APESB
Accounting Professional & Ethical Standards Board

AGENDA PAPER

Item Number:	6
Date of Meeting:	29 November 2016
Subject:	International and other activities

☐ **Action required** ☐ **For discussion** ☐ **For noting** ☒ **For information**

Purpose:

To provide a quarterly update to the Board on:

- IESBA Board Meetings and APESB's international engagements;
- International developments of interest; and
- APESB submissions, presentations and other activities.

IESBA

IESBA Board Meeting

The IESBA held a Board meeting on 26 - 30 September 2016 in New York, USA. The Board considered the following key agenda items:

- Structure of the Code;
- Safeguards;
- Part C of the Code;
- Long Association;
- Non-Compliance with Laws and Regulations (NOCLAR);
- Professional Skepticism;
- An update from the Emerging Issues and Outreach Committee (EIOC); and
- Fees.

The IESBA Board discussed progress across all projects, with an exposure draft/(s) to be released in December 2016 for Structure (phase 2), Safeguards (phase 2) and Part C. The NOCLAR provisions are also expected to be included in the exposure draft using the new structure and drafting conventions.

Long Association

The final revised provisions, apart from transitional provisions, was approved for close off at the September meeting. The provisions now emphasise that the engagement period for a key audit partner is determined on a cumulative basis, not on consecutive years. This means that an engagement partner can be associated with an audit engagement for 7 cumulative years before requiring a consecutive 5 year cooling off period. For other key audit partners the cooling off period is two consecutive years.

The distinction between listed and non listed Public Interest Entities (PIEs) has been removed, which simplifies how the cooling off periods interact with any jurisdictional provisions that are to be applied.

The final provisions of the Long Association pronouncement will be made publically available in December 2016. The provisions have been drafted to fit into the extant International Code. However, the IESBA have indicated that the Long Associations provisions will not become effective until they have been redrafted under the new structure and drafting conventions of the International Code. It is expected that the IESBA will therefore make these provisions effective around December 2018.

A Teleconference to discuss the transitional provisions for the Long Associations project was scheduled for late October 2016. However this meeting has been postponed to November 16, 2016.

APESB is considering Long Association as part of Agenda item 1 Proposed ED: APES 110 *Code of Ethics for Professional Accountants*.

The IESBA September 2016 *IESBA Meeting Summary* is available at Agenda 6(a).

The next IESBA meeting is scheduled for 12 – 15 December 2016 in New York, USA.

International Developments

International Auditing and Assurance Standards Board (IAASB)

IAASB Standard amended for NOCLAR

In October 2016, the IAASB released a revised International Standard on Auditing 250 *Consideration of Laws and Regulations in an Audit of Financial Statements* (ISA 250). The revisions were to clarify and emphasize key aspects of the IESBA Code in the IAASB standards. A number of other ISAs have also been updated to clarify the references to laws and regulations.

Further information is available at the following link or on the IFAC website www.ifac.org.

APESB is considering NOCLAR as part of Agenda item 1 Proposed ED: APES 110 *Code of Ethics for Professional Accountants*.

International Federation of Accountants (IFAC)

IFAC announces Chair appointments for IFAC Committees

IFAC has announced the following Chair appointments to three IFAC Committees:

- Small and Medium Practices (SMP) Committee – Ms Monica Foerster (from Brazil).
- Professional Accountancy Organisation (PAO) Development Committee – Mr Arjuna Herath (from Sri Lanka).
- Professional Accountants in Business (PAIB) Committee – Mr Charles Tilley (from the UK).

The appointments are for three-year terms beginning January 1, 2017.

Further information is available at the following link or on the IFAC website www.ifac.org.

IFAC calls for Board nominees for 2018

IFAC has released details regarding the member nomination process to cover vacancies in 2018 on the International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB), International Ethics Standards Board for Accountants (IESBA), and International Public Sector Accounting Standards Board (IPSASB).

Further information is available at the following link or on the IFAC website www.ifac.org.

Building global accounting profession capacity through effective PAO to PAO partnerships

In August 2016, IFAC released guidance on building and strengthening partnerships between professional accounting organisations (PAOs). The aim of the guidance document is to expand the reach, influence and cooperation of PAOs.

The guidance document is available on the IFAC website www.ifac.org.

IFAC Study highlights profession's role in serving SMEs

In September 2016, IFAC released a report that concludes that accountants remain the most trusted advisor to small- and medium- sized entities (SMEs). The report considers the key drivers of the advisor-client relationship, including demand for – and supply of – SMP business advisory services.

Other insights revealed in the report include:

- A number of factors influence SMEs' demand for advice, including both external factors, such as competition and regulation, and personal factors, such as the relationship and level of trust between the SMP and the SME owner-manager, as well as the size and nature of the entity;
- Dependent on their size, competencies, location, and appetite for risk, SMPs are continuing to increase and diversify the array of business advisory services they provide to meet SMEs' needs;
- Despite competition from other service providers, accountants, especially SMPs, remain SMEs' preferred advisors; and
- Due to the multitude of factors involved, client-advisor interactions between SMEs and SMPs are complex, but generally these relationships are long term and based on a solid foundation of trust and communication.

Further information is available at the following link or on the IFAC website www.ifac.org.

IFAC and ICAEW release report on Governance and Regulation

In September 2016, IFAC and the Institute of Chartered Accountants in England and Wales (ICAEW) released a report From Crisis to Confidence: Good Regulation, Governance, and

[Culture](). The report is the output from roundtables held in July 2016 to consider how the global regulatory environment can be enhanced, with the ultimate goal of improving confidence in the financial and capital markets, business and governance.

Other topics discussed at the roundtable and outlined in the report include:

- Governance and culture;
- Regulatory fragmentation;
- Complexity of regulation; and
- The future of regulation.

Further information is available at the following link or on the IFAC website www.ifac.org.

International Forum for Independent Audit Regulators (IFIAR)

10 Year anniversary

The International Forum of Independent Audit Regulators (IFIAR) marked their 10 year anniversary in September 2016. The Forum was established to serve the public interest and to enhance investor protection by improving audit quality globally.

Further information on IFRIAR's key milestones is available at the following link or www.ifiar.org.

APESB submissions, presentations and other activities

Presentations

APESB conducted external presentations in September and October this year.

In September APESB's Chief Executive Officer, Mr Channa Wijesinghe, spoke to delegates from Hai Nan ICPA about the role of the APESB and key ethical considerations for professional accountants. Mr Wijesinghe also spoke to RMIT post grad students on the Evolution of accounting professional standards in Australia.

In October, APESB Chairman The Honourable Nicola Roxon presented at CPA Australia's annual conference, CPA Congress in Sydney. The topic of the presentation was *Towards exemplary professionalism and ethics amongst accountants*. This presentation considered how the APESB pronouncements assist accountants to act in a professional and ethical manner.

Copies of these presentations can be accessed on the APESB website www.apesb.org.au.

Recommendation:

That the report on international and other activities be noted.

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Date: 15 November 2016