

## AGENDA PAPER

**Item Number:** 16  
**Date of Meeting:** 26 August 2014  
**Subject:** International and other activities

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Action Required       For Discussion       For Information Only

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### Purpose:

To provide a quarterly update to the Board on:

- IESBA Board meetings and APESB's international engagement;
- Other International Developments; and
- APESB submissions, presentations and other activities.

### IESBA Board meetings and APESB's international engagement

#### IESBA Board Meeting

During the last quarter, the IESBA held one Board meeting from 7 – 9 July 2014 in New York, USA.

The following key agenda items were considered:

- Approval of the IESBA Strategy and Work Plan 2014 – 2018;
- Approval of the ED to review long association provisions with an Audit Client in Section 290 and Section 291 of the Code;
- Update on the project to review Part C of the Code;
- Structure of the Code (ways to improve usability);
- IESBA's views on matters arising from the IAASB's Auditor Reporting project as it relates to a proposed statement of compliance with independence and ethical requirements in the auditor's report;
- Status update to review the provision of non-assurance services to an Audit Client in Section 290 and 291 of the Code; and
- Update on the Responding to Non-Compliance with Laws and Regulations (NOCLAR) project.

The *IESBA Meeting Summary* at Agenda Item 16 (a) provides a summary of the July 2014 IESBA meeting outcomes.

### IESBA National Standards Setter Meeting

APESB Technical Director Channa Wijesinghe attended the 6<sup>th</sup> annual IESBA National Standard Setters (NSS) meeting in New York, USA in May 2014. This is an annual forum of key ethics NSS from major jurisdictions such as USA, UK, Canada, Japan, Germany and China.

Key agenda topics at the meeting were:

- major jurisdictional developments on auditor independence;
- proposed restructure of the IESBA Code;
- the review of Part C of the Code;
- Non-Compliance with Law and Regulations (NOCLAR) project; and
- Long association of senior personnel.

### IESBA's Hong Kong Roundtable on its NOCLAR project

IESBA held one of its three global roundtables in respect of its Non-Compliance with Law and Regulations (NOCLAR) project (previously Suspected Illegal Acts) in Hong Kong in May 2014.

APESB Technical Director Channa Wijesinghe represented APESB at this forum which was attended by 55 senior executives representing regulators, government authorities, National Standards Setters, firms and professional bodies from 10 jurisdictions in the Asia Pacific region.

## **Other International Developments**

### European Commissions (EC)

The EC announced on 27 May 2014 that the Official Journal of the European Union had published the amended Directive and the new Regulation on statutory audit reforms. The Directive and Regulation are operative from 16 June 2014. The details are as follows:

- Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts; and
- Regulation 537/2014 on specific requirements regarding statutory audit of public interest entities.

EU member states have two years to transpose, adopt and publish the provisions into national law that are necessary to comply with the amended Directive (i.e. until 17 June 2016).

Key reforms included in the new rules are:

- Auditors in the EU will be required to publish auditor reports in accordance with International Auditing Standards (ISAs);
- The removal of “Big-4 only” contractual clauses in loan agreements;

- The requirement for public interest entities to tender for a new auditor;
- The inclusion of mandatory rotation requirements for public interest entities auditors appointed up to 10 years, with a possibility to extend this timeframe by another 10 years after public tendering and up to 14 years (i.e. maximum 24 years) where a joint audit is conducted;
- Banning the provision of certain non-audit services to audit clients, and capping the fees able to be generated from audit clients by other types of non-audit work at 70% of the audit fee value over a three year period; and
- Enhanced cooperation measures among the EU member states within the framework of the Committee of the European Auditing Oversight Bodies (CEAOB).

The earlier versions of the proposed Directive suggested that adoption of the International Auditing Standards (ISAs) by EU auditors conducting statutory audits is not mandatory. The Directive has now empowered the European Commission, subject to certain specified criteria, to be able to, in the future, require EU member states to adopt certain ISAs (covering the areas of audit practice, independence and internal quality control of statutory auditors and audit firms). Refer to Agenda Item 16 (b) and Agenda Item 16 (c).

#### Singapore Accountancy Convention 2014

Former IFAC Executive Director of Professional Standards, Jim Sylph addressed the Ethics Forum participants at the Singapore Accountancy Convention 2014 on 30 July 2014. Jim presented on the public's increased expectations of the accounting profession, recent fraud and regulatory activity, and the response of the profession to it. Jim also provided an update on the current work of the IESBA in developing and maintaining the *Code of Ethics for Professional Accountants* as well as the current work program of IESBA.

The presentation can be viewed at <http://www.ifac.org/news-events/2014-07/future-expectations-and-profession-s-response>.

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

##### *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*

On 20 May 2014, the IESBA released for public comment the Exposure Draft (ED), *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*. The proposed changes aim to enhance the independence provisions in the *Code of Ethics for Professional Accountants* (the Code) by:

- Providing additional guidance and clarification regarding what constitutes management responsibility, including enhanced guidance regarding how the auditor can better satisfy itself that client management will make all judgments and decisions that are the responsibility of management, when the auditor provides non-assurance services to an audit client;
- Providing better guidance and clarification on the concept of "routine or mechanical" services relating to the preparation of accounting records and financial statements for non-public interest entity audit clients; and

- Removing the provision that permits an audit firm to provide certain bookkeeping and taxation services to public interest entity audit clients in emergency situations.

APESB has prepared a response to the ED for IESBA's consideration (refer to Agenda Item 16 (d)).

Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is an inter-governmental body established to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. As a founding member of FATF, Australia has endorsed the FATF Standards on anti-money laundering (AML) and counter-terrorism financing (CTF) and has committed to mutual evaluations of its implementations of these Standards.

The FATF Assessment Team recently visited Australia to perform an assessment of the effectiveness of Australia's AML/CTF regime. APESB Director Harley McHutchison and APESB Technical Director Channa Wijesinghe attended the FATF session in respect of the accounting profession in Australia. In preparation for this meeting, APESB Technical Staff prepared a mapping table of the FATF's Risk Based Approach guidance for accountants and relevant APESB Standards. Refer to Agenda Item 16 (e).

CPA Australia issues an overview of APES 110 Code of Ethics for Professional Accountants

CPA Australia has recently issued an overview of APES 110 *Code of Ethics for Professional Accountants* (the Code) to assist Members to understand and navigate the Code. APESB Technical Staff provided technical input to CPA Australia to develop this document (refer to Agenda Item 16 (f)).

APESB Presentations

Channa Wijesinghe presented on auditor independence to the Financial Reporting Council Audit Quality Committee in May 2014. Refer to Agenda Item 16 (g).

Channa Wijesinghe and Saras Shanmugam delivered presentations on APESB Standards to the IPA Masterclass and Henan ICPA delegates in May 2014.

**Material Presented**

- Agenda Item 16 (a) July 2014 IESBA Meeting Highlights;
- Agenda Item 16 (b) Press Release – Financial Regulation EC presents a first comprehensive review of the EU's reform agenda;
- Agenda Item 16 (c) A reformed financial sector for Europe;
- Agenda Item 16 (d) APESB Submission to IESBA *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients* (to be circulated via email);

- Agenda Item 16 (e) FATF's RBA guidance for accountants and APESB Standards – (Confidential);
- Agenda Item 16 (f) CPA Australia's overview of APES 110; and
- Agenda Item 16 (g) APESB's presentation on Auditor Independence to the FRC's Audit Quality Committee.

**Recommendation:**

That the report on international and other activities be noted.

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**Date:** 11 August 2014