

AGENDA PAPER

Item Number: 16
Date of Meeting: 14 September 2012
Subject: International and other activities

Action Required

For Information Only

Purpose:

To provide a quarterly update to the Board on:

- International Exposure Drafts;
- APESB Submissions; and
- APESB Presentations.

IESBA

During the last quarter the IESBA held one Board meeting on 18-20 June 2012 in New York, USA.

The following agenda items were considered:

- Responding to a Suspected Illegal Act;
- Conflicts of Interest;
- Definition of Those Charged with Governance;
- Breach of a Requirement of the Code;
- Strengthening safeguards against familiarity threats; and
- Reformatting the Code.

Refer to the attached IESBA meeting summary June 18-20, 2012 (attachment 16 (a)).

International Exposure Drafts

IESBA has issued two exposure drafts:

- Proposed Change to Code of Ethics Definition of “Those Charge with Governance”*
(closing comment period: 31 October 2012)

IESBA are seeking to enhance the definition of “Those Charged with Governance” to more closely align with the definition of the term in the IAASB’s International Standard on Auditing (ISA) 260, *Communication with Those Charged with Governance*.

The change specifically clarifies that a subgroup, such as an audit committee, may assist the governing body in meeting its responsibilities. In those cases, the auditor shall determine with whom within the entity's governance structure to communicate. Refer attachment 16 (b).

ii. *Responding to a Suspected Illegal Act* (closing comment period: 15 December 2012)

The Exposure Draft (ED) proposes new requirements that address a professional accountant's responsibilities regarding the disclosure of suspected illegal acts committed by a client or employer. The proposals describe the circumstances in which a professional accountant is required or expected to override confidentiality and disclose the act to an appropriate authority.

The ED proposes adding two new sections addressing illegal acts to the *Code of Ethics for Professional Accountants* (the Code) – one each for professional accountants in public practice and professional accountants in business – and several revisions to other related sections which aims to clearly delineate the expected course of action for a professional accountant to take if those charged with governance do not respond to the issue appropriately. Refer attachment 16 (c).

The two IESBA exposure drafts have also been made available on APESB's website for local stakeholders to make comments for APESB's consideration. APESB technical staff will review the two Exposure Drafts, any stakeholder responses received and thereafter prepare submissions for the Board's consideration in due course.

APESB Submissions

IESBA issued an exposure draft *Proposed Change to the Definition of "Engagement Team"* that had a closing comment period of 31 May 2012. APESB prepared a submission for IESBA's consideration (refer to attachment 16(d)).

APESB has also prepared submissions to the Treasury in respect of the *Corporations Legislation Amendment (Audit Enhancement) Act 2012* and to the Tax Practitioners Board (TPB) in respect of the *Code of Professional Conduct – Holding money or other property on trust* (refer to attachments 16(e) and 16(f)).

In August 2012 IESBA undertook a survey of IFAC member bodies and standard setters in order to identify the types of ethical issues encountered by professional accountants in business which in turn will inform IESBA's future work program in respect of Members in Business. APESB has submitted a detailed response to this survey.

APESB Presentations

APESB Directors Peter Day, Bob Sendt and Harley McHutchison presented at the ICAA Business Forums in Melbourne, Sydney and Adelaide during May and June 2012 in respect of *Ethical Conflicts and the CFO* (refer to attachment 16(g)).

Rob Nickel presented to a CPA Tax Discussion Group on APES 325 *Risk Management for Firms* on 20 August 2012 (refer to attachment 16(h)).

Material Presented

- Attachment 16 (a) IESBA Meeting Summary June 18-20, 2012.
- Attachment 16 (b) IESBA – ED *Proposed Change to Code of Ethics Definition of “Those Charge with Governance”*
- Attachment 16 (c) IESBA – ED *Proposed Change to Code of Ethics to Address Illegal Acts*
- Attachment 16 (d) APESB Submission to IESBA on *Proposed Change to the Definition of “Engagement Team”*
- Attachment 16 (e) APESB Submission to the Treasury in respect of the *Corporations Legislation Amendment (Audit Enhancement) Act 2012*
- Attachment 16 (f) APESB Submission to the Tax Practitioners Board (TPB) in respect of *Code of Professional Conduct – Holding money or other property on trust*
- Attachment 16 (g) Director’s Presentation at ICAA Business Forums 2012
- Attachment 16 (h) Presentation to CPA Tax Discussion Group on APES 325 *Risk Management for Firms*

Recommendation:

That the report on International and other activities be noted.

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Date: 3rd September 2012