 87,264 euros.

1,109,587	57.26%	International Federation of Accountants (IFAC)
345,000 €	17.80%	European Commission (EC)
189,318 €	9.77%	In-kind contribution from Spanish Government
100,000 €	5.16%	International Organization of Securities Commissions(IOSCO)
87,264 €	4.50%	Carried-over surplus
46,667 €	2.41%	International Federation of Audit Regulators (IFIAR)
20,000 €	1.03%	Bank for International Settlements (BIS)
20,000 €	1.03%	Financial Reporting Council (FRC)
10,000 €	0.52%	Federal Audit Oversight Authority (FAOA)
10,000 €	0.52%	Financial Supervisory Commission (FSC)



There is a schedule for phasing out IFAC funding by 2025. Similarly, the IFAC funding guarantee, which commits IFAC to stand in for any funding shortfall in the annual PIOB budget and hence support our going concern, will not be given in the future.

In implementing the MG Recommendations, it is important to find a sustainable and diverse funding solution, not only for the PIOB, but also for the new legal entity that will house the SSBs. To this end, we are working tirelessly, under the leadership of the MG co-chairs, to achieve this. It is envisaged that a funding agreement will be forthcoming in 2022 to formalize PIOB funding arrangements for the medium term.

Our financial activities are carefully overseen by our Audit Committee. Please refer to the composition of the committee on [page 67](#).



Michael Hafeman
Audit Committee Chair

Activities of the Audit Committee in 2021

The Audit Committee increased both its size and level of activity in 2021. Aileen Pierce chaired the Audit Committee until her retirement in April, when Michael Hafeman was appointed to that role, and Robert Buchanan, Shigeo Kashiwagi, and Karen Stothers formally joined. Our main activities are summarized below.

The Audit Committee developed more formal and comprehensive terms of reference, based on a guidance note of the Chartered Governance Institute and adapted to the circumstances of the PIOB. These Terms of Reference were reviewed by legal counsel and a specialist on governance and integrated reporting and were approved by the Board in April. Subsequently, we prepared a timeline to guide the activities needed to fulfill our terms of reference.

The Audit Committee met with the auditor, Deloitte, regarding the plan for the audit of the 2020 financial statements and at the conclusion of the audit. Based on our communication with the auditor, the Audit Committee considered the audit process to be effective. The auditor is independent, providing no non-audit services to the PIOB. The most significant issue discussed with the auditor related to the funding of the PIOB, in light of the phased reduction in IFAC's guarantees from 2022 to 2025. To address this issue, IFAC issued a letter confirming its guarantee through March 2022. In line with our recommendation, the Board approved the audited financial statements.

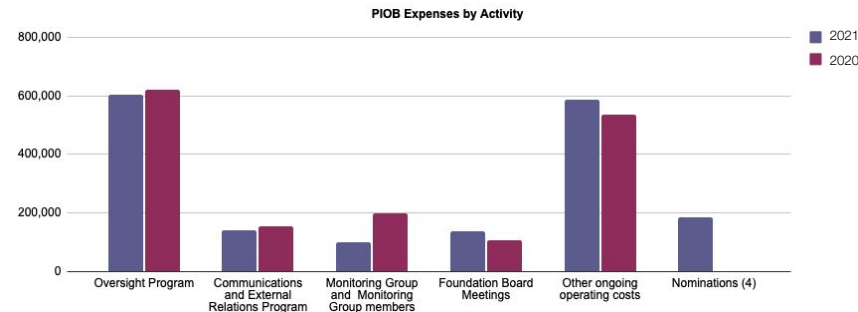
Since Deloitte has been the PIOB's auditor since 2013, the Audit Committee considered various options for firm rotation. The Board supported our recommendation that the audit be tendered in 2021, with a new firm to audit the 2022 financial statements. The Audit Committee developed a tendering process and evaluation criteria, which were subsequently implemented. Six firms were invited to tender, of which five submitted proposals. After evaluating the written proposals, we shortlisted three firms, interviewed them, and considered the results. In October, the Board approved our recommendation that Mazars be appointed as auditor for the 2022 to 2025 financial years.

The Audit Committee actively engaged with management regarding the 2022 PIOB budget. We carefully reviewed the assumptions for revenue and expenditure and requested that management prepare projections through 2025. These projections facilitated understanding of the likely effects of the MG Recommendations on the PIOB's expenses and the need to seek additional sources of revenue to avoid a significant funding gap in the coming years. We made recommendations to the Board for achieving comfort on the availability of funding for the PIOB's costs in relation to the SSB NomCo, prior to the final announcement of its establishment. We then worked with management to implement these recommendations, including finalizing the 2022 budget, which was approved by the MG early in 2022.

PIOB Foundation (1, 2) Summary

Statement of Financial Performance

	2021	2020
TOTAL REVENUE (3)	1,937,836	1,804,463
EXPENSES		
Board-related operating costs		
Oversight Program	603,751	618,855
Communications & External Relations Program	138,955	155,024
Monitoring Group & Monitoring Group members	98,053	198,241
Foundation Board Meetings	137,250	106,850
Other ongoing operating costs	584,797	536,321
Nominations (4)	184,155	-
Total Expenses	1,746,961	1,615,291
Surplus	190,875	189,172



(1) The PIOB operates as a Technical Committee of its Spanish not-for-profit foundation, La Fundación Public Interest Oversight Board ("the PIOB Foundation").

(2) In addition to local regulatory responsibilities, the PIOB Foundation is operationally and financially accountable to the Monitoring Group. This accountability includes the presentation of periodic operating reports, the PIOB's annual Public Reports, the PIOB Foundation yearly audited financial statements, and an annual budget for the Monitoring Group's review and approval.

(3) PIOB total monetary revenues for 2021 were contributed by the International Federation of Accountants (IFAC) in the amount of 1,109,587 Euros, the European Commission (EC) in the amount of 345,000 Euros, International Organization of Securities Commissions (IOSCO) in the amount of 100,000 Euros, the International Forum of Independent Audit Regulators (IFIAR) in the amount of JPY 6,150,000 (equivalent to 46,667 Euros), Bank for International Settlements (BIS) in the amount of 20,000 Euros (*), Financial Reporting Council (FRC) in the amount of 20,000 Euros, Federal Audit Oversight Authority (FAOA) in the amount of 10,000 Euros and Financial Supervisory Commission (FSC) in the amount of 10,000 Euros. In addition, non-monetary revenues in 2021 include an In-kind contribution from the Spanish Government to use free of charge its premises located in Oquendo 12, Madrid for 189,318 euros, and Carried-over surplus from 2020 for 87,264 euros.

(4) New Nominations activity as from 2021, following the Monitoring Group recommendations of 14th July 2020 to strengthen the international audit and ethics standard setting- system.

The PIOB Foundation's auditor, Deloitte S.L., delivered an unqualified opinion on the complete financial statements of the Foundation. The full version of these statements and the auditor's report are available separately on the PIOB website at piob.org.

(*) In 2021 and 2020, provided through FSB, BCBS and IAIS.

Appendix



List of acronyms

BIS — Bank for International Settlements

CAG — Consultative Advisory Group

CUSP — Complexity, Understandability, Scalability, and Proportionality

ESG — environmental, social, and governance

FSB — Financial Stability Board

IAASB — International Auditing and Assurance Standards Board

IAIS — International Association of Insurance Supervisors

IESBA — International Ethics Standards Board for Accountants

IFAC — International Federation of Accountants

IFIAR — International Forum of Independent Audit Regulators

INC — Interim Nominating Committee

IOSCO — International Organization of Securities Commissions

ISA — International Standard on Auditing

ISRS — International Standard on Related Services

LCE — less complex entity

MG — Monitoring Group

NAS — non-assurance services

PIE — public interest entity

PIOB — Public Interest Oversight Board

QMS — Quality Management Standards

SAC — Stakeholder Advisory Council

SSB — standard-setting board

SSB NomCo — Standard-setting Board's Nominations Committee

TCWG — those charged with governance



On behalf of the PIOB, we thank all who
have contributed to the 17th Public Report!

PIOB

PIOB

Enhancing Public Interest



[linkedin.com/company/piob](https://www.linkedin.com/company/piob)

ipiob.org