

## AGENDA PAPER

**Item Number:** 6

**Date of Meeting:** 25 June 2020

**Subject:** International and other activities

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Action required     For discussion     For noting     For information

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### Purpose

To provide an update to the Board on:

- the IESBA Board Meetings;
- International and other developments of interest; and
- APESB submissions, presentations and other activities.

### IESBA

#### IESBA Board Meeting

IESBA held a Board Meeting on March 16 – 18, 2020 via video conferencing, which included the following key agenda items:

- Role and mindset;
- Tax Planning and Related Services;
- Definitions of Listed Entity and Public Interest Entity in the Code;
- Engagement Team – Group Audits Independence;
- Coordination with the IAASB; and
- The Technology working group.

At this meeting, the IESBA approved a project proposal to address engagement team- group audit independence considerations including aligning the definition of Engagement Team in the International Code with the definition in the revised ISA 220 *Quality Management for an Audit of Financial Statements* and clarifying the application of the independence provisions in a group audit context, including non-network component auditors.

The IESBA Board also approved a project proposal on technology that aims to address the ethics and independence implications of developments in technology relating to assurance, accounting and finance, focusing on artificial intelligence and robotic process automation and big data and data analytics.

The highlights from the March 2020 IESBA meeting are at agenda item 6(a).

The next IESBA Board meeting will be held via video conferencing on June 8 – 12 and 15, 2020.

### Other IESBA developments

#### Technology Phase 1 report

In late February 2002, the IESBA released a Phase 1 report on the ethical implications of technology on accounting, assurance and finance. The IESBA found that, generally, the principles-based guidance within the International Code was sufficient for most technology-related ethical issues that professional accountants and firms might encounter. However, the report sets out recommendations grouped into five key topical areas where the material in the Code could be enhanced.

The report may be accessed on the [IESBA website](#).

#### Extension of Term of IESBA Chairman

The IESBA have announced the extension of the term of the current IESBA Chairman Dr Stavros Thomadakis until the end of 2021.

The media release on the extension to the term of the IESBA Chairman is available on the [IESBA website](#).

#### COVID-19 Q&A and webpage

In May 2020, the IESBA released a Q&A publication *COVID-19: Ethics and Independence Considerations* to highlight how the International Code of Ethics is relevant in navigating ethics and independence challenges and risks as a result of the COVID-19 pandemic.

The COVID-19 Q&A publication is available on [IESBA's COVID-19 resource page](#).

### **IESBA National Standards Setters (NSS)**

#### IESBA NSS meeting and Joint Meeting with IAASB National Standards Setters

APESB Chairman Nancy Milne OAM and CEO Channa Wijesinghe represented APESB at the IESBA NSS meeting held via video conference on 11 May 2019.

The IESBA NSS meeting focussed on the Tax Planning and related Services Initiative and the potential themes that could be addressed in an IESBA project on this topic.

The IESBA NSS Group also had a joint meeting with the IAASB National Standards Setters. At this meeting, the current IESBA project to review the definition of a Public Interest Entity (PIE) was discussed, including the ongoing collaborative efforts with the IAASB.

#### IESBA's COVID-19 Collaboration

The IESBA NSS have established a working group to consider the ethical challenges, dilemmas, or other ethics-related issues auditors and other professional accountants are facing in relation to the COVID-19 pandemic. APESB CEO, Channa Wijesinghe will be a member of this working group.

The first meeting of the working group will be held on 10 June 2020. It will focus on the recently released IESBA Staff Q&As publication relating to COVID-19 and consider whether there are other possible topics of relevance in the current environment.

Technical Staff will provide the APESB Board with a verbal update on the outcomes of the IESBA NSS Working Group at the June 2020 APESB Board Meeting.

## **International and Other Developments**

### ***International Auditing and Assurance Standards Board (IAASB)***

#### *IAASB Board Meeting*

Due to the global COVID-19 outbreak, the IAASB held its planned March Board meeting over several videoconferences between 16 - 20 March and on 1, 8 and 14 April 2020.

During these videoconferences, the IAASB discussed a number of topics, including audits of less complex entities; quality management at both the firm and engagement levels (ISQM 1 and ISA 220), as well as engagement quality reviews (ISQM 2). The IAASB reconfirmed their broad support for having a mandatory cooling-off period for individuals moving into the role of EQ reviewer after serving as the engagement partner. The IAASB will be looking to approve the final standards for ISQM1 and 2 at their September 2020 Board meeting.

The IAASB have released highlight documents for both the [March](#) and [April](#) series of videoconferences.

The next IAASB Board meeting will be held via videoconference from June 15 to 19, 2020.

#### Conforming Amendments for the revised International Code

In April 2020, the IAASB Board released conforming amendments to the IAASB's International standards to align these standards with the revised International Code issued by the IESBA. The conforming amendments are effective from 15 July 2020.

For more information on the conforming amendments, see the IAASB [media release](#).

### ***International Federation of Accountants (IFAC)***

#### *Exploring the IESBA Code*

IFAC and the IESBA have released additional instalments in their exploring the IESBA Code publication series. The latest instalments are as follows:

- Instalment four – The Conceptual Framework: Step 3 – Addressing Threats (Released 31 March 2020)
- Instalment five – Independence (Released 30 April 2020)
- Instalment six – Conflicts of Interest (Released 29 May 2020)

The available instalments are accessible on the [IFAC website](#).

## ***Public Interest Oversight Board (PIOB)***

### ***PIOB Board Appointments***

Linda de Beer, a South African chartered accountant and former Chair of the IAASB Consultative Advisory Group, has been appointed the new PIOB Chair. Ms de Beer succeeds Eddy Wymeersch, who has been Chair of the PIOB since 2011.

The PIOB also announced the appointment of Mr Robert Buchanan, NZAuASB Chair, as a new Board member.

More information on these appointments may be found on the PIOB website [here](#).

## ***Financial Reporting Council – UK (FRC)***

### ***Update on the transition to ARGA***

On 1 May 2020, the FRC UK provided an update on their transition to the Audit Reporting and Governance Authority (ARGA), as recommended in Sir Donald Brydon's review into the quality and effectiveness of audit.

The update provides information on the revised structure of the organisation, changes to current legislation relating to audits and their own monitoring and enforcement activities. The FRC UK is in the process of developing principles for the operational separation of the Big 4 firms' audit practices and considering what legislation will be needed to support this change.

The full update on the transition may be found on the UK FRC's website [here](#).

### ***Audit quality early warning system***

In May 2020, the FRC UK released a report on the use of Audit Quality Indicators (AQIs) to assist audit firms in detecting audits at risk of not meeting necessary standards and for Audit Committees to hold audit firms accountable.

The FRC positively noted that these indicators are being rolled out by audit firms to highlight audits in need of remedy and to promote good practice so that this can be replicated. However, they found that most monitoring of AQIs across the largest audit firms takes place after audits are completed, rather than before or during the process.

The full report may be found on the UK FRC website [here](#).

## ***Financial Adviser Standards and Ethics Authority (FASEA)***

### ***Recognition of prior learning for CPAs***

In April 2020, FASEA approved the recognition of prior learning for CPAs. This recognition applies to Advisors who completed coursework to attain the CPA Associate designation between 1985 and 1988. Further details are available in the FASEA [media release](#).

### ***FASEA Board re-appointments***

FASEA has announced the [reappointment](#) of Professor Mark Brimble and Dr Simon Longstaff for a further three-year period commencing from 11 April 2020.

## **Australian Taxation Office (ATO)**

### Changes to the SMSF independent auditor's report

In mid-May 2020, the ATO [released](#) an updated form for the independent auditor's report on self-managed Super Funds. The revised form requires SMSF auditors to comply with the most recent version of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, which was issued in November 2018. The new form will be effective from 1 July 2019.

## **Tax Practitioners Board (TPB)**

### Review of 74 tax practitioners regarding SMSF audit information

On 25 May 2020, the TPB announced it was investigating 74 tax practitioners who lodged SMSF returns with faulty or fraudulent SMSF auditor details. More information on this matter is available in the [TPB media release](#).

## **Australian Accounting Standards Board (AASB)**

### Appointment of new Chair

In April 2020, the AASB has announced the appointment of Dr Keith Kendall to replace Ms Kris Peach as Chair of the AASB. Dr Kendall is a former partner at Rigby Cooke Lawyers, a serving barrister, Senior Lecturer at La Trobe University and current sitting member of the Administrative Appeals Tribunal (AAT).

Further details on Dr Kendall's appointment may be found on the [AASB website](#).

### Removal of Special Purpose Financial Statements for certain types of for-profit private sector entities

In March 2020, the AASB announced that from 1 July 2021, certain types of for-profit private sector entities would no longer be able to prepare special purpose financial statements under AASB Standards. Details of the entities that this applies to are set out in the [media release](#) by the AASB.

To assist these entities with the transition to general purpose financial reports, the AASB released AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* in conjunction with *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* which implements a Tier 2 general purpose financial reporting framework. The details of the new framework can be found on the [AASB website](#).

Not-for-profit entities and public sector entities that prepare special purpose financial statements are not currently affected by these changes, but the AASB is considering changes to these entities' financial reporting requirements as part of a separate project.

## **Australian Auditing and Assurance Standards Board (AUASB)**

### AUASB Chair inducted into Australian Accounting Hall of Fame

In June 2020, the AUASB Chair Professor Roger Simnett was inducted into the Australian Accounting Hall of Fame. Details on Professor Simnett's career and his contributions to the Australian Accounting Industry are available in the [AUASB media release](#).

### New Board appointment

Mr Andrew Porter, Chief Financial Officer of the Australian Foundation Investment Company, has been [appointed](#) to the AUASB commencing from 1 July 2020. His tenure will expire on 31 December 2022.

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

### APESB submission to the IESBA ED on Objectivity of the Engagement Quality Reviewers (EQR)

In March 2020, APESB made a submission to the IESBA on their exposure draft *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*.

Overall, APESB strongly supports the IESBA's view that imposing a mandatory two-year cooling-off period when moving from an Engagement Partner (EP) to an Engagement Quality Reviewer (EQR) is not proportionate in all circumstances. APESB agrees that if there is any threat objectivity when an EP moves to an EQR, the conceptual framework in the IESBA Code can be applied to address the identified threat.

The full submission may be accessed on the APESB website [here](#).

### APESB Roundtables on IESBA EDS on Fees and NAS

APESB held two roundtables on 1 and 2 April 2020 via Zoom (video conferencing facility) to seek feedback on the IESBA proposals in their exposure drafts relating to fee-related provisions and NAS provisions of the Code.

Approximately 60 stakeholders attended the roundtables representing national standard setters, regulators, professional accounting bodies, accounting firms, investors and academics. The stakeholder's feedback was used by APESB to inform the position taken in APESB's submissions.

The presentation from the roundtables is available on the [APESB website](#).

### APESB submission to the IESBA ED on Fees

In May 2020, APESB made a submission to the IESBA on their exposure draft *Proposed Revisions to the Fee-related Provisions of the Code*. Overall, APESB was generally supportive of the proposals but expressed some concerns about the unintended consequences if the IESBA Code requires auditors to take responsibility for the disclosure of audit fees and other fees paid by an audit client. APESB also raised concerns with respect to the need for additional clarity on the application of the conceptual framework and the appropriateness of the proposed thresholds for fee dependency levels.

The full submission is available at agenda item 6 (b).

### IESBA ED on Non-Assurance Services (NAS)

In June 2020, APESB submitted a response to the IESBA's exposure draft *Proposed Revisions to the Non-Assurance Services Provisions of the Code*. Overall, APESB strongly supports the proposals in the NAS exposure draft, in particular, the removal of materiality qualifiers for services provided to audit clients that are Public Interest Entities (PIEs) and prohibiting the provision of any NAS to PIE audit clients which creates a self-review threat and/or advocacy threat in relation to the assurance engagement.

APESB noted the current public and political interest in this topic in Australia and encouraged the IESBA to make the prohibitions in the IESBA Code clearer and more enforceable.

The full submission is available at agenda item 6 (c).

### Presentation to the NZAuASB

On 9 April 2020, APESB's CEO Mr. Channa Wijesinghe provided the NZAuASB with an update on APESB activities and also presented on APESB's preliminary views on the IESBA's exposure drafts relating to the objectivity of the engagement quality reviewers, the fee-related provisions in the Code and the Non-Assurance provisions of the Code. The presentation is available on the [APESB website](#).

### **Recommendation**

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

### **Materials Presented**

Agenda Item 6 (a)	IESBA Meeting Highlights – March 2020
Agenda Item 6 (b)	APESB submission on IESBA ED on Fees
Agenda Item 6 (c)	APESB Submission on IESBA ED on NAS

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**Date:** 10 June 2020