

AGENDA PAPER

Item Number: 5
Date of Meeting: 22 August 2017
Subject: International and other activities

Action required For discussion For noting For information

Purpose:

To provide a quarterly update to the Board on:

- the IESBA Board Meetings and other developments;
- International developments of interest; and
- APESB submissions to the IESBA.

IESBA

IESBA June 2017 Board Meeting

The IESBA held a Board meeting on 19 - 21 June 2017 in New York, USA. The Board considered the following key agenda items:

- Review of Part C of the Code (Inducements);
- Applicability of Part C to Professional Accountants in Practice;
- Structure of the Code (Phase 2);
- Review of Safeguards;
- Professional Skepticism;
- Fees initiative; and
- IAASB-IESBA Coordination.

The IESBA June 2017 *IESBA Meeting Summary* is available at Agenda 5(a).

At this meeting, the IESBA approved for issue an Exposure Draft for the proposed Section 250 *Gifts, Hospitality and Other Inducements*, with conforming amendments in relevant sections of the restructured Code. It will be released in August 2017 with a 90-day comment period.

The IESBA considered comments received on the Applicability of Part C and Safeguards – Phase 2 EDs and received an update on the responses to the Structure – Phase 2 ED. The IESBA will consider drafts of the revised Applicability provisions and Safeguards text, and review comments received on the Structure – Phase 2 ED at its September 2017 meeting.

The IESBA considered and supported the release (by early August 2017) of a publication on Professional Skepticism (PS) that it jointly developed with the International Auditing and Assurance Standards Board (IAASB) and International Accounting Education Standards Board. This publication aims to, among others, inform stakeholders on the three Boards' key observations and their current and future actions relating to PS. The IESBA also considered proposals for a PS long-term initiative, and supported the development of a consultation paper on relevant issues (such as calls for greater exercise of PS) in 2018.

The IESBA also received updates on its Fees Initiative.

The next IESBA meeting is scheduled for 19-22 September 2017 in New York, USA. As part of this meeting, the IESBA and the IAASB are expected to hold a joint session to discuss matters of coordination between the two Boards.

Exposure Draft on Professional Skepticism

The IESBA issued in May 2017 an ED on the proposed [Application Material Relating to Professional Skepticism and Professional Judgement](#) (Professional Skepticism ED) and the comment period closed on 25 July 2017. APESB made a submission, refer to the APESB [Submissions](#) section on this report.

IESBA Staff Q&A Publication on Long Association

The IESBA Staff issued its Q&A Publication [Long Association of Personnel with an Audit Client](#) in May 2017. The Publication explains and illustrates certain aspects of the revised partner rotation requirements, to assist in their effective implementation. APESB Technical Staff proposes that APESB prepare a Q&A Publication based on the IESBA Staff publication for Australian stakeholders (refer Agenda Item 3).

International Developments

International Federation of Accountants (IFAC)

IFAC's PAIB Committee's Response to [Professional Skepticism ED](#)

In its [response](#) to the Professional Skepticism ED, IFAC's Professional Accountants in Business Committee (PAIB) agreed with the IESBA that there is a need to clarify how the fundamental principles assist in the exercise of professional skepticism in audit and assurance engagements. The Committee however is of the view that the concepts of professional skepticism and professional judgement apply to all professional accountants irrespective of whether they are in public practice or in business, given their influence and/or involvement in the financial reporting supply chain.

IFAC's Actionable Recommendations for G20 countries

In line with the G20 Summit in Germany held in July 2017, IFAC has issued [The Global Accountancy Profession's Call for Action by G20 Countries](#) comprising actionable recommendations for G20 countries that aim to foster public trust, inspire confidence and support thriving economies globally. The recommendations emphasised the need for G20 countries and other stakeholders to raise governance standards and promote greater transparency and regulatory consistency across all economic sectors globally.

Public Sector Financial Accountability Index

IFAC and the UK Chartered Institute of Public Finance and Accountancy (CIPFA) has developed and launched in July 2017 the [Public Sector Financial Accountability Index](#), a first-of-its-kind index intended to promote public financial management reforms. It will produce a country-by-country database of accrual-based financial information that will show an entire view of a government's finances and funding commitments. Focusing initially on central governments, it will then be enhanced over time to include state/provincial and other local governments. The first set of data will be available in November 2017.

International Auditing and Assurance Standards Board (IAASB)

Quality Control for Firms

At its June 2017 meeting, the IAASB discussed the recommendations of its Quality Control Task Force on potential revisions to ISQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements*, including a working draft of the standard. APESB will monitor the progress of this project for its likely implications on APES 320 *Quality Control for Firms*.

Further details are available in the [Highlights](#) of the June 2017 IAASB meeting.

Financial Reporting Council – UK (FRC)

FRC notes evidence of improving audit quality and a commitment to continuous improvement

In its second annual *Developments in Audit* report issued in July 2017, the FRC has noted that the benefits of audit firms' increased focus on improving audit quality and enhanced culture of continuous improvement are now starting to become evident. There have been significant changes in the UK audit market recently, with the impact of audit tendering and rotation requirements resulting in greater competition among the big firms in terms of audit quality. Broadened perspectives on audit quality provided by independent non-executives in large firms have facilitated better focus on sustained improvement.

APESB submissions

Submissions to the IESBA

APESB have provided IESBA with submissions:

- in respect of the [Professional Skepticism ED](#); and
- relating to the [IESBA Strategy Survey Questionnaire](#).

Professional Scepticism

APESB's [submission](#) was supportive of the project to clarify the concepts of professional judgement and professional scepticism. However, APESB is of the view that a certain level of professional scepticism is applied by all professional accountants and that it is not limited to assurance practitioners. APESB recommended that there is a need to:

- Clarify the relationship between professional judgement and professional scepticism;
- Include the proposed application guidance in a section of the Code that is applicable to all accountants, not limited to assurance engagements;

- Describe professional scepticism as a continuum (from when professional activities are performed in compliance with the principle of objectivity to when independence is required); and
- Consult with stakeholders (e.g. independent experts, forensic accountants, insolvency practitioners) on how they apply professional scepticism.

IESBA Strategy Survey

APESB provided [inputs](#) into the IESBA Strategy and recommended consideration of the following topics as high priority projects for IESBA's work plan beyond 2018:

- Trends and developments in technology and innovation
- Emerging or newer service models (e.g. managed services)
- Tax planning and related services
- Collective investment vehicles
- Breach of the Code
- Post-implementation review of Long Association provisions

APESB's submissions are available on the [APESB website](#).

APESB NOCLAR Awareness Sessions

APESB in collaboration with the professional accounting bodies, AUASB and BDO are conducting NOCLAR awareness sessions during the months of August to October 2017. The events planned are as follows:

- CA ANZ - Melbourne – 3rd August 2017;
- CA ANZ - Brisbane – 30th August;
- CA ANZ - Sydney – 21st September;
- IPA - Sydney – 21st September;
- CPA Australia Webinar – 20th October; and
- IPA Webinar (TBC).

The Melbourne CA ANZ NOCLAR Knowledge Sharing Event was held and it was attended by approximately 150 members. The NOCLAR presentation is available [here](#).

Recommendation:

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

Material Presented

Agenda Item 5(a) IESBA June 2017 Meeting Highlights

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