

AGENDA PAPER

Item Number: 5
Date of Meeting: 24 August 2023
Subject: International and other activities

Action required For discussion For noting For information

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 an in-person Board Meeting in New York, United States of America (USA), from 12 to 16 June 2023. The meeting included the following key agenda items:

- Sustainability;
- Use of Experts;
- Tax Planning and Related Services;
- The rollout of the revised Public Interest Entity (PIE) definition;
- IAASB - IESBA Coordination; and
- Technology Working Group.

At the meeting, the IESBA considered the feedback from the four global roundtables held in late March/early April 2023 on sustainability and the use of experts.

Details of the IESBA's discussions on the sustainability project are set out in Agenda Item 7.

In relation to the project on the use of experts, the IESBA discussed key proposed definitions for "expert," "expertise," and "external expert" and how they interact with the definitions of the engagement team and audit team. The Board also considered the approach to external experts' objectivity or independence in an audit or assurance context and considerations

regarding evaluating the competence, capabilities and objectivity of experts. The IESBA will consider the first draft of the proposed provisions at the September 2023 meeting.

The IESBA considered and discussed some high-level comments received on its Exposure Draft, *Proposed Revisions to the Code Addressing Tax Planning and Related Services*. Refer to Agenda Item 6 for an update on the IESBA's Tax Planning Project. A full review of the respondents' comments and revisions to the proposed provisions will be considered at the September 2023 meeting.

The IESBA June 2023 Board Meeting highlights are at Agenda 5(a).

The next quarterly IESBA Board meeting will be held in New York, USA, on 18-22 September 2023.

Other IESBA updates

IESBA welcomes new board member

On 1 June 2023, the IESBA welcomed Mr Héctor Lehuedé as a new board member following his appointment by the Public Interest Oversight Board (PIOB) for a three-year term. Mr Lehuedé is an independent consultant and a lawyer with extensive experience in ethics, compliance, corporate governance and sustainability. He served for eight years at the Organisation for Economic Co-operation and Development (OECD's) Corporate Affairs and Corporate Finance Division in Paris. He currently holds positions as an independent non-executive director and affiliate professor at Pontificia Universidad Católica's Corporate Governance Centre. Further details are available in the IESBA's [media release](#).

IESBA congratulates Italy on the adoption of a new Code of Ethics and Independence

On 27 June 2023, the IESBA congratulated the Italian Ministry of Economy and Finance on launching a new Code of Ethics and Independence for Auditors in Italy based on the IESBA's International Code of Ethics for Professional Accountants. The new Italian Code of Ethics (Codice italiano di etica e indipendenza dei revisori legali dei conti) has been adapted and localised to align with the Italian and European regulatory frameworks, replacing the country's previous Code of Ethics which was adopted in 2018. Further details are available in the IESBA's [media release](#).

IESBA emphasises the critical importance of ethical behaviour for all professional accountants

In July 2023, the IESBA issued a statement about the fact that stakeholders and the public have raised concerns regarding recent events in various major jurisdictions about the integrity of the conduct of professional accountants, and breaches of confidentiality, which have resulted in government inquiries, regulatory penalties and a loss of public trust in the accountancy profession.

The Code emphasises the importance of leadership in fostering an ethical culture within organisations. The fundamental principles are the foundation of ethical behaviour and underpin the integrity and credibility of financial and non-financial information, ultimately serving to protect the public interest. An organisation that integrates an ethical approach strengthens public trust and safeguards the well-being and sustainability of organisations. Further details are available in the IESBA's [media release](#).

APESB & IESBA Staff jointly issue guidance illustrating the application of the IESBA Code to Technology-related Services provided by auditors

On 13 July 2023, the APESB and the IESBA jointly released practical guidance [Applying the Code's Conceptual Framework to Independence: Practical Guidance for Auditors in Technology-related Scenarios](#) to assist professional accountants in navigating the ethical challenges and opportunities created by technological advancements. The publication describes important technology-related provisions of the IESBA Code. It offers three practical examples of technology-related non-assurance services to demonstrate how to apply the independence requirements in the Code.

The Technical Staff of APESB and IESBA jointly developed the non-authoritative publication with input from the IESBA Technology Task Force as part of the IESBA's phase 2 Technology Working Group activities. Further details are available in the IESBA's [media release](#).

Public Hearing – Tackling the role of enablers involved in facilitating tax evasion and aggressive tax planning in the European Union (Safe)

In response to the Paradise Papers and the Pandora Papers, the European Commission has announced a proposal to prevent enablers from creating complex tax structures in non-EU countries for tax evasion and aggressive tax planning purposes.

IESBA Chair Gabriela Figueiredo Dias spoke at a public hearing organised by the European Parliament's subcommittee on Tax Matters (FISC) on 17 July 2023 in Brussels, Belgium. The public hearing will contribute to the European Parliament's opinion on the new proposed legislation. Further details are available in the IESBA's [media release](#).

IESBA publishes Interactive 2022 Annual Report

On 31 July 2023, IESBA released its digital interactive [2022 Annual Report, Reinforcing Ethics and the Public Interest in a Rapidly Evolving World](#). The annual report highlights projects aimed at strengthening the IESBA's International Code of Ethics for Professional Accountants, addressing the ethical implications of technological advances and developing ethics and independence standards for sustainability reporting and assurance.

The updates on the Board's current projects on Sustainability, Tax Planning and Experts, as well as recently completed projects such as Engagement Team/Group Audits and Technology, are provided. The report also includes information on stakeholder outreach and the IESBA Board's efforts to promote global adoption and effective implementation of the Code.

International and Other Developments

International Audit and Assurance Board (IAASB)

IAASB Quarterly Meeting

The IAASB held its June Board meeting in person in New York, USA, from 20-23, 28 June 2023.

At the meeting, the Board considered and discussed the appropriateness of disclosing the IESBA's transparency requirements for independence for specific entities when performing an audit of financial statements in the auditor's report.

Additionally, a new general requirement to address transparency with TCWG about the application of independence requirements for specific entities was considered. Further details are available in the relevant [IAASB agenda paper](#).

The Board approved the final pronouncement *Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirement for PIEs*. The pronouncement will be issued after the PIOB has approved it.

International Federation of Accountants (IFAC)

IFAC releases the second instalment in the implementation support series for small firms on the IAASB's Quality Management Standards

On 5 July 2023, IFAC released the second instalment of a three-part publication series to assist small-and-medium-sized practices with implementing the IAASB's quality management standards. Instalment Two: [Developing a Detailed Implementation Plan](#) offers a step approach to identifying your quality objectives, completing quality risk assessment processes, identifying existing or creating new responses to those quality risks, and implementing, documenting and communicating your system of quality management.

It covers the components 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*, includes an example case study to illustrate the transition from ISQC 1, and contains multiple documentation example materials.

Instalment three will be released later this year, covering monitoring and remediation. IFAC's resources for quality management implementation are available [here](#). Further details are available in the IFAC [media release](#).

Public Interest Oversight Board (PIOB)

PIOB Standard-Setting Boards Nominations Committee issues invitation for applicants for membership of the new Stakeholder Advisory Council

The PIOB Standard-Setting Boards Nominations Committee (SSB NomCo) invites applications for membership in the Stakeholder Advisory Council (SAC). The committee will select candidates and recommend their appointment for PIOB approval in December 2023.

Membership applications are encouraged to submit through the [Application Portal](#) by 30 September 2023. Full details of the application and the SAC's role are available [here](#). More information can be found in the PIOB's [media release](#).

International Organisation of Securities Commissions (IOSCO)

Monitoring Board completes revisions to its Charter and Memorandum of Understanding with the IFRS Foundation and sets out its 2023-2024 Work Plan

The revised [Charter](#) and [Memorandum of Understanding \(MoU\)](#) with the Trustees of the IFRS Foundation has been approved and published. Since the establishment of the ISSB in November 2021, the Monitoring Board (MB) agreed to revise the Charter and MoU to

incorporate the MB's new scope of operations, which involves monitoring the development of sustainability reporting standards by the ISSB.

The MB has approved and published its [Work Plan for the period of 2023-2024](#), which guides its activities and promotes transparency in its operations. The work plan focuses on reviewing the Trustees' oversight of the IASB's and ISSB's standard-setting processes, monitoring and conferring with the Trustees on their responsibilities and the MB's organisation and governance activities. Further details on the Charter, MoU and the 2023-2024 Work Plan can be found in IOSCO's [media release](#).

Financial Reporting Council (FRC UK)

Professional Bodies Supervision

On 1 June 2023, the FRC UK announced the Professional Oversight Team has been restructured and will now be called the Professional Bodies Supervisions team moving forward. The change reflects the FRC Board's agreement on a new strategy to strengthen the supervision of Professional Bodies, building on the existing successful FRC supervision model for audit firms. Further information can be found in the FRC UK [media release](#).

International Forum of Independent Audit Regulators (IFIAR)

IFIAR comments on the IESBA Proposed Strategy and Work Plan for 2024-2027

On 26 July 2023, the IFIAR published its [submission](#) on the IESBA Proposed Strategy and Work Plan for 2024-2027. In its submission, the IFIAR expressed its support for the IESBA's Strategy and Work Plan for 2024-2027 and emphasised that the development of ethics and independence standards for sustainability should not hinder the progress of ethics and independence standards for other accountants' projects. In particular, recent high-profile ethical breaches at firms emphasise the importance of the IESBA's work.

The IFIAR encouraged the IESBA to collaborate closely with regulators and oversight bodies and to consider enforcement challenges when drafting standards to increase the acceptance of the Code. The Code should be clear and enforceable to ensure consistent application and promote ethical behaviour. Further details can be found in the IFIAR [media release](#).

Australian Financial Reporting Council

On 3 July 2023, the FRC announced the appointments of Pru Bennett and Rachel Grimes AM (current APESB member) as part-time members of the FRC. They will both serve a three-year term from 9 June 2023. Further details on the appointed members can be found in the FRC [media release](#).

Australian Securities & Investments Commission (ASIC)

ASIC Restructure – effective July 2023

In May 2023, it was announced in the media that ASIC would undergo a restructure to its operations. This restructure became effective in July 2023 with ASIC's financial reporting and

audit team collapsed into a newly created companies and small business team led by Claire LaBouchardiere. ASIC also abolished the chief accountant's role.

ASIC cancels registrations of a further 29 SMSF auditors

As part of ASIC's compliance program, ASIC has cancelled the registration of 29 auditors of self-managed superannuation funds (SMSFs) who failed to lodge their annual statements, adding the previous cancellation of 374 SMSF auditors in January 2023. ASIC emphasised the importance of auditors' compliance with regulatory obligations. Further information can be found in ASIC's [media release](#).

Former CFO of Big Un Limited charged with insider trading

Mr Andrew Scott Corner, former CFO of Big Un Limited, has appeared in court for insider trading charges related to the sale of \$1.7 million Big Un Limited shares. ASIC alleged that Mr Corner used inside information in 2017 relating to a funding arrangement, leading to the company's suspension, voluntary administration and liquidation. The case was set for mention at the Downing Centre Local Court, Sydney, on 25 July 2023. Further information can be found in ASIC's [media release](#).

ASIC continues to act against SMSF auditors

Over the period of 1 April 2023 to 30 June 2023, ASIC acted against eight self-managed superannuation fund (SMSF) auditors for breaches of their obligations. This included breaches of auditing and assurance standards, independence requirements, registration conditions, or because ASIC determined that the individual was not a fit and proper person to remain registered. This action is in addition to the 413 SMSF auditors that were cancelled as part of ASIC's recent compliance program. The Australian Tax Office (ATO) referred seven SMSF auditors to ASIC. Further information can be found in ASIC's [media release](#).

APRA and ASIC commence early consultation on FAR

The Australian Prudential Regulation Authority (APRA) and ASIC have released key material for consultation regarding the implementation of the Financial Accountability Regime (AR) in the financial service industry. The FAR will replace the Banking Executive Accountability Regime (BEAR) and impose a strengthened responsibility and accountability framework for APRA-regulated banking, insurance and superannuation entities to improve risk and governance cultures.

APRA and ASIC are seeking industry feedback on the proposed Regulator rules, including authorised deposit-taking institutions (ADI) key functions and Transitional rules. The closing date for submissions was 17 August 2023. The consultation documents are available at APRA's website: [Financial Accountability Regime-Proposed Regulator rules and Traditional rules](#). Further information can be found in ASIC's [media release](#).

Auditing and Assurance Standards Board (AUASB)

Appointment of Acting Chairman to the AUASB

Mr Doug Niven, the former Chief Accountant of ASIC, has been appointed Acting Chairman of the AUASB, effective from the 31st of July 2023.

Tax Practitioners Board (TPB)

Outsourcing and offshoring

On 18 July 2023, the TPB released Webinar recordings that outline factors to consider when outsourcing and offshoring. Webinar presentation slides and recordings can be found in the TPB's [media release](#).

PwC breach update

In response to orders from Tax Practitioners Board, PwC has produced a [compliance report](#) dated 14 July 2023. The report details the improvements made in compliance and conflict of interest management as required by the TPB's Order issued on 25 November 2022. PwC will continue to report its progress to the TPB every six months until 31 December 2024.

TPB Chair, Peter de Cure AM, commended PwC's proactive transparency and acknowledged the enhancements, including additional training and improved management of confidential consultations with the government. Further information can be found in TPB's [media release](#).

New Board Director Appointed to CA ANZ Board

On 18 July 2023, CA ANZ announced the appointment of Peeyush Gupta AM FAICD to its board of directors, effective on 1 July 2023. Mr Gupta has extensive corporate governance experience and has worked as a director on various corporate, not-for-profit, trustee and responsible entity boards. Further information can be found in CA ANZ's [media release](#).

CA ANZ Statement on EY Oceania's independent Review of its workplace culture

In July 2023, CA ANZ released a [media release](#) on the independent review of workplace culture at EY Oceania. CA ANZ will review the report and continue its commitment to supporting members through its DEI Strategy, aiming to foster a safe and respectful profession where all members can thrive and belong.

Ainslie van Onselen appointed Chair of Chartered Accountants Worldwide

On 1 August 2023, Chartered Accountants Worldwide (CAW) announced the appointment of Ainslie van Onselen, CEO of CA ANZ, as their next Chair. This appointment is effective from 14 November 2023 for a two-year term. Further information can be found in CA ANZ's [media release](#).

APESB Presentations, Submissions, and other activities

APESB presentation at CPA Australia's Ten Questions of APESB

On 28 June, APESB CEO Mr Channa Wijesinghe presented at a CPA Australia event: Ten Questions of APESB. The presentation covered various topics, including recent ethical failures, sustainability developments, and AI's impact on ethics standards. Additionally, the presentation provided an update on amending standards to the Code on Non-Assurance Services, Public Interest Entities and Technology, and other APESB pronouncements. The slides from the presentation are available on [APESB's website](#).

APESB submission to IESBA's Strategy and Work Plan, 2024-2027

In July 2023, APESB made a [submission](#) to the IESBA's Proposed Strategy and Work Plan, 2024-2027 (SWP). APESB supports the IESBA's SWP, particularly its focus on ethics standards for sustainability reporting and assurance. However, APESB emphasised the need to address firm leadership and cultural issues due to the recent ethical failures in large accounting firms, such as PwC Australia, KPMG Australia and EY USA.

APESB recommended that the IESBA considers undertaking a project to evaluate the validity and effectiveness of the IESBA Code on matters such as firm leadership and culture. Other key recommendations included:

- undertake a critical analysis of the drivers for delays in countries adopting amendments;
- development of application materials and resources to assist jurisdictions in implementing the Code at a faster pace;
- consider developing resources that help professional accountants in business to understand their professional and ethical responsibilities;
- promote adoption of the IESBA eCode by facilitating its adoption by different jurisdictions;
- increase awareness of the Code requirements for non-assurance services and assess the effectiveness of monitoring and enforcement of ethical requirements; and
- consider a pre-determined pathway of releasing amending standards to allow more time for stakeholders to adopt and implement new amending standards.

APESB's other recent submissions

Since the last Board meeting, APESB has also made the following two submissions, which are considered in more detail in other agenda items for this Board meeting:

- [Submission to the NSW Government](#) on their inquiry into its use and management of consulting services (refer to Agenda Paper 11).
- [Submission to Treasury](#) on its second consultation paper on climate-related financial disclosure (refer to Agenda Paper 7).

Recommendation

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

Materials Presented

Agenda Item 5 (a) Highlights of the IESBA June 2023 Board Meeting

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