

AGENDA PAPER

Item Number: 5
Date of Meeting: 17 February 2016
Subject: International and other activities

Action required For discussion For noting For information

Purpose:

To provide a quarterly update to the Board on:

- IESBA Board Meetings and APESB's international engagements;
- International developments of interest; and
- APESB submissions, presentations and other activities.

IESBA

IESBA Board Meetings

IESBA held a Board meeting on 30 November - 4 December 2015 in New York, USA.

The IESBA Board meeting considered the following key agenda items:

- Structure of the Code;
- Safeguards in the Code;
- Part C of the Code;
- Non-Compliance with Laws and Regulations (NOCLAR);
- Long Associations; and
- Fees Initiative.

At the meeting, IESBA approved the release of two exposure drafts on the Structure of the Code and Safeguards in the Code and also a staff publication on *Ethical Considerations relating to Audit Fee Setting in the context of Downward Fee Pressure*. Details on the released documents are set out below in the section *IESBA Technical Activities*.

The IESBA has released the following meeting summaries:

- September 2015 *IESBA Meeting Summary* at Agenda 5 (a); and
- November - December 2015 *IESBA Meeting Summary* at Agenda 5 (b).

The next IESBA meeting is scheduled for 14 – 16 March 2016.

IESBA Technical Activities

Improving the Structure of the Code of Ethics for Professional Accountants

IESBA released for public comment in December 2015 the Exposure Draft (ED) *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1*.

The ED outlines amendments to the Code to improve its usability, readability and enforceability.

The proposed restructuring of the Code includes:

- Increased prominence of the requirement to apply the conceptual framework and comply with fundamental principles;
- Requirements distinguished by labelling paragraphs with an 'R';
- Application material located next to the relevant requirements and paragraphs labelled with an 'A';
- Clarification of the responsibilities in the Code;
- Simplifying the wording of the Code;
- Addition of a section called *Guide to the Code*;
- Organising material into more self-contained sections, which will also include an introductory paragraphs that broadly describes the context, including the threats that may exist, and references the fundamental principles;
- Independence sections moved to the back of the Code;
- Definitions enhanced and presented as a glossary; and
- Changing the Code title to *International Code of Ethics Standards for Professional Accountants*.

Comments on the ED are due to IESBA on 18 April 2016.

Any changes to the International Code for drafting conventions and wording will need to be considered for the impact on the Australian Code and other APESB pronouncements. As such, APESB will be preparing a response to this IESBA ED.

APESB has invited local stakeholders to submit any comments they may have to APESB by Thursday, 31 March 2016, for consideration.

The ED is available at the following [link](#).

Proposed Revisions to Safeguards in the Code

On 21 December 2015, the IESBA released for public comment the Exposure Draft (ED), *Proposed Revisions Pertaining to Safeguards in the Code – Phase 1*.

The safeguards project aims to improve the clarity, appropriateness and effectiveness of safeguards in the Code. The newly released ED covers the first phase of the project which focuses on a review of the conceptual framework and the sections of the Code relating to all

professional accountants (extant Section 100) and to professional accountants in public practice (extant section 200).

Key enhancements proposed in the Safeguards ED, which is presented in accordance with the new structure and drafting conventions, include:

- More robust and prominent requirements related to the application of the conceptual framework;
- A requirement to perform an overall assessment of the judgments made and conclusions reached in complying with the conceptual framework;
- A clearer and more robust description of the concept of safeguards,
- Clarification and streamlined examples of safeguards (including outlining that certain matters recognised as safeguards in the extant Code are conditions that impact how threats are evaluated); and
- New guidance regarding the application of the concept of a “reasonable and informed third party” that is essential to properly applying the conceptual framework.

Comments are due to IESBA on 21 March 2016.

APESB will prepare a response to the ED, as any changes to the International Code will need to be considered for the Australian Code (APES 110).

APESB has invited local stakeholders to submit any comments they may have to APESB by Monday, 7 March 2016, for consideration.

The ED is available via the following [link](#).

Ethical Considerations relating to Audit Fee Setting in the context of Downward Fee Pressure

In January 2016, IESBA released a staff publication called *Ethical Considerations relating to Audit Fee Setting in the context of Downward Fee Pressure*. The publication highlights considerations in the Code for auditors in relation to the setting of audit fees whether it relates to tendering for a new audit engagement or determining fees for recurring audit engagements.

Further information on the staff publication is available at the following [link](#) or on the IFAC website www.ifac.org.

International Developments

International Federation of Accountants (IFAC)

IFAC calls for Board and Committee nominees for 2017

IFAC has released details regarding the member nomination process to cover vacancies in 2017 on the IFAC Board, Compliance Advisory Panel, Professional Accountancy

Organisation (PAO) Development Board, Professional Accountants in Business Committee (PAIBC), Small and Medium Practices Committee (SMPC) and Nominating Committee.

Further information is available at the following [link](#) or on the IFAC website www.ifac.org.

International Auditing and Assurance Standards Board (IAASB)

In December 2015 the International Auditing and Assurance Board (IAASB) issued an invitation to comment (ITC) on *Enhancing Audit Quality in the Public Interest; A Focus on Professional Skepticism, Quality Control and Groups Audits*.

The IAASB is seeking the views of stakeholders around the standard-setting activities it could undertake to enhance audit quality. These views will be considered and factored into future work plans of the IAASB.

In relation to Quality Control the IAASB are considering the following matters:

- Incorporate a new 'Quality Management Approach' or QMA into extant ISQC1. The QMA would be scalable to assist small to medium practices understand quality control, whilst retaining the robust requirements in the extant standard.
- Monitoring and remediation by Firms.
- Quality control policies and procedures when operating as a Network.
- Transparency Reporting.
- Engagement Partner roles and responsibilities.
- Engagement Quality Control Reviews and Engagement Quality Control Reviewers.

Comments are due to the IAASB on 16 May 2016.

APESB will be making a submission in respect of Quality Control aspects of the consultation paper. Stakeholders are invited to submit comments to the APESB by 31 March 2016 for consideration in developing its submission to the IAASB.

Further information is available at the following [link](#) or on the IFAC website www.ifac.org.

International Public Sector Accounting Standards Board (IPSASB)

New Consultative Advisory Group

IPSASB announced in December 2015 that they were establishing a Consultative Advisory Group (CAG). The CAG will provide advice to the IPASB regarding strategy (including work plans), projects and any other matters relevant to the standard setting activities of the Board. There is currently a call for nominations open until 19 February 2016.

Further information is available at the following [link](#) or www.ifac.org.

APESB submissions, presentations and other activities

APESB Presentations

In November 2015 Channa Wijesinghe delivered a presentation to CPA Australia members on APES 215 *Forensic Accounting Services*.

Material Presented

Agenda item 5 (a) IESBA Sept 2015 Meeting Highlights; and

Agenda item 5 (b) IESBA November - December 2015 Meeting Highlights.

Recommendation:

That the report on international and other activities be noted.

Author: Jacinta Hanrahan

Date: 29 January 2016