

AGENDA PAPER

Item Number: 16
Date of Meeting: 14 June 2018
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 and other developments;
- APESB's participation at the 2018 IESBA NSS meeting;
- International developments of interest; and
- APESB submissions, presentations and other activities; and

IESBA

IESBA Board Meetings

The IESBA held a Board meeting on 12 – 14 March 2018 in New York, USA. The key items discussed at this meeting were:

- Professional Scepticism;
- Inducements;
- Non-assurance services (NAS) provisions in the restructured Code;
- IESBA's *Proposed Strategy and Work Plan, 2019 – 2023*;
- Rollout and implementation of the restructured Code;
- Technology;
- Global Status Report on Adoption of Standards;
- Fees; and
- Development of an eCode.

The IESBA also agreed to hold [roundtables](#) in Washington DC (11 June 2018), Paris (15 June 2018) and Tokyo (12 July 2018) to consult on professional scepticism and non-assurance services.

The IESBA March 2018 *IESBA Meeting Summary* is available at Agenda Item 16(a).

The IESBA held a teleconference on 23 April 2018 where they approved the final text of the Inducements provisions for the restructured Code. The provisions will be released in July 2018

after they have been approved by the Public Interest Oversight Board (PIOB) at their meeting in June 2018. Refer to Agenda Item 11 for APESB's proposed exposure draft on these provisions.

The IESBA held a teleconference on 4 May 2018 where they approved the release of a Consultation Paper [Professional Skepticism – Meeting Public Expectations](#). The Consultation Paper considers the behavioural characteristics relating to professional scepticism, and whether these characteristics apply to all professional accountants. The paper seeks feedback on whether the Code should be enhanced and what other actions could be undertaken by the IESBA on this matter.

Comments on the Consultation Paper are due by 15 August 2018.

The next meeting of the IESBA will be held in Athens, Greece on 18 – 20 June 2018.

Other IESBA developments

IESBA's Proposed Strategy and Work Plan, 2019 – 2023

On 16 April 2018, the IESBA issued a consultation paper on their [Proposed Strategy and Work Plan, 2019 – 2023](#) (SWP) for public comment. The SWP highlights the IESBA's proposed projects and activities that address its key strategic themes for the period 2019 – 2023 as listed below:

- promoting the restructured Code's relevance and impact in a rapidly evolving environment;
- deepening and extending the Code's influence through global implementation; and
- enhancing the IESBA's perspectives and inputs through proactive dialogue and collaboration with stakeholders.

Comments to the SWP consultation paper are due by 16 July 2018. APESB will draft a submission on the consultation paper and will circulate it to the Board out-of-session for their approval.

APESB's participation at the 2018 IESBA National Standard Setters' meeting

Mr Craig Farrow, Board Member and Ms Jacinta Hanrahan, Senior Technical Manager, represented APESB at the IESBA National Standards Setters' (NSS) meeting held in Vienna, Austria on 7 – 8 May 2018.

The NSS meeting covered current IESBA projects including the restructured Code, professional scepticism, non-assurance services, fees and technology. The meeting also provided an opportunity to discuss current issues arising in other jurisdictions and other significant developments including the current reforms suggested by the Monitoring Group.

International Developments

International Federation of Accountants (IFAC)

Overview of responses to Monitoring Group proposals

In April 2018, IFAC released a [report](#) on a qualitative and quantitative review of the responses to the Monitoring Group's (MG) [consultation paper](#) relating to the governance and oversight of international audit-related standard-setting boards. IFAC commissioned Gibson Dunn, a

global law firm, to undertake the review. Refer to Agenda Item 13 for further details on the key responses in the Gibson Dunn's report.

Monitoring Group

Roundtables in Australia

The Monitoring Group will hold roundtables in Australia in June 2018 to consult further with stakeholders on their proposed changes to governance and oversight of audit-related standard-setting boards. The key matters identified by the Monitoring Group from the global consultation process is set out in more detail at Agenda Item 13.

International Auditing and Assurance Standards Board (IAASB)

Project on Quality Control

The IAASB is currently undertaking a project to review its International Standard on Quality Control 1 (ISQC 1). At its March 2018 meeting, the IAASB considered a draft Exposure Draft on [ISQC 1](#) which proposes to incorporate a quality management approach in the standard. The IAASB plans to release its Exposure Draft on ISQC 1 in September 2018. Refer to Agenda Item 17 for details on the proposed changes to the international quality control standards and their impact on relevant APESB pronouncements.

Financial Reporting Council – UK (FRC)

'Root and branch' review of UK FRC

In April 2017 the UK government announced an [independent review](#) of the UK FRC's role and powers. The review aims to make the FRC the best in class for corporate governance and transparency, while helping it fulfil its role of safeguarding the UK's leading business environment.

Call for 'Audit-only' Firms

The FRC UK have indicated their support for a recommendation in a UK parliamentary report that would break up the Big Four firms to split audit functions from non-audit services such as consulting. The suggestion is aimed at addressing conflicts of interest in offering both services. It has come about in response to the collapse of Carillion in the UK where all the Big Four firms provided services as either auditor or consultant. Refer to Agenda Item 16 (b) for a recent article on the proposals.

International Organization of Securities Commissions (IOSCO)

Consultation on good practices for Audit Committees

The IOSCO issued in April 2018 its [Consultation Report on Good Practices for Audit Committees in Supporting Audit Quality](#) which seeks feedback from stakeholders on its proposed good practices for audit committees of issuers of listed securities in support of audit quality. The consultation report includes proposals that emphasise the responsibilities of audit committees in respect of auditor independence. Comments are due by 24 July 2018.

International Forum of Independent Regulators (IFIAR)

Annual Survey of Inspection Findings

On March 2018, the IFIAR released its 2017 [Survey of Inspection Findings](#) which summarises the results of inspections of its 52-member regulators on the six largest global networks. The survey included inspection of 918 PIE audits, and indicated that on the overall, 40% of the listed PIE audits inspected had at least one finding (compared to a higher rate of 47% in 2014). Findings included departures from auditor independence and ethical requirements which had an impact on audit quality.

APESB submission, presentations and other activities

Submissions

APESB submission on FASEA Code

APESB has made a submission to the Financial Adviser Standards and Ethics Authority (FASEA) in respect of the [Exposure Draft of Proposed Code of Ethics for Financial Advisers](#) (FASEA Code). Our submission underscored APESB's support for the creation of the FASEA Code. Refer to Agenda Item 16 (c) for the submission lodged with FASEA.

Presentations

APESB presentation at Monash University

On 16 May 2018, APESB CEO Channa Wijesinghe presented to Masters of Professional Accounting students at Monash University on the topic [Professional & Ethical Standards and Corporate Ethics](#). The presentation covered the Code, compliance with the fundamental principles and conceptual framework, recent corporate scandals and signs of ethical collapse, the importance of personal integrity, and NOCLAR.

APESB presentation to RMIT University

On 1 June 2018, APESB CEO Channa Wijesinghe will present to RMIT Academics at the School of Accounting on the current APESB work program and potential areas of research that may assist the APESB standard development work program. The AASB and AUASB Technical Directors will also present on their work programs.

NOCLAR awareness session

Due to the success of the series of NOCLAR awareness sessions in 2017, APESB has been invited to co-present another NOCLAR awareness session on 6 June 2018 in Melbourne. The session will be hosted by Chartered Accountants Australia and New Zealand (CA ANZ), with APESB jointly presenting with representatives from the AUASB and BDO.

Recommendation

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

Materials Presented

Agenda Item 16 (a) IESBA's March 2018 Meeting Highlights
Agenda Item 16 (b) Media article: Big Four Accountancy firms plan for UK break-up
Agenda Item 16 (c) APESB's submission on the proposed FASEA Code (to be included subsequent to Board review)

Authors: Jacinta Hanrahan
Ruth Oliquino

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