



## AGENDA PAPER

**Item Number:** 19  
**Date of Meeting:** 21-22 November 2011  
**Subject:** International and other activities

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### Purpose:

To provide a quarterly update to the Board on:

- IESBA activities;
- International Exposure Drafts and other regulatory developments; and
- APESB Submissions.

### IESBA

#### Meetings

During the last quarter the IESBA held one Board meeting on the 17<sup>th</sup> to the 19<sup>th</sup> of October 2011 in New York. APESB Chairman Kate Spargo attended this meeting in her capacity as an IESBA Board member.

The following agenda items were considered:

- Breach of an independence requirement – proposed changes to the International Code;
- SME/SME taskforce report;
- Conflicts of Interest;
- Responding to a Suspected Illegal Act;
- ISA 610 Using the work of Internal Audit;
- Audit Quality;
- Definition of Professional Accountant;
- Compliance Advisory Panel; and
- Regulatory Developments.

Kate also attended IESBA taskforce meetings in the last quarter in respect of the inadvertent violations and fraud and illegal acts projects. The inadvertent violations taskforce was successful in finalising *Proposed Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code* (Refer attachment 20(a)) and the IESBA has issued an exposure draft at its October meeting.

## Work Plan 2011/2012

IESBA's *Strategy and Work Plan* is included as attachment 20(b). Major projects currently in progress are:

- Conflicts of interest – guidance for professional accountants;
- Responding to Fraud and Illegal Acts – guidance for professional accountants;
- Inadvertent Violation – review and update of provisions in the Code; and
- SMP/SME Research Project – consideration of recommendations presented by working group.

## Global Regulatory Convergence

A key objective of IESBA is to achieve convergence of the Code and national standards and regulations. In satisfying this objective, IESBA is considering input from a number of sources including the Private Sector Taskforce of Regulated Professions and Industries (PSTF) established by IFAC.

Recently the PSTF has prepared a report that provides a set of recommendations concerning the manner in which regulatory convergence may be achieved in a number of professions and industries that fall within the financial sector. A copy of this report has been included at attachment 20(c) for the Board's information.

## **International Exposure Drafts**

As noted above IESBA has issued an exposure draft *Proposed Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code* that has a closing comment period of 22 January 2012.

The exposure draft seeks respondent's feedback on a number of specific issues including whether:

- the Code should contain provisions that require professionals to address consequences of a breach of the Code;
- respondents agree with the overall approach to deal with breaches of the Code;
- a firm should be required to communicate all breaches of independence requirements with those charged with governance;
- the reasonable and informed third party test should be used to determine whether an action addresses the consequences of a breach of an independence requirement;
- proposed matters in paragraph 290.46 should be discussed with those charged with governance;
- respondents agree with the impact analysis presented;
- the proposal would require firms to make significant changes to their systems or processes; and
- the abbreviated version of the framework for dealing with violations in section 290 is suitable for inclusion in section 291.

Technical staff will review the exposure draft and prepare a submission to the IESBA.

The International Federation of Accountants has also released the following revisions to its policy position papers:

- revised Policy Position Paper 1 *Regulation of the Accountancy Profession* – includes a new section titled “Current Regulatory Environment” which highlights the importance of global regulatory convergence, includes updates on recent developments, makes reference to the Independent Forum of Independent Audit Regulators *Core Principles* and describes what would be included in shared regulation of auditing at a national level.
- revised Policy Position Paper 3 *International Standard Setting in the Public Interest* – describes how current governance arrangements and independent standard-setting boards operate in the public interest.

The International Integrated Reporting Committee (IIRC) has issued a discussion paper which considers the rationale behind the move towards Integrated Reporting and offers its initial proposals for the development of an International Integrated Reporting Framework. Refer to the IIRC discussion paper included as attachment 20(f).

### **APESB Submissions**

APESB prepared a submission (refer attachment 20 (g)) to Treasury in respect of the *Corporations Legislation Amendment (Audit Enhancement) Bill 2011*.

### **Material Presented:**

Attachment 20(a) IESBA - *Proposed Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code*.

Attachment 20(b) IESBA – *Strategy and Work Plan, 2011 – 2012*.

Attachment 20(c) PSTF Final Report to G-20 Deputies September 2011.

Attachment 20(d) IFAC Policy Position 1- *Regulation of the Accountancy Profession*.

Attachment 20(e) IFAC Policy Position 3- *International Standard Setting in the Public Interest*.

Attachment 20(f) *Towards Integrated Reporting: Communicating value in the 21<sup>st</sup> Century*

Attachment 20(g) APESB Submission to Treasury in respect of the *Corporations Legislation Amendment (Audit Enhancement) Bill 2011*.

### **Recommendation:**

1. That the report on International and other activities be noted

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**Date:** 12<sup>th</sup> November 2011