

## AGENDA PAPER

**Item Number:** 9  
**Date of Meeting:** 20 November 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;
- International and other developments of interest; and
- APESB submissions, presentations and other activities.

### IESBA

#### IESBA Board Meeting

The IESBA held a Board Meeting on September 16 – 19, 2019 in New York, USA, which included the following key agenda items:

- Non-assurance services;
- Fees;
- Tax planning and related services;
- Alignment of Part 4B with ISAE 3000 (revised);
- Technology;
- IAASB-IESBA coordination; and
- e-Code.

At this meeting, the IESBA approved revisions to Part 4B of the Code to align it to changes in the IAASB's ISAE 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. Subject to the Public Interest Oversight Board approval, the final pronouncement is expected to be issued in early January 2020 with an effective date of 15 June 2021.

The IESBA Board discussed proposed revisions to the Code for their projects on Non-assurance Services (NAS) and Fees. The IESBA Board will review a revised set of proposals

for both projects at their December 2019 meeting, with the view to approving two Exposure Drafts for release.

Refer to agenda item 9 (a) for the highlights from this meeting or the podcast may be accessed [here](#).

The next IESBA Board meeting will be held in New York, USA, on December 3 – 6, 2019.

### Webinar on Role and Mindset

The IESBA deputy Chair, Mr. Richard Fleck, hosted a webinar on 20 September 2019, on the proposed changes to the Code of Ethics to promote the role and mindset of professional accountants contained in the IESBA's recent exposure draft.

A recording of the webinar may be accessed [here](#).

### Webinar on the Code of Ethics

The IESBA, the ASEAN Federation of Accountants, and the Institute of Singapore Chartered Accountants are co-hosting a 90-minute webinar on the Code on 20 November 2019 at 10.00 am SST.

The webinar will cover the Code's new structure as well as the substantive revisions to the conceptual framework, inducements (including gifts and hospitality), pressure, and preparing and presenting information. The webinar will also touch on the new Non-compliance with Laws and Regulation (NOCLAR) and revised Long Association provisions, as well as the IESBA's new eCode, which was launched in June 2019.

More information on this webinar, including registration, may be found [here](#).

### IESBA-IAASB pledge stronger alliance

The IESBA and IAASB held a plenary meeting in September 2019 to discuss issues and opportunities common to the work of both international boards. The joint Boards also received an update from the Co-Chair of the Monitoring Group.

Both boards have committed to holding a fourth plenary meeting in 2020.

## **International and Other Developments**

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

#### IAASB Board Meeting

The IAASB held a Board meeting on September 16 – 20 in New York, USA.

At this meeting, the IAASB discussed the comments received on their exposure drafts relating to quality management (ISQM 1, ISQM 2 and ISA 220).

In relation to quality management at the firm level (ISQM 1), the IAASB Board concurred that four significant themes had emerged from the exposure draft process: scalability, prescriptiveness, addressing firms who do not perform audit or assurance engagements and challenges with implementation. The Board considered how to address these issues.

With respect to the proposed engagement quality control review (ISQM 2) standard, the IAASB Board noted the feedback concerning the inclusion of a specific cooling-off period for engagement quality reviewers and agreed that if it is not covered in the IESBA Code, then ISQM 2 should include requirements on this matter.

The IAASB Board will consider a revised draft of the provisions for both ISQM1 and 2 at their December 2019 meeting.

The meeting highlights are available on the [IAASB website](#).

#### Professional scepticism communique

In October 2019, the IAASB's Professional Scepticism Working Group released a newsletter, *pS focus*, which provides brief comments on obtaining and evaluating audit evidence, as well as the exercise of professional scepticism and avoiding bias when evaluating audit evidence. The newsletter is available on the [IFAC website](#).

#### ***International Federation of Accountants***

##### International Standards: 2019 Global Status Report

In October 2019, IFAC released a global status report which summarises how and where international accountancy standards are being adopted and implemented globally. The report can be accessed on the [IFAC website](#).

##### Multidisciplinary firms and Audit Quality

In September 2019, IFAC released a joint report with CA ANZ and ACCA Global on the quality of audits undertaken by multidisciplinary firms, which finds that firms offering both assurance and non-assurance services to be in the best position to deliver robust and reliable assurance.

The report provides compelling evidence that multidisciplinary firms fill a valuable market need and notes that the evolved rules mitigate risks associated with audit firms providing non-audit services to some audit clients.

The report may be accessed [here](#).

##### 'Future-Fit' Series for changing the role of Accountants in Business

In September 2019, IFAC released a series for CFOs and the finance functions to assist with helping them determine a vision and evaluate the finance function. Refer to the [IFAC website](#) for the released resources.

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

##### FRC new leadership team

The Financial Reporting Council's new leadership team of Simon Dingemans and Sir Jon Thompson have taken up their respective leadership roles as Chair and Chief Executive.

Simon Dingemans was previously Chief Financial Officer of GlaxoSmithKline and Sir Jon Thompson was previously Chief Executive of HMRC. They replace Sir Win Bischoff who steps down as Chair after six years in the post and Stephen Haddrill who steps down as Chief Executive after nine years leading the FRC. Further details are available in the [media release](#).

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

In October 2019, FASEA released a guide to their Code of Ethics, *FG002 Financial Planner sand Advisers Code of Ethics 2019 Guidance*, which includes case study examples to aid understanding of the requirements of the FASEA Code.

This guide may be accessed [here](#).

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

#### Update on Royal Commission implementation

ASIC has provided a second update on their actions in response to the Financial Services Royal Commission. The update outlines the actions ASIC has taken with respect to enforcement, the deployment of regulatory tools and responses to specific recommendations from the Royal Commission.

The full update may be accessed [here](#).

### ***Australian Accounting Standards Board (AASB)***

#### Exposure drafts relating to disclosures in Financial Reports

The AASB released the following Exposure Drafts proposing changes to disclosures required in financial reports:

- ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, which proposes replacing the current Reduced Disclosure Requirements with a Simplified Disclosure Standard that would apply to all tier 2 entities (available [here](#)).
- ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*, which proposes to remove the ability of for-profit large proprietary, unlisted public (other than companies limited by guarantee) and small foreign-controlled companies to publicly lodge special purpose financial statements (SPFS) (available [here](#)).

Refer to Agenda Item 6 for commentary on how these proposals may impact APESB pronouncements.

### ***Auditing and Assurance Standards Board (AUASB)***

#### Research Report – Australian audit market

In October 2019, the AUASB released a research report on the Australian audit market structure and competition, authored by UNSW professor Elizabeth Carson. The report provides an evidence-based perspective on the market for the listed company audits in Australia.

The full report may be found [here](#).

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

### Roundtable on Parliamentary Inquiry into audit regulation

On 30 September 2019, the APESB Secretariat held a roundtable to discuss the Parliamentary Joint Committee (PJC) Inquiry and obtain stakeholder feedback on the effectiveness of APESB pronouncements and international developments. We were pleased to have Mr Ian McPhee AO PSM, a Board Member of the International Ethics Standards Board for Accountants (IESBA), present on the current IESBA projects that fall within the PJC Terms of Reference.

The key points raised at the roundtable were:

- The Code is very well written, and logical has a good balance between principles and prescription and the right amount of guidance and examples. The threats to independence are very well understood, and judgement is required when applying safeguards.
- Provisions in the Code in respect of fees are fit for purpose and operate very well. However, greater clarity is required regarding fee disclosures, and such disclosures should differentiate between audit, audit-related services, non-assurance services and fees paid to other firms, which would be affected via amending accounting standards.
- There is a need to educate the wider public and policymakers on the Code and the existing professional standards framework in Australia.
- There were no identified gaps in respect of regulators and conflicts of interest; however, greater transparency is required, so the public has visibility and understanding of what the regulators do.
- It is important to inform the PJC Inquiry about international developments, including the IESBA projects on fees and non-assurance services, to demonstrate continuous improvement of the Code.
- Current developments in the UK have been helpful; however, there could be unintended consequences of changes being implemented in Australia without careful consideration of the different Australian environment.
- Due to the timing of international inquiries, it may be better for Australia to wait for the results before developing local solutions.

These matters were considered in the submission prepared by the APESB in its submission to this inquiry (refer below for further details on the submission).

### APESB presentation at Monash University

In August 2019, APESB Technical Manager Jon Reid presented on corporate ethics and professional and ethical standards at Monash University. Topics covered included the role and structure of APESB, the importance of professional ethics, as well as discussion of various corporate misconduct scandals.

### Restructured Code Webinar for IPA members

APESB CEO Channa Wijesinghe presented a Code of Ethics webinar on 3 October 2019 to IPA members. 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.

### CPA Australia webinar on 10 Questions with the APESB

In October 2019, APESB CEO Channa Wijesinghe and CPA Australia's Ethics and Professional Standards Policy Adviser Jo Haste presented a question and answers webinar for CPA Australia members which focused on the restructured Code, revisions to APES 230 Financial Planning Services, APES 330 Insolvency Services and the impact on the professional standards of the parliamentary inquiry into the regulation of auditing in Australia.

A recording of the webinar is available on CPA Australia's YouTube channel and can be accessed [here](#).

### APESB presentation at IPA Small-Medium Practice Conference

APESB CEO Channa Wijesinghe presented at IPA's small-medium practice conference in Sydney in October 2019 on the restructured APES 110 Code of Ethics for Professional Accountants (including Independence Standards). Other topics covered included the impact on other APESB pronouncements and the proposed revisions to the international Quality Management framework.

This presentation may be found [here](#).

### APESB submission to the PJC Inquiry on Audit Regulation

In October, APESB made a submission to the Parliamentary Joint Committee on Corporations and Financials Services' Inquiry into the Regulation of Audit in Australia. This submission is discussed in more detail at agenda item 10.

The full submission may be accessed [here](#).

### **Recommendation**

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

### **Materials Presented**

Agenda Item 9 (a)            IESBA's September 2019 Meeting Highlights

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