

AGENDA PAPER

Item Number: 5
Date of Meeting: 3 June 2022
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, presentations and other activities.

International Ethics Standards Board for Accountants (IESBA)

IESBA Board Meeting

The IESBA held a hybrid Board Meeting, with online or in-person attendance in New York, USA, from 14 to 16 March 2022. The meeting included the following key agenda items:

- Emerging Issues and Outreach Committee (EIOC);
- Definitions of Listed Entity & Public Interest Entity (PIE);
- IESBA-IFAC Collaboration in relation to Adoption and Implementation of the Code;
- Technology Fact-Finding and Thought Leadership;
- Tax Planning and Related Services;
- Benchmarking; and
- Strategy & Workplan (2024-2027).

At the meeting, the IESBA agreed with the recommendation from the EIOC to establish a new Sustainability Working Group to focus on sustainability reporting and assurance. The new Sustainability Working Group will:

- Undertake fact-finding to better understand the Sustainability/Environmental, Social and Governance (ESG) landscape and to inform potential future standard-setting work;

- Advise IESBA Staff on the development of guidance to highlight existing provisions in the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the IESBA Code) that are relevant to addressing ethical concerns relating to sustainability reporting and assurance, especially the issue of “greenwashing.”
- Review the Code to identify potential areas for enhancement to maintain its robustness and relevance to sustainability reporting and assurance.

The IESBA Board received updates across its current projects, which are summarised in the highlights of the IESBA March 2022 Board Meeting set out at Agenda 5 (a). APESB’s CEO attended the IESBA Meeting in his capacity as an IESBA Board member.

The next IESBA Board Meeting will be held on 6-8 June 2022 as a hybrid meeting.

Other IESBA updates

IESBA addresses independence expectations in Group Audits

The IESBA released on 28 February 2022, the Exposure Draft [Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits](#) for public comment. Comments are required by 31 May 2022.

The proposed revisions establish provisions that address independence considerations for firms and individuals involved in an engagement to perform an audit of group financial statements and change the definition of an engagement team to align with the International Standard on Auditing (ISA 220) *Quality Management for an Audit of Financial Statements*. Further details can be found in the IESBA’s [media release](#).

IESBA Technology Experts Group Members Appointed

In mid-March 2022, the Technology Working Group of IESBA announced the members of the IESBA Technology Experts Group (TEG). The group will provide advice to assist IESBA’s Technology Working Group’s fact-finding work deliverables.

The TEG will be chaired by IESBA Member and Chair of the Technology Working Group, Mr. Brian Friedrich and will receive technical staff support from Mr Jon Reid, APESB’s Senior Technical Manager. Further details on the TEG members can be found in the IESBA’s [media release](#).

IESBA’s Webinar on the proposed technology-related revisions to the Code

On 5 April 2022, the IESBA hosted a one-hour webinar on the exposure draft [Proposed Technology-related Revisions to the Code](#), which includes changes to the IESBA Code. Click [here](#) to watch the Webinar or further details are in the IESBA’s [media release](#).

Global Ethics Board expands universe of entities that are Public Interest Entities

The IESBA released a [revised definition of a PIE](#) together with other revised provisions in the IESBA Code.

The revised provisions specify a broader list of entities as PIEs whose audits should be subject to additional independence requirements to meet stakeholders' needs and provide guidance on factors to consider when determining the level of public interest in an entity.

The revised PIE definition and related provisions become effective for audits of financial statements for periods beginning on or December 15, 2024. Early adoption is permitted and encouraged. Further details can be found in the IESBA's [media release](#).

Looking Beyond 2023! IESBA calls for stakeholder input on future strategy

In April 2022, the IESBA released a [public survey](#) seeking broad stakeholder input to inform the development of its Strategy and Work Plan (SWP) 2024-2027. The survey seeks input from all stakeholders on what key trends, developments or issues the IESBA should consider as it begins developing its SWP 2024 – 2027. Responses are requested by **Friday, July 8, 2022**.

The SWP is expected to be finalized by the end of 2023 for release in early 2024. Further details can be found in the IESBA's [media release](#).

Recording of the IESBA's Webinar on the proposed revisions relating to the definition of engagement team and group audits

The IESBA hosted two global webinars on 11 April and 19 April on the Board's exposure draft, *Proposed Revisions to the Code relating to the Definition of Engagement Team and Group Audits*. Further details can be found in IESBA's [media release](#).

Below are the links for the Webinar:

- Click [here](#) to watch the 11 April Webinar.
- Click [here](#) to watch the 19 April Webinar.

IESBA staff releases benchmarking report comparing the international independence standards with US SEC and PCAOB Independence Rules

On 6 May 2022, the IESBA released the report [Benchmarking International Independence Standards Phase 1 Report: Comparison of IESBA and US SEC/PCAOB Frameworks](#). The publication details the findings of comparing the independence requirements applicable to audits of financial statements of public interest entities (PIE)s in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) with the relevant rules of the US Securities and Exchange Commission (SEC) and the US Public Company Accounting Oversight Board (PCAOB).

The benchmarking study promotes awareness of the Code and highlights the similarities and key differences between the Code and the US SEC and PCAOB rules. It also further examines the permissibility of non-assurance services to audit clients, fees, long association with an audit client and business financial relationships. Further details can be found in IESBA's [media release](#).

Upcoming IESBA webinar on the expansion of the definition of a Public Interest Entity

IESBA will hold a global webinar on its recently released pronouncement Revisions to the [Definitions of Listed Entity and Public Interest Entity in the Code](#) on 25 May 2022. Further details can be found on IESBA's [media release](#) or click here to [register](#).

IESBA releases report on accomplishments for 2020-2021

On 4 May 2022, the IESBA released the Report, [Elevating Ethics and Independence Standards for a Complex World](#), summarising the Board's accomplishments for 2020 and 2021.

The report showcases the progress IESBA made on behalf of the public interest during a time of great uncertainty and provides an overview of the IESBA's extensive stakeholder outreach efforts. More details can be found in the IESBA's [media release](#).

IESBA National Standards Setters NSS

APESB CEO Channa Wijesinghe and APESB Principal, Jacinta Hanrahan represented APESB at the IESBA NSS meeting held via video conference on 10 May 2022. The IESBA NSS meeting focused on two key topics – sustainability and IESBA's benchmarking project. The update on sustainability developments included presentations from the US Securities Exchange Commission (SEC), the European Commission and the International Sustainability Standards Board (ISSB).

IESBA also provided an update on the key outcomes of Phase1 of the Benchmarking to compare the International Independence Standards against the independence rules of the US SEC and Public Company Accounting Oversight Board (PCAOB).

International and Other Developments

International Audit and Assurance Board (IAASB)

IAASB Quarterly Meeting

The IAASB hosted its March Board meeting in a hybrid format over the period of 14-18 March, followed by entirely virtual sessions on 23 March 2022.

The Board approved the project proposal to undertake a narrow scope maintenance of standards project on listed entity and PIE. In addition, the project is to respond to recent revisions to the IESBA Code as a result of their project on the Definition of Listed Entity and PIE.

In addition, the Board discussed the proposal to amend ISA 700 (Revised) for a firm to disclose whether relevant ethical requirements for independence for certain entities, such as PIEs, have been applied. An Exposure Draft will be presented for discussion for the June 2022 IAASB meeting. Further details can be found in the [IAASB March 2022 highlights](#).

The IAASB modernises its standard for Group Audits in support of audit quality

The International Auditing and Assurance Standards Board (IAASB) released [International Standard on Auditing \(ISA\) 600](#) on 7 April 2022. Due to the complexity of Group audits, the revised standards address special considerations to an audit of group financial statements and enhance the quality of group audit engagements. The changes in the standard build off other recent IAASB revisions, such as the revisions to the quality management standards. Further details can be found in IAASB's [media release](#).

A New IAASB Fact sheet addresses the Engagement Team definition

The International Auditing and Assurance Standards Board (IAASB) released a [new fact sheet](#) to clarify the updated definition of 'engagement team' on 2 May 2022. The fact sheet also includes a diagram to guide users through who is included and excluded in the 'engagement team.' Further details can be found in IAASB's [media release](#).

International Federation of Accountants (IFAC)

IFAC Releases New Exploring the IESBA Code Instalment Focused on Technology

In March 2022, IFAC released a new resource, "[Exploring the IESBA Code, A Focus on Technology: Artificial Intelligence](#)." The two page publication addresses the potential ethics issues when professional accountants use or implement artificial intelligence. It also highlights the application of the fundamental principles and conceptual framework of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code). Further details can be found in the IFAC [media release](#).

New IFAC Audit Fees Survey Reveals Audit, Tax, Other Services Insights

IFAC published [Audit Fees Survey 2022: Understanding Audit and Non-Audit Service Fees, 2013-2020](#) on 25 April 2022 to quantify audit fees as a percentage of corporate revenue and compare the information across a range of mega-cap, large-cap, mid-cap, small-cap and micro-cap entities trading on the US, Canadian and European stock exchange in nine industries from 2013 to 2020. Further details can be found in the IFAC [media release](#).

CPA Canada, ICAS, IESBA and IFAC Release Fourth and Final Publication in Series Exploring Ethics in an Era of Complexity and Digital Change

Chartered Professional Accountants of Canada (CPA Canada), the Institute of Chartered Accountants of Scotland (ICAS), the International Ethics Standards Board for Accountants (IESBA), and the International Federation of Accountants (IFAC) published [Mindset and Enabling Skills of Professional Accountants – A Competence Paradigm Shift](#) which recognises technological literacy is essential for professional accountants and the need to shift their education and training to build new skills for the future to remain relevant. Further details can be found in the IFAC [media release](#).

US Securities and Exchange Commission

Big Four Accounting Firms Come under Regulator's Scrutiny

US SEC has launched an investigation into how accounting firms manage conflicts of interest caused by the sale of non-audit services that will undermine their ability to conduct independent reviews of Public Companies' financial statements.

US SEC Enforcement director Gurbir Grewal presented at the national conference of auditors in December, stating their commitment to target "deficient auditing by auditors." About forty-seven companies in the S&P 500 index paid significant non-audit fees to firms that provide audit services. Further details can be found on The Wall Street Journal [website](#).

Financial Reporting Council UK (FRC UK)

KPMG to be fined £14m for forging documents over Carillion audit

The Guardian News has reported the FRC UK will fine KPMG £14.4m for providing false and misleading information and documents to the FRC. Over the upcoming weeks, the FRC will consider the individual KPMG staff and partners' penalties which are expected to include an exclusion period from the audit profession and monetary fines.

The media reports that Mr Peter Meehan, Carillion's audit partner, will be banned from the accounting and auditing sector for 15 years with a fine of at least £400,000. Three other KPMG staff are expected to be excluded from the industry for 12 years with a £100,000 fine each. In addition, a junior member of the team could face a four-year exclusion and a £50,000 fine. Further details can be found in the following news articles:

- [KPMG to be fined £14m for forging documents over Carillion audit](#); and
- [KPMG's Carillion case should worry juniors across the City](#).

The Monitoring Group (MG)

Monitoring Group Publishes "The Value of High-Quality Audits and the Importance of Funding an Independent Multi-stakeholder International Standard-Setting Structure"

In April 2022, the Monitoring Group (MG) published a paper [The Value of High-Quality Audits and the Importance of Funding an Independent Multi-stakeholder International Standard-setting Structure](#) that highlights the importance of having a sustainable long term multi-stakeholder funding mechanism that supports the independence of the international audit and ethics standards and the benefits to the financial statement users from high-quality audits. Further details are available in the MG [media release](#).

External Reporting Board (XRB), New Zealand

XRB appoints ESG specialist as Chair of Auditing and Assurance Standards Board

The External Reporting Board (XRB) has announced the appointment of Ms Marje Russ as the new Chair of the XRB's Auditing and Assurance Standards Board. Ms Russ will replace outgoing Chair Robert Buchanan who ends a 6-year tenure as Chair at the end of June 2022.

Ms Russ has been a member of the XRB's Auditing and Assurance Standards Board since 2013 and has a background in environmental and resource management. Further details can be found in the XRB [media release](#).

Australian Securities & Investments Commission (ASIC)

ASIC acts against SMSF auditors

On 7 March 2022, ASIC has accepted voluntary cancellations or imposed conditions on the registration of several SMSF auditors to main the integrity of self-managed superannuation funds (SMSFs) audits.

18 SMSF auditors were referred to ASIC by the Australian Taxation Office (ATO) for breaching the independence requirements under APES 110 *Code of Ethics for Professional Accountants* because of their involvement in reciprocal audit arrangements. Further details are available in the ASIC [media release](#).

In addition to the 18 SMSF auditors that ASIC has acted against because of their involvement in reciprocal audit arrangements, ASIC has taken action against another 19 SMSF auditors since 1 July 2021. As a result, 12 SMSF auditors were deregistered, and seven others registrations were imposed with additional conditions.

For seven of those deregistered, ASIC chose to accept voluntary cancellations as negotiated outcomes. The action resulted from breaches of auditing and assurance standards, independence requirements and registration conditions. Further details are available in the ASIC [media release](#).

Auditor's registration suspended due to involvement in Big Un Limited audit

On 17 March 2022, Jakin Leong Loke, a former member of Big Un Limited's audit team, had his company (Ecovis Clark Jacobs) auditor registration suspended for 12 months by the Companies Auditors Disciplinary Board (CADB).

Mr Loke was involved in the audit of the 2017 financial statements of Big Un Limited, which was a public company listed on the ASX. One of the partners of Ecovis Clark Jacobs (ECJ) was the company secretary of Big Un. The conflict of interest has affected his and ECJ's independence to perform the audit and was not identified. The CADB also found Mr Loke has not obtained sufficient audit evidence for the accounting records provided by Big Un's to support their ongoing viability. Further details are available in the ASIC [media release](#).

Auditing and Assurance Standards Board (AUASB)

Request for Comments on AUASB Exposure Draft Aligning Existing Australian- Specific AUASB Standards with New, Revised Quality Management Standards

The Auditing and Assurance Standards Board (AUASB) has issued Exposure Draft [ED 01/22 Proposed Conforming and Consequential Amendments to the Australian- Specific AUASB Standards as a result of the New and Revised Quality Management Standards](#), for public comment. The closing date for the public comment is 10 June 2022. The purpose of ED 01/22 was to align AUASB with the new quality management standards. Further details are available in the AUASB [media release](#).

New AUASB Bulletin Quality Management Standards – Enhancing Audit Quality

On 12 May 2022, the AUASB published the Bulletin [Quality Management Standards- Enhancing Audit Quality](#), highlighting how the new quality management standards will enhance audit quality and how firms will benefit from the improvement. Further details are available in the AUASB [media release](#).

Australian Taxation Office (ATO)

Greater independence for the Tax Practitioners Board

The Government has secured the Commissioner of Taxation's agreement to delegate the power to appoint the TPB's Chief Executive Officer to the TPB Chair. The changes will enhance the independence and collaborative role of TBP and ATO. Further details are available in the Treasury [media release](#).

APESB Submissions and other activities

Webinar on the reissued APES 320

APESB hosted a webinar on the reissued APES 320 *Quality Management for Firms that provided Non-Assurance Services* on 3 May 2022. This standard will replace the extant APES 320 *Quality Control for Firms* from 1 January 2023.

The Webinar was presented by Channa Wijesinghe, APESB's CEO, Jon Reid, APESB's Senior Technical Manager. and Matthew Zappulla, Technical Director of the AUASB and covered:

- the background to the reissue of APES 320 and the AUASB's new ASQM1;
- an overview of key revisions to APES 320, including considerations for SMPs;
- the types of services covered by APES 320 and ASQM 1; and
- planning considerations for 'hybrid' firms that provide assurance and non-assurance services.

Click [here](#) to watch the recording (passcode: z58\$bvEs) or [review the slides](#).

APESB Roundtable on proposed IESBA revisions for Technology and Group Audits

On 9 May 2022, APESB held a roundtable to engage with stakeholders to develop APESB's response to the two new exposure drafts released by the IESBA:

- [Proposed Technology-related Revisions to the Code](#).
- [Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits](#).

APESB Chairman Nancy Milne was the MC and welcomed IESBA Deputy Chair, Ms Caroline Lee, who presented the proposals relating to Engagement Teams and Group Audits and APESB CEO, Mr Channa Wijesinghe. APESB Senior Technical Manager, Mr Jon Reid, presented the Technology proposals. IESBA Principal, Ms Carla Vijian, was also in attendance. The stakeholders who attended the roundtables included standard setters, regulators, professional accounting bodies and accounting firms. The presentation from the roundtable is available on the APESB [website](#).

The feedback from the roundtable will be used to inform APESB's submissions on these topics. The Engagement Team and Group Audits proposals submission will be finalised in late May to meet the 31 May 2022 comment deadline. It will be available on APESB's website in due course. Refer to Agenda Item 7 for APESB's draft submission on the Technology proposals

Recommendation

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

Materials Presented

Agenda Item 5 (a) Highlights of the IESBA March 2022 Board Meeting

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