

## AGENDA PAPER

**Item Number:** 8  
**Date of Meeting:** 22 March 2018  
**Subject:** International and other activities

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Action required     For discussion     For noting     For information

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### Purpose

To provide a quarterly update to the Board on:

- the IESBA Board Meetings and other developments;
- International developments of interest;
- APESB submissions; and
- APESB's participation at CPA Australia's roundtable discussions.

### IESBA

#### IESBA December 2017 Board Meeting

The IESBA held a Board meeting on 4 – 8 December 2017 in Livingstone, Zambia. The key agenda items are as follows:

- Approval of the the restructured international Code
- Rollout and implementation of the restructured international Code
- Professional scepticism – longer term initiative
- IESBA 2019 – 2023 strategy and workplan

The IESBA December 2017 *IESBA Meeting Summary* is available at Agenda Item 8(a).

#### *Approval of Restructured International Code*

The IESBA has approved the text of the restructured international Code which has been renamed *International Code of Ethics for Professional Accountants (including International Independence Standards)*. Subject to the approval by the Public Interest Oversight Board (PIOB), the IESBA expects to formally issue the restructured international Code in April 2018. Note that this version does not include the restructured *Inducements* section. The IESBA is expected to release the *Inducements* section in June 2018.

The IESBA has specified that, except for the revised Long Association provisions:

- Parts 1, 2 and 3 of the restructured international Code will be effective date as of 15 June 2019;

- Part 4A (independence for audit and review engagements) will be effective for audits and reviews of financial statements for periods beginning on or after 15 June 2019; and
- Part 4B relating to independence for assurance engagements with respect to subject matter covering periods of time will be effective for periods beginning on or after 15 June 2019; otherwise, it will be effective as of 15 June 2019.

The effective dates for the revised Long Association provisions are as follows:

- Long Association with Audit Clients - effective for audits of financial statements for periods beginning on or after 15 December 2018; and
- Long Association with Assurance Clients - for assurance engagements covering periods of time, these provisions will be effective for periods beginning on or after 15 December 2018; otherwise, they will be effective as of 15 December 2018.

#### *Rollout and implementation of the restructured international Code*

To promote awareness and assist in its effective implementation, the IESBA has agreed to establish a Working Group that will develop a strategy/approach/timing for the rollout of the restructured international Code. The Working Group's initial recommendations will be considered at the IESBA's March 2018 meeting.

#### *Professional scepticism – longer term initiative*

The IESBA received an update from its Professional Scepticism Working Group (PSWG) in respect of its longer term initiative on the topic of professional scepticism, which aims to explore the applicability of the concept of professional scepticism to all professional accountants. The IESBA requested the PSWG to draft a consultation paper on this matter, to be presented at the IESBA March 2018 meeting for consideration.

The IESBA will coordinate their work on this topic with the International Audit and Assurance Standards Board (IAASB) and the International Accounting Education Standards Board (IAESB) which are concurrently undertaking separate projects on professional scepticism.

#### *IESBA 2019 – 2023 strategy and workplan*

The IESBA considered a draft consultation paper on its strategy and work plan for 2019 – 2023. The IESBA agreed to add to its 2018 agenda pre-commitments relating to recent completed projects or matters raised by the PIOB including:

- review of independence provisions in respect of non-assurance services;
- review of Part 4B of the Code to align with revisions to ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information*; and
- enhancing the electronic version of the international Code.

The next meeting of the IESBA will be held in New York, USA on 12 – 14 March 2018.

## **International Developments**

### ***Monitoring Group***

In November 2017, the Monitoring Group issued a [consultation paper](#) which outlined its proposals to reform, in the public interest, the governance and oversight of standard-setting processes for international audit standards and ethical standards for auditors. The proposals include potential changes in the number and composition of the standard-setting boards, nomination process for board members, and oversight and funding arrangements for the various boards.

As part of the consultation process, the Monitoring Group held roundtable discussions in Johannesburg, London, Washington DC and Singapore. APESB's CEO Channa Wijesinghe, participated in the Singapore roundtable discussion.

The proposals received widespread interest from a wide-ranging group of stakeholders. The published submissions are found on this [link](#) including APESB's [submission](#). A summary of APESB's submission is noted below.

The Monitoring Group has announced that it will issue a feedback statement in March 2018 and engage in another consultation process in the second half of 2018.

### ***International Federation of Accountants (IFAC)***

#### ***IFAC's views on Monitoring Group's consultation paper***

IFAC has expressed its [preliminary views](#) in response to the Monitoring Group's consultation paper. IFAC believes the current international standard-setting model is working well, but needs enhancements to better serve the public interest.

IFAC's proposals include (a) multi-stakeholder membership in the nominating committee for standard-setting bodies, (b) multi-stakeholder composition of the standard-setting boards, (c) PIOB's role to be focused on oversight, (c) diversification of the funding arrangements, with independent oversight, and (d) retaining the separate standard-setting boards for audit and ethics.

#### ***2018 World Congress of Accountants***

The registration for the 2018 World Congress of Accountants is now open. This year's Congress has the theme *Global Challenges/Global Leaders*, with the aim to inspire and inform professional accountants about the future of the accounting profession. It will be held in Sydney, Australia on 5-8 November 2018. Participants from more than 130 countries are expected to attend the World Congress.

### ***International Auditing and Assurance Standards Board (IAASB)***

At its December 2017 meeting, the IAASB discussed a first read of a proposed exposure draft of ISQC 1 (Revised) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements*. The ISQC1 Task Force will continue to work on the proposed changes to the standard for a second read of an exposure draft by the IAASB in March 2018.

### ***Financial Reporting Council – UK (FRC)***

#### ***Revisions to the UK Corporate Governance Code (UK Governance Code)***

The UK FRC issued in December 2017 a [consultation paper](#) on its proposals to revise the UK Corporate Governance Code. Comments are due on 28 February 2018.

The proposed revisions aim to increase focus on the proper application of the principles embedded in the UK Governance Code, including to encourage openness and accountability among corporate boards. The 'comply or explain' approach (choose to comply with principles or explain if not) has been retained.

## **APESB submissions**

### Monitoring Group's consultation paper

APESB has made a [submission](#) in response to the Monitoring Group's consultation paper, which recommended that the Monitoring Group implement reforms that will:

- adopt a holistic approach to ensure that they are relevant to all sectors of the accounting profession (not just auditors of public interest entities);
- maintain one ethical standards board and a single Code of Ethics for all accountants;
- adopt a super majority rule in respect of the voting rules for global standards;
- promote use of technology as part of the due process for standard-setting to enhance the efficiency and timeliness of the standard-setting process;
- address non-assurance public practitioners, not just auditors and PAIBs; and
- not extend the PIOB's mandate to having the authority to veto proposed standards.

### IESBA's Fees Questionnaire

APESB has prepared a response to the IESBA's Fees Questionnaire, which sought to obtain information from global stakeholders regarding the implications of the level of fees charged by audit firms on the firms' ability to comply with the fundamental principles.

See Agenda Item 8(b) for a copy of APESB's response to the Survey Questionnaire.

## **APESB's participation at CPA Australia's roundtable discussions**

APESB CEO Channa Wijesinghe, presented at CPA Australia's roundtable discussions held in Melbourne and Sydney for the Monitoring Group's consultation paper in December 2017. APESB Chairman The Hon. Nicola Roxon and APESB Board member Claire Mackay attended the Sydney Roundtable.

Mr Wijesinghe addressed the potential implications of the Monitoring Group's proposals in respect of the process for setting international ethical standards, including the impact on the existing Code and IESBA. APESB Technical Staff also participated in the roundtable discussions.

## **Recommendation**

That the Board note the update on international and other activities.

## **Material Presented**

Agenda Item 8 (a)	IESBA December 2017 Meeting Highlights
Agenda Item 8 (b)	APESB's response to IESBA's Fees Questionnaire

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<b>Date:</b>	2 March 2018
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