

AGENDA PAPER

Item Number: 6

Date of Meeting: 17 November 2023

Subject: International and other activities

Action required For discussion For noting For information

Purpose

To provide an update to the Board on the following:

- 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 Meetings

The IESBA held an in-person Board Meeting in New York, United States of America (USA), from 18 to 22 September 2023. The meeting included the following key agenda items:

- Sustainability;
- Strategy and Work Plan (SWP) 2024-2027;
- Use of Experts;
- Tax Planning and Related Services;
- IAASB - IESBA Joint Session; and
- Technology Working Group.

Details of the IESBA's discussions on the Sustainability project are set out in Agenda Item 7.

The IESBA considered and discussed the feedback received from the respondents to its Proposed Strategy and Work Plan 2024-2027. The IESBA supports the inclusion of two new strategic focuses in the SWP for firm culture and governance and the expansion of the scope of the Code. The final SWP 2024-2027 is expected to be approved at the December 2023 board meeting and subsequently released in April 2024 after approval by the PIOB.

The IESBA considered a draft of the proposed revision for the use of experts project. The IESBA is planning to approve the exposure draft at its December 2023 meeting.

The IESBA also considered comments received on its Exposure Draft, *Proposed Revisions to the Code Addressing Tax Planning and Related Services*. The IESBA will review a revised draft of the proposed Sections 280 and 380 with a view to approving the final pronouncement at its December 2023 meeting.

The IESBA September 2023 Board Meeting highlights are at Agenda Item 6(a). The next quarterly IESBA meeting will be held in New York, USA, on 4-8 December 2023 and virtually on 13 and 15 December 2023.

Other IESBA updates

IESBA staff releases Q&As on Group Audits

On 23 October 2023, the IESBA released a [questions and answers \(Q&A\) publication](#) on the pronouncement *Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*. The Q&A publication provides comprehensive guidance on recent revisions to the Code addressing the independence considerations in an audit of group financial statements and complements the financial pronouncement's Basis for Conclusions. Further information can be found in IESBA's [media release](#).

International and Other Developments

International Audit and Assurance Board (IAASB)

IAASB enhances auditor's report Transparency on Independence to reflect Revisions in the IESBA Code of Ethics

The IAASB has [released amendments](#) to enhance transparency and provide auditors with a clear mechanism to action changes to the IESBA Code of Ethics. These amendments in the International Standard on Auditing 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* and ISA 206 (Revised), *Communication with Those Charged with Governance*, align with the IESBA's Code's new requirement for firms to publicly disclose that a firm has applied the independence requirements for public interest entities in an audit of the financial statements of an entity. The amendments require the disclosure to be made in the audit opinions issued and through communication with those charged with governance. Further details are available in the IAASB [media release](#).

International Federation of Accountants (IFAC)

Trust, corruption and sustainable development are interconnected issues in the public's attitude towards tax

On 13 September 2023, IFAC released the [Public Trust in Tax 2023: Building Trust in Tax for a Sustainable Future](#). The survey, conducted in the second quarter of 2023 by the ACCA, IFAC and CA ANZ, is an online survey that has been gathering and analysing data about global attitudes towards corruption and taxation since 2017. Over 7,700 members across all the G20 countries, apart from Russia plus New Zealand, took part in the survey.

The study suggested that accountants play a significant role in addressing corruption and promoting transparency and ethical behaviour in tax across the globe. The results show that

people believe professional accountants can improve the efficiency, effectiveness and fairness of the tax system.

The survey also addresses the relationship between tax and sustainable development, with 68% of G20 respondents recognising a connection and 57% willing to pay more taxes to support it. Trust in key stakeholders has improved in many regions, but variations exist, and people generally perceive tax levels as reasonable. Further details are available in the [IFAC media release](#).

Monitoring Group (MG)

Monitoring Group appoints board members to the Public Interest Oversight Board

On 27 October 2023, the Monitoring Group (MG) announced the appointment of Mr Mark Smith as a Board member of the PIOB, commencing in October 2023, following Mr Michael Hafeman's completion of his term on the PIOB in September 2023. Mr Smith is a retired senior finance executive of several multinational companies.

After the nomination process, the MG also announced the reappointment of two existing PIOB members, Ms Janine van Diggelen and Ms Begoña Giner, with terms commencing on 1 January 2024. Ms Janine van Diggelen was re-appointed for a two-year term and has a regulatory background, serves as a university lecturer and worked as a management consultant. Ms Begoña Giner was re-appointed for a one-year term and was an academic. Further information is available in the MG's [media release](#).

Public Company Accounting Oversight Board (PCAOB)

PCAOB staff report highlights rising audit deficiencies related to Engagement Quality Reviews

On 12 October 2023, PCAOB staff released a report, "[Inspection Observations Related to Engagement Quality Review](#)," which highlights an increase in quality control criticisms related to EQR (42% of firms inspected in 2022 versus 37% in 2020). The PCAOB's report focuses on the PCAOB mandated EQR process, where an independent reviewer assesses significant judgements made by audit engagement teams. Further information can be found in PCAOB's [media release](#).

US regulator investigates PwC tax leaks after 'untimely' report

The AFR reported on 17 October 2023 that the PCAOB is investigating PwC Australia's tax leaks scandal following the local firm's submission of its "special report" on 20 June 2023, which was more than a year overdue for self-reporting.

PwC Australia Chief Risk and Ethics Leader Jan McCahey acknowledged at a Government inquiry that the firm failed to file the required PCAOB Form 3 within 30 days of a "reportable event". The delay was due to the information not being available to those responsible for reporting until the TPB announcement earlier this year. The AFR's news article is set out in Agenda item 6 (b).

Financial Reporting Council (FRC UK)

Sanctions against KPMG LLP, KPMG Audit plc and two former partners

The Executive Counsel of the FRC has issued two final settlement decision notices under the audit enforcement procedure and imposed sanctions against KPMG LLP, KPMG Audit PLC and two former audit partners following the conclusion of its investigations into the audit of Carillion plc (“Carillion”). The investigation found a significant number of breaches of relevant requirements, particularly relating to going concern.

The first decision notice (decision 1) outlines financial penalties totalling £18,550,000 for KPMG LLP. The second decision notice (Decision 2) includes financial penalties of £2,450,000 to KPMG Audit PLC. Both penalties were reduced by 30% due to the firm’s cooperation and admissions. Both firms would need to publish statements in the form of a severe reprimand and declare that the audit signed on behalf of the firm did not satisfy the relevant requirement. Additionally, KPMG LLP is required to take remedial action to prevent the recurrence of the breaches.

In addition, two former KPMG partners received financial penalties of £350,000 for Mr Meehan (Decision 1) and £70,000 for Mr Turner (Decision 2), both reduced by 30% due to cooperation and admissions. Both Partners are required to publish a statement in the form of a severe reprimand, with Mr Meehan facing a 10-year exclusion membership from ICAEW.

KPMG LLP will also pay £5,324,366 for the Executive Counsel’s cost for both investigations. The Final Settlement Decision Notices are not published at this stage. Refer to the FRC UK [media release](#) for further details on the sanctions and decisions.

Australian Taxation Office (ATO)

Big Four partner alleged to have promoted tax loss schemes

The Australian Financial Review reported on 17 October 2023 that a former Big Four accounting firm partner is accused of assisting clients in reducing their tax liabilities on tens of millions in profits by shifting income through loss-making third parties as part of a tax avoidance scheme. The Commissioner of Taxation is suing the ex-partner in Federal court, seeking legal declarations of breaches and substantial fines. The Commissioner alleged that the former partner promoted three so-called “Tax Loss Access Schemes” to seven clients between November 2016 and April 2021. Two of the clients are also involved in separate litigation in the Supreme Court over the partner’s tax advice. Refer to Agenda Item 6(c) for a copy of the article.

Australian Securities & Investments Commission (ASIC)

Companies Auditors Disciplinary Board finds BDO audit partner failed to meet minimum standards

Registered company auditor James Mooney has been prohibited from auditing companies until 2024 by the Companies Auditors Disciplinary Board (CADB). The CADB found that Mr Mooney failed to meet minimum Australian Auditing Standards (ASAs), particularly in the inadequate testing of revenue recognition, while examining the ASX-listed technology firm Engage: BDR Limited (Engage) 2018 financial statements. The CADB acknowledged Mr Mooney’s cooperation with ASIC during the proceedings, noted his misconduct was of lower

severity, and there was no allegation of dishonesty or impropriety. He was ordered to pay ASIC's cost of \$175,000 and complete 20 additional hours of professional development. Further information can be found in ASIC's [media release](#).

APRA and ASIC commence joint administration of the new Financial Accountability Regime

The Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) have jointly released an information package to assist the financial services industry in implementing the [Financial Accountability Regime](#) (FAR). The FAR replaces the Banking Executive Accountability Regime (BEAR) and introduces conduct-focused prescribed responsibilities. APRA and ASIC will jointly administer the FAR, which will come into effect for the banking industry on 15 March 2024 and for the superannuation and insurance industries on 15 March 2025. Further information can be found in ASIC's [media release](#).

ASIC welcomes the appointment of three Commissioners

ASIC Chair Joe Longo welcomes the Treasurer's appointment of three new Commissioners to ASIC, including Katherine O'Rourke from 11 September 2023, Alan Kirkland, CEO of CHOICE and Simone Constant, CRO of Institutional Bank and Markets at CBA, who will commence their terms on 20 November 2023. Further information can be found in ASIC's [media release](#).

ASIC announces action against 11 SMSF auditors

In the quarter ending 30 September 2023, ASIC reported that they acted against 11 self-managed superannuation fund (SMSF) auditors who had breached their obligations. These actions included disqualification, imposition of additional conditions or cancellation of registration. The breaches found included violations of auditing and assurance standards, independence requirements and registration conditions. ASIC Deputy Chair Sarah Court emphasised ASIC's commitment to taking regulatory action in cases of inadequate auditor conduct to maintain public trust. Further information can be found in ASIC's [media release](#).

ASIC releases integrated financial reporting and audit surveillance report

On 18 October 2023, ASIC released findings from its first integrated financial reporting and audit surveillance program. As a result of the surveillance program, a total of \$215 million adjustments were made to financial information previously disclosed by ASX-listed companies. [Report 774 Annual financial reporting and audit surveillance report 2022-23](#) outlines the area of concern, including insufficient disclosure of material business risks, impairment of assets revenue recognition and other financial report disclosure.

ASIC reviewed 180 financial reports of ASX-listed entities and other large unlisted entities, as well as 15 related audit files from 1 July 2022 to 30 June 2023. ASIC has provided the audit findings to the directors of 11 companies to facilitate constructive discussions between companies and auditors to enhance financial reports and audit quality. Further information can be found in ASIC's [media release](#).

ASIC bans former PwC partner from providing financial services for eight years

On 20 October 2023, ASIC announced they have banned former PwC partner Peter-John Collins from providing financial services or controlling an entity that carries on a financial services business for eight years. Mr Collins was an authorised representative of Australian financial services licensee PricewaterhouseCoopers Securities Limited from 1 March 2004 to 14 July 2006 and again from 9 December 2013 to 6 October 2022.

ASIC found that Mr Collins disclosed confidential information he obtained while engaged as a tax advisor to the Commonwealth Treasury and the Australian Board of Taxation. As a result, ASIC found him unfit to provide financial services, and it was in the public's interest to prevent him from participating in the financial services sector. During his ban, Mr Collins is prohibited from offering financial services, managing such entities, or participating in functions related to financial services operations. Further details are available in ASIC's [media release](#).

Auditing and Assurance Standards Board (AUASB)

Mr Doug Niven appointed as AUASB Chair

On 20 September 2023, the Assistant Treasurer announced the appointment of Mr Doug Niven as the full-time Chair and CEO of the Auditing and Assurance Standards Board (AUASB) for a 5-year term. Mr Niven has been Acting Chair of the AUASB since 31 July 2023. In addition to his role as AUASB Chair, Mr Niven is a member of the FRC and will be appointed as a member of the NZAuASB.

The AUASB expressed gratitude to Mr Bill Edge, the outgoing AUASB Chair, for his significant contributions to the Board. Mr Edge will continue to collaborate with AUASB in his ongoing capacity as a member of IAASB until 31 December 2024. Further information can be found in AUASB's [media release](#).

Chartered Accountants Australia & New Zealand (CA ANZ)

CA ANZ Statement on publication of Government response to PwC tax leaks scandal

On 20 September 2023, CA ANZ released a statement on the government's response to the PwC tax leak scandal. CA ANZ will consider its response to several government proposals, including changes to tax promoter penalties, tax secrecy provisions, whistleblower legislation and the powers of the TPB.

CA ANZ supports increased sanctions for breaching confidentiality agreements and changing the secrecy laws, allowing tax regulators to disclose misconduct to professional associations. However, it raised concerns about the regulatory burden, compliance costs, insurance implications and client impact that may arise from these proposals, particularly for small and medium-sized practices. Further information can be found in CA ANZ's [media release](#).

PwC Australia

On 8 May 2023, PwC announced the appointment of Dr Ziggy Sqitkowski AO, to conduct an independent review of the firm's governance, accountability and culture. [The Review of Governance Culture and Accountability at PwC Australia](#) report was released in August 2023, revealing several significant deficiencies within PwC Australia from the prolonged existence

of poor practices that remained unaddressed over many years. The review also highlighted leadership failures at both firm and individual levels.

The report identified the following themes of shortcomings and provided recommendations for each:

- lack of independence and external ‘voices’ within the ultimate governing body;
- excessive power conferred on the CEO;
- disproportionate focus on revenue growth and market leadership as the strategic imperatives;
- decentralised business model without sufficient visibility of the enterprise view;
- complexity and fragmentation contributing to ineffective structures and processes;
- unclear responsibilities and accountabilities, creating gaps and risks; and
- overly collegial culture inhibiting constructive challenge.

PwC Australia has been aware of these shortcomings for an extended period and is committed to addressing them to restore public trust. On 27 September 2023, PwC Australia accepted and published its [action plan](#), which incorporates the recommendations from Dr Ziggy Switkowski AO’s Independent review.

The firm is committed to change and regaining public trust through five commitments, including strengthening risk and conflict management, enhancing governance board independence and effectiveness, improving discipline and decision-making, embedding a culture and practice of constructive challenge and putting purpose and values at the core of everything PwC does.

PwC Australia has initiated a series of changes, including but not limited to appointing a new CEO and management team in place, searching for independent non-executives, modifying partner remuneration frameworks with a balanced scorecard emphasising non-financial measures, divesting the government business to Allegro Funds, developing a more mature Enterprise Risk Management approach and publishing comprehensive, audited financial statements by September 2025. Further information can be found in PwC Australia’s [media release](#).

APESB Presentations, Submissions, and other activities

APESB’s recent presentations and Events

During the last quarter, APESB has been involved in the following presentations and events:

- **CPA Forensic Discussion Group**

On 4 October, APESB CEO Mr Channa Wijesinghe, along with APESB Board member and the Principal of Morris Forensic Mr Brian Morris, and Mr Gregory O’Neil, Forensic Manager at TAC, presented to the CPA Australia Forensic Accounting Discussion Group. The presentation covered the background and the key revisions in APES 215, as well as provided international updates on developments in Technology and Sustainability. Subsequently, there was a discussion on recent ethical failings in the accounting profession, followed by a Q&A session.

- **CPA Ethics and Governance Study Guide Q&A**

On 9 October, APESB CEO Mr Channa Wijesinghe participated in the media production for the next edition of CPA's Ethics and Governance Study Guide. In the videos, Mr Wijesinghe answered four questions relating to the history, role and background of APESB, current challenges facing the accounting profession, technology and sustainability.

- **[CPA Australia's Public Practice Advisory Committee Presentation](#)**

On 4 October, APESB CEO Mr Channa Wijesinghe presented to the CPA Australia Public Practice Advisory Committee. The presentation covered the APESB's role and mandate, IESBA's tax planning services project and proposed Technology-related revisions to the code and provided updates on recent APESB and IESBA projects.

- **[IPA SMP Presentation](#)**

On 3 October, APESB CEO Mr Channa Wijesinghe, delivered a presentation at a IPA SMP event moderated by Ms Vicki Stylianou, the Group Executive Advocacy and Policy at IPA. The presentation covered the APESB's role and mandate, IESBA's taxation planning services project, Fees revisions to the Code, the proposed Technology-related revisions to the code, and the proposed revisions to APES 310 Client Monies.

APESB submission to PJC Inquiry on Ethics and Professional Accountability

In August 2023, APESB made a [submission](#) to the Parliamentary Joint Committee on Corporations and Financial Services (PJC) Inquiry on Ethics and Professional Accountability: Structural Challenges in the Audit, assurance and Consultancy Industry.

In the submission, APESB noted its support for the inquiry. APESB recommended a package of measures to improve the ethics and accountability of the accounting profession. Further information on the current parliament inquiries is set out in Agenda Item 10.

APESB 2021-2025 Focus Areas

APESB has launched new 2021-2025 focus areas pages on its website focused on sustainability, technology and small-to-medium practices (SMPs). These focus area pages aim to provide users with informative resources, facilitating efficient navigation and access to the information they seek on the website. Each focus area contains the latest information, videos, external resources and links to APESB's project pages.

Recommendation

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

Materials Presented

Agenda Item 6 (a)	Highlights of the IESBA September 2023 Board Meeting
Agenda Item 6 (b)	PwC Scandal PCAOB investigating PwC Australia over tax leaks
Agenda Item 6 (c)	Big Four partner will claim colleagues helped the tax exploitation scheme

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