

AGENDA PAPER

Item Number: 4

Date of Meeting: 3 December 2018

Subject: International and other activities

Action required For discussion For noting For information

Purpose

To provide an update to the Board on:

- The IESBA Board Meetings;
- International and other developments of interest;
- APESB submissions, presentations and other activities; and
- APESB-IESBA Events

IESBA

IESBA Board Meetings

The IESBA held a Board meeting on 17 – 20 September 2018 in New York, USA. The key items discussed at this meeting were:

- Rollout activities for the Revised Code,
- A project proposal for professional fees,
- Their proposed strategic work plan for 2019-2023,
- The use of technology, including a proposed interactive e-Code,
- IAASB-IESBA coordination and joint session, including alignment of Part 4B with ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*,
- Professional Scepticism and Non-Assurance Services roundtables and feedback, and
- IFAC anti-corruption and taxation initiatives.

Professional Scepticism

At the Board Meeting, the IESBA approved a project proposal on professional scepticism, *Promoting the Role and Mindset of Professional Accountants*. The project aims to ensure, through enhancements to Part 1 of the Code and other appropriate material, that the Code promotes the role, mindset and behavioral characteristics expected of all professional accountants when performing their professional activities.

Alignment with ISAE 3000

The IESBA also approved a project to align the terms and concepts within Part 4B of the Code with ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. The project will also seek to clarify the independence provisions that apply to the various parties involved in an assurance engagement.

The IESBA September 2018 IESBA Meeting Summary is available at Agenda Item 4(a).

The next meeting of the IESBA will be held in New York, USA on December 3 – 5, 2018.

International Developments

International Auditing and Assurance Standards Board (IAASB)

Engagement Quality Control

The IAASB considered the topic of Engagement Quality Control in their September Board Meeting, including an update on ISQC 2 *Engagement Quality Control Review*. The Board's discussions focused on the relationship between the two quality management standards, the scope of engagements subject to Engagement Quality reviews, the eligibility of the Engagement Quality reviewer, and the performance requirements for an Engagement Quality reviewer.

The September Board Meeting highlights paper can be viewed [here](#).

Professional Scepticism

The IAASB professional scepticism subgroup released their first communiqué outlining the subgroup's project to appropriately reflect professional scepticism within IAASB standards.

The full communiqué may be accessed [here](#).

International Federation of Accountants (IFAC)

IFAC president announced

IFAC have announced the election of Dr. In-Ki Joo of the Republic of Korea as its President. Dr. Joo will serve a two-year term through November 2020, serving previously as IFAC Deputy President since November 2016.

A leading academic voice in accountancy, Dr. Joo is a Professor, Emeritus, of Accounting at the Yonsei University School of Business. He previously served as the Dean of the University College and the Dean of Academic Affairs at Yonsei University.

More information on Dr. Joo's appointment may be found [here](#).

Public Interest Oversight Board (PIOB)

The PIOB held their quarterly Board Meeting on September 24 and 25 in Madrid, Spain. This meeting included consultation with the Monitoring Group, IFAC leadership, the IAASB, IESBA, and the IAESB. The following key decisions were made at the meeting:

- The nominations recommended by the Nominating Committee for the 2019 composition of the IAASB, IESBA, IAESB, CAP and the Nominating Committee. These included: the IAASB Deputy Chair, the IAESB Chair, and the re-appointments of the IESBA Chairman and Deputy Chairman for one-year term of service in 2019 and the CAP Deputy Chair.

The appointment of the new Chair of the IAASB, Mr Martin Baumann, for a three-year term beginning on January 1, 2019, by written procedure. The Interim Nominating Committee recommended his candidacy. The PIOB Chairman was an observer to this committee. On October 26, Mr Baumann resigned his position as incoming Chair of the IAASB. The IAASB have since re-started their search for an incoming Chair.

- The recommendation of the Inter-American Accounting Association (IAA) as a new member organization of the IESBA CAG and the IAASB CAG, and its first representative.

A summary of this meeting may be accessed [here](#).

Financial Reporting Council – UK (FRC)

Developments in Audit 2018

The FRC have released a report, Developments in Audit 2018, highlighting key themes and issues and providing an evidence base to allow for debate surrounding the future of audit. The report addresses the following considerations:

- **Independence:** Public confidence in audit depends on confidence in the independence of the auditor. The FRC will, as part of a comprehensive review of the 2016 auditing and ethical standards, test the effectiveness of the rules on independence. The review will include determining whether further actions are needed to prevent auditor independence being compromised, including whether all consulting work for bodies they audit should be banned.
- **Viability:** Taking lessons from recent company failures, the FRC will develop proposals to strengthen requirements on auditors when considering whether an organisation is a going concern. This includes whether the responsibilities of auditors in assessing companies' statements on their longer-term viability should be enhanced

and whether auditors should report publicly on their views of the realism of assessments made by companies.

- **Investor Needs:** The FRC is undertaking a review of the work auditors do on the front half of the annual report to assess whether auditors are undertaking enough work to conclude it is not materially misstated. The FRC will shortly launch a major review of stakeholders' needs for information in corporate reports and will consider to what extent such information needs to be assured.
- **Audit Quality:** FRC have adopted an enhanced programme of audit firm monitoring. They have also strengthened their enforcement capacity so that they can conclude cases more quickly and revised their sanctions framework to levy penalties that reflect the gravity of the issue.

The full report may be downloaded [here](#).

Resignation of UK FRC CEO

Stephen Hadrill has informed the Board of the UK FRC that he intends to step down from his role as Chief Executive Officer of the Financial Reporting Council in late 2019. The exact date of his departure will depend on a number of factors including the outcome of Sir John Kingman's review of the FRC, the search for his successor, and any agreed transition period associated with that appointment.

Details of Mr. Hadrill's resignation may be found [here](#).

KPMG Non-Assurance Services (NAS)

KPMG in the UK have recently announced that they will no longer provide NAS to current audit clients of the FTSE 350. This decision comes following a UK FRC report into audit quality, which found that big 4 audit quality, and KPMG audit quality, in particular, has shown an "unacceptable deterioration."

More information can be found on the BBC website [here](#).

The Australian Financial Review reported on November 12 that KPMG Australia is, "open to considering" a ban on NAS for audit clients following the UK announcement.

This article can be found at Agenda Item 4(b).

Financial Reporting Council – Australia (FRC)

Audit Quality Action Plan

The FRC released an Audit Quality Action Plan in September, with three overarching objectives: to improve the outcomes of future ASIC audit inspections of Public Interest Entities, to improve audit quality, and to enhance confidence in financial reports.

This action plan included a survey of Audit Committee Chairs, which found that, overall, Chairs are very satisfied with the quality of their external auditor – with 92% rating them 'Above average' or 'Excellent'. The feedback received on the other questions asked in the survey was

consistent with this overall view.

Full results from this project may be viewed [here](#).

APESB submissions, presentations and other activities

Presentations

On October 10, APESB CEO, Mr. Channa Wijesinghe, presented a corporate ethics information session to the Masters of Professional Accounting course at Monash University. The presentation included a history of the APESB, discussion of the extant and restructured Codes of Ethics, the importance of personal integrity, and contemporary examples of corporate scandals.

On October 22, Mr. Wijesinghe presented to an IPA delegates from Hai Nan ICPA (China) about the role of the APESB and key ethical considerations for professional accountants in Australia.

World Congress of Accountants

The World Congress of Accountants (WCOA) was held from November 5 to 8 in Sydney, with nearly 6,000 attendees participating in the Congress. APESB staff also attended the WCOA.

See Agenda Item 5 for a summary of WCOA, including any potential impacts on professional standards.

APESB-IESBA Events

An evening with IESBA Chairman Stavros Thomadakis

APESB hosted a thought leadership dinner on the final evening of the WCOA, with the keynote address being delivered by IESBA Chairman Dr. Stavros Thomadakis. Approximately 70 Australian and international guests attended the event. The IESBA Chairman congratulated the APESB on the Australian adoption of the restructured Code of Ethics and in his keynote addressed the topics of the essentials of the Code, its global positioning and the challenges that both standard setters and users of the Code face for the present and future.

The IESBA Chairman's keynote can be found at Agenda Item 4(c).

A joint APESB-IESBA Seminar on the restructured Code of Ethics

On Friday 9 November 2018, APESB hosted a seminar with IESBA on the restructured Code of Ethics at the CA ANZ offices in Sydney. IESBA Chairman Dr. Stavros Thomadakis, IESBA Board member Ms. Sylvie Soulier, and Senior Technical Director Mr. Ken Siong presented jointly with APESB Chairman The Hon. Nicola Roxon and APESB CEO Channa Wijesinghe. Approximately 50 stakeholders attended this briefing which provided an overview of key elements of the IESBA Code restructure project, Australian adoption of the restructured IESBA Code and IESBA's future strategy.

Recommendation

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

Materials Presented

Agenda Item 4(a)	IESBA's September 2018 Meeting Highlights;
Agenda Item 4(b)	Australian Financial Review article on KPMG Australia;
Agenda Item 4(c)	IESBA Chairman's Keynote address; and
Agenda Item 4(d)	The Joint APESB-IESBA Seminar Presentation.

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Date:	19 November 2018
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