

AGENDA PAPER

Item Number: 13
Date of Meeting: 25 February 2013
Subject: International and other activities

Action Required **For Information Only**

Purpose:

To provide a quarterly update to the Board on:

- IESBA meetings, Exposure Drafts and other publications;
- International Developments; and
- APESB Submissions.

IESBA

During the last quarter, the IESBA held two Board meetings; one on 10-12 December 2012 in New York, USA and one on 31 January 2013 via teleconference.

The following key agenda items were considered at the December 2012 meeting:

- Approval of the proposed change to the Code addressing a breach of a Provision of the Code;
- Approval of the proposed change to the Code addressing Conflicts of Interest;
- Update on comments received on the ED of the proposed change to the definition of the term "Engagement Team" in the IESBA *Code of Ethics for Professional Accountants* (Code);
- Project proposal to review long association provisions with an Audit Client in Section 290 of the Code;
- Project proposal to review non-assurance services provisions in Section 290 and 291 of the Code;
- Review of Part C of the Code; and
- Update on initial stakeholder comments received on *Responding to a Suspected Illegal Act* ED.

APESB Chairman Kate Spargo attended this meeting in her capacity as a Board member of the IESBA. The *IESBA Meeting Highlights and Decisions* (refer Attachment 12(a)) provides a summary of the meeting outcomes.

The key agenda item for the teleconference meeting in January 2013 was to discuss the outcome of the IESBA Consultative Advisory Group's (CAG) teleconference on January 21,

2013 regarding significant comments received on the Exposure Draft (ED), *Proposed Change to the Definition of "Engagement Team*, and to approve the final revised definition.

IAASB

The IAASB held its 56th Board meeting on 12-14 February 2013 in Brussels, Belgium. The covering agenda paper with the objective to approve ISA 610 (Revised 2013) *Using the Work of Internal Auditors* and the proposed amendments to the definitions of engagement team in ISA 220 *Quality Control for an Audit of Financial Statements* and ISQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* is provided at Attachment 12(b) for information purposes.

The proposed change to the definition of Engagement Team is shown below:

Engagement team - All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes an auditor's external expert engaged by the firm or by a network firm.

The term "engagement team" also excludes individuals within the client's internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), Using the Work of Internal Auditors.

The IAASB agenda paper provides background information on the project to date, matters for IAASB consideration, due process considerations and details of the proposed amendments.

The IAASB had approved ISA 610 (Revised) to permit the use of internal audit staff as members of the external audit engagement team to perform audit procedures (referred to as 'direct assistance') in their 13 February 2013 meeting.

It is further noted that the UK FRC Board has recently announced that because using internal audit staff as members of the audit engagement team is contrary to the principle of independence, direct assistance by internal audit staff should no longer be permitted (refer to Attachment 12(c)). The IAASB makes clear that its requirements and guidance in this area will not be applicable in jurisdictions where direct assistance is prohibited.

International Developments

The IESBA is conducting a strategic review to develop a new strategy and work plan for the period 2014-2016. It is seeking the views of interested stakeholders at an early stage to identify key issues for discussion during this review. The IESBA agreed to the scope of, and general approach to, the survey of stakeholders to be used to facilitate the development of its *Strategy and Work Plan, 2014-2016*. The survey will close on March 15, 2013.

The strategic review survey seeks respondent's feedback on a number of specific issues including:

- the priority of the possible projects and work plan of IESBA in the next 3-4 years;
- ongoing activities relating to adoption and implementation processes of the IESBA's strategy and work plan;
- potential initiatives in the area of convergence; and
- respondents' suggestions for IESBA's 2014-2016 Strategy and Work Plan.

Technical staff will prepare a response to the online questionnaire for the Board's consideration (refer to Attachment 12(d)).

APESB Submissions

IESBA issued an exposure draft *Responding to Suspected Illegal Act* that had a closing comment period of 15 December 2012.

APESB prepared a submission for IESBA's consideration (refer to Attachment 12(e)). The IESBA will be considering responses to the Exposure Draft at its March 2013 Board meeting.

Material Presented

Attachment 12 (a)	December 2012 IESBA Meeting Highlights and Decisions;
Attachment 12 (b)	IAASB Agenda Paper - Using the Work of Internal Auditors (Including Direct Assistance);
Attachment 12 (c)	UK FRC Announcement on direct assistance;
Attachment 12 (d)	IESBA 2014-2016 Strategic Review Survey; and
Attachment 12 (e)	APESB Submission to IESBA on <i>Responding to Suspected Illegal Act</i> .

Recommendation:

That the report on International and other activities be noted.

Authors: Channa Wijesinghe
Margareth Lioe

Date: 15 February 2013