

Meeting Highlights

6 MARCH 2020

1. Register of Interests

The Board noted Agenda Item 1 *Board Register of Interests*.

2. Issues Register

The Board noted Agenda Item 2 *APESB Issues Register*.

3. Update on outsourcing

The Board noted Agenda Item 3 *Update on Outsourcing*.

The Board considered an update on outsourcing. The Board discussed what a client should know if their data or information is being processed or worked on by a party external to the firm or when that information is shared with another jurisdiction during the delivery of a professional service.

The Board will deliberate this matter further, including the consideration of an exposure draft on APES 305 *Terms of Engagement* proposing mandatory disclosure to the client when outsourcing is used to deliver a professional service, at the June 2020 meeting.

4. Project Proposal on Artificial Intelligence

The Board noted Agenda Item 4 *Project proposal on Artificial Intelligence and Digital Technologies*.

The Board approved the commencement of a project on Artificial Intelligence and Digital Technologies, with an update on this project to be considered at the June 2020 Board Meeting.

5. Project proposal on Whistleblowing

The Board noted Agenda Item 5 *Project Proposal on Whistleblowing*.

The Board approved the commencement of a project on Whistleblowing and its interaction with APESB pronouncements, in particular the provisions on confidentiality in the Code.

6. International and other activities

The Board noted Agenda Item 6 *International and other activities*.

7. Key Issues in IESBA Exposure Drafts

The Board noted Agenda Item 7 *Key Issues in IESBA Exposure Drafts*.

The Board discussed the IESBA exposure drafts relating to Non-Assurance Services (NAS) and Fees and noted these are the focus at upcoming APESB Roundtables on 1 and 2 April 2020.

The Board also discussed the IESBA's exposure draft on Objectivity and the Engagement Quality Reviewer (EQR), including the implied difference of opinion between the IESBA and the IAASB on whether there should be a mandatory cooling-off period of two years when moving from an Engagement Partner role to an EQR role for an audit client.

8. Update on the Parliamentary Inquiry into audit regulation

The Board noted Agenda Item 8 *Update on the Parliamentary Inquiry into Audit Regulation*.

The Board considered the PJC Interim Report and recommendations. The Board noted that if the current IESBA Non-Assurance Services proposals are implemented, there will likely only be a marginal difference between the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) and the *US Sarbanes-Oxley Act 2002* requirements. The Board noted that the IESBA will undertake a benchmarking study to demonstrate the alignment between the two independence frameworks and highlight any areas of difference.

9. Update on the revision of the Auditor Independence Guide

The Board noted Agenda Item 9 *Update of the Auditor Independence Guide*.

The Board approved the release of the draft revised Independence Guide on the APESB website for public comment between 6 and 23 March 2020. The revised Guide is expected to be released in the second quarter of 2020.

10. Update from the IAASB Chairman

The Board noted Agenda Item 10 *Update from the IAASB Chairman*.

Mr. Seidenstein (IAASB Chairman) and Ms. Campbell (IAASB Deputy Chairman) provided the Board with an update on the focus of the IAASB, the cooperation between the IAASB and the IESBA, the oversight of audit-related international standard-setting and the IAASB's project on International Quality Management Standards (ISQM 1 & 2).

Mr Seidenstein discussed the proposed mandatory cooling-off period when moving from an Engagement Partner (EP) to an Engagement Quality Reviewer (EQR), which arose from submissions to the IAASB from public interest bodies. Ms Campbell noted that the preference was for this requirement to be included in the IESBA Code but that if the IESBA did not include it, it will be included in ISQM-2. APESB noted its concern in respect of an audit partner rotation requirement not being in the IESBA Code.

Ms Campbell provided an update on progress on the IAASB's standard ISQM-1 *Quality Management*. She noted that they had received significant support but much of the feedback was concerning scalability and prescriptiveness issues. She noted that the IAASB is dealing with these issues by reducing and separating required responses to a specific area of the standard, moving some application material out of the standard to become separate guidance and simplifying the risk assessment from two steps to a one-step process. Ms Campbell also noted that the IAASB would be issuing support material for small to medium practices (SMPs) and, at this stage, have not considered the development of a mapping document from extant ISQC 1 to ISQM-1.

APESB queried whether the proposed ISQM Standards will be re-exposed for comment. Mr Seidenstein noted that subject to the vote of the IAASB, ISQM Standards will not be re-exposed for public comment.

APESB Chairman Nancy Milne thanked Mr Seidenstein and Ms Campbell for their presentation.