

## AGENDA PAPER

**Item Number:** 5

**Date of Meeting:** 5 June 2019

**Subject:** International and other activities

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Action required     For discussion     For noting     For information

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### Purpose

To provide an update to the Board on:

- The IESBA Board Meetings;
- IESBA National Standards Setters meeting and joint meeting with IAASB National Standards Setters in Paris, France;
- International and other developments of interest; and
- APESB submissions, presentations and other activities.

### IESBA

#### IESBA Board Meeting

The IESBA held a Board Meeting on March 11 – 13, 2019 in New York, USA, which included the following key agenda items:

- The rollout of the restructured Code of Ethics;
- Alignment of Part 4B of the Code with the revised ISAE 3000;
- Technology and the potential impact on the relevance of the Code;
- The Role and Mindset of Professional Accountants project;
- The Non-Assurance Services project;
- Fees;
- The e-Code project; and
- Long Association.

At this meeting, the IESBA approved the issue of an exposure draft on the alignment of Part 4B of the Code with the revised ISAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the IAASB.

The proposed changes to Part 4B will revise assurance terms and concepts to clarify the distinction between the types of assurance engagements and to identify more clearly the

parties to an assurance engagement and their roles and responsibilities. The Exposure Draft can be accessed on the IESBA website [here](#), with submissions due by 26 June 2019.

The IESBA Board also discussed recent webinars held on 28 March 2019 and 17 April 2019 on the restructured Code of Ethics. A recording of the 17 April 2019 webinar is available on the [IESBA website](#).

The IESBA meeting highlights are available at Agenda Item 5(a) or the podcast is available on the IESBA website [here](#).

The next IESBA Board Meeting will be held on June 17 – 19, 2019, in Nashville, Tennessee, USA.

#### Release of revised Long Association Technical Staff Q&A Document

In May 2019, the IESBA released an updated Technical Staff Q&A document on Long Association (refer to Agenda Item 5(b)). The document has been amended to update the references to the restructured International Code of Ethics and to include additional Q&As on matters which had been brought to the attention of the IESBA Technical Staff.

Due to queries raised by APESB Technical Staff and others, an additional question has been included to clarify the application of the end of the sunset clause in December 2023 for the substitution of a shorter cooling-off period of 3 years for PIEs. APESB will need to update its Technical Staff Q&As document to reflect these Q&As as well as the new provisions in the Code.

#### Strategy and Work Plan

In April 2019, the IESBA released their Strategy and Work Plan for 2019-2023. The IESBA Strategy features three inter-related strategic themes:

- Advancing the relevance and impact of the Code, through maintaining a global Code fit for purpose in the evolving environment, and further raising the bar on ethics;
- Deepening and expanding the Code's influence, through increasing global adoption and effective implementation of the Code; and
- Expanding the IESBA's perspectives and inputs, through proactively engaging and seeking cooperative avenues with stakeholders.

The Strategy and Work Plan is available on the [IESBA website](#).

#### Appointment of Chair of IESBA Consultative Advisory Group

Mr. Gaylen Hansen, a former US National Association of State Boards of Accountancy (NASBA) director, has been appointed Chair of the IESBA Consultative Advisory Group (CAG). Gaylen has served on the IESBA CAG since 2010. He succeeds Mr. Kristian Koktvedgaard. More information on Mr. Hansen's appointment may be found [here](#).

#### ***IESBA National Standard Setters' meeting and Joint Meeting with IAASB National Standards Setters***

APESB Chairman Nancy Milne OAM and Channa Wijesinghe, CEO represented APESB at the IESBA National Standards Setters' (NSS) meeting held in Paris, France on 13 – 14 May 2019.

The IESBA NSS meeting covered the following topics and status updates on current IESBA projects:

- the global rollout of the restructured Code;
- development of the eCode and exploring the interest for its potential use by National Standards Setters;
- status update on non-assurance services project;
- status update on Fees project;
- the IESBA's proposed project on the impact of technology.

The meeting also provided an opportunity to discuss current issues arising in other jurisdictions in respect of auditor independence and ethical standards for the accounting profession.

APESB Chair and CEO presented on insights from the Australian Banking Royal Commission to the IESBA NSS Group and responded to questions from other National Standards Setters on the broader impact of the Royal Commission on governance, ethics and accountability in Australia.

IESBA National Standards Setters Group also had a joint meeting with the IAASB National Standards Setters. At this meeting IESBA and IAASB informed the National Standards Setters from various jurisdictions about the current collaboration efforts of the International Boards and explored potential avenues to enhance the collaboration efforts in the future with National Standards Setters. The group also received a presentation on the current status in the UK with the various government enquiries into the Audit profession (refer to Agenda Item 5(c)).

## **International and Other Developments**

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

#### International Standards on Quality Management

In February 2019, the IAASB released three Exposure Drafts, listed below, which propose substantive changes to the previous ISQC 1 *International Standard on Quality Control*:

- ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements*;
- ISQM 2 *Engagement Quality Reviews*; and
- ISA 220 *Quality Management for an Audit of Financial Statements*.

The Exposure Drafts can be accessed on the IAASB website [here](#), with submissions due by 1 July 2019.

APESB is planning to make a submission on the exposure drafts for ISQM1 and ISQM2. Refer to Agenda Item 6 for further information.

#### Focus on Professional Scepticism

The IAASB Professional Scepticism working group have released a newsletter *pS focus: Professional scepticism lies at the heart of a quality audit*, which discusses the focus on professional scepticism in the proposed ISQM 1, ISQM 2 and ISA 220.

This paper is available on the IAASB website [here](#).

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

### Independent Review of the FRC and Audit reforms

As reported in February 2019, there have been some significant reviews conducted in the UK about the role of the FRC and the need for audit reform. Refer to Agenda Item 5(c) for a summary of the key reviews and the proposed reforms for the audit profession.

## ***Institute of Chartered Accountants in England and Wales (ICAEW)***

### Ethical Use of Big Data in Financial Services

In April 2019, the ICAEW released an online hub, *Ethical use of big data in financial services*, encouraging businesses, consumers and regulators to work together to protect vulnerable people from being exploited by the growing use of data and artificial intelligence. The hub brings together case studies, principles for firms, and advice for consumers to ensure big data and AI is utilised in a way that protects against potentially unethical or illegal use.

The hub can be accessed on the ICAEW [website](#).

### How Whistleblowing Helps Companies

The ICAEW have released a guide to assist companies with the complexities of whistleblowing, and provides a five-point action plan for Boards on how to create systems and environments to support effective whistleblowing.

The guide can be accessed on the ICAEW website [here](#).

## ***International Forum of Independent Regulators (IFIAR)***

### Annual Survey of Inspection Findings

In May 2019, the IFIAR released its 2018 [Survey of Inspection Findings](#) which summarises the results of inspections of its 55-member regulators on the six largest global networks. The survey included inspection of 921 PIE audits, and indicated that on the overall, 37% of the listed PIE audits inspected had at least one finding (compared to a higher rate of 47% in 2014). Findings included departures from auditor independence and ethical requirements which had an impact on audit quality.

## ***Monitoring Group***

### Sydney Roundtable

The Monitoring Group held a roundtable in Australia in May 2019 to discuss the proposals to change the structure and purpose of international audit and ethics related standard setting boards.

While the Monitoring Group has not formally issued a second consultation/white paper on the proposals, it did provide Australian stakeholders with the opportunity to discuss key aspects of the potential proposals with Monitoring Group representatives.

## ***Financial Advisers Standards and Ethics Authority (FASEA)***

In April 2019, FASEA announced the appointment to the Board of Ms Elissa Freeman, a former director of the ACCC and current director of AFCA, and Ms Louise Lakomy, former FOS director and a financial planner working with Crystal Wealth Partners in Sydney.

More information about their appointment may be found in the FASEA [media release](#).

## ***Australian Securities & Investments Commission (ASIC)***

### Audit Inspection Findings 2017-18

ASIC have released their audit inspection findings for the 2017-18 financial year. They found that 24% of the audits inspected did not obtain reasonable assurance that the financial statements were free of material misstatement, and issued number of recommendations, including that audit partners:

- Spend significant time at the entity in order to better understand operations;
- Work directly with the audit team; and
- Undertake comprehensive reviews of audit files.

The full audit inspection report may be accessed on the ASIC website [here](#).

### Updates on outcomes of the Financial Service Royal Commission

ASIC have released two updates (in [February](#) and [March](#)) on their implementation of the Financial Services Royal Commission's recommendations. The updates include a table addressing each of the relevant recommendations listed in the final report, and an update on reviews into the fee-for-no-service scandal.

## ***Australian Securities Exchange (ASX)***

In February 2019, ASX released the fourth edition of their [Corporate Governance Principles and Recommendations publication](#), which includes key changes surrounding organisation culture and values.

## ***Reforms to whistleblowing legislation***

In February 2019, legislation was passed which made significant reforms to existing whistleblowing legislation. The reforms in the [Treasury Laws Amendment \(Enhancing Whistleblower Protections\) Bill 2018](#):

- broaden the definition of whistleblower to include both current and former employees, officers, and contractors, as well as their spouses and dependants, and anonymous disclosures;
- extend the protections to whistleblower reports that allege misconduct or an improper state of affairs or circumstances about any matter covered by financial sector law, as well as all Commonwealth offences punishable by imprisonment of 12 months or more;
- create civil penalty provisions, in addition to the existing criminal offences, for causing detriment to (or victimising) a whistleblower and for breaches of confidentiality;

- expands who can receive a protected whistleblower's disclosure to include designated individuals within a company, regulators, law enforcement bodies, auditors, actuaries and lawyers;
- provide protections for disclosures to journalists and parliamentarians in certain circumstances (but not for taxation related matters);
- provide whistleblowers with easier access to compensation and other remedies if they suffer loss; and
- require all public companies, large proprietary companies, and corporate trustees of registrable superannuation entities to have a whistleblower policy (within 6 months of the commencement of the reforms).

The reforms come into force from 1 July 2019.

## **APESB submission, presentations and other activities**

### APESB presentation at Monash University

In March 2019, APESB Senior Technical Manager Jacinta Hanrahan presented to Masters of Professional Accounting students at Monash University on the topic [Corporate Ethics and Professional & Ethical Standards](#). The presentation covered the Code, compliance with the fundamental principles and conceptual framework, recent corporate scandals (including the Banking Royal Commission), NOCLAR and signs of ethical collapse.

### APESB panel discussion to RMIT University

In February 2019, APESB CEO Channa Wijesinghe was involved in a panel discussion at RMIT University on the accounting ethics revolution. The discussion focussed on the how to educate people on ethics including the new ethics game being produced by RMIT

RMIT will update Board Members on the ethics game at Agenda item 8.

### CA ANZ Auditing and Accounting Conferences

From March to May 2019, CA ANZ have held their annual conferences on auditing and accounting in Melbourne, Adelaide, Brisbane, Adelaide, and Perth. APESB Director Brian Morris presented at the Adelaide conference, with the APESB CEO Channa Wijesinghe presenting at the other four locations.

The [presentations](#) focused on the importance of professional ethics and key amendments in the restructured Code of Ethics, including the conceptual framework, Long Association, Non-Assurance Services and NOCLAR.

### Restructured Code Webinar

CPA Australia hosted a [Code of Ethics webinar](#) on 8 May 2019. APESB CEO Channa Wijesinghe co-presented the webinar with Jo Haste from CPA Australia. The webinar focused on the restructured Code of Ethics, and highlighted the key areas of change that Members should be aware of as they prepare for the implementation phase of the new Code.

## Quality Control/Management Webinars

The proposed changes to the extant Quality Control standard will be a topic at two upcoming webinars:

- On 29 May 2019, CA ANZ is hosting a webinar to inform their Members about the proposed changes to the quality control standard. APESB CEO Channa Wijesinghe will co-host this webinar with Kristen Wydell from CA ANZ.
- On 31 May 2019, APESB will hold a webinar which will be presented by APESB CEO Channa Wijesinghe and APESB Senior Technical Manager Jacinta Hanrahan.

Both webinars will focus on the recently released International exposure drafts on quality management, including an overview of the requirements of the proposed ISQM 1 and 2, the proposed risk management process, the proposed monitoring, remediation and evaluation processes, the practical implications of the proposed standards, and a comparison of the EDs to APES 320 *Quality Control for Firms*. There will be the opportunity to seek stakeholder feedback on the proposals during this webinar.

### **Recommendation**

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

### **Materials Presented**

Agenda Item 5(a)	IESBA's March 2019 Meeting Highlights
Agenda Item 5(b)	IESBA Long Association Q&A
Agenda Item 5(c)	Update on UK Financial Regulations

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<b>Date:</b>	24 May 2019
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