



Open meeting minutes — August 9–10, 2023

Professional Ethics Division

Professional Ethics Executive Committee

The Professional Ethics Executive Committee (PEEC or committee) held a duly called meeting August 9–10, 2023. Day 1 of the virtual meeting convened at 10 a.m. EST on August 9 and adjourned at 3:20 p.m. Day 2 reconvened at 10 a.m. on August 10 and adjourned at 11:10 a.m.

Agenda materials for this meeting were sent to PEEC members and observers on July 28, 2023.

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Attendance

<p>Members</p> <p>Anna Dourdourekas, Chair</p> <p>Catherine Allen</p> <p>Claire Blanton</p> <p>Brian Bluhm</p> <p>Jack A. Bonner, Jr.</p> <p>Thomas Campbell</p> <p>Robert Denham</p> <p>Anika Heard</p> <p>Jennifer Kary</p> <p>Clare Levison</p> <p>Nancy Miller</p> <p>Randy Milligan</p> <p>Karen Moncrieff</p> <p>Donald Murphy</p> <p>Kenneth Omoruyi</p> <p>Brian Powers</p> <p>Katherine Savage</p> <p>Lisa Snyder</p> <p>Daniel Vuckovich</p> <p>Kenya Watts</p> <p>Michael Womble</p> <p>Guests</p> <p>See exhibit 1 in the appendix of this document.</p>	<p>AICPA Professional Ethics Division staff</p> <p>James Brackens, Vice President – Ethics & Firm Quality</p> <p>Toni Lee-Andrews, Director</p> <p>Ellen Gorla, Associate Director</p> <p>Jennifer Clayton, Associate Director</p> <p>Elaine Bagley</p> <p>Sarah Brack</p> <p>Emily Daly</p> <p>Liese Faircloth</p> <p>Joan Farris</p> <p>Amy Franklin</p> <p>Jennifer Kappler</p> <p>Iryna Klepcha</p> <p>Kelly Mullins</p> <p>Melissa Powell</p> <p>Karen Puntch</p> <p>Michael Schertzinger</p> <p>John Wiley</p> <p>Summer Young</p>
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Key votes in this meeting

Motions approved

Adopt the revised interpretation “Professional Qualifications and Competencies” (ET sec. 1.400.020, 2.400.020, and 3.400.020).

Adopt the new and revised interpretations related to fees (ET sec. 1.230.030, 1.230.040, 1.210.010, and 1.224.010).

Welcome

Ms. Dourdourekas kicked off the new committee year by welcoming new members to the committee and discussing administrative matters.

Simultaneous employment or association with an attest client

Ms. Allen presented an overview of comments received from the recent survey and roundtable discussions ([agenda items 1A-1B](#) and [exhibit 2](#) in the appendix of this document).

- 10% of respondents feel no change should be made to the current guidance.
- 20% believe all partners should be prohibited from any simultaneous employment.
- 20% conclude that serving in a management role or having management responsibilities should be strictly prohibited.
- 35% support a strict prohibition on the ability to have any impact on the subject matter.

Most participants agreed the conceptual framework can be applied when the member is not in a key position or considered a covered member.

PEEC considered and approved moving forward with an exposure draft and did not feel a strict prohibition for all partners was necessary.

Solicitation or disclosure of CPA examination questions and answers

Ms. Young presented an overview of comments received on the March 15, 2023 exposure draft and sought PEEC’s input on proposed changes ([agenda items 2A–2E](#)).

Discussion

PEEC considered comment letter responses (8) from the exposure draft (agenda item 2E). All commenters supported the revised interpretation and PEEC reviewed the suggestions provided.

The committee agreed on some minor changes to the revised interpretation (ET sec. 1.400.020, 2.400.020, and 3.400.020):

- Changed the title of the interpretation from “Solicitation or Disclosure of Uniform CPA Examination Questions and Answers” to “Professional Qualifications or Competencies.”
- Replaced the phrase “to maintain a member’s CPA license or other credentials” with the phrase “related to professional qualifications or competencies” so as not to limit the interpretation to actions a member may take only to maintain a CPA license or credentials but to all actions of a member in a professional capacity.
- The term “continuing” was removed from “continuing professional education” to further broaden the examples provided in the revised interpretation.
- In example (a), PEEC added back language regarding collaboration as there could be situations when such is permitted.
- In example (b), the term “misrepresenting” was added to expand the example.
- In example (c), the phrase “the software platform for” was deleted to expand the example.

Vote

PEEC voted to adopt the revised interpretation, which is effective September 15, 2023, upon publication in *Journal of Accountancy*.

IESBA convergence: Fees

Ms. Brack presented an overview of comments received on the March 15, 2023 exposure draft and sought PEEC’s input on proposed changes ([agenda items 3A–3D](#)).

Discussion

PEEC considered comment letter responses (12) from the exposure draft (agenda item 3D). All commenters supported the new interpretations and revisions to existing interpretations and PEEC reviewed the suggestions provided.

The task force recommended two changes to the new “Fee Dependency” interpretation (ET sec. 1.230.040) based on the comments received with which PEEC agreed:

- Added wording “in any year” to paragraph .01 to clarify that a fee dependency is a threat to independence in any year before it is considered a significant threat after five years.
- Removed “a professional body” from paragraph .04b as an option for a reviewer. This is a term used by IESBA but is not defined and not used in the AICPA code. PEEC discussed whether this term would include peer reviewers. The consensus was having the peer

reviewer involved in a safeguard would not be appropriate.

PEEC agreed on a change to the new “Fee Dependency” interpretation with corresponding changes to the “Client Affiliates” interpretation (ET sec. [1.224.010](#)):

- Changed affiliates whose fees should be included in the firm’s fee dependency calculation in paragraph .03 of the “Fee Dependency” interpretation from entities described under items (a) and (b) of the definition of affiliate (ET sec. 0.400.02) to only those described under item (a). This is consistent with IESBA. PEEC did not believe fees received from affiliates described under item (b) would increase the level of the threat.
- Changed the corresponding exception in paragraph (g) the definition of affiliate to state that fees from entities described under items (b)-(l) of the definition of affiliate are not required to be included when calculating the total fees generated from a financial statement attest client where it was entities described under items (c)-(l) in the exposure draft.
- Added the statement “when the covered member knows, or has reason to believe, that a relationship or circumstance involving any of the entities described under items (b)-(l) of the definition of affiliate is relevant to the evaluation of a fee dependency, the covered member shall include that affiliate when identifying, evaluating, and addressing threats related to fee dependency”. This requirement to consider the impact on threats to independence from fees from affiliates under items (b)-(l) is similar to IESBA’s independence requirements with respect to related entities (IESBA code R400.20) and alerts members to consider threats that could be present related to fees from affiliates under items (b)-(l).

Vote

PEEC voted to adopt the new and revised interpretations, which are effective January 1, 2025, with early adoption permitted.

Private equity investment in firms

Ms. Farris updated the committee as follows on the task force activities since the May PEEC meeting:

- Evaluated a private equity structure where there is a noncontrolling investment in the nonattest portion of a CPA firm.
- Developed basic assumptions in this scenario for the
 - relationship of the attest and nonattest firms;
 - private equity firm interest;
 - private equity general partner representation on the board of the nonattest firm;

- attest firm and nonattest firm boards;
- nonattest firm’s executive committee or senior leadership team;
- CEOs of the attest firm and nonattest firm; and
- shared services agreement between the attest and nonattest firms.

Engagements subject to SSAEs

Ms. Miller and Ms. Powell updated the committee as follows on the task force activities ([exhibit 3](#) in the appendix of this document).

- Decided on the scope items they will prioritize initially and discussed identifying the responsible party. The task force doesn’t believe there are any significant challenges in identifying the responsible party.
- Considered whether “client” or “attest client” could be used rather than “responsible party” and doesn’t believe changing the terminology would result in a change to the entities in which independence should apply.

IESBA convergence: NAS — General

Mr. Bonner updated the committee as follows on recent task force activities addressing convergence needs related to IESBA’s revisions to non-assurance services. The task force considered the following:

- Self-review threat
 - We are substantially converged with IESBAs code. The self-review threat is addressed in the “Management Responsibilities” and “General Requirements for Performing Nonattest Services” interpretations of our code (ET sec. 1.295.030 and 1.295.040).
 - Both the Plain English Guide and Q&As address general requirements for performing nonattest services in which the attest client must assume management responsibilities.
- Recruiting services — Task force concluded there are differences in the IESBA and AICPAs codes as it relates to providing recruiting services for officers, directors, or senior management in “key positions”.
 - The IESBA code specifically prohibits searching for or seeking out prospective candidates for these key positions. However, the AICPA code permits a member to solicit and screen candidates based on criteria approved by the attest client. The task force plans to discuss this difference further.

- The IESBA code prohibits the undertaking of references checks for prospective candidates in these key positions. Although this is not specifically prohibited in the AICPA code, it would be considered a prohibited management responsibility. The task force plans to discuss this difference further.
- Corporate finance services
 - IESBA's changes in this area were more clarifying and formatting than substantive.
 - The task force discussed items related to differences in IESBA's and the AICPA's codes and noted further discussion is necessary. Specifically, IESBA's prohibition in providing advice to a third party about an attest client's financial instruments. Task force believes the AICPA code addresses this concern in its prohibition that a member "acts as a promoter, an underwriter, a broker-dealer, or a guarantor of an attest client's securities or as a distributor of private placement memoranda or offering documents."

Reporting of an independence breach to an affiliate that is also an attest client

Ms. Kary updated the committee as follows on task force activities:

- Discussed how to assist members with reporting independence breaches to an affiliate that is also an attest client
- Decided nonauthoritative question and answers will help members in reporting breaches in these situations
- Plans to work on related questions and answers to be presented at the November 2023 PEEC meeting

IESBA convergence: NAS — Legal services

Mr. Vuckovich updated the committee as follows on task force activities:

- Considered that the US has 52 unique jurisdictions that each define legal services – many are different.
- Decided not to define legal services in the code due to the many jurisdictional definitions.
- Discussed that the IESBA code is less restrictive in that "anyone having the required legal training to practice law may provide legal services." However, in the US you must be admitted to the bar to provide legal services.
- Considered that legal services imply that an advocacy threat may exist due to the perception that lawyers act as advocates for their clients.
- Discussed that the Conceptual Framework for Independence provides a threats and

safeguards approach that may be used for any services not currently covered by an interpretation.

Case study in ethical use of AI today

Ms. Cheek, an external presenter, Vice President of Strategy and Industry Relations at MindBridge Analytics Inc., provided PEEC with an educational session on artificial intelligence and covered ([exhibit 4](#) in the appendix of this document):

- practical uses of artificial intelligence
- nuances of ethical considerations
- how the human element co-exists in this space

Beneficial ownership information reporting

Ms. Lauridsen presented background information as follows on beneficial ownership information (BOI) reporting requirements ([exhibit 5](#) in the appendix of this document).

Committee discussion

The committee discussed the following points:

- The Department of Justice provides oversight and FinCEN administers these requirements.
- The tax team expects the form to be similar to FBAR form.
- The IRS is taking the position that this is a FinCEN issue when a request to send notice about the BOI requirements at the time of a new EIN filing was recommended.
- A recommendation to request FinCEN change the 30-day reporting requirement for new entities to annual reporting in order to sync with checking account address change update requirements in place, due to large potential fines or penalties small businesses may face.
- This link to resources is subject to change since this issue is evolving: <https://www.aicpa-cima.com/resources/landing/beneficial-ownership-information-boi-reporting>

Digital assets

Ms. Dourdourekas updated the committee as follows on task force activities:

- Initial meeting held to determine what aspects of digital assets may create threats to a member's independence
- Of the topics discussed, the task force believes that a member running a node on a blockchain is an area of high priority to address

IESBA update

Mr. Wiley, Ms. Daly and Ms. Powell updated the committee on IESBA's tax planning (TP) and related services, use of experts, and sustainability projects ([agenda items 4A–4D](#) and exhibit 6 in the appendix of this document).

Tax planning and related services

- In February 2023 IESBA issued an exposure draft (ED) regarding TP with comments due in May 2023.
- PEEC and the Tax Executive Committee (TEC) sent a joint comment letter on the ED in May 2023.
- To date, IESBA has received 48 comment letters to the ED. The task force had a meeting in May to consider the comments and presented the preliminary significant matters identified to the board at its June 2023 meeting.
- The task force discussed the following areas of concern that were raised in the comments:
 - The description of tax planning
 - The role of the professional accountant (PA) and acting in the public interest
 - Credible basis
 - The stand back test
 - Disagreements, and
 - Documentation
- One of PEEC's and TEC's main points of discussion to the ED was the stand back test. As a reminder, the stand back test is completed by a PA, after determining a TP arrangement has credible basis, to consider potential stakeholders views of the reputational, commercial, and wider economic consequences of the TP arrangement, as well as explaining why a TP arrangement did not pass the stand back test, if applicable.
- Other provisions of the ED proposed requirements that PEEC and TEC believed could compromise the legal rights or protections of taxpayers in their respective jurisdictions, including protection of communications with the PA. In the summary of the comments presented by the task force these taxpayer rights were mentioned, but it is uncertain how much weight the task force is going to give these comments.

- There was also discussion of the proposed requirement relating to the use of third parties for TP arrangements, and the provision that a referring PA would be held to the same standards regarding the TP arrangement as the PA that developed the strategy. The task force knows this requirement was not what was intended, so positive changes in that provision may be seen.
- The task force is actively monitoring task force proposed updates to the ED.
- The next IESBA board meeting is September 2023, and the task force plans to present draft responses and perform a first read of the updated proposed code. Once September agenda items are released, the PEEC and TEC working group will update their analysis and focus on convergence with the new code sections and any potential issues.

Use of experts

- At the June IESBA meeting, the task force presented feedback from the March/April 2023 roundtables and proposed revisions to the code.
- The task force proposed several new definitions for terms, including expert, expertise, external expert, and management's expert.
- The task force is currently in the drafting phase and is developing the Use of Experts project along the same timeline as the Sustainability project.

Sustainability

See [exhibit 6](#) in the appendix of this document for details.

- At its June meeting, IESBA discussed the scope and details of code revisions.
- As those revisions currently stand, there are
 - new and revised terms in the glossary;
 - revisions to the ethical guidance for professional accountants (PAs) in business reporting sustainability information for their companies; and
 - a new proposed Part 5 of the IESBA code that will include ethics and independence standards for practitioners (whether they are PAs or non-PAs) performing sustainability assurance engagements.
- During the PEEC meeting, new definitions were discussed as well as the scope of the new Part 5 requirements and how that affects PAs under IESBA's code.
- Staff will submit comments to IESBA's task force before IESBA's September meeting.

Approval of May open meeting minutes

PEEC voted to approve the May open meeting minutes ([agenda item 5](#)).

Future meeting dates

The following quarterly PEEC meeting dates are set:

- November 8–9, 2023
- February 20–21, 2024
- May 9–10, 2024
- August 13–14, 2024

Appendix

Exhibit 1

Guests in attendance at the August 2023 meeting

	Name	Organization
1.	Henry Grzes	AICPA, Lead Manager — Tax Practice and Ethics
2.	Carrie Kostelec	AICPA, Lead Manager — SOC & Related Services
3.	Melanie Lauridsen	AICPA, Vice President — Tax Policy & Advocacy
4.	Justin Long	AICPA, Manager — Peer Review
5.	Jessica Marino	AICPA, Senior Learning Writer — Writing & Authoring
6.	Tara Adams	Adams & Delp, P.C.
7.	Arthur Auerbach	Arthur Auerbach, CPA
8.	Melanie Barthel	Johnson Lambert LLP
9.	Shannon Beattie	Federal Deposit Insurance Corporation
10.	Lindy Beldyga	Plante Moran
11.	Nayan Bhikha	PwC
12.	Matt Bishop	Katz Sapper & Miller LLP
13.	Myra Boelscher	Deloitte
14.	Sheila Border	Wipfli LLP
15.	Susan Bos	Washtenaw County
16.	Meagan Brown	KPMG
17.	Tammie Brown	U.S. Department of Health and Human Services
18.	D. Boyd Busby	Alabama State Board of Public Accountancy

	Name	Organization
19.	Denise Canavan	Deloitte
20.	Vickie Caughron	Oak Ridge Associated Universities
21.	Yvonne Chanda	PwC
22.	Danielle Supkis Cheek	MindBridge
23.	David Chiang	MNP LLP
24.	David Kirklan Cloniger	RSM US LLP
25.	Gwen Combs	U.S. Department of Energy
26.	Kelly Costanzo	RSM US LLP
27.	Monique Cote	MNP LLP
28.	Michele Craig	BakerTilly US, LLP
29.	Melissa Critcher	Chair — AICPA Enforcement Subcommittee
30.	Debra Cutler	Debra A. Cutler CPA PC
31.	James Denney	RSM US LLP
32.	Kenny Diaz	RSM US LLP
33.	Vincent DiBlanda	Deloitte
34.	Sarah Doran	RSM US LLP
35.	Daniel Dustin	NASBA
36.	Shimon Einhorn	S Einhorn and Company LLC
37.	Jennifer Elder	Moss Adams LLP
38.	Suzanne Esterlis	RSM US LLP

	Name	Organization
39.	Jason Evans	BakerTilly US, LLP
40.	Kristin Fee	WithumSmith+Brown, PC
41.	Mira Finé	Ethics Chair — Colorado Society of CPAs
42.	John Ford	PwC
43.	Alicia Gelinias	Colorado Society of CPAs
44.	Harrison Greene	Federal Deposit Insurance Corporation
45.	Andrew Gripp	Crowe LLP
46.	Mary Beth Halpern	Maryland Association of CPAs
47.	Lindsay Harrington	Deloitte
48.	Paul Helfer	Verity CPAs
49.	Michael Hillman	Idaho Environmental Coalition, LLC
50.	Nicole Hinkle	Ethics Chair — New York State Society of CPAs
51.	Kelly Hnatt	External Counsel
52.	Claire Horneffer	Thomson Reuters
53.	Amanda Hulien	RSM US LLP
54.	Frank Jakosz	CapinCrouse LLP
55.	Adam Jeffress	RSM US LLP
56.	Nicole Kasin	South Dakota Board of Accountancy
57.	Elizabeth Pittelkow Kittner	ILTA

	Name	Organization
58.	Linda Kuersten	Fermi Research Alliance, LLC
59.	Allyson Kuhl	HF Sinclair Corporation
60.	Kimberly Kuhl	KPMG
61.	G. Alan Long	Baldwin CPAs, PLLC
62.	Dea Lynch	U.S. Department of Energy
63.	Joe Marchbein	Rice Sullivan, LLC
64.	Brandon Mercer	Deloitte
65.	Kim Meyer	Meyer & Associates CPA, LLC
66.	Paul Meyer	Cherry Bekaert LLP
67.	Jennifer Miller	Bowman & Company LLP
68.	Tessa Milner	RSM US LLP
69.	Angela Miratsky	FORVIS, LLP
70.	Bernard Moens	PwC
71.	Christina Moser	Plante Moran
72.	Samantha Mueller	Twain Financial Partners
73.	Jessica Mytrohovich	Georgia Society of CPAs
74.	Jan Neal	Deloitte
75.	David Neill	Savannah River Mission Completion, LLC
76.	Gary Nelson	Schellman Compliance
77.	James Newhard	James J. Newhard, CPA

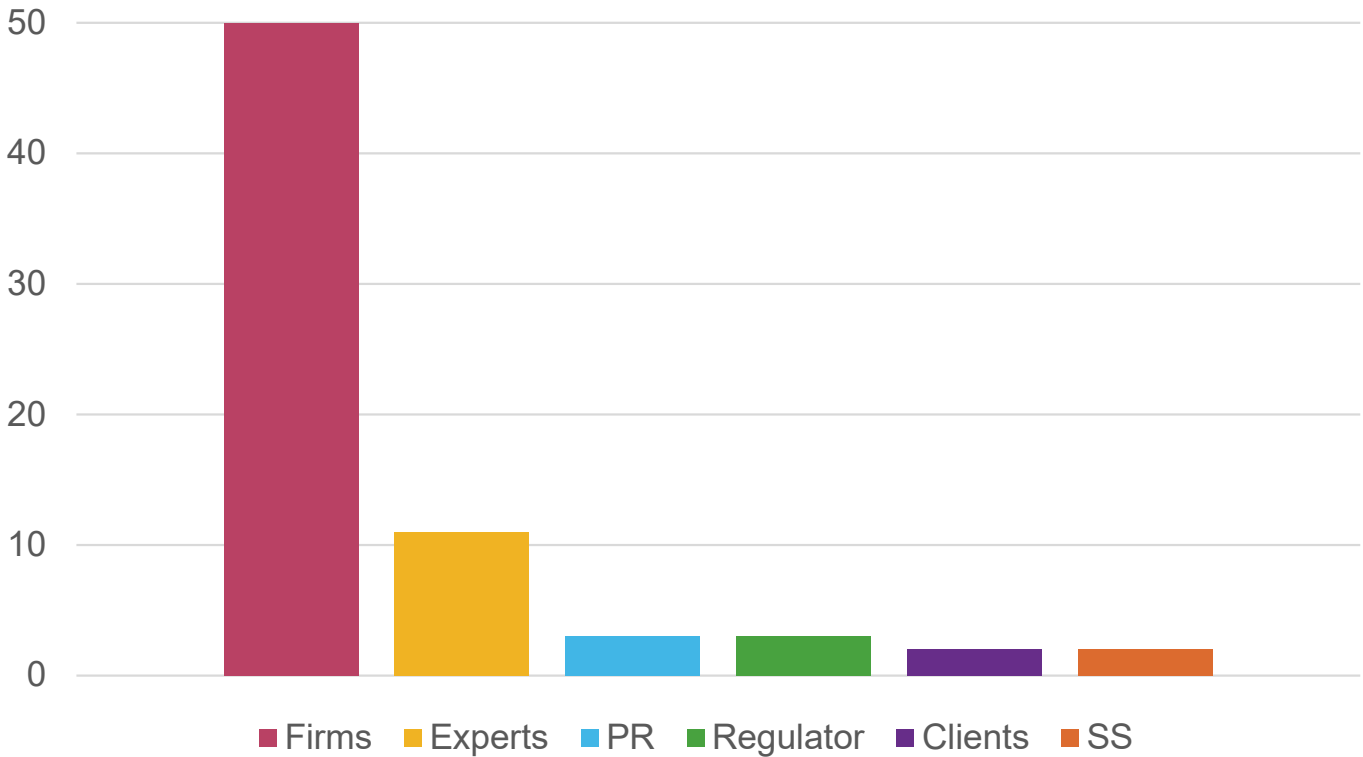
	Name	Organization
78.	Jen Noble	RSM US LLP
79.	Robin Noret	Fifth Third Bank
80.	Dale Oberkfell	Oberkfell Financial Advisors, LLC
81.	Donna Oklok	Accountancy Board of Ohio
82.	Ruby Page	Oak Ridge Associated Universities
83.	Reena Patel	Moss Adams LLP
84.	Joseph Pooppally	N/A
85.	Renee Rampulla	Rampulla Advisory Services, LLC
86.	Laura Rice	Armanino LLP
87.	John Rieger	Federal Deposit Insurance Corporation
88.	John Robinson	RSM US LLP
89.	Sharon Romere-Nix	Thomson Reuters
90.	Dylan Sanzo	RSM US LLP
91.	Stephanie Sauer-Watts	PwC
92.	Lynda Schwartz	Lynda Schwartz LLC
93.	Nate Seacrist	RSM US LLP
94.	April Sherman	CliftonLarsonAllen
95.	Kaylee Shorter	TCWGlobal
96.	Rachel Sinks	CliftonLarsonAllen
97.	Duke Speed	Tennessee State Board of Accountancy

	Name	Organization
98.	Richard Spiegel	Wipfli LLP
99.	Joseph Tapajna	University of Notre Dame
100.	Samuel Thompson	BDO
101.	Adam Troisi	PwC
102.	Shelly Van Dyne	BDO
103.	Mary Beth Walsh	RSM US LLP
104.	Mandy Whittington	EY
105.	Anissa Winn	Idaho National Laboratory
106.	Ellen Wisbar	CBIZ, Inc.
107.	Madiha Zafar	PwC
108.	Shannon Ziemba	CliftonLarsonAllen
109.	Paul Ziga	Georgia State Board of Accountancy

Simultaneous employment

August 9, 2023

Survey participation



2

May 22 – June 8

Sent to over 500

77 responses

Survey

10%

No change

- The threat of independence in appearance is too significant to the reputation of the profession, for what could amount to nominal value. Regardless of the third parties' level of knowledge.

20%

Partner prohibition

- All partners by the nature of their title and role influence the engagement team.
- Ownership in the firm creates a significant self-interest threat.

Survey

20%

Management role or responsibilities

- Opposed:
Professional member of the firm is making management decisions.
- Support:
While a shift manager may technically be a management position at the client, it is unlikely a lower level operational management role such as this would have any significant influence on the financial reporting or operations of the enterprise.

Survey

When a member is not in a key position
but can impact the subject matter

35%

- Strictly prohibit

20%

- Creates significant threats

45%

- Conceptual framework

Roundtables

- In-depth discussion of “covered member”, “key position”, and the conceptual framework
- Strengthened support for not strictly prohibiting partners from any employment
- Inclusion of potential factors that might contribute to the significance of a threat as well as situational examples would help members apply the guidance consistently

June 26 & June 28

14 virtual participants

2 written responses

Question

Does the committee believe that all partners and partner equivalents should be prohibited from **any** employment at an attest client?

Potential framework

Covered member

≠

Employee

Partner or professional
employee

≠

An employee
in a key position

Other employment relationships = apply Conceptual Framework

Exceptions

Question

Does the committee approve the revised framework outlined in the previous slide as a foundation for potential revisions to the interpretation?



Thank you

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Engagements subject to SSAEs: PEEC Update

August 2023

Task force charge

Consider revisions to or nonauthoritative guidance for the “independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic (ET sec. 1.297).

Scopes:

- Scope 1: General use AUP reports
- Scope 2: Potential threats when developing criteria
- Scope 3: Application when engagements do not involve financial statement factors
- Scope 4: Nonattest services exception
- Scope 5: Use of the term “responsible party” vs. “client” and “attest client”
- Scope 6: Consider compilations as result of SSAE No. 18
- Scope 7: Guidance for direct examination engagements
- Scope 8: IESBA monitoring: Sustainability project
- Scope 9: SEC monitoring: Climate-related disclosures

For more information on scopes, see agenda item 6 in the [May PEEC materials](#).

Task force activities

Held meetings to discuss:

- Initial priorities and project plan
- Identifying the responsible party

Initial priorities



***Includes consideration of potential impact from IESBA sustainability proposals (Scope 8)**

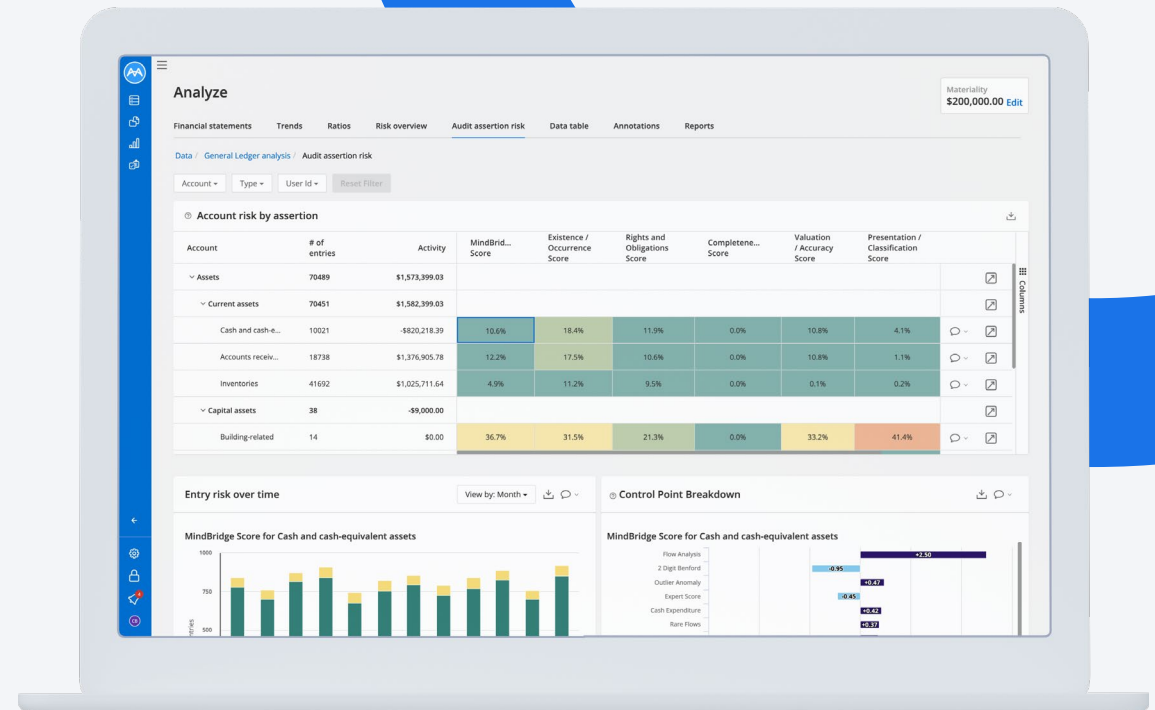
Identifying the responsible party

Task force discussions

- SSAE definitions of subject matter & responsible party
- Should consider the following when identifying the responsible party (typically at the legal entity)
 - Entity preparing the subject matter
 - Affiliates if such entities include information in the subject matter
 - Upstream entities depending on level of influence over the subject matter
 - Subservice organizations when using the inclusive method
- Use of the definition of client and attest client would not likely change the entity(ies) in which to apply independence

Thank you

Case Study in Ethical Use of AI Today



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Level Set on AI

Basic Groups AI

McCarthy Definition of AI (1955): Science & engineering of making intelligent machines

Weak AI

Strong AI

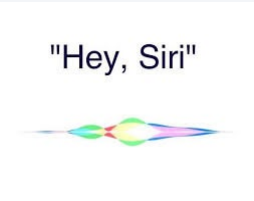
Artificial Narrow Intelligence

Artificial General Intelligence

Artificial Super Intelligence

Specific task

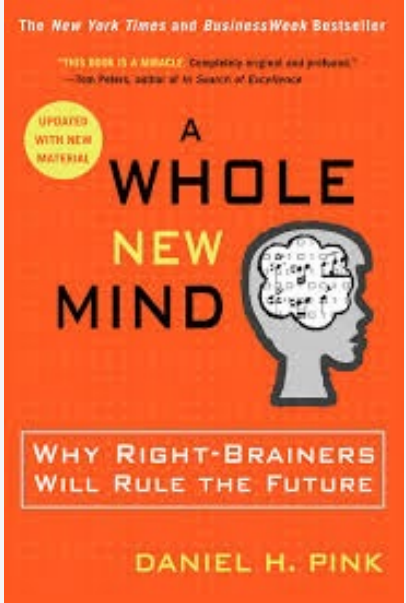
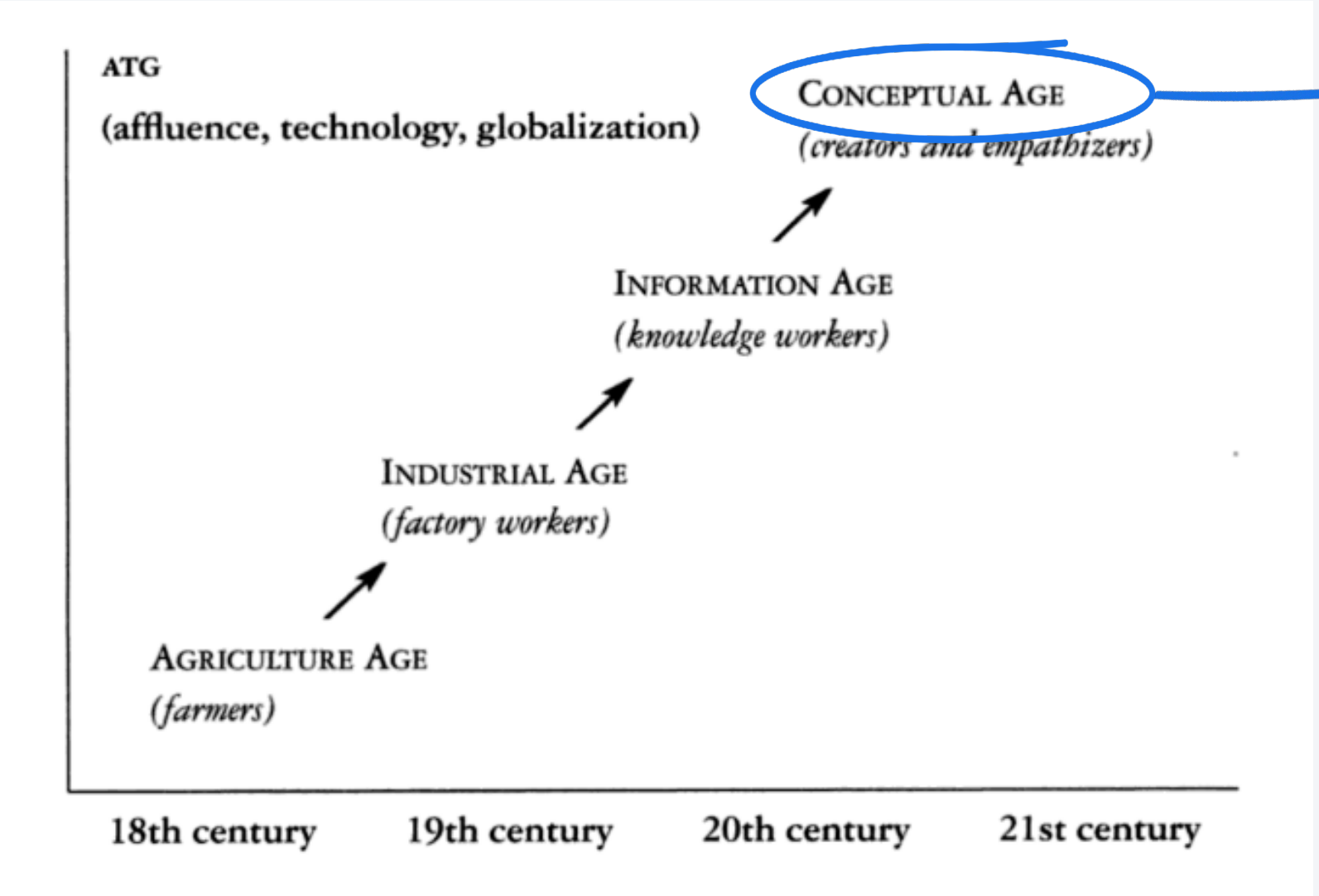
Doesn't exist today, and while it maybe a technological capability in the future, there will likely be regulation



Proposal for a
**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
LAYING DOWN HARMONISED RULES ON ARTIFICIAL INTELLIGENCE
(ARTIFICIAL INTELLIGENCE ACT) AND AMENDING CERTAIN UNION
LEGISLATIVE ACTS**
{SEC(2021) 167 final} - {SWD(2021) 84 final} - {SWD(2021) 85 final}

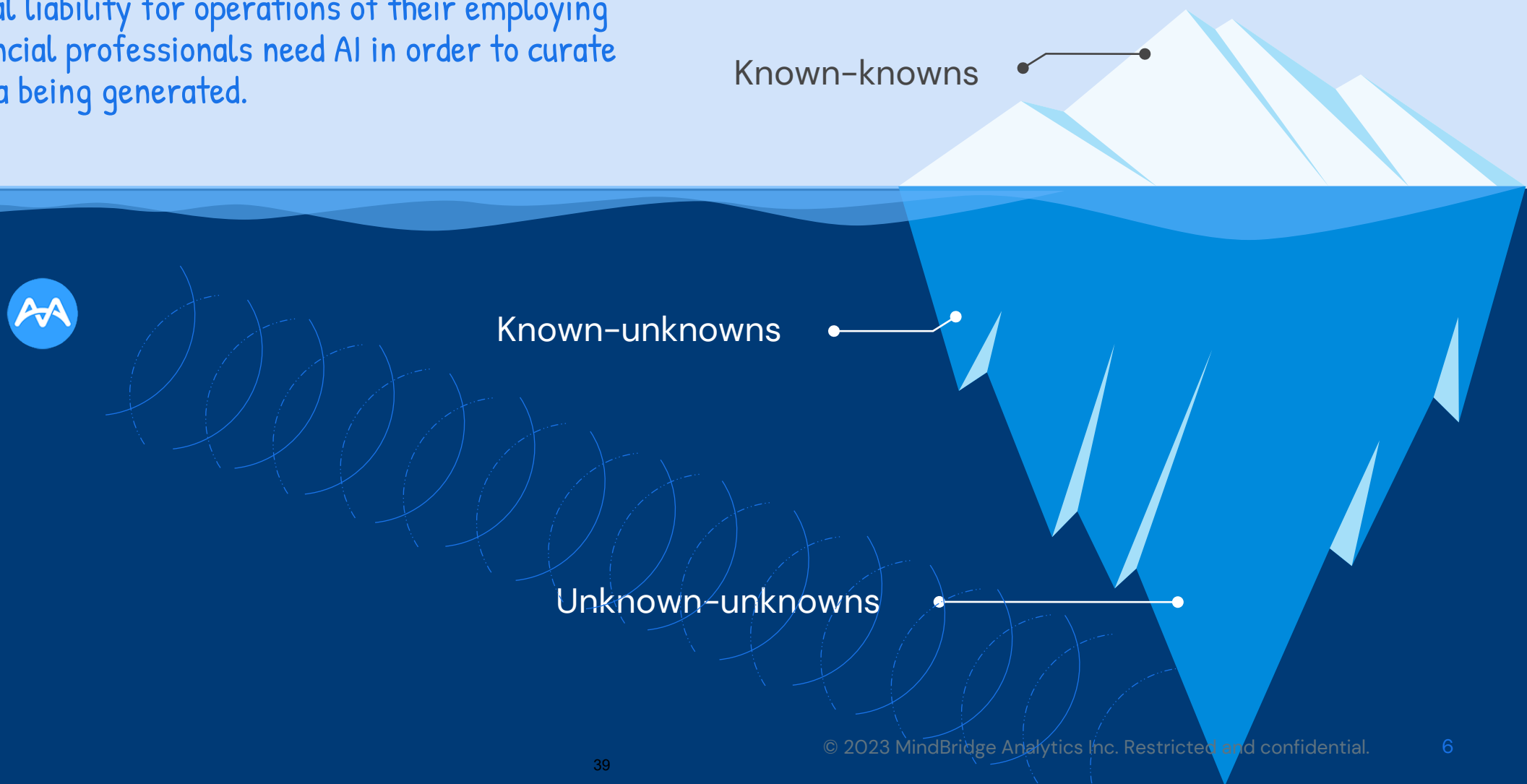
[EU AI Act Text](#)

The Information Age is Old News



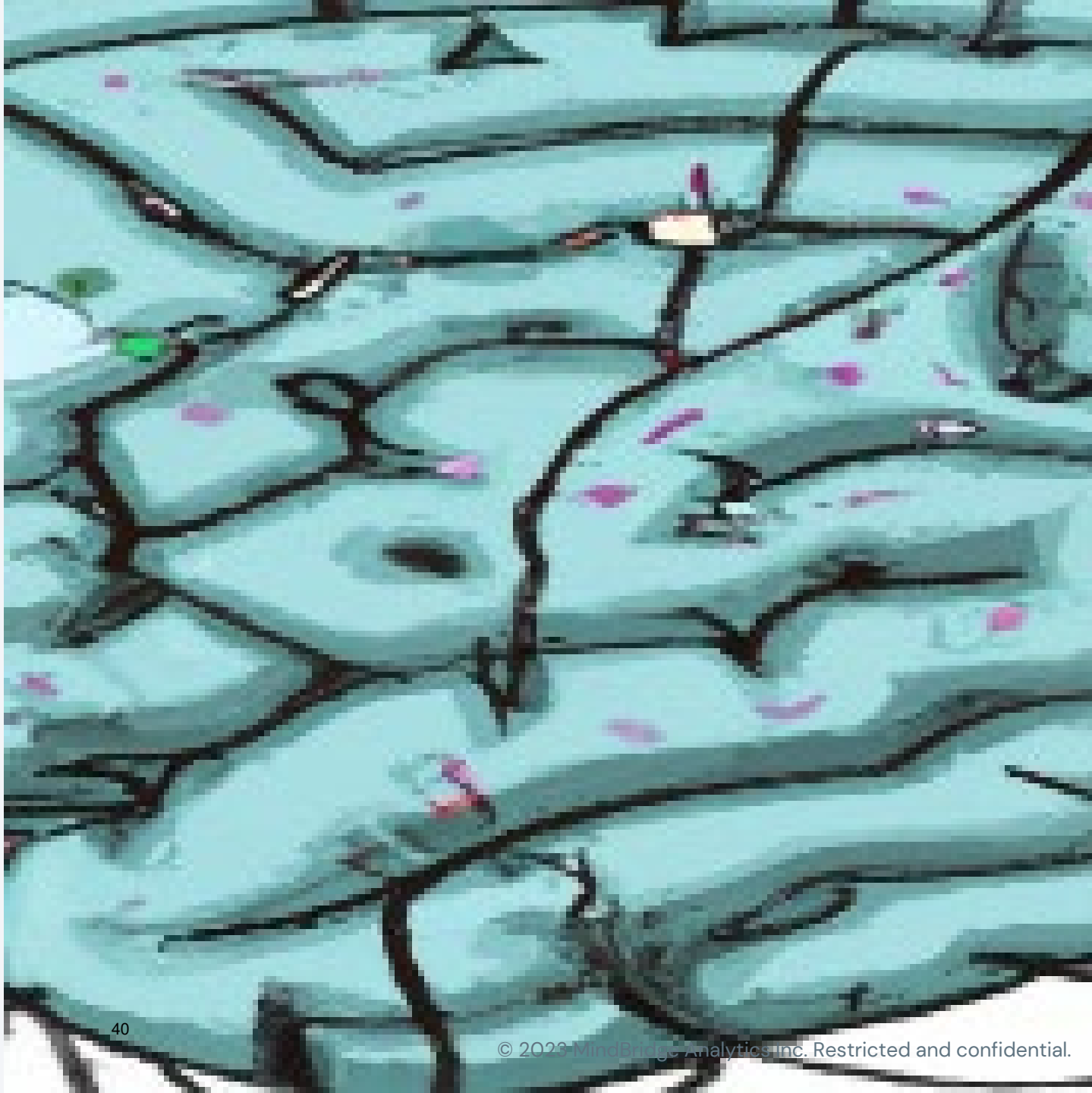
There is a transparency wave in capital markets

The digital transformation of the finance function means executives have a higher expectation on what is knowable, and they are facing increasing personal liability for operations of their employing organization. Financial professionals need AI in order to curate the volume of data being generated.

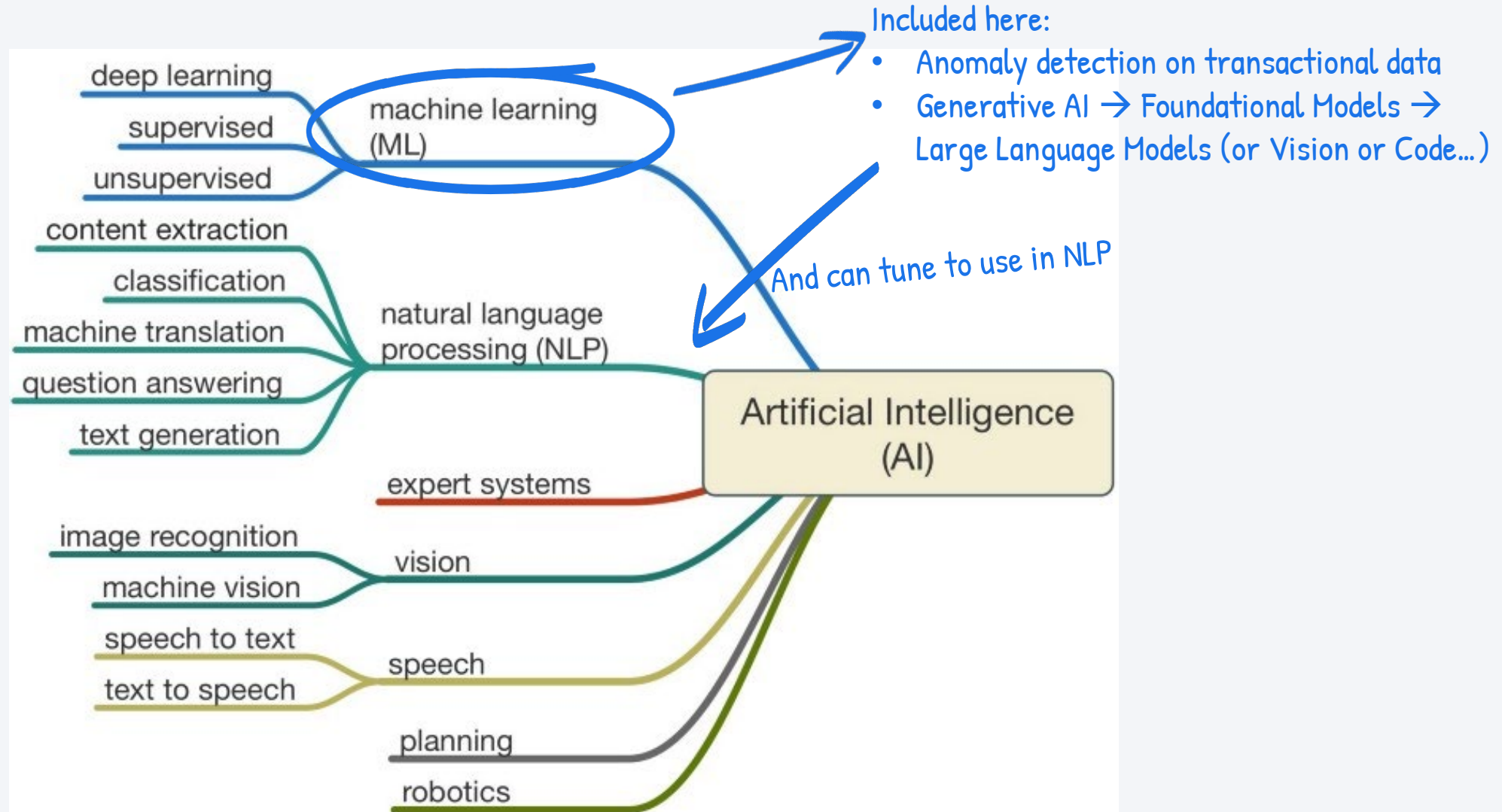


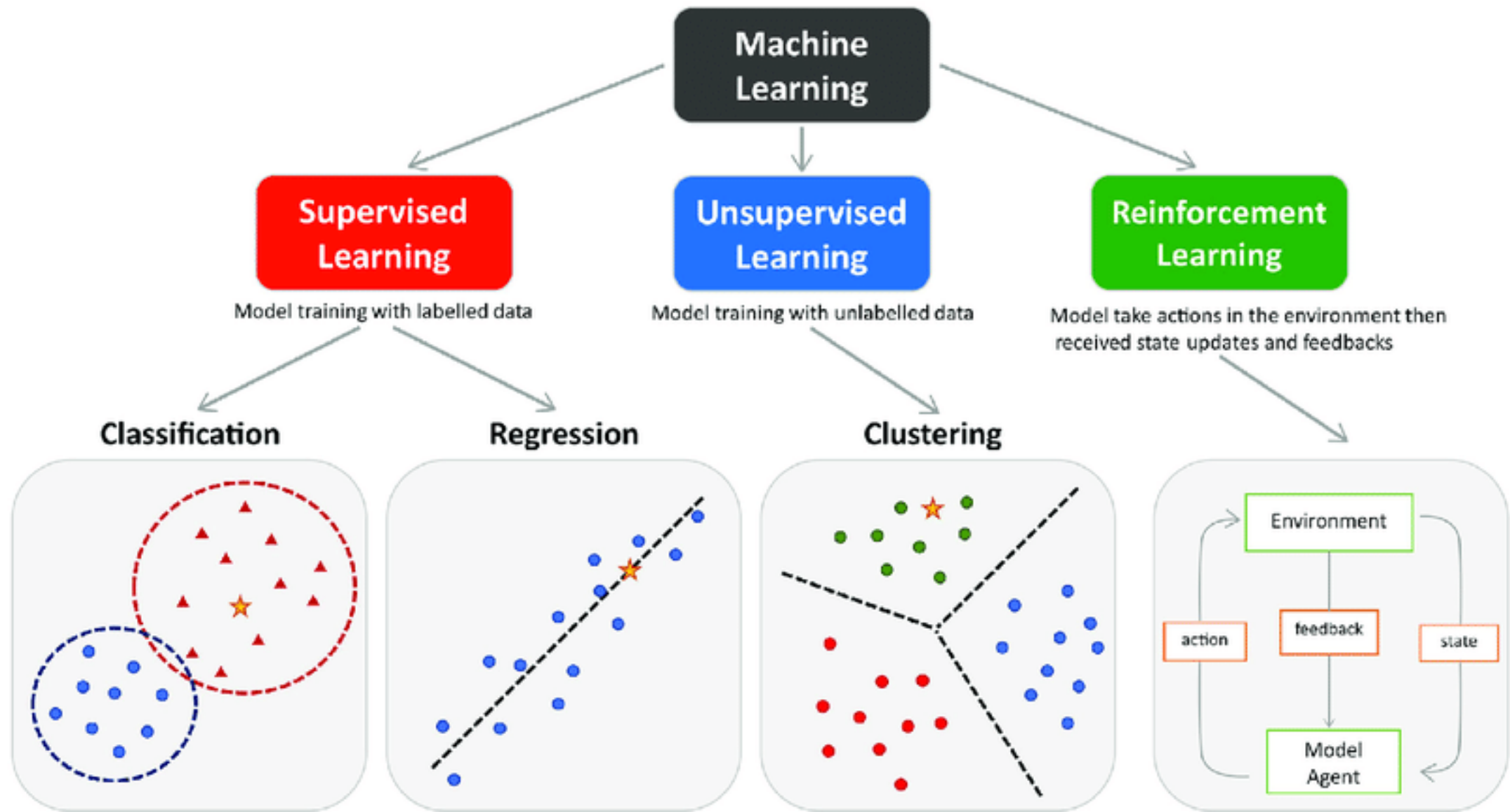
Human in the Loop

Per ChatGPT: Human in the Loop refers to the involvement of human intervention, oversight, and decision-making alongside AI systems to ensure accuracy, accountability, and ethical considerations.



Types of Technology in AI





Today's Example

Live Demo

First Draft of Workpapers

“Write an auditor workpaper comment that all cash assertions had no findings in testing and list each assertion in a tabular format”




Audit workpaper comment:

We have completed our testing of the cash account and related transactions, and we have found no material misstatements or significant deficiencies. Our testing included evaluating the effectiveness of controls and substantive testing of account balances.

We have tested the following assertions related to cash and have found no exceptions:

Assertion	Description
Existence	Cash balances and transactions recorded in the financial statements exist and have occurred.
Completeness	All cash transactions and balances that should have been recorded in the financial statements have been recorded.
Accuracy	Cash balances and transactions recorded in the financial statements are accurate and have been properly classified.
Valuation	Cash balances and transactions recorded in the financial statements are valued appropriately.
Rights and obligations	The entity has legal rights to cash balances recorded in the financial statements, and cash is not subject to any restrictions or obligations.

Based on our testing, we are satisfied that the assertions related to cash are fairly presented in the financial statements. We will document our findings and conclusions in the final audit report. 45

 Regenerate response

Sure, here is an auditor workpaper comment that all cash assertions had no findings in testing, listed in a tabular format:

Assertion	Test	Finding
Existence	Traced cash receipts and disbursements to supporting documentation.	All cash receipts and disbursements were supported by documentation.
Completeness	Footed the cash receipts and disbursements journals.	All cash receipts and disbursements were recorded.
Accuracy	Recalculated the totals of the cash receipts and disbursements journals.	The totals of the cash receipts and disbursements journals were accurate.
Cutoff	Tested the cutoff of cash receipts and disbursements.	All cash receipts and disbursements were recorded in the correct period.
Classification	Classified cash receipts and disbursements in the correct accounts.	All cash receipts and disbursements were classified in the correct accounts.

This comment provides evidence that the auditor has tested all of the cash assertions and found no findings. This is important because it helps to ensure that the financial statements are free from material misstatement.

What does AI say about us using AI?

“What are the accounting ethical risks to using a large language model?”

When using a large language model like ChatGPT for accounting purposes, it's important to consider several ethical considerations. Here are some key points to keep in mind:

1. **Confidentiality:** Ensure that any sensitive financial or personal information provided during interactions with the language model is kept confidential and secure. Take necessary measures to protect data privacy and comply with relevant regulations, such as the General Data Protection Regulation (GDPR) or other applicable data protection laws.
2. **Accuracy and Objectivity:** Maintain a high level of professionalism and accuracy when using the language model for accounting tasks. Avoid misrepresenting financial information or manipulating the model's outputs to suit personal or organizational interests.
3. **Professional Judgment:** Recognize that the language model is a tool and not a substitute for professional judgment. While it can provide valuable insights and suggestions, final decisions should be based on the expertise of qualified accountants or professionals.
4. **Conflict of Interest:** Be mindful of any potential conflicts of interest that may arise when using a language model. If the model is owned or operated by a third-party with vested interests, ensure that such affiliations do not compromise the objectivity and integrity of the accounting process.
5. **Transparency:** Clearly communicate to stakeholders, such as clients or colleagues, when using a language model as part of the accounting process. Inform them about the model's capabilities, limitations, and any potential impact on the services provided.
6. **Compliance with Regulations:** Adhere to applicable accounting standards, regulations, and ethical guidelines, such as those set by professional accounting bodies or regulatory authorities. Ensure that the use of the language model aligns with these requirements.
7. **Ongoing Learning and Accountability:** Stay updated with the latest developments in the field of artificial intelligence and language models to ensure that you are using them responsibly. Hold yourself accountable for the decisions made based on the model's outputs.

Remember, ethical considerations in accounting extend beyond the use of language models. It's important to integrate these principles into broader accounting practices and uphold professional standards of integrity, objectivity, and transparency.

Cute... but what is the practical use today?

What ethical principles exist when you rely upon:

	Staff	AI
Responsibilities	✓	✓
The Public Interest	✓	✓
Integrity	✓	✓
Objectivity & Independence	✓	✓
Due Care	✓	✓
Scope and Nature of Services	✓	✓

We all know that using technology doesn't release us of our ethical principles; it becomes a matter of how to execute.

Confidential Information

Integrity

Open AI's Sharing & Publication Policy

Creators who wish to publish their first-party written content (e.g., a book, compendium of short stories) created in part with the OpenAI API are permitted to do so under the following conditions:

- The published content is attributed to your name or company.
- The role of AI in formulating the content is clearly disclosed in a way that no reader could possibly miss, and that a typical reader would find sufficiently easy to understand.
- Topics of the content do not violate OpenAI's [Content Policy](#) or [Terms of Use](#), e.g., are not related to adult content, spam, hateful content, content that incites violence, or other uses that may cause social harm.
- We kindly ask that you refrain from sharing outputs that may offend others.

Requirement

ET 0.300.040.03

Integrity requires a member to be, among other things, honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage.

Confidentiality

[Open AI's Privacy Policy](#)

Category of Personal Information	Disclosure of Personal Information
Identifiers, such as your contact details	We disclose this information to our affiliates, vendors and service providers, law enforcement, and parties involved in Transactions.
Commercial Information, such as your transaction history	We disclose this information to our affiliates, vendors and service providers, law enforcement, and parties involved in Transactions.
Network Activity Information, such as Content and how you interact with our Services	We disclose this information to our affiliates, vendors and service providers, law enforcement, and parties involved in Transactions.
Geolocation Data	We disclose this information to our affiliates, vendors and service providers, law enforcement, and parties involved in Transactions.
Your account login credentials (Sensitive Personal Information)	We disclose this information to our affiliates, vendors and service providers, law enforcement, and parties involved in Transactions.

Requirement

ET 1.700.001.01
... shall not disclose any
confidential client information
without the specific consent of
the client.

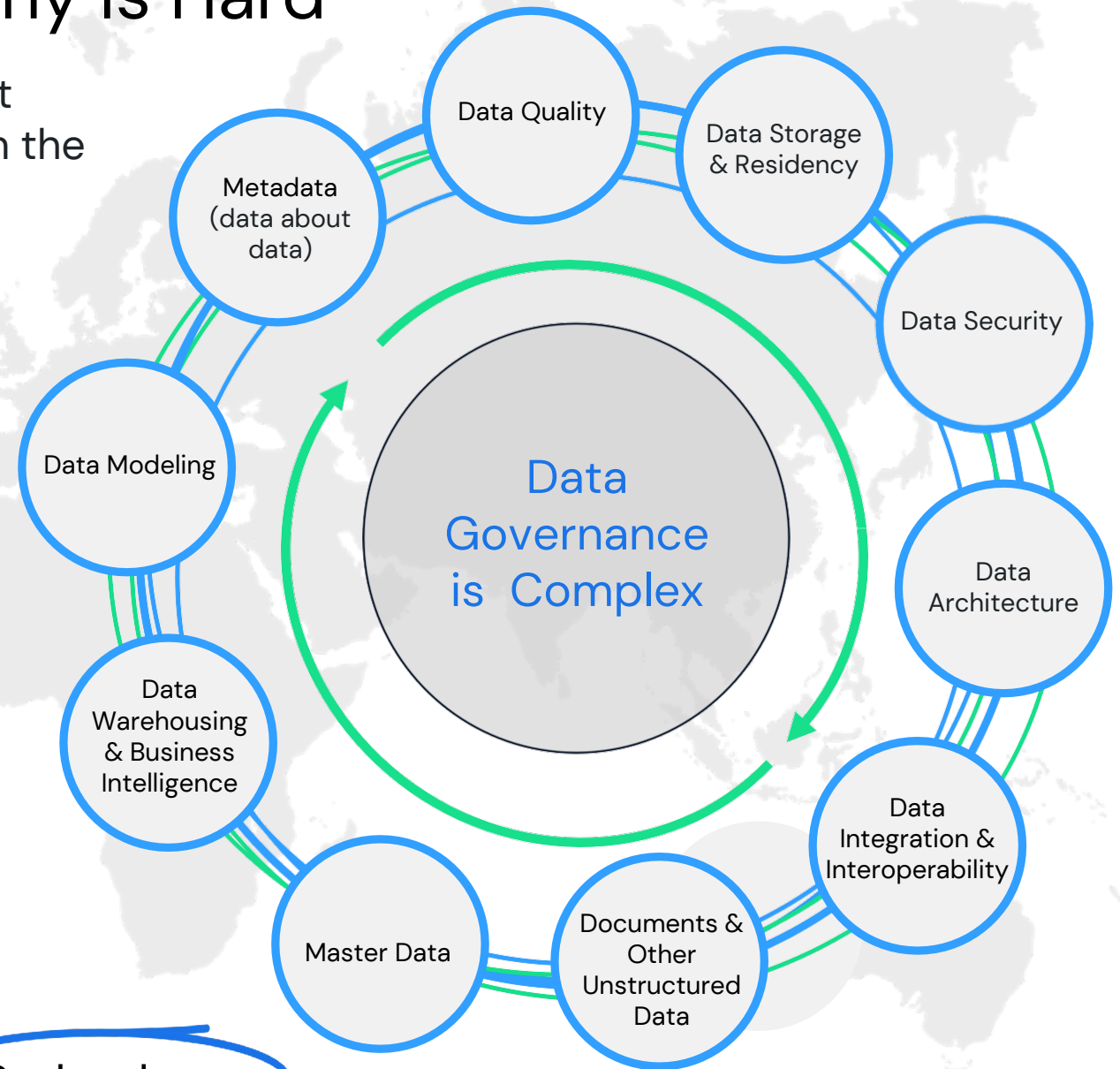
Data Governance at a Company is Hard

It's even harder for auditors working with different organizations due to the lack of standardization in the corporate world.

Data Residency Risks

(per Chat GPT)

1. **Data breaches and cyberattacks:** The risk of unauthorized access, data breaches, and cyberattacks targeting stored data.
2. **Government surveillance and access:** Government surveillance programs and legal frameworks that grant authorities access to private data.
3. **Inadequate data protection laws:** Weak or inadequate data protection laws and regulations that may compromise the security and privacy of stored data.
4. **Political instability and legal uncertainties:** Political instability, changes in government, or legal uncertainties that can impact data protection and access rights.
5. **Data localization requirements:** Government mandates or regulations that require data to be stored locally, which may increase the risk of data exposure and hinder cross-border data transfers.



In a table, list the top 5 largest economies by country and list the access the government has to private corporate data and an additional column that list the local laws that that allow the government that access

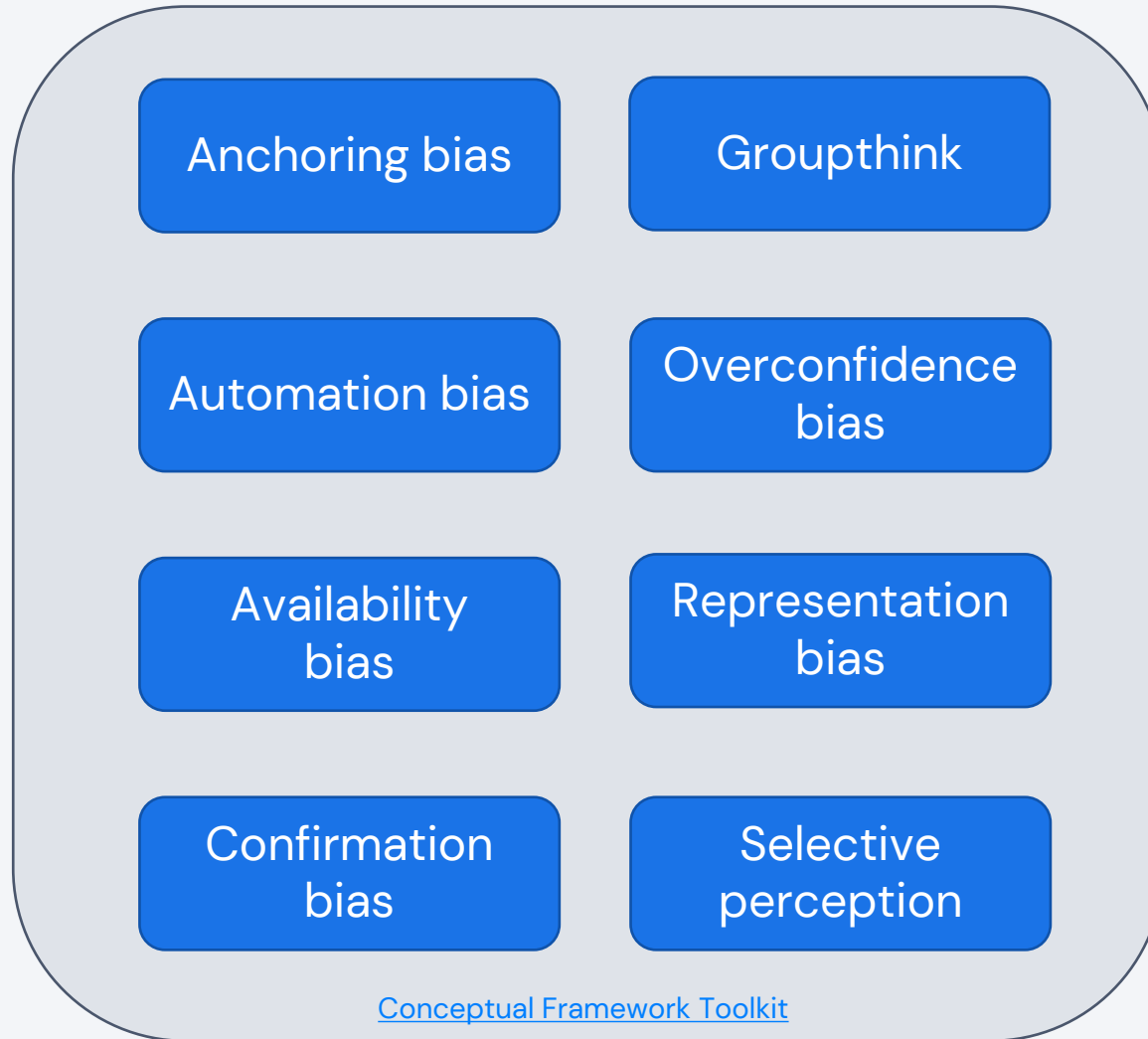
Here's a table that includes the top 5 largest economies by country, along with information about government access to private corporate data and the corresponding local laws that allow such access. Please note that this information is based on general knowledge and may not capture the full complexity and nuances of each country's legal framework. It's always advisable to refer to official sources or legal experts for the most accurate and up-to-date information.

Country	GDP Ranking	Government Access to Private Corporate Data	Relevant Local Laws
United States	1	Limited government access with legal safeguards	Fourth Amendment to the United States Constitution
China	2	Extensive government access under various laws and regulations	Cybersecurity Law, National Intelligence Law, etc.
Japan	3	Limited government access with legal safeguards	Constitution of Japan, Act on the Protection of Personal Information
Germany	4	Limited government access with legal safeguards	Basic Law (Grundgesetz), Federal Data Protection Act
India	5	Government access under certain circumstances	Information Technology Act, 2000

Please note that the level of government access and the specific laws can vary within each country and depend on factors such as the nature of the data, national security concerns, and privacy regulations. It's important to consult official sources or legal experts for detailed and up-to-date information specific to each jurisdiction.

Objectivity

Objectivity



Requirement

ET 0.300.050.02
The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.

Safeguards as Mitigation

Seeking advice from experts to obtain additional input

When do I need to bring in a data scientist, developer, or technologist?

Consulting with others to ensure appropriate challenge as part of the evaluation process

Is the workpaper/binder review processes in place enough or need more?

Receiving additional training

How much do you need to be able to appropriately rely and take responsibility for output?

Due Care

Due Care

SQMS 1 Service Provider (A113) &
Technological Resources
(A105, A106, & A109)
Assessments

Use of Third Party Service Provider
(ET 1.700.040)



Current Requirement

ET 0.300.060.02
... obligation to perform
professional services to the
best of a member's ability, with
concern for the best interest of
those for whom the services
are performed, and consistent
with the profession's
responsibility to the public.

ET 0.300.060.06
Due care requires a member to
plan and supervise adequately
any professional activity for
which he or she is responsible.

But Large Language Models /AI can have hallucinations

“Tell me everything
you know about
Danielle Supkis
Cheek.”

PS – not a word of this has any truth, and I have no
past or current relatives with similar names.



Danielle Supkis Cheek is an American artist and educator. She was born in 1962 in Connecticut and currently lives and works in Pennsylvania, USA.

Supkis Cheek holds a Bachelor of Fine Arts degree from Syracuse University and a Master of Fine Arts degree from the University of Pennsylvania. She has exhibited her artwork in solo and group shows throughout the United States and internationally, including in New York, Philadelphia, and Tokyo.

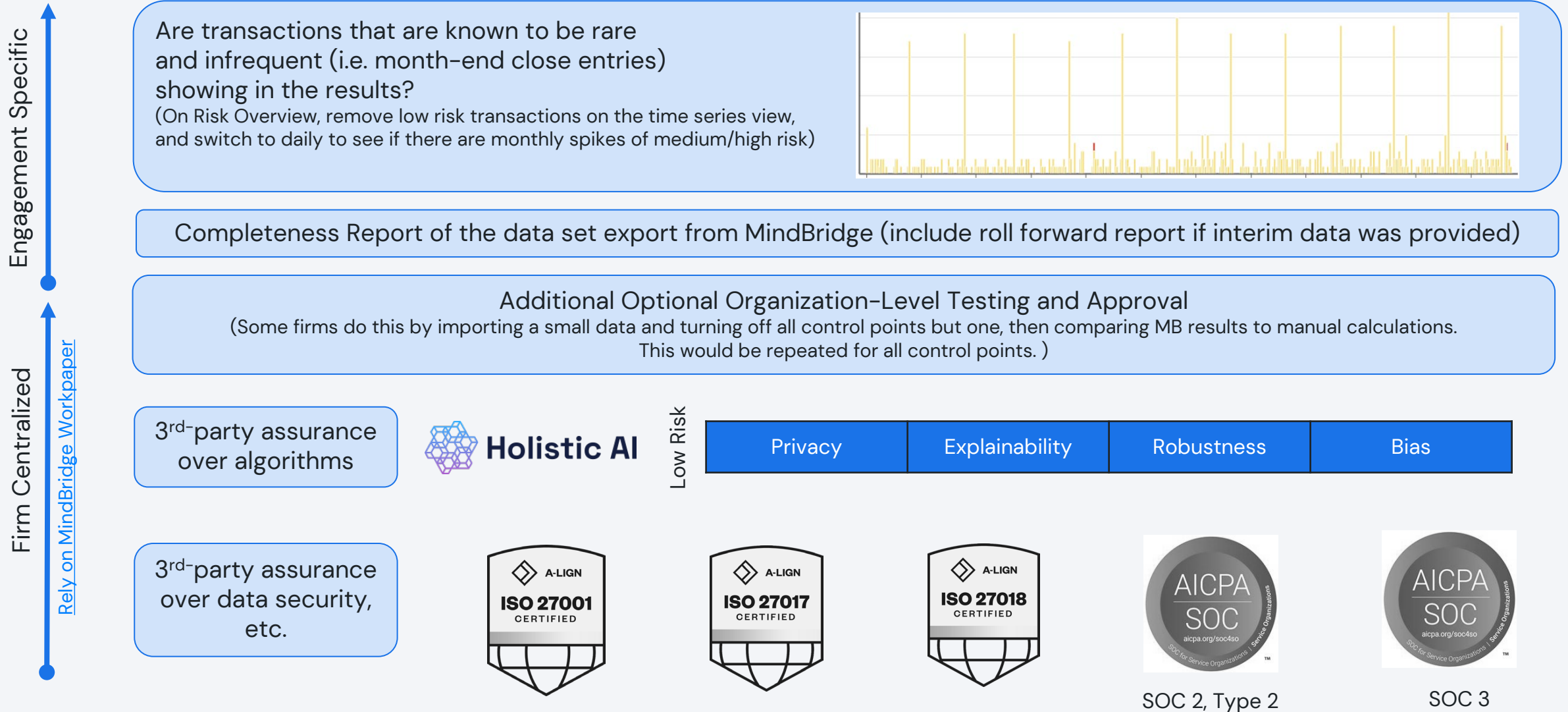
Supkis Cheek's artwork is known for its intricate and highly detailed nature, often incorporating patterns and textures inspired by natural forms. She works primarily in drawing and printmaking, using techniques such as etching, lithography, and woodcut.

In addition to her art practice, Supkis Cheek is also a highly respected educator. She has taught art at various institutions, including Tyler School of Art at Temple University and Pennsylvania State University. She is currently a professor of art at Kutztown University in Pennsylvania.

Supkis Cheek has received numerous awards and grants for her artwork, including a Pennsylvania Council on the Arts Fellowship and a Pollock-Krasner Foundation Grant. Her artwork can be found in many public and private collections, including the Philadelphia Museum of Art and the New York Public Library.

Overall, Danielle Supkis Cheek is a highly respected artist and educator known for her intricate and highly detailed artwork, which draws inspiration from the natural world.

How to Supervise AI (Unsupervised Machine Learning)



Examples of How to Oversight AI (Supervised Machine Learning)

Representative Testing Data Sets

Cross-Validation

Hold back training data to use for validation

Relevant Evaluation Metrics
Including statistical significance tests of results

FairTest Design

Divide results into small populations to identify groups that could be harmed

Gradient Feature Auditing

Feed model data with indirect attributes that should not be related to outcome to look for proximate variables that have a veiled relationship

Flip Test

Had someone had a different protected status, would the model treat them differently?

THE AI ACT

[The AI Act](#) is a proposed European law on artificial intelligence (AI) – the first law on AI by a major regulator anywhere. The law assigns applications of AI to three risk categories. First, applications and systems that create an **unacceptable risk**, such as government-run social scoring of the type used in China, are banned.

Second, **high-risk applications**, such as a CV-scanning tool that ranks job applicants, are subject to specific legal requirements.

Lastly, applications not explicitly banned or listed as high-risk are largely left unregulated.



Brussels, 21.4.2021
COM(2021) 206 final
2021/0106 (COD)

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
LAYING DOWN HARMONISED RULES ON ARTIFICIAL INTELLIGENCE
(ARTIFICIAL INTELLIGENCE ACT) AND AMENDING CERTAIN UNION
LEGISLATIVE ACTS
{SEC(2021) 167 final} - {SWD(2021) 84 final} - {SWD(2021) 85 final}

Is this ok, today?

First Draft of Workpapers

“Write an auditor workpaper comment that all cash assertions had no findings in testing and list each assertion in a tabular format”




Audit workpaper comment:

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Based on our testing, we are satisfied that the assertions related to cash are fairly presented in the financial statements. We will document our findings and conclusions in the final audit report. 66

 Regenerate response



Thank you

Questions?

Danielle.Cheek@MindBridge.ai

Beneficial Ownership Information Reporting

- Anti-money laundering reporting requirements issued by FinCEN
 - Existing companies file between Jan 1, 2024 and Jan 1, 2025
 - Companies created after Jan 1, 2024 or have a change in ownership or need to correct information have **30 days** to file
- Penalties on business up to **\$10,000** and **2 years** of jail time
- For more information and client facing resources visit [Beneficial Ownership Information Reporting Resource Center](#)

The Corporate Transparency Act (CTA) was enacted as part of the National Defense Act for Fiscal Year 2021. The CTA mandates that millions of entities report their beneficial ownership information (BOI) to the Financial Crimes Enforcement Network (FinCEN). This resource is meant to provide a preliminary overview of the provisions in the CTA.

Who is required to report under the CTA's BOI reporting requirement?

- All domestic and foreign entities that have filed formation or registration documents with a U.S. state (or Indian tribe), unless they meet one of 23 enumerated exceptions (see question No. 8 of [FinCEN FAQs](#) for a full list of exemptions), including:
 - EXEMPT: Large operating entities that meet all the following criteria:
 - Employ more than 20 people in the U.S.
 - Had gross revenue (or sales) over \$5 million on the prior year's tax return
 - Has a physical office in the U.S.
 - EXEMPT: Publicly traded companies that have registered under Section 102 of SOX

When must companies file?

- New entities (created/registered after Dec. 31, 2023) — must file within 30 days
- Existing entities (created/registered before Jan. 1, 2024) — must file by Jan. 1, 2025
- Reporting companies that have changes to previously reported information or discover inaccuracies in previously filed reports — must file within 30 days.

What information do companies need to report?

- Each company must report the information below. [Click or tap here](#) for an example of

- Full legal name of the reporting company and any trade or DBA names
- Business address
- State or Tribal jurisdiction of formation or registration
- IRS TIN
- In addition, each reporting company must report the following details on its beneficial owners and, for newly created entities, its company applicant(s):
 - Name
 - Birthdate
 - Address
 - Unique identifying number and issuing jurisdiction from an acceptable identification document (and image of such document)

What are the taxpayer penalties for noncompliance with the statute?

- Civil penalties are up to \$500 per day that a violation continues.
- Criminal penalties include a \$10,000 fine and/or up to two years of imprisonment.

For more information

Visit the AICPA's [beneficial ownership information reporting guidance and resources page](#).

Awareness: For the Client

- Who is required to file?
- When must companies file?
- What information do companies need to report?
- What are the penalties for noncompliance?

Awareness: For the Professional

- Who is a beneficial owner?
- Who is a company applicant?
- What do you need to be aware of?
- What other considerations are there before you engage with a client?

Beneficial ownership information reporting under the Corporate Transparency Act

FAQ highlights

The Corporate Transparency Act (CTA) was enacted as part of the National Defense Act for Fiscal Year 2021. The CTA mandates that millions of entities report their beneficial ownership information (BOI) to the Financial Crimes Enforcement Network (FinCEN). This resource is meant to provide a preliminary overview of the provisions in the CTA and answer questions that clients could raise when informing them of compliance requirements.

Who is required to report under the CTA's BOI reporting requirement?

- All domestic and foreign entities that have filed formation or registration documents with a U.S. state (or Indian tribe), unless they meet one of 23 enumerated exceptions (see question No. 8 of [FinCEN FAQs](#) for a full list of exemptions), including:
 - EXEMPT: large operating entities that meet all the following criteria:
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 - Had gross revenue (or sales) over \$5 million on the prior year's tax return
 - Has a physical office in the U.S.
 - EXEMPT: publicly traded companies that have registered under Section 102 of SOX

What information do companies need to report?

- Each company must report the information below. [Click or tap here](#) for an example of the form.
 - Full legal name of the reporting company and any trade or DBA names
 - Business address
 - State or Tribal jurisdiction of formation or registration
 - IRS TIN
- In addition, each reporting company must report the following details on its beneficial owners and, for newly created entities, its company applicant(s):

Beneficial Ownership Information Reporting

Report Summary of Data Fields

Filing Information 1. * Type of filing (check only one box for lines 1a – 1d) a. Initial report b. Correct prior report (if this box is checked, then you must fill out lines 1e – 1h (Reporting Company information associated with most recent report)) c. Update prior report (if this box is checked, then you must fill out lines 1e – 1h (Reporting Company information associated with most recent report)) d. New exempt entity (if this box is checked, then you must fill out lines 1e – 1h (Reporting Company information associated with most recent report) and no other lines in the report) Reporting Company information associated with most recent report, if any: (Lines 1e – 1h must be filled out when the type of filing is "Correct prior report" (line 1b), "Update prior report" (line 1c), or "Newly exempt entity" (line 1d) to link the new filing to the previous filing) e. Legal name f. Tax identification type (select one from list of options) * EIN * SSN/ITIN * Foreign g. Tax identification number h. Country/Jurisdiction (if foreign tax ID only) (select from list of countries/jurisdictions) 2. Date prepared (assigned automatically when filer finalizes report) (line 2 populates automatically with the date when the filer selects "Finalize" on the form)	Part I. Reporting Company Information 3. Request to receive FinCEN Identifier (FinCEN ID) (check the box to receive a FinCEN ID) 4. Foreign pooled investment vehicle (check the box if Reporting Company is a foreign pooled investment vehicle) Full legal name and alternate name(s): 5. * Reporting Company legal name 6. Alternate name (e.g., trade name, DBA) (multiple alternate names may be reported) Form of identification: 7. * Tax identification type (select one from list of options) * EIN * SSN/ITIN * Foreign 8. * Tax identification number 9. Country/Jurisdiction (if foreign tax ID only) (select from list of countries/jurisdictions) Jurisdiction of formation or first registration: 10. * a. Country/Jurisdiction of formation (select from list of countries/jurisdictions, including the United States, each U.S. territory, and all foreign countries. If United States is selected, complete lines 10b, 10c, or 10d as applicable; if a U.S. territory is selected, line 10b populates automatically with the selected U.S. territory; if a foreign country is selected, complete lines 10b, 10f, or 10g as applicable.) Domestic Reporting Company: b. State of formation (select from list of U.S. States; if a U.S. territory is selected in line 10a, line 10b populates automatically with the selected U.S. territory) c. Tribal jurisdiction of formation (select from list of Tribes and "Other Tribe") d. Name of other Tribe (enter name of other Tribe not included in list for line 10c; only available if "Other Tribe" selected in line 10c) Foreign Reporting Company: e. State of first registration (select from list of U.S. States and U.S. Territories) f. Tribal jurisdiction of first registration (select from list of Tribes and "Other Tribe") g. Name of other Tribe (enter name of other Tribe not included in list for line 10f; only available if "Other Tribe" selected in line 10f) Current U.S. address: 11. * Address (number, street, and apt. or suite no.) 12. * City 13. * U.S. or U.S. territory 14. * State (select from list of U.S. states; if a U.S. territory is selected in line 13, line 14 populates automatically with the selected U.S. territory) 15. * ZIP code 16. Existing Reporting Company (check if Reporting Company was created or registered before Jan. 1, 2024) (if this box is checked, then Company Applicant information is not required)	Part II. Company Applicant Information (report up to two Company Applicants, lines 18–33 are repeated for each Company Applicant) 17. Unable to identify all Company Applicants (check if you are unable to obtain any required information about one or more Company Applicants) Company Applicant FinCEN ID: 18. FinCEN ID (if FinCEN Identifier is not provided, information about the Company Applicant must be provided in the lines below) Full legal name: 19. * Individual's last name z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 20. * First name z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 21. Middle name (required if the Company Applicant has a middle name) 22. Suffix (required if the Company Applicant's name has a suffix) Date of birth: 23. * Date of birth z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) Current address: 24. * Address type (check the appropriate box for lines 24a, 24b, or 24c) a. Business address b. Residential address z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 25. * Address (number, street, and apt. or suite no.) z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 26. * City z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 27. * Country/Jurisdiction (select from list of countries/jurisdictions) z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 28. * State (select from list when United States, Canada, or Mexico is the country/jurisdiction selected in line 27; if a U.S. territory is the country/jurisdiction selected in line 27, line 28 populates automatically with the selected U.S. territory; if a foreign country is the country/jurisdiction selected in line 45, line 46 remains empty) z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 29. * ZIP/Foreign postal code z. Unknown (check the box if you are not able to obtain this information about the Company Applicant)	Form of identification and issuing jurisdiction: 30. * Identifying document type (select one from list of lines 30a–30d or check box 30z) a. State-issued driver's license b. State/local/Tribal-issued ID c. U.S. passport d. Foreign passport z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 31. * Identifying document number z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) 32. * Identifying document issuing jurisdiction (select country/jurisdiction in line 32a or checkbox 32z and complete lines 32b–32d if applicable) a. Country/Jurisdiction (select from list of countries/jurisdictions) z. Unknown (check the box if you are not able to obtain this information about the Company Applicant) b. State (select from list when the United States is the country/jurisdiction selected in line 32a and the identifying document is issued by a state; if a U.S. territory is the country/jurisdiction selected in line 32a, line 32b populates automatically with the selected U.S. territory; if a foreign country is the country/jurisdiction selected in line 32a, line 32b remains empty) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) c. Local/tribal (select from list when the United States is the country/jurisdiction selected in line 32a and the identifying document is issued by a local jurisdiction or Tribe; if local jurisdiction or Tribe is not included in list, select "Other" and go to line 32c; if a U.S. territory or foreign country is the country/jurisdiction selected in line 32a, line 32c remains empty) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) d. Other local/tribal name (only available if "Other" selected in line 32c; enter name of local jurisdiction or Tribe that was not included in the list for line 32c) 33. * Identifying document image (attach image of identifying document referred to in lines 31–33) (instructions on upload process will be provided here) a. Unknown (check the box if you are not able to obtain this information about the Company Applicant)	Part III. Beneficial Owner Information (multiple Beneficial Owners may be reported, lines 35–51 are repeated for each Beneficial Owner) 34. Unable to identify all Beneficial Owners (check if you are unable to obtain any required information on one or more Beneficial Owners) 35. Parent/Guardian information instead of minor child (check if the Beneficial Owner is a minor child and the parent/guardian information is provided instead) Beneficial Owner FinCEN ID: 36. FinCEN ID (if FinCEN Identifier is not provided, information about the Beneficial Owner must be provided in the lines below) Exempt entity: 37. Exempt entity (check the box when an exempt entity is being reported in lieu of a Beneficial Owner's information; if checked, provide the legal name of the exempt entity in line 38, and lines 39–41 are grayed out) Full legal name: 38. * Individual's last name (or Exempt entity's legal name if line 37 box is checked) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) 39. * First name z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) 40. Middle name (required if the Beneficial Owner has a middle name) 41. Suffix (required if the Beneficial Owner's name has a suffix) Date of birth: 42. * Date of birth z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) Residential address: 43. * Address (number, street, and apt. or suite no.) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) 44. * City z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) 45. * Country/Jurisdiction (select from list of countries/jurisdictions) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) 46. * State (select from list when United States, Canada, or Mexico is the country/jurisdiction selected in line 45; if a U.S. territory is the country/jurisdiction selected in line 45, line 46 populates automatically with the selected U.S. territory; if a foreign country is the country/jurisdiction selected in line 45, line 46 remains empty) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) 47. * ZIP/Foreign postal code z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner)	Form of identification and issuing jurisdiction: 48. * Identifying document type (select one from list of lines 48a–48d or checkbox 48z) a. State-issued driver's license b. State/local/Tribal-issued ID c. U.S. passport d. Foreign passport z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) 49. * Identifying document number z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) 50. * Identifying document issuing jurisdiction (select country/jurisdiction in line 50a or checkbox 50z and complete lines 50b–50d if applicable) a. Country/Jurisdiction (select from list of countries/jurisdictions) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) b. State (select from list when the United States is the country/jurisdiction selected in line 50a and the identifying document is issued by a state; if a U.S. territory is the country/jurisdiction selected in line 50a, line 50b populates automatically with the selected U.S. territory; if a foreign country is the country/jurisdiction selected in line 50a, line 50b remains empty) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) c. Local/tribal (select from list when the United States is the country/jurisdiction selected in line 50a and the identifying document is issued by a local jurisdiction or Tribe; if local jurisdiction or Tribe is not included in the list, select "Other" and go to line 50c; if a U.S. territory or foreign country is the country/jurisdiction selected in line 50a, line 50c remains empty) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner) d. Other local/tribal name (only available if "Other" selected in line 50c; enter name of local jurisdiction or Tribe that was not included in list for line 50c) 51. * Identifying document image (attach image of identifying document referred to in lines 48–50) (instructions on upload process will be provided here) z. Unknown (check the box if you are not able to obtain this information about the Beneficial Owner)
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IESBA Update: Sustainability project

August 2023

June IESBA meeting

The workstreams presented:

- ❖ Roundtable feedback
- ❖ Draft revisions:
 - New and revised terms in the glossary
 - New Part 5 to address ethics and independence requirements for sustainability assurance practitioners (PAs and non-PAs)
 - Revisions to select sections of Part 2 (PAs in business reporting sustainability information)

Committed to
providing updated
draft content during
the summer

New key definitions

- Sustainability information
- Sustainability assurance engagement
- Sustainability assurance client

New definition for “sustainability information”

“(a) Information expressed in financial or non-financial terms, historical or forward-looking, about the opportunities, risks or impacts of:

(i) Economic, environmental, social, governance or other sustainability factors on an entity’s activities, services or products; or

(ii) An entity’s activities, services or products on the economy, the environment or the public; or

(b) Information defined by law, regulation or the relevant reporting or assurance framework as “sustainability information” or equivalent terms or descriptions.

Sustainability information includes information that may be:

- *Prepared for internal purposes or for mandatory or voluntary disclosure.*
- *Obtained from an entity or its value chain such as customers and suppliers.*
- *Related to the quantitative or qualitative evaluation of an entity’s past or expected performance over the short, medium or long term.*
- *Described in an entity’s policies, plans, goals, commitments or representations.”*

New definition for “sustainability assurance engagement”

“An engagement in which a sustainability assurance practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users about the sustainability information.

A sustainability assurance engagement can be either a:

- Reasonable assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner’s conclusion. The practitioner’s conclusion is expressed in a form that conveys the practitioner’s opinion on the outcome of the measurement or evaluation, including presentation and disclosure, of the underlying subject matter against applicable criteria; or
- Limited assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe the sustainability information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner’s professional judgment, meaningful. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users’ confidence about the sustainability information to a degree that is clearly more than inconsequential.”

New definition for “sustainability assurance client”

“An entity in respect of which a firm conducts a sustainability assurance engagement. When the client is a publicly traded entity, in accordance with paragraphs [R400.22] and [R400.23], sustainability assurance client will always include its related entities. When the sustainability assurance client is not a publicly traded entity, sustainability assurance client includes those related entities over which the client has direct or indirect control. (See also paragraph [R400.22].)”

Ethical requirements, other than independence

- Parts 1, 2 (section 270 only), and 3 equivalents → Part 5
- Sets requirements for sustainability assurance engagements and other services performed for the same sustainability assurance client

	Sustainability assurance engagements	Other services for the sustainability assurance client	Other services, activities or relationships not covered by Part 5
PAs	Parts 1 to 3 and Part 5	Parts 1 to 3 and Part 5	Parts 1 to 3
Non-PAs	Part 5	Part 5	n/a – encourages use of Parts 1 to 3

Independence

New Part 5 → Applicable to **sustainability assurance engagements** where the **sustainability information** on which the firm expresses opinion is

- a. reported in accordance with a general-purpose framework; and
- b. i. required to be provided in accordance with law or regulation, or
ii. publicly disclosed to support decision-making by investors or other stakeholders.

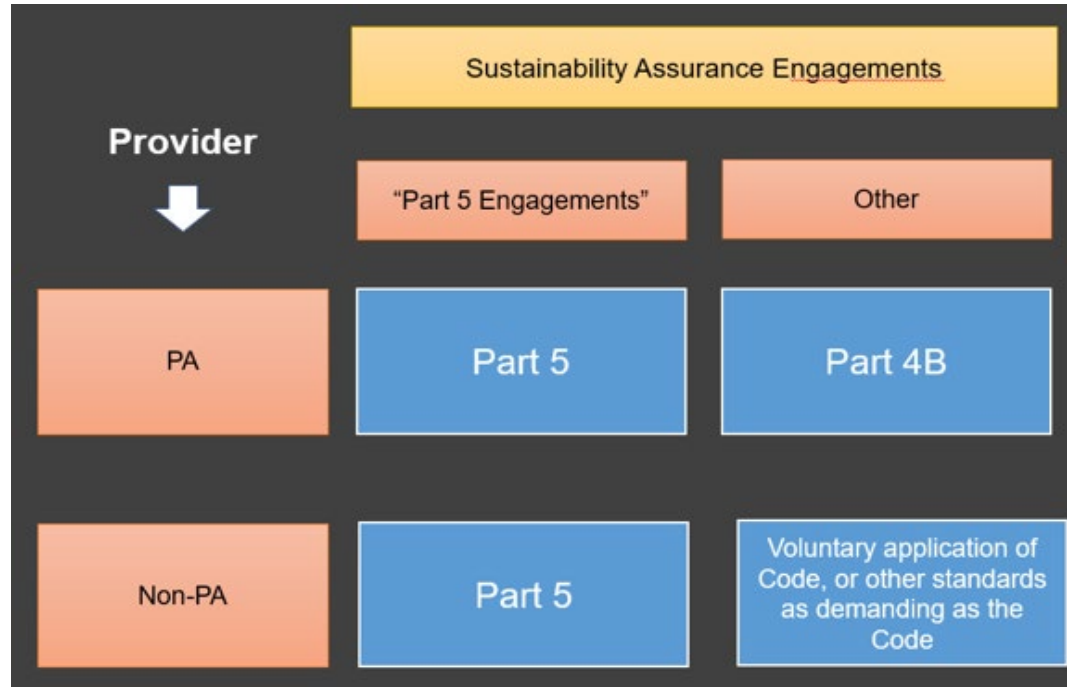
Part 4B → Other sustainability assurance engagements not meeting the “Part 5 criteria” (required for PAs; encouraged for non-PAs)

Independence

Engagements not addressed in Part 5:

- Sustainability information reported in accordance with
 - Entity-developed criteria
 - Framework designed to meet the needs of specific users
- Restricted use and distribution reports
- Direct engagements (not included in ISSA 5000 ED)

Independence



Independence: Part 4A equivalent → Part 5

- Section 400 Conceptual Framework
- **Section 405 Group Audits**
- Section 410 Fees
- Section 411 Compensation and Evaluation Policies
- Section 420 Gifts and Hospitality
- Section 430 Actual or Threatened Litigation
- Section 510 Financial Interests
- Section 511 Loans and Guarantees
- Section 520 Business Relationships
- Section 521 Family and Personal Relationships
- Section 522 Recent Service
- Section 523 Serving as a Director or Officer
- Section 524 Employment
- Section 525 Temporary Personnel Assignments
- Section 540 Long Association of Personnel
- Section 600 Provision of Non-assurance Services (and subsections)

Group sustainability assurance engagements

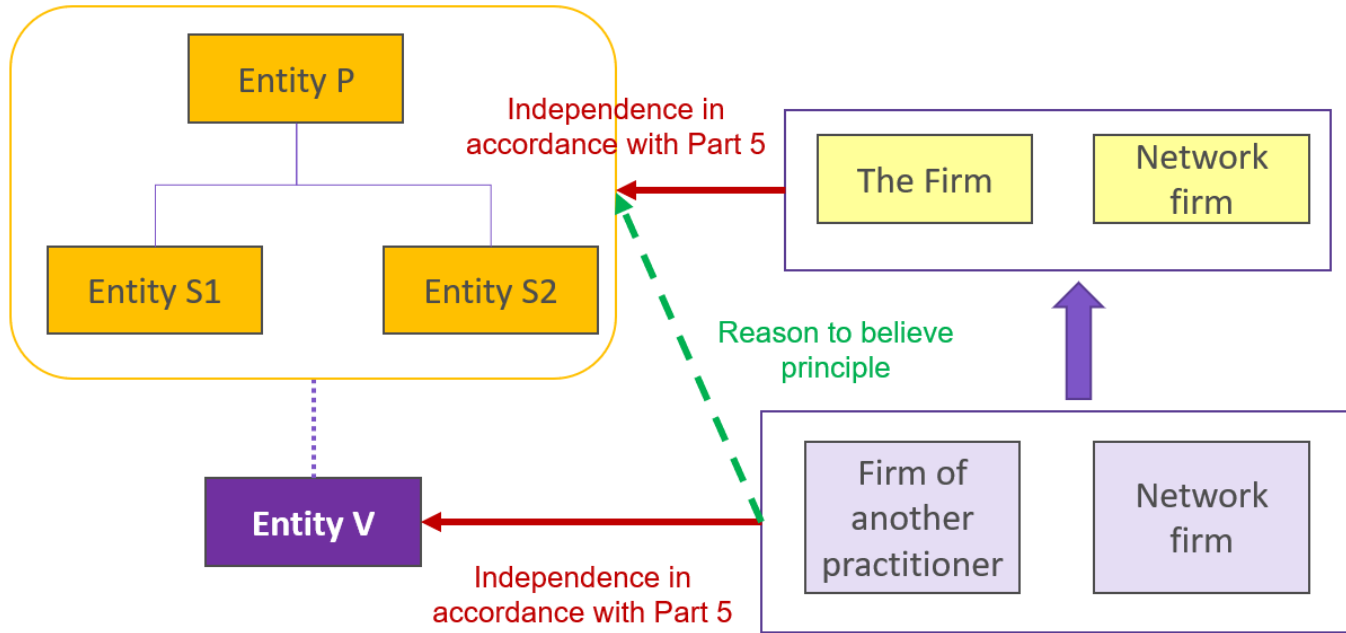
- IESBA's reasons for proposing these requirements:
 - Assurance most likely carried out in a group reporting context
 - To draft requirements at the same level as is applicable for audits
- Staff identified as critical area
 - Not yet addressed by IAASB in ISSA 5000 ED
 - Suggest not to address such requirements in Part 5, but recommend use of section 405 in Part 4A until assurance standards are developed

New Section 406 – not in Part 4A

Another practitioner involved in a sustainability assurance engagement

- Not subject to direction, supervision and review by the firm
- Draft ISSA 5000 requires that when the work of another practitioner is planned to be used
 - Evaluate whether that practitioner is independent and has the necessary competence and capabilities for the practitioner's purposes
 - When evaluating that practitioner's independence, inquire of the other practitioner about threats to compliance with relevant ethical requirements, including those related to independence

New Section 406



Thank you