

AGENDA PAPER

Item Number: 3

Date of Meeting: 16 November 2020

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; and
- APESB submissions and other activities.

IESBA

IESBA Board Meeting – 14 September to 1 October 2020

The IESBA held a series of Boards meeting between 14 September – 1 October 2020 via video conferences. The meetings included the following key agenda items:

- Engagement Quality Reviewer (EQR) objectivity;
- Non-Assurance Services (NAS);
- Fees;
- Definitions of Listed Entity and Public Interest Entity;
- Technology;
- Engagement Team and Group Audit Independence; and
- The eCode (phase 2).

At this meeting, the IESBA approved a new amending standard providing guidance to firms to address the objectivity of an Engagement Quality Reviewer. The guidance could also be applied where a Member appoints an appropriate reviewer as a safeguard to address identified threats associated with an engagement. This pronouncement is expected to be issued, subject to PIOB approval, in January 2021, with an effective date of 15 December 2022.

In relation to the projects to review the Code's NAS and Fee-related provisions, the IESBA considered global submissions received with respect to these Exposure Drafts at its July and September Board meetings. The IESBA is aiming to approve the two final pronouncements for these projects at their December 2020 meeting.

Refer to Agenda Item 3(a) for the September-October 2020 IESBA meeting's highlights and decisions.

The next IESBA Board meeting will be held via a series of video conferences from 30 November to 9 December 2020.

Other IESBA developments

IESBA Technology Surveys

In October 2020, the IESBA's Technology Task Force launched two online surveys with questions seeking stakeholder feedback to inform its consideration of issues related to two key recommendations in the February 2020 Phase 1 report of its Technology workstream, *Technology Working Group Phase 1 Final Report*. The topics addressed by these two surveys are:

- Technology and complexity in the professional environment; and
- The impact of technology on auditor independence.

Stakeholder responses to the surveys will help guide the IESBA's consideration of the next steps concerning those two topics at its December 2020 Board meeting. Responses to the survey are due by 10 November 2020.

More information may be found on the IESBA [website](#).

IESBA Board movements

The IESBA has announced the following new appointments to their Board effective from 1 January 2021:

- Ms Saadiya Adam (Senior Professional Manager: Standards, Independent Regulatory Board for Auditors (IRBA), South Africa);
- Prof. Vania Borgerth (Retired accountant and a Ph.D. Candidate in Accountancy, Fucape Business School, Brazil);
- Mr Sung-Nam Kim (Non-partner advisor, EY Korea, Korea); and
- Mrs Yaoshu Wu (Director of Professional Standards and Technical Guidance Dept., the Chinese Institute of Certified Public Accountants (CICPA), China).

IESBA Board members Mr Brian Friedrich (Principal, Friedrich & Friedrich corp. Canada), Prof. Winifred Kiryabwire (Associate Professor of Lauw, Makerere University, Uganda), and Prof. Jen Poll (Audit Committee Chair, Non-Executive/Supervisory Board Member, Germany) have been re-appointed for a second term.

The IESBA has also announced the appointment of Ms Caroline Lee as Deputy-Chair commencing from 1 January 2021. Mr Richard Fleck, the current Deputy Chair of IESBA, will finish his term on the Board at the end of 2020.

More information on these appointments may be found on the IESBA [website](#).

Release of final revisions relating to the Role and Mindset of Professional Accountants

In October 2020, the IESBA released its final pronouncement on revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* to promote better the role and mindset expected of all professional accountants.

The revisions recognise that the accountancy profession is entrusted with public confidence in the wide-ranging role it plays in society and that such trust is based on the skills and values it brings to its professional activities. Importantly, they reaffirm the profession's responsibility to act in the public interest and the fundamental role of the Code in meeting that responsibility.

The final Standard may be found on the IESBA [website](#).

IESBA National Standard Setters (NSS)

IESBA NSS Meetings (October - November 2020)

The IESBA is holding a series of NSS meetings between 20 October to 3 November 2020.

The first meeting held on Zoom on 20 October 2020 focussed on the progress of the current IESBA' projects relating to Fees and Non-Assurance Services. APESB CEO Channa Wijesinghe, Senior Technical Manager, Jacinta Hanrahan and Technical Manager Jon Reid attended this meeting. Refer to agenda item 2 for further information on these projects.

The next IESBA NSS meeting will be held on 2 November 2020. It will cover jurisdictional developments of international relevance and consideration of the Technology Task Force's proposals to progress their project proposal's recommendations.

On the 3 November 2020, a joint meeting of the IESBA & IAASB NSS will be held with agenda items relating to the Board's collaboration relating to COVID-19 resources and a discussion on the Monitoring Group recommendations.

Technical Staff will provide an oral update on these meetings at the November Board Meeting.

IESBA's COVID-19 collaboration

The IESBA NSS established a working group in early 2020 to consider the ethical challenges, dilemmas, or other ethics-related issues auditors and other professional accountants face in relation to the COVID-19 pandemic. APESB CEO Channa Wijesinghe has been representing the APESB at these meetings.

The Working Group is currently working on developing additional resources to be released later in the year. Refer to Agenda Item 5 for further details on the resources developed by this working group.

International and Other Developments

International Auditing and Assurance Standards Board (IAASB)

IAASB Board movements

The IAASB has announced the following new appointments to their Board, effective 1 January 2021:

- Mr Edo Kienhuis (Partner, PwC, the Netherlands, nominated by Forum of Firms)
- Ms Diane Larsen (Deputy to the Global Quality Enablement Leader, EY, USA, nominated by Forum of Firms)
- Ms Wendy Stevens (Partner, National Practice Leader, Quality & Risk Management, Mazars, USA, nominated by the Association of International Certified Professional Accountants)

The IAASB also announced the appointment of current IAASB Board member, Mr Len Jui, as Deputy-Chair, effective 1 January 2021. Ms Fiona Campbell, the current Deputy Chair, finishes her term on the IAASB Board on 31 December 2020.

More information on these appointments may be found on the IAASB [website](#).

Project update on International Standards on Quality Management (ISQMs)

At their September 2020 Board Meeting, the IAASB has approved for final release the following Quality Management Standards:

- ISQM 1 *Quality Management at the Firm Level*;
- ISQM 2 *Engagement Quality Reviews*;
- ISA 220 (revised) *Quality Management for an Audit of Financial Statements*; and
- Conforming amendments to other ISAs arising from the above Standards.

The Standards are currently being reviewed by the PIOB for approval, with an expected final release date of December 2020 and an effective date for the standards of 15 December 2022.

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

The IAASB has also developed an implementation plan for its Quality Management standards. The plan explains what implementation materials stakeholders can anticipate, topics covered, and expected timing. More information on this plan may be found on the IAASB [website](#).

Guidance on the use of technology in audits

The IAASB has released a new resource on technology, *Non-authoritative support material related to technology: frequently asked questions regarding the use of automated tools and techniques when performing audit procedures*. This publication helps auditors understand whether an approach involving automated tools and techniques may be both a risk assessment procedure and a further audit procedure. It also provides specific considerations when using automated tools and techniques in performing substantive analytical procedures in accordance with International Standard on Auditing 520, *Analytical Procedures*.

Read the IAASB [publication](#).

International Federation of Accountants (IFAC)

Exploring the IESBA Code

IFAC and the IESBA have released additional instalments in their *Exploring the IESBA Code* publication series. Instalment 9 – Responding to Non-Compliance with Laws and Regulations (for PAPPs) and Instalment 10 – Pressure to Breach the Fundamental Principles are accessible on the [IFAC website](#) and in the Interest Area section on the [APESB website](#).

IFAC Sustainability

IFAC has collaborated with the Trustee of the IFRS Foundation in calling for a new Sustainability Standards Board. IFAC has stated that a new standard-setting board must build and coordinate a coherent global ecosystem of interconnected financial and non-financial reporting. More information on this announcement may be found on the IFAC [website](#).

Further to this, the IFRS Foundation's Trustees have published a Consultation Paper to assess demand for global sustainability standards. If demand is strong, evaluate whether and to what extent the Foundation might contribute to the development of such standards.

More information on this announcement may be found on the IFRS Foundation [website](#).

Public Interest Oversight Board (PIOB)

15th Anniversary event

The PIOB has celebrated its fifteenth anniversary with a series of videos published on their website, including speeches from the PIOB's newly appointed Chair, Ms Linda de Beer; IFAC President, Mr Ki-In Joo; IAASB Chair, Mr Tom Seidenstein and IESBA Chair, Dr Stavros Thomadakis.

These videos may be viewed on the PIOB's fifteenth-anniversary [webpage](#).

Financial Reporting Council – UK (FRC)

Appointment of Interim Chair

Mr Keith Skeoch has been appointed as interim Chair of the UK FRC. Mr Skeoch was previously a non-executive Director at the UK FRC and will take on the role while a recruitment process is carried out to find a permanent replacement for the former Chair, Mr Simon Dingemans.

More information on the appointment may be found on the BEIS [website](#).

Consultation on governance changes to enforcement and operating procedures

The FRC has opened an 8-week consultation on consequential changes to various aspects of its Enforcement and Operating Procedures arising out of changes to the governance structure and are primarily designed to enhance the FRC's effectiveness, speed and responsiveness, shift the organisation to an 'Executive Led' approach; reduce layers of management and Committee review, create more transparent accountability and align the governance structure

with a new FRC business model and management structure. The Consultation may be found on the UK FRC [website](#).

Key Facts and Trends in the Accountancy Profession

The UK FRC has released its *Key Facts and Trends in the Accountancy Profession* report (2020). The report identified a decline in fees for non-audit work for audit clients decreased in 2019 and that audit quality improvements continued to be a major focus. According to the report, the data indicates a positive market shift ahead of operational separation by 2024.

The full report may be accessed on the UK FRC [website](#).

International Forum of International Audit Regulators (IFIAR)

Death of IFIAR Chair

IFIAR has announced its Chair's unexpected death, Mr Frank Schneider, in Switzerland in October 2020. No replacement has yet been announced for Mr Schneider's position. More information on Mr Schneider's passing may be found on IFIAR's [website](#).

Financial Adviser Standards and Ethics Authority (FASEA)

FASEA has released a draft *Financial Planners & Advisers Code of Ethics 2019 Guide* for Consultation. The draft guide explains the intent and application of the Code's values and standards. It uses fundamental questions to help illustrate the Code and highlights the requirement for advisers to exercise their professional judgement in their client's best interests guided by the Code's values and standards.

The comment period for the Consultation closes 2 November 2020. The draft guide is available on the [FASEA website](#).

Australian Securities and Information Commission (ASIC)

Key Staff Movements

In late October 2020, it was announced that ASIC Chair, Mr James Shipton, has stepped aside from his role, pending an independent review by the Federal Treasury department into the findings of the Australian National Audit Office (ANAO) financial statements audit. Deputy Chair, Mr Daniel Crennan QC, initially stepped aside from his role but has subsequently resigned.

Refer to the [announcement from the Treasurer](#) in relation to the independent review.

ASIC Enforcement Update

In September 2020, ASIC released its enforcement update report from 1 January to 30 June 2020. The report covers the ongoing focus areas, including matters related to financial services issued identified as part of the Banking Royal Commission. The full enforcement update may be found on the ASIC [website](#).

Australian Accounting Standards Board (AASB)

Staff Appointment

The AASB has announced that former AASB Technical Director, Nikole Gyles, will re-join the AASB as Technical Director from September 2020. More information on Ms Gyles's appointment may be found on the AASB [website](#).

Board Member Movements

The FRC has also announced the following movements of the AASB Board, effective 1 January 2021:

- Appointments:
 - Toby Langley, Executive General Manager – Head of Investor, Xero;
 - Caroline Spencer, Auditor General for Western Australia; and
 - Dean Hanlon, Associate Professor, Department of Accounting, Monash University

- Outgoing members:
 - Kimberley Crook, Chair, New Zealand Accounting Standards Board;
 - Carmen Ridley, Principal, Australian Financial Reporting Solutions;
 - Ken Liow, Principal, Obsidian Capital; and
 - Mike Blake, Deputy Chair, AASB and Member of International Public Sector Accounting Standards Board (IPSASB).

More information on these movements may be found on the AASB [website](#).

Auditing and Assurance Standard Board (AUASB)

Board Member Movements

The FRC has also announced the following re-appointments of the AUASB Board, effective 1 January 2021:

- Noel Harding, Associate Professor, School of Accounting, UNSW Business School, UNSW Sydney; and
- Julie Crisp, Auditor General for the Northern Territory.

More information on these re-appointments may be found on the AUASB [website](#).

APESB submissions, presentations and other activities

Media Statement on Ethics

In recognition of Global Ethics Day 2020, the APESB has released a Media Statement on the importance of ethics for the economy's recovery. The article discusses how vital the five fundamental principles that underpin the Code of Ethics are in assisting professional accountants in incorporating ethical considerations into their decision making. Read the Media Statement on [APESB's website](#).

Presentation on Auditor Independence

On 2 September 2020, APESB CEO Mr Channa Wijesinghe co-presented on the CPA Australia webinar [Independence requirements are changing - what you need to know](#). The webinar covered topics such as the restructured Code and the Independence Guide (including a discussion on SMSF Auditor Independence). Fellow presenters on the webinar included Mr Doug Niven from ASIC and the Australian Taxation Office's (ATO's) Ms Kellie Grant.

APESB submission to AASB ED 302

In September 2020, the APESB submitted a response to the AASB's Exposure draft 302 in relation to the proposed increased disclosures for preparers of Special Purpose Financial Statements (SPFS). APESB does not believe that the proposed additional disclosures are necessary for all of these entities, in particular, for those entities where there are no external users or the only external users are those that can demand specific reports or disclosures (i.e., banks), as these users could request this additional information and only if needed. Further details are in APESB's full [submission](#).

APESB's Submission to FASEA Guide to the FASEA Code of Ethics

APESB has drafted a submission to FASEA's Consultation on its draft guide to the FASEA Code of Ethics. Overall, APESB strongly supports the draft guide, particularly the emphasis on explaining the intent of the FASEA Code standards. APESB is of the view that this publication will provide valuable assistance to financial planners and advisers on the implementation of the FASEA Code. APESB is also supportive of the draft guide's emphasis on the principles-based nature of the FASEA Code and its aim to provide standards higher than law.

The final submission will be available on APESB's [website](#) once it has been lodged with FASEA.

Recommendation

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

Materials Presented

Agenda Item 3 (a) IESBA Meeting Highlights – September-October 2020

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