

AGENDA PAPER

Item Number: 9
Date of Meeting: 27 August 2013
Subject: International and other activities

Action Required For Discussion For Information Only

Purpose:

To provide a quarterly update to the Board on:

- IESBA meetings, Exposure Drafts and other publications;
- International Developments;
- APESB Submissions; and
- APESB Presentations.

IESBA

During the last quarter, the IESBA held one Board meeting on 10 – 12 June 2013 in New York, USA. APESB Chairman Kate Spargo attended this meeting in her capacity as a Board member of the IESBA.

The following key agenda items were considered:

- Approval of the revised definition of “Those Charged with Governance” and related changes to the *Code of Ethics for Professional Accountants* (the Code);
- Update on the status of the *Responding to a Suspected Illegal Act* ED;
- Update on the project to review of Part C of the Code;
- Status update to review non-assurance services provisions to an Audit Client in Section 290 and 291 of the Code;
- Future Strategy and Work Plan;
- Update on the project to review long association provisions with an Audit Client in Section 290 of the Code;
- Structure of the Code; and
- November 2012 IESBA Staff Questions & Answers (Q&A) Publication.

Statement of Compliance with Relevant Ethical Requirements

The IESBA considered a proposal to be presented at the 24 – 28 June 2013 International Auditing and Assurance Standards Board (IAASB) meeting by the IAASB's Auditor Reporting (ISA 700) Drafting Team. The proposal addressed the inclusion of an explicit statement of compliance with relevant ethical requirements in the auditor's report. The IESBA expressed support for the proposed requirement for the auditor to include in the auditor's report statements that:

- the auditor is independent within the meaning of the relevant ethical requirements; and
- the auditor has fulfilled the auditor's other ethical responsibilities under those (or other) ethical requirements.

The *IESBA Meeting Summary* (refer Attachment 8(a)) provides a summary of the June 2013 IESBA meeting outcomes.

Kristian Koktvedgaard appointed chair of the IESBA Consultative Advisory Group (CAG)

Kristian Koktvedgaard has been appointed chair of the Consultative Advisory Group (CAG) to the IESBA. He was elected by the IESBA CAG membership to succeed the current chair, Richard Fleck, who has served as the first independent chair of the IESBA CAG since May 2006. Kristian Koktvedgaard's appointment – a three-year term which was effective from July 1, 2013 – has been approved by the Public Interest Oversight Board (PIOB), which oversees the activities of the IESBA and of the CAG.

Kristian Koktvedgaard is a member of the Danish Accounting Council and the Danish disciplinary tribunal for State Authorised and Certified Public Accountants. He is also actively involved in the Danish Accounting Forum, a body that brings together Danish stakeholders to discuss accounting issues. In addition, he is a member of the BUSINESSSEUROPE Accounting Standards Board and has represented BUSINESSSEUROPE in audit matters on numerous occasions. Previously, he served on the Danish Supervisory Authority on Auditing.

IESBA September 2013 Sydney Board Meeting

The IESBA will hold its next Board meeting at the ICAA office in Sydney on 16-18 September 2013. APESB will be taking this opportunity to host a lunch and a dinner function on the 18th and 19th of September 2013 to welcome and connect with the visiting IESBA Board members and staff.

Key note speakers for the functions are:

- Dinner function – IESBA Chairman, Jörgen Holmquist (Refer to attachment 8(b))
 - Mr Holmquist will address topics such as the challenges that the global accounting profession is facing, the European Union and the Euro, the current economic crisis in Europe and how the world looks in general from a European perspective. He will also comment on where Australia features in the European context.
- Lunch function – IESBA Board member, Caroline Gardner (Refer to attachment 8(c))
 - Ms Gardner will address the following topic:
The global financial crisis has highlighted the extent to which government finances and the private sector are deeply interlinked in countries across the

world. The collapse of major financial institutions, and the recessions that have followed, have led to falling tax revenues, cuts in public services, plummeting economic performance and investor confidence and, in countries like Greece, real threats to social cohesion and political stability. Can public audit help to rebuild accountability and trust in government, and cut the risk of similar problems recurring in the future?

Other International Developments

IAASB

On 25 July 2013, the International Auditing and Assurance Standards Board (IAASB) released proposals to enhance the auditor's report in the future. The IAASB's Exposure Draft, *Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)*, responds to calls from investors, analysts, and other users of audited financial statements in the wake of the global financial crisis for the auditor to provide more relevant information in the auditor's report based on the audit that was performed.

The exposure draft also includes proposed new ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, and a number of proposed revised ISAs, including revisions to ISA 700, *Forming an Opinion and Reporting on Financial Statements*. Example reports illustrating various circumstances are included in the proposed ISAs. Comments on the exposure draft have been requested by November 22, 2013.

Due to the length of the document, the complete exposure draft has not been provided as an attachment. The complete exposure draft can be viewed at:

<https://www.ifac.org/sites/default/files/publications/files/Complete%20ED,%20Reporting%20on%20Audited%20Financial%20Statements.pdf>

Separate components of the exposure draft are also available for ease of accessibility at: <https://www.ifac.org/publications-resources/reporting-audited-financial-statements-proposed-new-and-revised-international>.

UK Competition Commission

The United Kingdom Competition Commission (the Commission) has moved away from an initial proposal to mandate audit firm rotation for listed entities in its newly released *Summary of provisional decision on remedies* (refer to attachment 8(d)), issued as part of its current inquiry into the competitiveness of the UK's statutory audit services market.

The proposed reforms are the latest proposals by the Commission following feedback on their provisional findings report published in February. Other proposed reforms in the package include measures to strengthen audit committees and their relationship with the external auditor, encouragement of greater shareholder engagement in the process by voting on the audit committee's report, requirement for more quality reviews by the UK FRC, and banning of 'Big 4 only' clauses in loan documentation.

The Commission is inviting responses to the proposals by August 13, 2013 and is due to publish its final report with recommendations in October 2013.

United States

In July 2013, the U.S. House of Representatives has approved legislation that would prohibit the Public Company Accounting Oversight Board (PCAOB) from requiring mandatory audit firm rotation for public companies. The approved Audit Integrity and Job Protection Act will amend the Sarbanes-Oxley Act of 2002 (SOX) to deny the Public Company Accounting Oversight Board (PCAOB) any authority to require that audits conducted for a particular issuer of securities in accordance with SOX standards be conducted by specific auditors, or that such audits be conducted for an issuer by different auditors on a rotating basis.

The bill was introduced on 15 April 2013. The bill has been received in the Senate, read twice and is currently referred to the Committee on Banking, Housing, and Urban Affairs.

APESB Submissions

The IESBA conducted an online survey to consider the current provisions in IESBA Code that address the potential threats to independence created by using the same senior personnel on an audit engagement over a long period of time (contained in paragraphs 290.150-155). The survey had a closing comment period of 31 May 2013.

APESB prepared a response to the online questionnaire for IESBA's consideration (refer to Attachment 8(e)).

APESB Presentations

Former APESB Director Cath Mulcare presented at the Brisbane ICAA Audit Conference 2013 held in May 2013 on *Auditor Independence: A role play with the APESB* (refer to Attachment 8(f)).

Channa Wijesinghe delivered a presentation on APESB Standards at the HKICPA in May 2013 (refer to Attachment 8(g)).

Channa Wijesinghe attended and delivered a presentation on APESB Standards and recent Australian developments at the 5th annual IESBA National Standard Setters (NSS) Meeting in New York, USA in May 2013. National Standard Setters from other key jurisdictions such as the USA, UK, Canada, Germany, China, Japan, India and New Zealand also attended this annual forum. Refer to Attachment 8(h).

Channa Wijesinghe and Rob Nickel delivered a presentation on APESB Standards to the IPA GZCICPA delegates in August 2013 (refer to Attachment 8(i)).

Material Presented

- Attachment 8 (a) June 2013 IESBA Meeting Summary;
- Attachment 8 (b) Invitation to APESB Dinner Event with Jorgen Holmquist 18 September 2013;
- Attachment 8 (c) Invitation to APESB Lunch Event with Caroline Gardner 19 September 2013;
- Attachment 8 (d) UK Competition Commission - Summary of provisional decision on remedies;
- Attachment 8 (e) APESB Submission to IESBA Survey on Long Association of Senior Personnel with an Audit Client (Confidential);
- Attachment 8 (f) APESB presentation at ICAA Audit Conference 2013;
- Attachment 8 (g) APESB presentation at HKICPA May 2013;
- Attachment 8 (h) APESB presentation at the IESBA NSS meeting May 2013; and
- Attachment 8 (i) APESB presentation to the IPA GZCICPA Delegates August 2013.

Recommendation:

That the report on international and other activities be noted.

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Date: 15 August 2013