

AGENDA PAPER

Item Number: 3

Date of Meeting: 26 June 2024

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 20 March 2024. The meeting included the following key agenda items:

- Sustainability;
- Firm Culture and Governance;
- Technology;
- Tax Planning and Related Services;
- PIE Rollout;
- Collective Investment Vehicles, Pension Funds and Investment Company Complexes; and
- Revision of International Education Standards (IES) Update.

At this meeting, the IESBA approved the [Terms of Reference](#) for the Firm Culture and Governance Working Group. The Working Group will explore the root causes of ethical lapses in firm culture and determine if the IESBA Code should be further strengthened to promote a robust culture of ethical behaviour within firms. The Group will undertake stakeholder engagement and research on this topic, with the key deliverable being a report of findings and recommendations to be presented to the IESBA Board at the December 2024 Board Meeting.

The minutes from the IESBA March Meeting are available on the [IESBA website](#). The next quarterly IESBA meeting will be held in New York, USA, on June 10-13, 2024.

Other IESBA updates

IESBA Staff Releases a High-Level Summary of Prohibitions in the IESBA Code for Audits of Public Interest Entities.

On 18 March 2024, the IESBA released a [high-level summary of prohibitions](#) in the [International Code of Ethics for Professional Accountants, \(including International Independence Standards\)](#) (the IESBA Code). The high-level summary reflects the changes from the 2023 version of the IESBA Code incorporating approved pronouncements effective in December 2024, i.e., the technology-related revisions and revisions to the definitions of listed entity and public interest entity.

The high-level summary highlights non-assurance services, relationships, interests or circumstances that are prohibited for PIE audits.

IESBA Releases 4-Year Strategy and Work Plan

On 11 April 2024, the IESBA released its Strategy and Work Plan for 2024-2027 (SWP) [Towards a More Sustainable Future: Advancing the Centrality of Ethics](#).

The SWP sets out the IESBA's vision, strategic goals, and actions, underpinning its ambition to make the IESBA Code the heart of businesses and organisations.

Within the SWP, the IESBA identified two high-priority strategic areas of focus:

- Accounting firm culture and governance; and
- Exploring the opportunity to extend the impact of the Code beyond the accountancy profession to a wider array of individuals who perform similar work as professional accountants.

Further details are available in the IESBA's [media release](#).

IESBA Launches First Global Ethics Standards on Tax Planning

On 15 April 2024, the IESBA released its global [standard on ethical considerations in tax planning and related services](#), which will be incorporated into the IESBA Code. The standard strengthens the ethical framework that guides professional accountants providing tax planning services, and other providers are strongly encouraged to follow it. The framework includes a new requirement and guidance on due consideration of reputational, commercial, and wider economic consequences when providing tax advice. The standard becomes effective globally on 1 July 2025. Further details are available in the IESBA's [media release](#).

The IESBA held two interactive global webinars on 13 May 2024 and 15 May 2024 on the [first global ethics standards on tax planning](#).

International and Other Developments

International Audit and Assurance Board (IAASB)

IAASB Announces New Strategy and Work Plan

IAASB published its approved strategy and work plan aimed at enhancing consistency and quality of audit and assurance standards worldwide. [Elevating Trust in Audit and Assurance: IAASB's Strategy and Work Plan for 2024-2027](#) reflects the crucial role of audit and assurance in fostering trust in the world's economies. Further details are available in IAASB's [media release](#).

International Federation of Accountants (IFAC)

IFAC Identifies Key Areas Accountants Need to Update their Knowledge & Skills to Prepare for Increasing Sustainability Demands

On 10 April 2024, IFAC released a new publication setting out four key areas where accountants need to update their knowledge to meet the growing demand for high-quality sustainability-related information. [Equipping Professional Accountants for Sustainability: What's New and What Hasn't Changed](#) speaks to the vital role accountants play in producing reliable sustainability-related data, reporting and assurance, as well as the importance of education and training in ensuring professional accountants can meet society's needs.

The framework aims to help professional accountants as well as professional accountancy organisations close any gaps between known and needed technical expertise, business acumen, behavioural competence, and ethics and professional values. Further details are available in the IFAC's [media release](#).

Public Interest Oversight Board (PIOB)

The PIOB Appoints New Secretary General to Continue Enhancing Its Public Interest Role

PIOB has approved the appointment of Dr. Martin Manuzi as PIOB Secretary General, effective 1 March 2024. Dr Manuzi has exercised this role in an acting capacity since 1 July 2023. Further details are available in the [media release](#).

The PIOB certifies the IESBA Standard on Tax Planning and Related Services

On 11 April 2024, the PIOB issued the public certification on the "Revisions to the Code addressing tax planning and related services" as approved by the IESBA. Refer to the [Media release](#).

Financial Reporting Council (FRC UK)

Future updates to Corporate Governance Code Guidance

Following the publication of the revised UK Corporate Governance Code earlier this year, the FRC updated the guidance, turning it into a live document containing links to relevant publications, improving the user experience and allowing it to be reviewed on a regular basis

to ensure it remains accurate and up-to-date. Updates are available on the UK Corporate Governance page on the FRC website, and view the guidance to the [UK Corporate Governance Code 2024](#).

Public Company Accounting Oversight Board (PCAOB)

PCAOB Sanctions PwC Australia for Violations Related to Reporting and Quality Control Monitoring Requirements

On 28 March 2024, PCOB announced a settled disciplinary order sanctioning PwC Australia for violations of PCAOB rules and quality control standards. Specifically, the sanctions address the Firm's failure to timely report the initiation and conclusion of proceedings against the Firm by the Tax Practitioners Board (TPB).

Sanctions include a US\$ 600,000 civil penalty and the imposition of remedial measures to improve the firm's compliance with PCAOB reporting requirements. Further details are available in the PCAOB's [media release](#).

PCAOB Fines PwC LLP (US) US\$ 2.75 Million for Quality Control Violations Relating to Independence

On 28 March 2024, PCAOB announced a settled disciplinary order sanctioning PwC LLP (US) for violations of PCAOB quality control standards relating to the maintenance of auditor independence.

Sanctions also include remedial undertakings requiring a review of the firm's independence-related quality control policies and procedures and further training on auditor independence for both the firm's audit and non-audit professionals. Further details are available in the PCAOB's [media release](#).

PCAOB Adopts New Quality Control Standard

On 13 May 2024, the PCAOB adopted a new standard designed to lead registered public accounting firms to significantly improve their quality control (QC) systems. The new standard would require all PCAOB-registered firms to identify their specific risks and design a QC system that includes policies and procedures to guard against those risks. Further details are available in the PCAOB's [media release](#).

PCAOB imposes substantial fines on accounting firms for exam cheating

On 10 April 2024, the PCAOB announced the largest civil money penalty in its history—a US\$ 25 million fine against KPMG Netherlands for violating PCAOB rules and quality control standards relating to exam cheating and misinforming investigators. The widespread exam cheating occurred from 2017 to 2022 and involved hundreds of professionals, including partners and senior firm leaders. The firm's former Head of Assurance is facing a separate US\$150,000 penalty and permanent ban.

During the PCAOB investigation, the firm submitted—and failed to correct—multiple inaccurate representations. For example, the firm claimed to have no knowledge of answer sharing prior to a 2022 whistleblower report. However, this was incorrect because members

of the firm's Management Board and Supervisory Board who signed off on that submission to the PCAOB had, in fact, cheated themselves. Further details are available in the [media release](#).

The PCAOB announced separate US\$ 1 million fines against both Deloitte Indonesia and Deloitte Philippines in their exam cheating cases. Refer to the [media release](#) for further details.

PCAOB Chair reappointed for a second term

On 11 June 2024, the PCAOB announced the reappointment by the SEC of Erica Williams as PCAOB Chair. Ms Williams's second term will run from 25 October 2024 to 24 October 2029. Further details are available in the [media release](#).

International Forum of Independent Audit Regulators (IFIAR)

IFIAR releases 2023 Report on Annual Survey of Audit Inspection Findings

In March 2024, IFIAR released its twelfth annual survey of inspection findings arising from its Member regulators' inspections of audit firms affiliated with the six largest global audit firm networks. IFIAR Members from 51 jurisdictions participated in the survey, providing data on inspection reports generally issued to the Global Public Policy Committee (GPPC networks).

The report notes that from the first time this statistic was tracked in 2014, the percentage of audits with findings has declined from 47% to 32% in the 2023 survey. The recurrence and level of findings reflected in the survey continue to indicate a lack of consistency in the execution of high-quality audits and the need for a sustained focus on continuing improvement. Further details of the survey findings are available in the [2023 Survey of Inspection Findings](#).

Australian Securities & Investments Commission (ASIC)

Auditor and audit firm admit to independence failures

On 29 May 2024, ASIC announced that they had accepted a court-enforceable undertaking from registered company auditor Robert Johnson and audit firm Hardwickes, based in Canberra. Following an ASIC investigation, Mr Johnson admitted he failed to ensure the audit of property development company Consolidated Builders Limited was conducted in accordance with ethical requirements outlined in the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Mr Johnson audited Consolidated Builders for 32 years. The long association threatened his independence. Hardwickes also provided various non-auditing services to Consolidated Builders, further undermining Mr Johnson's independence. Mr Johnson will cancel his registration as a company auditor and will not reapply.

Hardwickes also admitted it failed to establish and maintain a system of quality control to ensure its personnel complied with the required auditing and ethical requirements. Hardwickes resigned as Consolidated Builders' auditors in March 2024 and will engage an independent expert to conduct a review of its audit practices. The review will focus on the design, implementation and operation of the firm's system of quality management for audits in accordance with Auditing Standard ASQM 1 *Quality Management for Firms*. Hardwickes will be required to report to ASIC on its remedial action plan. Further details are available in the [media release](#).

ASIC announces expanded program to support financial reporting and audit quality

On 15 May 2024, ASIC outlined an expanded program of work for its financial reporting and audit surveillance program. The program covers listed companies, other public interest entities and previously grandfathered large proprietary companies. From 30 June 2024, it will also include superannuation funds.

In addition to announcing its focus areas for 30 June 2024, ASIC also announced a new review of auditors' compliance with ethical and independence standards to support the financial reporting and audit surveillance program and uplift ASIC's commitment to improved financial reporting and audit quality. This includes some preliminary observations about compliance with Auditing Standard ASQM 1. Further details are available in the [media release](#).

Changes to the ASIC Executive Leadership Team

On 15 April 2024, ASIC announced a number of changes to its senior executive leadership team. ASIC's CEO, Warren Day, is leaving to join the Commonwealth Director of Public Prosecutions on secondment as the Director's Executive Officer, effective 1 June 2024. Executive Director of Regulation and Supervision Greg Yanco will be appointed as ASIC's Interim CEO, effective 1 June 2024. Further details are available in ASIC's [media release](#).

ASIC insolvency data shows an increase in companies failing

On 18 April 2024, ASIC released insolvency data for the nine-month period from 1 July 2023 to 31 March 2024. The data showed an increase in the number of Australian companies failing, with 7,742 companies entering external administration. ASIC estimates that the number of companies entering external administration by 30 June 2024 will exceed 10,000, a level not seen since the 2012–2013 financial year. Further information is available in the [media release](#).

The head of the audit at William Buck Victoria pays a penalty for audit rotation issues.

On 5 April 2024, ASIC announced Nicholas Benbow, director of William Buck Audit (Vic) Pty Ltd, had paid \$20,625 to comply with 3 infringement notices issued by ASIC for an alleged breach of audit rotation issues. ASIC alleges Mr Benbow played a significant role as the lead auditor in the half-year reviews of 3 listed companies in March 2023, when Mr Benbow had already performed the role for each listed company audit for 5 successive years.

ASIC notes that payment of an infringement notice is not an admission of guilt or liability. Further details are available in the ASIC's media release.

ASIC extends and amends parent entity financial statements and auditor independence instruments.

On 27 March 2024, ASIC announced it had extended the operation of the parent entity's financial reporting and auditor independence legislative instruments. ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195 and ASIC Corporations (Auditor Independence) Instrument 2021/75 (the Principal Instruments) were due to expire on 1 April 2024 and 30 April 2024 respectively. ASIC has issued ASIC Corporations (Amendment)

Instrument 2024/187 to extend the relief under the Primary Instruments for an additional five years. Further details are available in the [media release](#).

ASIC acts against 15 SMSF Auditors Performing In-House Audits

On 14 March 2024, ASIC announced that they had imposed conditions on the registration of 13 self-managed superannuation fund (SMSF) auditors and accepted the voluntary cancellations of two SMSF auditors after independence concerns were raised. ASIC was concerned that financial statements for SMSF clients were prepared by the same firm that also conducted the SMSF audit, which was in breach of the SMSF auditor's independence requirements. The conditions emphasise the restriction on performing in-house audits, requiring an independent review of all SMSF audit clients and notification of the conditions to their professional associations. Further details are available in the [media release](#).

Tax Practitioners Board (TPB)

TPB invites comments on Draft Guidance on Breach Reporting Obligations

On 30 April 2024, TPB released draft guidance on breach reporting obligations applicable to registered tax practitioners from 1 July 2024. The draft guidance consists of a [draft information sheet, summary document](#) and [high-level decision tree](#). These documents explain the additional breach reporting obligations, supported by practical case studies, when the obligations apply, what constitutes a significant breach, the timeframe for reporting a significant breach, and what happens if a significant breach is not reported. The consultation period closed on 28 May 2024. Further details are available in the TPB's [media release](#).

The Treasury

Response to PwC – Regulation of Accounting, Auditing and Consulting Firms in Australia

On 3 May 2024, the Treasury released a [consultation paper](#) seeking stakeholder views and feedback on issues for Treasury's consideration in relation to the regulation of accounting, auditing and consulting firms in Australia. This paper relates to the priority areas identified for action in the [Government's PwC response](#): *Strengthening our regulatory arrangements* and seeks comments on matters relating to governance; professional standards, regulations and laws; Transparency, public information and reporting; Enforcement and Standard Setting; Protection of whistleblowers; and Competition/resilience of the audit sector. Responses to this consultation can be made up until 28 June 2024. Further details are available in the Treasury's [media release](#).

Delivering Better Financial Outcomes Tranche 1 – Draft Regulations

On 11 June 2024, the Treasury released an [exposure draft](#) to consult on the *Treasury Laws Amendment (Delivering Better Financial Outcomes) Regulations 2024* (draft regulations). These are consequential amendments to support the implementation of the *Treasury Laws Amendment (Delivering Better Financial Outcomes and Other Measures) Bill 2024* (the Amending Bill) and delivery of the first tranche of the government's response to the Quality of Advice Review. Responses to the consultation can be made up until 8 July 2024. Further details are available on the Treasury's [website](#).

U.S. Securities and Exchange Commission

Fostering a Healthy “Tone at the Top” at Audit Firms – Statement by Paul Munter, Chief Accountant, U.S. Securities and Exchange Commission

On 15 May 2024, Paul Munter, Chief Accountant of the U.S. Securities and Exchange Commission, made a statement about fostering a healthy “Tone at the Top” at audit firms by always placing the public-interest obligations of the profession ahead of business interests and profits. He also mentioned that the accounting firm’s leadership team is ultimately responsible for the culture that they create and the tone that they set. Further details are available in the Commission’s [media release](#).

The Monitoring Group

Monitoring Group Invites Applicants to Join the Public Interest Oversight Board (PIOB)

On 7 June 2024, the Monitoring Group issued an open call for applications for a board member to serve on the PIOB for an initial 3-year term commencing 1 January 2025. [The Call for Applications: Public Interest Oversight Board Member](#) outlines the requirements and job description of a PIOB Member and invites highly qualified individuals to apply. The deadline for submitting applications is 13 September 2024. For further information, please visit the Monitoring Group’s [website](#) to learn how to apply.

APESB-IESBA Event

An evening with the IESBA Chair Gabriela Figueiredo Dias

On 9 May 2024, APESB hosted a thought leadership dinner, with the keynote address delivered by IESBA Chair Gabriela Figueiredo Dias. Approximately 80 Australian and international guests attended the event. Gabriela provided a keynote address on the critical role of ethics in the success of global businesses and the ethical journey for accountants, including present and future challenges for the profession. Gabriela also talked about IESBA’s recent advancements in ethics relating to technology, tax planning and sustainability.

By the end of June 2024, a highlight video and recordings of the speeches will be available on the events page on the APESB website.

IESBA engagement with Australian stakeholders

The IESBA Chair IESBA Chair Gabriela Figueiredo Dias and former IESBA Board member Prof Jens Poll were in Australia for the week commencing 6 May 2024. They were joined in the outreach activities by APESB CEO and IESBA Member Channa Wijesinghe and IESBA Director based in Australia Geoff Kwan. The Professional Accounting Bodies created a range of opportunities for Australian stakeholders and professional accountants to engage with the IESBA on topics related to professional and ethical standards across the week.

Details of the events hosted by the Professional Accounting Bodies can be found in LinkedIn posts for [IPA](#), [CPA Australia](#) and [CA ANZ](#).

APESB Presentations, Submissions, and Other Activities

IESBA's Sustainability & Expert EDs Presentation to AUASB

On 13 March 2024, IESBA Member and APESB CEO Mr Channa Wijesinghe provided an update to the AUASB on the IESBA's recently released exposure drafts on Ethics Standards for Sustainability Assurance and the Use of an External Expert.

Firm Culture and Governance Presentation – NZAuASB

On 3 April 2024, IESBA Member and APESB CEO Mr Channa Wijesinghe made a presentation to the New Zealand Auditing and Assurance Standards Board (NZAuASB). The presentation covered firm culture and governance and included an update on developments in Australia and the proposed IESBA workstream on this topic.

CA ANZ Audit Conference Presentation

On 15 May 2024, CEO Mr Channa Wijesinghe made a presentation at the CA ANZ Audit Conference 2024. The presentation covered the latest changes to Auditor Independence obligations under the Code. The slides from the presentation are available on [APESB's website](#).

APESB Virtual Roundtable on Sustainability and Use of Expert

APESB held a virtual roundtable on 26 March 2024, seeking stakeholder feedback on two exposure drafts (EDs) issued by the IESBA on the proposed International Ethics Standards for Sustainability Assurance and Using the Work of an External Expert.

A presentation on the key proposals was provided by APESB's CEO and IESBA Board Member, Channa Wijesinghe and IESBA Director Geoff Kwan. The slide deck used during the roundtable is available on the [APESB website](#).

APESB Submission to the IESBA's Exposure Draft on Using the Work of an External Expert

On 3 May 2024, APESB made a submission to the IESBA's exposure draft *Using the work of an External Expert*. APESB supported the proposed revisions, noting that they will enhance the credibility of professional activities performed by professional accountants and sustainability assurance practitioners involving the use of external experts. APESB did suggest that some refinements to requirements and additional guidance on key matters would assist professional accountants and sustainability assurance practitioners in clarifying how to implement the proposals in practice.

APESB Submission to the IESBA's exposure draft on Sustainability Assurance & Reporting

On 30 May 2024, APESB made a submission to the IESBA's exposure draft on *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting*. APESB supported the IESBA's project to make additions and proposed revisions to the IESBA Code relating to sustainability assurance and reporting, including the IESBA's approach to develop profession-agnostic standards to support professionals from non-accounting backgrounds when engaged in sustainability assurance engagements.

APESB's recommendations to the IESBA included developing additional guidance across the new Part 5 to assist sustainability practitioners in the practical application of the IEISSA and further clarifying the independence considerations relevant to Value Chain Entities.

Recommendation

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

Authors: Jacinta Hanrahan
Disna Dharmasekara

Date: 14 June 2024