

## AGENDA PAPER

**Item Number:** 5  
**Date of Meeting:** 6 September 2021  
**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.

### International Ethics Standards Board for Accountants (IESBA)

#### IESBA Board Meeting

The IESBA held a Board Meeting via a series of video conferences from 9 to 25 June 2021. The meeting included the following key agenda items:

- Quality Management Standards;
- Technology;
- Technology Non-authoritative Material & Fact-Finding;
- Non-Assurance Services & Fees Rollout;
- Engagement Team-Group Audit Independence;
- Benchmarking;
- Tax Planning and Related Services; and
- Definition of Listed Entity & PIE.

The IESBA Board approved issuing an Exposure Draft, *Proposed Quality Management - related Conforming Amendments to the Code*. The exposure draft aims to align the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) with the standards on quality management issued by the IAASB. Subsequent to the Board Meeting, the exposure draft was issued with any comments to be submitted by 5 October 2021. Refer to the IESBA website for further details on this [Exposure Draft](#).

The IESBA Board also received updates across its current projects, which are summarised in the highlights of the IESBA June Board Meeting set out at Agenda 5(a).

The next IESBA Board Meeting will be held via a series of video conferences between 13 - 27 September 2021.

### Other IESBA developments

#### Release of webinars on Non-Assurance Services (NAS) and Fees

In June 2021, the IESBA presented two global webinars on the revised NAS and fee-related provisions in the IESBA Code. The webinars explain key provisions of the revisions, which will come into effect in December 2022. The links for the webinars are set out below:

- [Fees Webinar](#)
- [Non-Assurance Services Webinar](#)

Further information on the webinars is available in the [media release](#). In addition, refer to Agenda Item 10 for information on APESB's current project on NAS.

### **International and Other Developments**

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

##### IAASB Quality Management Webinars and Resources

The IAASB, in collaboration with IFAC, held a series of webinars on quality management from June to August 2021. The webinars take a deep dive into aspects of the IAASB's International Standard on Quality Management 1, *Quality Management for Firms that Perform Audit or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ISQM 1). The recordings of the webinars can be accessed on the [IAASB website](#).

In addition, the IAASB has released the following two guides to help stakeholders implement the suite of quality management standards:

- [First-time Implementation Guide for ISQM 1](#); and
- [First-time Implementation Guide for ISQM 2 Engagement Quality Reviews](#).

##### Exposure Draft on a new standard for audits of financial statements of Less Complex Entities.

In July 2021, the IAASB issued an [exposure draft](#) for a new standard on audits of financial statements of Less Complex Entities. The release of the exposure draft is part of a broader effort to reduce complexity, improve understandability, and make the standards more scalable and proportionate to the circumstances of the audited entities. The comment period for the exposure draft closes on January 31, 2022.

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

##### Release of joint publication on ethics in an era of complexity and digital change

On 19 August 2021, the Chartered Professional Accountants of Canada (CPA Canada), the Institute of Chartered Accountants of Scotland (ICAS), and IFAC released a publication, *Complexity and the professional accountant: Practical guidance for ethical decision-making*.

The paper is the first of four thought leadership pieces that build on a collaborative exploratory paper and global roundtable event entitled Ethical Leadership in an Era of Complexity and Digital Change. The exploratory paper, a summary of the event, and an on-demand recording are available [here](#). The paper was also informed by diverse stakeholder views gathered through the IESBA's broader technology initiative.

### *Release Latest Point of View: Greater Transparency and Accountability in the Public Sector*

On 19 July 2021, IFAC released a Point of View: [Greater Transparency and Accountability in the Public Sector](#), which explores the need for strong governance and public financial management so that governments and public sector entities around the world can make informed, data-driven decisions for people, the planet, and the economy. Further details can be found in IFAC's [media release](#).

### *IFAC support for the establishment of a new International Sustainability Standards Board*

IFAC has called on the IFRS Foundation to establish a new International Sustainability Standard Board (ISSB). With its independence, good governance, and track record of due process, the IFRS Foundation is uniquely positioned to establish an independent ISSB within existing IFRS governance—comprised of the Monitoring Board, IFRS Foundation Trustees, and IFRS Advisory Council. The proposed multi-stakeholder expert consultative committee will also be crucial to bringing the right stakeholders to the table in support of the new Board's standard-setting activities. Further details can be found in IFAC's [media release](#).

## **US Securities and Exchange Commission (SEC)**

### *Breach of Auditor Independence provisions by EY, Three EY Audit Partners, and Former Public Company CAO*

On 2 August 2021, the SEC charged accounting firm Ernst & Young LLP (EY), a current EY partner, and two former EY partners with improper professional conduct for violating auditor independence rules. The SEC has also charged the Issuer's then-Chief Accounting Officer for his role in the misconduct. All respondents have consented to the SEC's order without admitting or denying the findings and to settle the charges for fines of more than \$10 million. Further details are available in the [media release](#) on the SEC website

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

### *FRC outline necessary action for effective ESG reporting*

The FRC has today published the [FRC Statement of Intent on Environmental, Social and Governance challenges](#). There is an ever-increasing amount of regulatory change, and as these changes are implemented, there remain a range of underlying issues with the production, audit and assurance, distribution, consumption, supervision and regulation of ESG information. This paper sets out areas where issues with ESG information may arise, including meeting the demands or needs of stakeholders and the FRC's planned activities in this area. Further details on this statement is available on the [FRC's website](#).

### *FRC Annual Audit Quality Inspection Results 2020/21*

In July 2021, the FRC released the results of its 2020/21 inspection results. The results show that 29% of audits inspected by the FRC still require improvement (2019/20 results were 33%).

The inspections covered the seven largest audit firms: BDO, Deloitte, EY, Grant Thornton, KPMG, Mazars and PwC, and found that quality across firms was mixed. Specific improvement measures are expected of BDO and Mazars as they continue to grow, and the FRC will monitor KPMG's actions to address the findings from the review (as inspection results had not improved over the past three years, especially on audits for the banking industry).

Further details on the inspection findings are available on the [FRC's website](#).

## ***Monitoring Group (MG)***

### ***Progress in implementing MG recommendations to the International Audit and Ethics Standard- Setting System***

In June 2021, the Monitoring Group (MG) issued an update on implementing its recommendations to [Strengthen the International Audit and Ethics Standard-Setting System](#). A transition plan has been established with workstreams developed for six key aspects of the plan - Nominations and transition of the boards; Legal structure; Staffing needs and costs; Funding; Skills matrices and Conflict of Interest policies; and Operating procedures. Further information can be found in the MG [media release](#).

### ***Appointment of Co-Chair***

In June 2021, the MG announced the appointment of Mr. Paul Munter as Co-Chair of the MG for a two-year term. Mr. Munter is the Acting Chief Accountant of the US SEC and Vice-Chair of the IOSCO Committee on Issuer Accounting, Audit and Disclosure. He joins Mr. Jean-Paul Servais, Chairman of Belgium's Financial Services and Markets Authority (FSMA), who was named Co-Chair of the Monitoring Group in January 2021. Further details are available in the MG [media release](#).

### ***Call for Nominations to the Public Interest Oversight Board***

On 1 July 2021, the MG announced the establishment of the Monitoring Group Nominating Committee and issued an open call for applications for board members to the Public Interest Oversight Board (PIOB) for an initial 3-year term commencing January 1, 2022. The deadline for applications to be a PIOB Board Member is 1 October 2021. Refer to the MG [media release](#) for further information.

## ***International Organisation of Securities Commissions (IOSCO)***

### ***Appointment of IOSCO Secretary General***

In July 2021, IOSCO announced the appointment of Martin Moloney as its new Secretary General. Martin Moloney succeeds Paul Andrews, who was Secretary General of IOSCO from 2016 to 2020. Martin is appointed under a three-year renewable contract and will take up his post in September 2021. Martin's previous roles were as Director-General of the Jersey Financial Services Commission and, before that, as Special Advisor on Risk and Regulation at the Central Bank of Ireland. Further details are available in the [media release](#).

## ***International Forum of Independent Audit Regulators (IFIAR)***

### ***Internationally Relevant Developments in Audit Markets.***

In 2019, IFIAR established the Internationally Relevant Developments in Audit Markets Task Force to monitor developments in IFIAR Member jurisdictions, focusing on developments relevant to the audits of public interest entities.

In July 2021, IFIAR released a report that summarises observations on five audit policy topics (i.e., auditor appointment and tenure, joint audits, the combination of audit and non-audit services, transparency of audit-related information, and audit firms' governance and culture). In addition, the report highlights key facts and figures, insights about regulations and requirements and measures that have been implemented in various jurisdictions, based on IFIAR Members' survey responses. Further information is available in the [media release](#) or in the [full report](#).

## ***European Commission***

### ***European Commission announces EU audit reform in 2022***

In May 2021, Mairead McGuinness, the European Commissioner for financial services, announced that the European Commission (EC) will propose EU audit reform before the end of 2022. The process will start with a consultation late this year.

While including input from Member States, the planned consultation will also seek comments from members of the public about measures that could be implemented to address issues with the corporate reporting ecosystem. The European Commission will also refer to the outcomes of a study on the EU Audit Regulation and Directive functioning as part of this consultation.

Refer to the recording of the [webinar](#) or the [speech](#) on the EC's website.

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

### ***Mr Bill Edge was appointed as full-time AUASB Chair for 12 months***

In July 2021, the Assistant Treasurer announced the appointment of Mr Bill Edge, current Acting Chair of the AUASB, as the full-time chair of the AUASB for 12 months from 1 July 2021.

### ***AUASB releases resources on implementing the new Quality Management Standards***

The AUASB has released a new dedicated [Quality Management Standards](#) web page with resources and answers to some commonly asked questions regarding implementing the new AUASB Quality Management Standards, effective from 15 December 2022. The standards become effective on 15 December 2022. Further information is available in the [media release](#).

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

### TPB's enhanced consultation channel

In August 2021, the Tax Practitioners Board (TPB) established a new Tax Practitioner Governance and Standards Forum (TPGSF). This Forum is to ensure any significant proposals affecting tax practitioners are made with appropriate consultation. Further information on the Forum and its attendees can be found on the [TPB website](#).

## **Federal Government - Department of Home affairs**

### Supporting Australia's COVID recovery through Skilled Migration

On 22 June 2021, the Federal Government announced that a range of skilled occupations, including accountants and auditors, was added to the Priority Migration Skilled Occupation List (PMSOL). Further information can be found on the [Australian Government website](#).

The audit profession is experiencing difficulties obtaining talent due to the current border restrictions and long-term demand for audit professionals. The professional accounting bodies believe this inclusion is essential to boost the audit workforce for the reporting season. Further information on some of the professional bodies' views on this announcement can be found in an [article](#) issued by Accountants Daily.

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

### Presentation to CPA Australia's Ethics and Professional Standards Centre of Excellence

On 22 July 2021, APESB CEO Channa Wijesinghe presented to CPA Australia's Ethics and Professional Standards Centre of Excellence members. The presentation covered APESB's new strategic plan for 2021-2025 and also provided a high-level update of APESB's current projects. The [presentation pack](#) is available on the APESB website.

### APESB Submission to IESBA's Stakeholder Questionnaire Long Association Post-Implementation Review (Phase 1).

On 29 June 2021, APESB made a submission to the IESBA on the Stakeholder Questionnaire *Long association Post-Implementation Review (Phase 1)*. APESB is supportive of IESBA conducting this post-implementation review.

The submission notes that, based on feedback provided by stakeholders, the end of the transitional period for jurisdictional relief will impact Australian auditors and their clients. There is concern about the shrinking number of registered company auditors and the COVID-19 pandemic affecting the capacity of firms to resource audit engagements adequately. In light of the feedback received from stakeholders, APESB requested the IESBA consider extending the application period of the transitional provision relating to the jurisdictional relief.

Refer to Agenda item 5 (b) for the APESB submission to IESBA's Stakeholder questionnaire *Long Association Post-Implementation Review*.

## **Recommendation**

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

**Materials Presented**

Agenda Item 5 (a) Highlights of the IESBA June 2021 Board Meeting  
Agenda Item 5 (b) APESB Submission on IESBA's Long Association Post-implementation Review

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