

## AGENDA PAPER

**Item Number:** 3  
**Date of Meeting:** 7 December 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 following:

- 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 Meetings

The IESBA held a hybrid Board Meeting, with online or in-person attendance, in Nashville, Tennessee, USA, from 12 to 16 September 2022. The meeting included the following key agenda items:

- Sustainability;
- Tax Planning and Related Services;
- Technology Fact-Finding and Thought Leadership;
- Engagement Team Group Audits;
- The rollout of the Revised Public Interest Entity (PIE) Definition;
- Emerging Issues and Outreach Committee (EIOC) update;
- Technology Project; and
- Strategy and Work Plan 2024-2027.

At the meeting, the IESBA members discussed the scope, focus and timing of ethics and independence standards relating to sustainability reporting and assurance. In addition, the Board considered options in relation to how the International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) could be

updated for sustainability. The project plan is expected to be approved during the November-December 2022 board meeting.

The IESBA Board discussed the outcome of the due process for two Exposure Drafts (EDs), *Proposed Revisions to the Code Relating to Engagement Teams and Group Audits* and *Proposed Technology-related Revisions to the Code*. The IESBA will consider the approval of the final standards on these topics at their November-December 2022 meeting.

The IESBA Board received updates with respect to its current projects, summarised in the highlights of the IESBA September 2022 Board Meeting at Agenda 3 (a).

The IESBA also held a virtual meeting on the 1<sup>st</sup> of November 2022 to discuss its approach to developing ethics and independence standards for sustainability assurance and reporting. Please refer to Agenda Item 6 for further information.

#### Other IESBA updates

##### *IESBA staff issues an Alert highlighting key ethics and independence considerations for professional accountants in relation to the military conflict in Ukraine*

On 3 October 2022, the IESBA released Staff Alert, [The Ukraine Conflict: Key Ethics and Independence Considerations](#). The Staff Alert highlights the ethical implications arising from the various trade and financial sanctions imposed on Russia by other jurisdictions and the ethical responsibilities for PAIBs and PAPPs under the Code. It also highlights key ethics considerations for:

- PAIBs – preparation and presentation of information in relation to the accounting and disclosures of the impact of the Ukraine conflict on their organisation.
- PAPPs- client and engagement acceptance, and in the context of an audit of financial statements, key independence considerations relating to overdue fees and the Code’s prohibition against assuming management responsibility.

Further details can be found in the IESBA’s [media release](#).

##### *IESBA staff and JICPA issue joint guidance on Technology-related scenarios*

On 26 September 2022, the Japanese Institute of Certified Public Accountants (JICPA) and the staff of IESBA released a publication [Ethical Leadership in a Digital Era: Applying the IESBA Code to Selected Technology-Related Scenarios](#). This publication will assist professional accountants in business and public practice in navigating through ethical challenges and opportunities arising from technology. Further details can be found in the IESBA’s [media release](#).

##### *IESBA issues staff publication on combatting greenwashing*

IESBA released a Questions & Answers (Q&A) publication, [Ethics Considerations in Sustainability Reporting, Including Guidance to Address Concerns about Greenwashing](#), on 21 October 2022. This publication emphasises the integrity of the professional accountant to refrain from being associated with misleading or false information and assist the professional accountant in navigating through ethical challenges that may arise from sustainability reporting. 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 held its September Board meeting in person in New York, USA, from 12-16 September.

The Board discussed and approved the project proposal of developing an overarching standard of assurance on sustainability reporting that is implementable by all assurance practitioners. The Sustainability Assurance Taskforce plan to further develop the requirements and application materials which will be presented to the Board in December 2022.

Further details can be found in the [IAASB September 2022 highlights](#). The next IAASB meeting is scheduled for December 5-9, 2022.

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

#### **Jean-Paul Servais appointed Chair of the IOSCO Board**

On 19 October 2022, IOSCO announced the appointment of Jean-Paul Servais as the new Chair of the IOSCO Board for the term 2022-2024. Mr Servais is the Chairman of Belgium's Financial Services and Markets Authority (FSMA), Chair of the European Regional Committee and had also been the Vice Chair of the IOSCO Board. Mr Servais will replace Mr. Ashley Alder.

The new board appointed Mr Ariizumi Shigeru (Vice Commissioner of International Affairs, Financial Services Agency Japan) and Mr Rostin Behnam (Chair of the U.S Commodity Futures Trading Commission) as the Vice Chair for the term 2022-2024. Further details can be found on the [IOSCO website](#).

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

#### **The PIOB successfully completes its first nomination cycle**

As part of the final step of the newly established nomination process for the standard-setting board's nominations committee (SSB NomCo), the PIOB approved the appointment and reappointments of the IESBA and IAASB, effective 1 January 2023 during the 6 October 2022 meeting.

The establishment of the SSB NomCo is to implement one of the Monitoring Group (MG) recommendations to move this process into the PIOB. Further details of the new and re-appointed IESBA and IAASB members can be found in the PIOB [media release](#).

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

### **IFAC releases additional support for small firms on the IAASB's Quality Management Standards**

On 31 October 2022, the International Federation of Accountants (IFAC) released the [first installment in a three-part publication series](#) to assist SMPs with implementing the IAASB's quality management standards (issued in December 2020).

The publication includes practical guidance for implementing the IAASB's standards, such as developing a project implementation plan, risk assessment process and assigning roles and responsibilities. Installment two focuses on developing a detailed implementation plan, and Instalment three focuses on monitoring and remediation. Further details can be found in IFAC's [media release](#).

### **IFAC Names Asmâa Resmouki as President of IFAC**

On 16 November 2022, IFAC announced Asmâa Resmouki as its President for a two-year term till November 2024. Mrs Remouki joined IFAC in November 2017, and since November 2020, she has been the IFAC Deputy President. She is the first IFAC President from the Africa-Middle East region and the third female President.

IFAC also announced Jean Bouqout as Deputy president and new and re-appointed board members. Mr Bouqout joined IFAC in November 2020, and he currently serves as a Board Member of the Fédération Internationale des Experts Comptables et Commissaires aux Comptes Francophones (FIDEF).

IFAC is continuing to maintain a female-majority Board for the fourth consecutive year and prioritising diversity in professional, gender and geographic representation on its board and advisory group. Full details on the new and reappointment board members can be found in the [IFAC's media release](#).

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

### **Deloitte's Chinese Affiliate to pay \$20 million penalty for non-compliance with auditing and ethical standards**

On 29 September 2022, the US SEC charged Deloitte Touche Tohmatsu Certified Public Accountants LLP (Deloitte China) for failing to comply with the fundamental U.S auditing requirements in its component audit of U.S issuers and its audits of foreign companies listed on the U.S exchange in a large number of audits. The failures related to a lack of compliance with PCAOB auditing standards regarding due professional care of audit evidence, sampling, documentation, internal controls over financial reporting, audit supervision and quality control.

Deloitte China has agreed to pay a \$20 million penalty and undertake extensive remedial measures. The order also requires all audit professionals who participate in the engagement of U.S public company audits in Deloitte-China to undertake training over the next three years.

The SEC has noted in numerous audits that Deloitte China personnel had asked the client to select their own sample and prepare audit documentation to show that Deloitte China had performed the audit work where, in fact, no actual testing was performed. The misconduct

involved junior and senior audit team members with a lack of supervision by the audit partners. Further details can be found in the SEC's [media release](#)

#### *SEC charges former PwC Audit Partner with improper professional conduct*

On 21 October 2022, the SEC announced Mattel Inc. has agreed to pay \$3.5 million to settle charges relating to \$109 million misstatement for the third and fourth quarter 2017 financial statements. In addition, the SEC is initiating litigation against Joshua Abrahams, a former PwC audit partner, for improper professional conduct and violating auditor independence rules.

Mr Abrahams allegedly knew about the \$109 million error and failed to verify and communicate the error to Mattel's audit committee. He also failed to maintain independence as he provided human resource advice, which is prohibited under Independence Standards. Further details can be found in SEC's [media release](#).

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

##### *ASIC reviews root cause analysis at the six largest audit firms*

On 19 October 2022, ASIC released a report on a review of root cause analysis on negative audit quality findings conducted by the largest six audit firms. The report also includes better practice recommendations to consider when planning the implementation of ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements*.

The report confirms that the firms have root cause analysis programs that are fit for purpose with continual improvement required. The top root cause of negative audit quality was skill deficiency in auditors, application of professional scepticism and auditor mindset. Further details can be found in the ASIC [media release](#).

##### *ASIC acts against greenwashing by energy company*

ASIC has acted against a listed energy company Tlou Energy Limited (Tlou), for greenwashing. Tlou paid \$53,290 for four infringement notices issued by ASIC for alleged false or misleading sustainability-related statements made to the Australian Securities Exchange (ASX) in October 2021.

ASIC is actively monitoring the market for potential greenwashing and is investigating several listed entities, super funds and managed funds concerning their green credentials' claims. Further details can be found in ASIC's [media release](#).

##### *ASIC reports on audit inspection findings for 12 months to 30 June 2022*

On 28 October 2022, ASIC reported on their audit inspection findings for the 12-month period ending 30 June 2022. Forty-five audit files were inspected, including one large unlisted entity for each of the largest six firms. The report indicated a decline in audit quality across the big six audit firms, with an increase of nine percent in negative findings compared to last year.

The inspection showed an overall increase in negative findings due to the auditor not having a sufficient basis to support their opinion on the financial report. The increased negative

findings may be due to the inclusion of large unlisted clients in the sample and ASIC's focus on a small number of high-risk audits. ASIC did note two case studies of good practice for the audit of revenue and the audit of asset values and impairment of non-financial assets. Historically these areas have large numbers of negative findings.

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

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

#### ***FRC Appoints Board Members to AASB***

On 10 November, AASB announced the appointment of three new members to the AASB who will provide expertise in financial and sustainability reporting. The appointments are on a part-time basis commencing from 1 January 2023 for 3 years.

2023 AASB appointment:

- Adrian King, Partner in Charge, Climate Change & Sustainability Service, KPMG
- Liza Maimone, Managing Partner- Chief Operating Officer and ESG Executive, PWC
- Mathew Nelson, Global Climate Change and Sustainability Services Leader, EY

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

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

#### ***AUASB Board Chair Response to ASIC Reports***

The Chair of AUASB, Mr Bill Edge, welcomes the ASIC Audit Inspection report from 1 July 2021 to 30 June 2022 and the *Root cause analysis: Audit firm thematic review*. Mr Edge expressed confidence about the robustness of AUASB's standards. However, he acknowledged the ASIC Audit Inspection findings are due to differing views on professional judgement made by the auditor in the application of the standards, obtaining audit evidence and acceptable level of documentation.

The root cause analysis report supported how audit practitioners can use this technique to identify and address the root cause of any reviews and findings. AUASB will continue to engage with ASIC, auditors and other stakeholders to enhance audit quality. Further details on the consultation paper are available in the AUASB [media release](#).

#### ***FRC Appoints Board Members to AUASB***

On 10 November, FRC appointed two members to the AUASB on a part-time basis commencing 1 January 2023 for 3 years.

2023 AUASB appointments:

- Chi Mun Woo, Partner in Climate Change and Sustainability, Deloitte
- Terrence Jeyaretnam, APAC Leader & Partner, Climate Change and Sustainability Services, EY

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

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

### ***SMSF compliance- What's on the regulator's radar?***

The ATO released the Self-Managed Super Funds Risk and Strategy speech delivered by Justin Micale, Assistant Commissioner, at the CA ANZ National SMSF & Financial Advice Conference on 20 October 2022. The speech highlighted the risks in the SMSF sector, areas of concern and how ATO addresses it.

In the speech, Mr Micale noted that the SMSF auditor independence in the Code of Ethics have enhanced the reporting around contraventions and compliance concerns. The data also shows that the SMSF annual audit is in the process of being independent and adequate. With the change of independence standards, 31% of funds engaged the services of a new auditor.

The ATO have been working with ASIC and found 18 auditors involved in reciprocal audit arrangements where they audited each other's personal SMSFs and contravened the independence requirements. For further details of other risks identified, refer to the ATO's [media release](#).

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

### ***CA ANZ's Global Ethics Day and CPA Australian Webinar***

APESB Board member Rachel Grimes was part of the panel for the CA ANZ's Global Ethics day on 19 October 2022. Rachel presented on the topic of ethics, which emphasises the responsibility of the members to behave professionally and ethically, and how individual members can promote ethical behaviour and culture in a workplace.

CPA Australia held a webinar on 11 October 2022 on Ethics and sustainability reporting and assurance. The presentation highlighted the vital role sustainability-related reporting standards will have in improving information for ethical investors and the ethical-investment market. It also touches on what sustainability-related reporting standards mean as it relates to the Australian economy and what needs to be done in Australia to embrace sustainability-reporting standards.

### ***IESBA Global panels on revisions to the definitions of Listed Entity and Public Interest Entity***

In October, APESB CEO and IESBA Board Member, Mr Channa Wijesinghe, took part in two online global webinars relating to adopting and implementing the new PIE provisions released by IESBA in April 2022. The webinars were jointly hosted by the International Federation of Accountants (IFAC), the IESBA, the ASEAN Federation of Accountants (AFA) and the Pan African Federation of Accountants (PAFA).

The webinars were to assist and inform National Standard setters, professional accountancy organisations and regulators about adopting and implementing the new PIE provisions.



*APESB releases short clip-on APES 320 Quality Management for Firms that provide Non-Assurance Services*

On 4 November 2022, APESB released a short clip of APESB's CEO, Mr Channa Wijesinghe outlining the background to the development of APES 320 and its philosophy. APESB will further release clips on the key revisions in APES 320 and implementation considerations.

*Online Event- Trans-Tasman Sharing Knowledge: All you need to know about the new quality management standard for non-assurance services- APES 320*

On 17 November 2022, Channa Wijesinghe, CEO of the APESB and Jon Reid, Senior Technical Manager of the APESB, participated in an online CA ANZ webinar moderated by Josephine Haste of CA ANZ.

Further details can be found on the CA ANZ [website](#). 453 CA ANZ members registered to attend the webinar and 267 members attended. The webinar recording will be available on the CA ANZ website in due course.

**Recommendation**

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

**Materials Presented**

Agenda Item 3 (a) Highlights of the IESBA September 2022 Board Meeting

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