

AGENDA PAPER

Item Number: 18
Date of Meeting: 14 October 2014
Subject: International and other activities

Action Required For Discussion For Information Only

Purpose:

To provide a quarterly update to the Board on:

- IESBA Update;
- International developments; and
- APESB submissions, presentations and other activities.

IESBA Update

IESBA Board Meeting

The IESBA will hold their next quarterly Board meeting on 13 – 15 October 2014 in New York, USA.

The following key agenda items will be considered:

- Structure of the Code (Approval of the Consultation Paper);
- Approval of the ED on the review of Part C of the Code;
- Update on the Responding to *Non-Compliance with Laws and Regulations* (NOCLAR) project;
- Status update to review the provision of non-assurance services to an Audit Client in Section 290 and 291 of the Code; and
- Project proposal to review the safeguards in the Code.

IESBA Chair appointment

On 29 September 2014, Dr. Stavros B. Thomadakis was appointed as chair of the International Ethics Standards Board for Accountants (IESBA), beginning 1 January 2015 for a three-year term. Dr. Thomadakis's appointment has been approved by the Public Interest Oversight Board (PIOB).

Dr. Thomadakis's professional career includes a 40-year tenure as professor of financial economics at the University of Athens, the City University of New York, and Massachusetts Institute of Technology, as well as a number of regulatory and oversight roles. He brings familiarity with the IESBA in an oversight capacity, having served as the first chair of the PIOB from 2005 to 2011. He is a current member of the Securities Markets Stakeholders Group of the European Securities Market Authority. Additionally, he has chaired both the Capital Market Commission of Greece and the European Regional Committee of the International Organisation of Securities Commissions, and he is currently chair of the Board of the University of the Aegean.

IESBA Strategy and Work Plan 2014 – 2018

On 29 September 2014, the IESBA released its *Strategy and Work Plan, 2014-2018* (refer to Agenda Item 18 (a)). The publication highlights the IESBA's priorities and planned actions toward achieving the objective of setting high-quality ethics standards for professional accountants that are widely adopted around the world.

The Strategy and Work Plan lays out four inter-connected strategic themes that articulate the board's vision over the medium to long term:

- maintaining a high quality *Code of Ethics for Professional Accountants* (the Code) for application by professional accountants globally;
- promoting and facilitating the adoption and effective implementation of the Code;
- evolving the Code for continued relevance in a changing global environment; and
- increasing engagement and cooperation with key stakeholders.

A project of interest is the proposed restructure of the Code where IESBA is contemplating to following a drafting approach which is similar to APESB. However, this project is still in the early stages of development.

Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client

On 14 August 2014, the IESBA released for public comment the Exposure Draft (ED), *Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client*.

The proposals in the ED respond to stakeholders concerns about the appearance of independence and the need to ensure that the threats created by the long association of audit firm personnel with an audit client are appropriately addressed on all audit engagements.

The proposals aim to strengthen the independence provisions in the IESBA *Code of Ethics for Professional Accountants*. Among the proposed changes are:

- Strengthened general provisions applicable to all audit engagements regarding the threats created by long association;
- With respect to partner rotation, an increase in the mandatory "cooling-off" period, from two to five years, for the engagement partner on the audit of a Public Interest Entity (PIEs);

- Strengthened restrictions on the type of activities that can be undertaken with respect to the audit client and audit engagement by any former key audit partner during the cooling-off period; and
- A requirement to obtain the concurrence of those charged with governance regarding the application of certain exceptions to the rotation requirements.

APESB will hold two roundtable events on 14 October 2014 and 21 October 2014 to gauge views from local stakeholders prior to preparing a response to the ED. Comments are due on 12 November 2014.

The ED is available via the following link:

<http://www.ifac.org/sites/default/files/publications/files/IESBA-Long-Association-Exposure-Draft.pdf>.

International Developments

Financial Reporting Council (FRC) updates UK Corporate Governance Code

On 17 September 2014, the FRC issued an updated version of the UK Corporate Governance Code. This significantly enhances the quality of information investors receive about the long-term health and strategy of listed companies and raises the bar for risk management.

The FRC has confirmed proposals for boards to include a 'viability statement' in the strategic report to investors. This will provide an improved and broader assessment of long-term solvency and liquidity. It is expected that this statement will look forward significantly longer than 12 months.

The revised UK Corporate Governance Code has also been changed in relation to remuneration. Boards of listed companies will now need to ensure that executive remuneration is designed to promote the long-term success of the company and demonstrate how this is being achieved to shareholders.

The revised Code will apply to accounting periods beginning on or after 1 October 2014. It is available via the following link: <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>.

IFAC

International Good Practice Guidance, Developing and Reporting Supplementary Financial Measures

On 22 September 2014, the IFAC Professional Accountants in Business (PAIB) Committee released International Good Practice Guidance, *Developing and Reporting Supplementary Financial Measures*. The guidance provides recommendations for the use of supplementary financial measures as part of high-quality financial reporting in organisations.

Since supplementary financial measures fall outside the remit of Generally Accepted Accounting Principles (GAAP), they may lack transparency, comparability, and consistency which are essential qualities for investors and other stakeholders wanting to assess financial performance. To address this challenge, the guidance establishes a set of principles that allows professional accountants to develop and report useful measures in accordance with the qualitative characteristics of financial information.

The guidance is available via the following link:
<http://secure.viewer.zmags.com/publication/e8cdb6ee#/e8cdb6ee/1>.

The Role of Professional Accountants in the Proper Functioning of Taxation Systems

On 30 September 2014, IFAC released an article addressing the role of Professional Accountants in the proper functioning of taxation systems. There has been much recent international debate in many sectors of the economy and among politicians about the role of taxation in society, the extent to which tax planning is appropriate, and taxpayer behaviour. Professional Accountants play a crucial role as intermediaries in ensuring tax systems function properly. Refer to Agenda Item 18 (b) for this article.

APESB submissions, presentations and other activities

PJC Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry

On 14 July 2014, the Parliamentary Joint Committee (PJC) on Corporations and Financial Services accepted a recommendation of the Senate Economics Committee to undertake an inquiry into various proposals to lift the professional, ethical and education standards in the financial services industry.

APESB has prepared a response to the PJC inquiry (refer to Agenda Item 18 (c)).

APESB Presentations

Saras Shanmugam will deliver a presentation on APESB Standards to the SHICPA China delegation on 8 October 2014.

Material Presented

Agenda Item 18 (a)	IESBA Strategy and Work Plan, 2014-2018;
Agenda Item 18 (b)	IFAC article on the role of Professional Accountants in the proper functioning of taxation systems; and
Agenda Item 18 (c)	APESB submission to <i>Parliamentary Joint Committee on Corporations and Financial Services</i> .

Recommendation:

That the report on international and other activities be noted.

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