

AGENDA PAPER

Item Number: 6
Date of Meeting: 27 November 2017
Subject: International and other activities

Action required For discussion For noting For information

Purpose

To provide a quarterly update to the Board on:

- the IESBA Board Meetings and other developments;
- International developments of interest;
- APESB submissions to Treasury and IESBA; and
- APESB NOCLAR Awareness sessions

IESBA

IESBA September 2017 Board Meeting

The IESBA held a Board meeting on 19 - 22 September 2017 in New York, USA. The Board considered the following key agenda items:

- Structure of the Code (Phase 2);
- Review of Safeguards in the Code;
- Review of Part C of the Code (Applicability and Restructuring);
- Restructured text of NOCLAR provisions;
- Long Association;
- Professional Skepticism;
- Future Strategy and Work Plan; and
- IAASB-IESBA Coordination.

The IESBA September 2017 *IESBA Meeting Summary* is available at Agenda 6(a).

The IESBA considered further significant comments they received on the [Structure Phase 2 ED](#), as well as a first draft of revisions to the proposed text in Structure Phase 2 and consistency enhancements to the agreed-in-principle text of Phase 1. Topics discussed included: use of the terms 'may' and 'might'; distinction between 'firm' and 'network firm' and the proposed effective date. The IESBA will consider, for approval, the final drafts of the proposed Phases 1 and 2 of the restructured Code at its December 2017 meeting.

The IESBA considered further comments received on the [Safeguards Phase 2 ED](#) and related Task Force responses. Discussions focused on the adequacy and appropriateness of the provisions for evaluating and addressing advocacy threats and whether additional guidance is needed in the Code to explain the term 'appropriate professional'. The IESBA will consider, for approval, a final draft of the safeguards provisions and related conforming amendments at its December 2017 meeting.

The IESBA considered the significant comments received on the [Applicability of Part C ED](#), as well as the revisions to the proposed restructured text of extant Part C of the Code in view of the comments received relating to Structure Phase 2 ED and Safeguards Part 2 ED. The IESBA will consider, for approval, a final draft of the applicability provisions / restructured text for inclusion in the restructured Code at its December 2017 meeting.

The IESBA considered the significant comments received on the [Professional Skepticism/Professional Judgement ED](#). It was broadly supportive of the direction of the proposed changes to the application material, subject to consideration of whether the definition of 'professional judgement' has been aligned with that in the IAASB's standards. The IESBA was briefed on the progress of its longer-term initiative in respect of applicability of professional scepticism to all accountants.

In view of comments received relating to Structure Phase 2 ED, the IESBA considered proposed revisions to the restructured texts of NOCLAR provisions and the Long Association close-off document. At its December 2017 meeting, the IESBA will consider, for approval, final drafts of the restructured texts to be included in the restructured Code.

Inducements Exposure Draft

The IESBA released in September 2017 an ED on [Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements](#). The proposals aim to improve provisions relating to professional accountants in business (PAIBs) and align the provisions in respect of professional accountants in public practice (PAPPs) to the enhanced provisions for PAIBs. APESB Technical staff have invited local stakeholders to submit comments by 3 November 2017 for consideration in developing its submission to the IESBA. The IESBA ED is open for public comment until 8 December 2017. See related notes on the IESBA Submissions section below.

Reappointment of IESBA Chair

Dr Stavros B Thomadakis has been reappointed [Chair of the IESBA](#) for a one-year term commencing 1 January 2018. Since his initial appointment in 2015, Dr Thomadakis has lead the IESBA through significant projects relating to enhancements of the Code, including the NOCLAR standard and restructuring of the Code.

The next meeting of the IESBA will be held in Livingston, Zambia on 4-8 December 2017.

International Developments

International Federation of Accountants (IFAC)

New Guidance to support PAOs navigate accountancy regulation

The IFAC released in August 2017 the [Making Regulation Work](#) publication to provide guidance and support professional accountancy organisations (PAOs) in navigating through the complexities of accountancy regulations. The publication is part of the [PAO Capacity Building Series](#), which include guidance on PAO governance, advocacy and public policy, partnerships and engaging with professional accountants in business.

SMP Perspective on Proposed Changes to the IESBA Code of Ethics

The IFAC SMP Committee, in its response to the IESBA EDs on Applicability of Part C to PAPPs, Safeguards and Structure of the Code, highlighted the following points:

- Supportive of the holistic approach in respect of applicability of Part C to public practitioners, but is concerned that accountants in public practice may continue to think that Part C is not applicable to them. Suggested an awareness campaign;
- Significant concerns about the proposal to extend prohibition of providing recruitment services to all audits (not just PIE audits);
- Independence as an enabler of objectivity as opposed to as an end in itself could have been given further consideration from an SME audit/review perspective;
- Clarify the term 'responsible party' and address drafting inconsistencies;
- Concern that the effective date may not provide SMPs with sufficient time to review, understand and effectively implement the new Code. Suggested that the IESBA seriously consider a minimum 2-year period before the effective date, after approval.

Search for new IFAC CEO

IFAC is seeking a [new CEO](#) to join the organisation effective late 2018 to allow for orderly transition with its current CEO. The CEO will work with IFAC's Board of Directors and staff to support IFAC's mission and work, including developing and recommending public policy options on issues affecting the profession.

International Auditing and Assurance Standards Board (IAASB)

At its September 2017 meeting, the IAASB discussed its Quality Control Task Force's recommendations relating to potential revisions to ISQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements* and the new proposed standard ISQC2 *Engagement Quality Control Reviews*. APESB will monitor the progress of this project for its implications to APES 320 *Quality Control for Firms*.

Further details are available in the [Highlights](#) of the September 2017 IAASB meeting.

Financial Reporting Council – UK (FRC)

Celebrates 25th anniversary of UK Corporate Governance Code

The UK FRC will celebrate [25 years](#) of the UK Corporate Governance Code in late 2017. The FRC believes its ['comply or explain'](#) approach in the Code has allowed companies to respond effectively to evolving market circumstances including recent complexities.

Review of the UK Corporate Governance Code

Coinciding with the 25th Anniversary of the UK Corporate Governance Code, the FRC announced plans for a fundamental [review](#) of the Code earlier in the year. The FRC will use the review to help find the appropriate balance between the Code's principles and provisions and the increasing demands on the corporate governance framework.

APESB submissions

Submission to Treasury

In late October, Treasury released an exposure draft [Treasury Laws Amendment \(Whistleblowers\) Bill 2017 \(the Bill\)](#), and requested for stakeholders' views by 3 November 2017.

APESB has prepared a submission to indicate its strong support for the development of a legislation to strengthen the tax and corporate whistleblower protections in Australia.

We also support the substantial improvements to the existing legislation for whistleblowers in the private sector and welcome the introduction of the mandatory requirement for all public companies and large proprietary companies to have a whistleblower policy.

APESB's submission to the Treasury is available on the APESB [website](#).

Submission to Tax Practitioners Board

The Tax Practitioners Board (TPB) released for public comment in August 2017 the Exposure Draft TPB Practice Note TPB(PN) D38/2017 *Outsourcing, offshoring and the Code of Professional Conduct*.

APESB's submission to the TPB was generally supportive and recommended that the TPB consider the following matters and revise the proposed practice note, as appropriate:

- Clarification of definition of Outsourcing and Outsourced Service
- Enhancements to general considerations when deciding to enter outsourcing arrangements
- Applicable professional standards relating to supervisory arrangements over outsourced tax services
- Additional considerations relating to transitioning in and out of outsourcing and offshoring arrangements
- Considerations in respect of dealing with Client Monies

A copy of the APESB submission to the TPB is available on the APESB [website](#).

Submission to the IESBA

APESB Technical staff have prepared a draft submission to the IESBA on its ED on [Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements](#).

The proposals strengthen the provisions in the Code regarding accepting and offering of inducements by establishing a comprehensive framework that covers all forms of inducements.

Submissions are due to the IESBA by 8 December 2017.

APESB NOCLAR Awareness Sessions

APESB successfully presented a series of NOCLAR awareness sessions, in collaboration with the Professional Bodies, AUASB and BDO, at various locations around the country. The initial audience reach was approximately more than 700 Members. There is the potential to reach many more, as in the near future Members of the three accounting bodies will have access to three recorded sessions via video (1) or audio webinar (2).

- 3 Aug 2017 – CA ANZ VIC NOCLAR Session (*audio recorded*)
- 30 Aug 2017 – CA ANZ Qld NOCLAR Session
- 21 Sept 2017 – CA ANZ NSW NOCLAR Session
- 21 Sept 2017 – IPA NSW NOCLAR Session
- 4 Oct 2017 – IPA Vic (Video Webinar) NOCLAR Session (*Video recorded*)
- 19 Oct 2017 - CA ANZ NSW NOCLAR Session
- 20 Oct 2017 – CPA Australia (Webinar)- (*audio recorded*)

The sessions provided Members with an opportunity to raise questions or concerns relating to NOCLAR. Some common issues that were raised:

- How to amend the terms of engagement due to NOCLAR;
- Whether there should be an insurance that could be incorporated into the professional indemnity insurance when Members in practice encounter NOCLAR;
- Awareness of relevant regulators of NOCLAR; and
- Impact of NOCLAR on forensic engagements.

Recommendation

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

Material Presented

Agenda Item 6(a) IESBA September 2017 Meeting Highlights
Agenda Item 6(b) APESB's Draft Submission to IESBA on Inducements

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Date: 31 October 2017