

## AGENDA PAPER

**Item Number:** 13

**Date of Meeting:** 23 September 2022

**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 hybrid Board Meeting, with online or in-person attendance in New York, USA, from 6 to 8 June 2022. The meeting included the following key agenda items:

- Emerging Issues and Outreach Committee (EIOC);
- Definitions of Listed Entity & Public Interest Entity (PIE);
- IESBA-IAASB Coordination;
- Technology Fact-Finding and Thought Leadership;
- IFAC Panel on Accounting Education;
- Tax Planning and Related Services;
- Engagement Team Group Audit Independence; and
- Sustainability.

At the meeting, the IESBA unanimously resolved and approved the Sustainability Working Group to take action to develop ethics and independence standards to support transparent, relevant and trustworthy reporting. In addition, the IESBA will continue to work closely with the International Auditing and Assurance Board (IAASB) and the International Sustainability Standards Board (ISSB).

The IESBA Board considered the high-level overview of comments raised by respondents to the Exposure Draft, *Proposed Revisions to the Code Relating to Engagement Teams and Group Audits*. The first-read draft and complete review of respondents' comments will be considered in the September 2022 meeting.

The IESBA Board received updates across its current projects, summarised in the highlights of the IESBA June 2022 Board Meeting at Agenda 13 (a).

APESB's CEO attended the IESBA Meeting in his capacity as an IESBA Board member with the support of his Technical Adviser, Kristen Wydell (CA ANZ). The next IESBA Board Meeting will be held on 12-16 September 2022 in Nashville (USA) as a hybrid meeting.

#### Other IESBA updates

##### *IESBA staff releases Q & As to spotlight key changes to the Non-Assurance Services provisions of the IESBA Code*

On 11 July 2022, IESBA released a [questions and answers \(Q&As\) publication](#) to illustrate the key changes of the Non-Assurance Services (NAS) provisions of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code). This publication complements the [Basis for Conclusions](#) for the [final NAS pronouncements](#) released in April 2021 and is intended to assist stakeholders in adopting and implementing the revised NAS provisions. Further details can be found in the IESBA's [media release](#).

#### **International and Other Developments**

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

###### *IAASB Quarterly Meeting*

The IAASB hosted its June Board meeting in person in New York, USA, from 13-17 June.

The Board discussed and approved an Exposure Draft (ED) for track 1 of its project on the listed entity and PIE. The ED proposed to amend ISA 700 (Revised) for a firm to disclose in the Auditor's Report whether relevant ethical requirements for independence for certain entities, such as PIEs, have been applied. The Exposure Draft was published in July 2022 for a 90-day comment period.

The PIE Taskforce intends to present the track 2 listed entity and PIE project's proposal in December 2022. The project proposal will include whether IAASB should adopt IESBA definitions of 'public traded entity' and PIE, the objectives and guidelines for establishing differential requirements for certain entities in the ISQMs and ISAs and which entities the extant differential requirements should apply in the ISQMs and ISAs.

Further details can be found in the [IAASB June 2022 highlights](#). The next IAASB meeting is scheduled for September 12-16, 2022.

*IAASB proposes narrow-scope amendments to operationalise changes to the IESBA Code that enhance transparency about Independence*

The IAASB released [proposed narrow-scope amendments](#) to International Standard on Auditing 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* and ISA 260 (Revised), *Communication with Those Charged with Governance* and is seeking feedback on the Exposure Draft with the comment period closing on 4 October 2022.

The proposed amendments are due to the recent revisions to the IESBA Code related to listed and Public Interest Entities (PIEs), which enhanced the transparency to the public with the application of independence requirements of audit of financial statements of PIEs. Further details can be found in IAASB's [media release](#).

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

*Ernst & Young to pay \$100 Million Penalty for Employees Cheating on CPA Ethics Exam and Misleading Investigation*

On 28 June 2022, US SEC charged Ernst & Young LLP (EY) for cheating over multiple years by its audit professionals on ethics components and various professional education courses exams to maintain their Certified Public Accountant (CPA) license and withhold evidence of this misconduct during the investigation by the SEC's Enforcement Division. EY agreed to pay the penalty of \$100 million and undertake extensive remedial measures to fix the firm's ethical issues.

The SEC found that EY has violated the Public Company Accounting Oversight Board (PCAOB) rule requiring the firm to maintain integrity in the performance of a professional service, committed acts discreditable to the accounting profession, and failed to maintain an appropriate system of quality control. Further details can be found in SEC's [media release](#).

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

*FRC sets out the next steps in the transition to a new regulator*

On 12 July 2022, the FRC UK published a [Position Paper](#) which sets out the Government's reforms to the UK's audit and corporate governance framework. FRC UK will transition into the Audit, Reporting and Governance Authority (ARGA) as the Government moves forward with the legislation. Further details can be found on the FRC UK [website](#).

*FRC seeks assurances from audit firms and professional bodies on exam cheating*

The FRC is concerned with the potential impact on the UK audits from the recent cheating in professional exams and internal assessments. FRC has written letters to the Tier 1 audit firms and professional bodies to ensure controls are in place to mitigate the risk re-occurring. Further details can be found on the FRC UK [website](#).

### Sanctions against KPMG and others in connection with Regeneris & Carillion audits

On 25 July 2022, the FRC announced the sanction against KPMG LLP, a former KPMG partner and four former KPMG employees, for providing false and misleading information and documents to the FRC. The sanctions are as follows:

- KPMG was fined £20 million, which was reduced to £14.4 million to reflect the self-reporting and co-operation;
- Mr Peter Meehan, Carillion's audit partner, has been excluded from membership of ICAEW for 8 years with a fine of £250,000;
- Mr Wright has been excluded from membership of ICAEW for 8 years with a fine of £45,000;
- Mr Bennett has been excluded from membership of the ICAEW for 8 years with a fine of £40,000;
- Mr Kitchen has been excluded from the membership of the ICAEW for 7 years with a fine of £30,000; and
- Mr Paw was severely reprimanded.

Further details can be found in FRC's [media release](#).

### FRC publishes regulations for PIE Auditor Register

FRC has published the regulations for the PIE Auditor Register. From 5 December 2022, all audit firms and responsible individuals who perform audits of PIEs will need to be registered by the FRC. In addition, audit firms that are currently auditing PIE will need to apply for approval to be included in the PIE Audit register. Further details can be found in FRC's [media release](#).

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

#### The Monitoring Group Nominating Committee Issues Its Open Call for Applications for Membership to the Public Interest Oversight Board (PIOB) in 2023

The Monitoring Group Nominating Committee has issued the Call for Applications for board members to the Public Interest Oversight Board (PIOB) for an initial 3-year term commencing 1 January 2023. The application deadline is 9 September 2022. Click [here](#) for the role description, and further details can be found in the Monitoring Group [media release](#).

### **Australian Government Financial Reporting Council (FRC)**

#### FRC appoints board members to the AUASB

On 20 July 2022, the FRC announced the appointments of Ms Marje Russ and Mr Jason Thorne to the Auditing and Assurance Standards Board (AUASB).

Ms Marje Russ is the Chair of the New Zealand Auditing and Assurance Standards Board and Mr Jason Thorne is the senior partner of audit and assurance at Deloitte. Ms Russ's appointment is on a part-time basis commencing 1 July 2022 until 30 June 2025 and Mr Thorne's appointment is on a part-time basis commencing 1 July 2022 until 31 December 2025. Further details can be found in the FRC [media release](#).

### ***Australian Securities & Investments Commission (ASIC)***

#### ***How to avoid 'greenwashing' for superannuation and managed funds***

ASIC have released an information sheet to assist issuers in complying with existing regulatory obligations and avoid 'greenwashing' sustainability-related products. ASIC considers the practice of misrepresenting financial products or investment strategies as environmentally friendly, sustainable and ethical as 'greenwashing'. Click here for the [information sheet](#).

Further details can be found in the ASIC [media release](#).

#### ***ASIC acts against eight SMSF Auditors***

During the period of 1 March 2022- 30 June 2022, ASIC has acted against eight self-managed superannuation fund (SMSF) auditors. ASIC deregistered five SMSF auditors and imposed additional conditions on the registration for the other three. Seven of those SMSF auditors were referred to ASIC by ATO. The breaches of obligation from the SMSF auditors include auditing and assurance standards, independence requirements and registration conditions. Further details can be found in ASIC's [media release](#).

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

#### ***Positions Vacant on the Australian Accounting Standards Board for 2023***

AASB has two vacancies available for appointment as a part-time members for the Board. The appointments will be for three years and starting on or before 1 January 2023. Applications close by 4 September. The appointments will be made by the Financial Reporting Council (FRC). Further details can be found in the AASB [media release](#).

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

#### ***AUASB Consultation on Proposed IAASB changes to the Auditor's Report regarding the Independence requirements applied***

The Auditing and Assurance Standards Board (AUASB) has issued [Consultation Paper](#) for public comment on the IAASB's [Exposure Draft](#). The closing date for the public comment period is 15 September 2022. The Exposure Draft issued is in response to the recent revisions to the IESBA Code, which requires PIEs to publicly disclose when the independence requirements have been applied.

Further details on the consultation paper are available in the July AUASB [media release](#).

### Position vacant on the Auditing and Assurance Standards Board for 2023.

A vacancy is available for appointment as a part-time member of the AUASB, starting on or before 1 January 2023, for a three-year term. Further details are available in the AUASB [media release](#).

### Update of the investigation into internal training misconduct at KPMG Australia

The Professional Conduct Committee of CA ANZ has concluded its investigation into the KPMG Australia internal training misconduct matter. Four cases have been closed, and eight members have received a caution, which is noted on the member's record, as well as a cost sanction. Details regarding the individual, sanctions and outcomes remain confidential in line with CA ANZ's By-Laws.

CA ANZ has also decided to review its Professional Conduct Framework Review to ensure the By-Laws and standards align with best practices. Further details can be found in CA ANZ's [media release](#).

### CA ANZ releases terms of reference in the next step of the Professional Conduct Framework Review

CA ANZ has released the terms of reference for its Professional Conduct Framework Review and is seeking feedback from the public and CA ANZ members. The submissions are open until 30 November 2022. CA ANZ has appointed Former Federal Court justice, the Hon. Dennis Cowdroy AO QC to conduct the independent assessment of the Review Findings and recommendations. The review is to ensure the professional conduct framework remains in line with global best practice. Further details can be found in the CA ANZ [media release](#).

### **APESB Presentations, Submissions and other activities**

#### Joint APESB and AUASB Webinar on proposed revisions relating to Public Interest Entities (PIEs)

APESB and AUASB co-hosted a webinar on 26 August 2022.

The webinar was co-hosted by Matthew Zappulla, AUASB's Technical Director and APESB's CEO Channa Wijesinghe, with presentations by Jacinta Hanrahan (APESB's Principal), and Johanna Foyster, AUASB's Senior Project Manager. The webinar covered the following:

- An outline of proposed key revisions to the Code for the definition of Listed Entity and PIES in APESB's relevant Exposure Draft ;
- Background to IAASB's project on Listed Entity and PIE; and
- An outline of the proposed key revisions to ISA 700 and the impact on the auditor's report is set out in the AUASB's current consultation paper.

Click [here](#) to watch the recording or [review the slides](#).

### *APESB Presentation to the Professional Standards Council*

APESB Chairman Nancy Milne OAM and APESB CEO presented to the Professional Standards Council on the 2<sup>nd</sup> of September 2022. Key matters addressed included APESB's role and mandate, recent global developments that impact ethics and independence, and current and recently completed APESB Standard development projects.

The PSC showed a keen interest in APESB's work and indicated that they are open to seeking ways to collaborate and keep abreast of APESB's work program.

Click [here](#) to review the slides.

### *APESB Submission to IESBA Strategy Survey*

APESB made a submission to IESBA on the IESBA Strategy Survey on 8<sup>th</sup> July 2022. The survey sought stakeholders' views on key environmental trends, developments or issues the IESBA should consider while developing the next Strategy and Work Plan 2024-2027.

The submission notes that ethics associated with sustainability reporting and assurance should be IESBA's key strategic focus for the current and future strategic periods.

APESB recommended that IESBA consider developing a new part of the Code that explicitly applied to ethical standards relating to sustainability assurance and focused on ESG information.

APESB is supportive of IESBA focusing on encouraging countries to adopt the Code in the next strategy period and recommended that IESBA develop application materials/resources to assist in implementing the Code tailored for different jurisdictions.

APESB noted recent ethical failures in large firms in a few G20 jurisdictions and encouraged IESBA to undertake thought leadership activities in collaboration with the IAASB on firm culture, leadership and quality management.

Click [here](#) to review APESB's Submission.

### *APESB Submission to AUASB Agenda Consultation*

On 28 July 2022, APESB made a submission to the AUASB on the AUASB's Agenda Consultation for the 2022-2023 period (Consultation Paper). APESB supports the proposed strategic priorities and projects outlined in the Consultation Paper.

The submission notes that, due to the rapid global development of Sustainability Reporting and Assurance, the Extended External Reporting (EER)/Sustainability Project should be a high priority for the AUASB.

APESB also encouraged the AUASB to consider issuing guidance on conducting an appropriate review to assess the independence of SMSF auditors who may rely on a referral source in the next review of GS 009 *Auditing Self-Managed Superannuation Funds*.

Click [here](#) to review APESB's Submission.

**Recommendation**

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

**Materials Presented**

Agenda Item 13 (a) Highlights of the IESBA June 2022 Board Meeting

**Authors:** Jacinta Hanrahan  
Rachael Tiong

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