

## AGENDA PAPER

**Item Number:** 4

**Date of Meeting:** 18 February 2019

**Subject:** International and other activities

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Action required     For discussion     For noting     For information

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### Purpose

To provide an update to the Board on:

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

### IESBA

The IESBA held a Board Meeting on December 3 – 5, 2018 in New York, USA, which included the following key agenda items:

- Strategy and Work Plan (SWP);
- The Non-Assurance Services project;
- The Role and Mindset of Professional Accountants project;
- Technology and the potential impact on the relevance of the Code;
- The e-Code project; and
- Alignment of Part 4B of the Code with the revised ISAE 3000.

The IESBA Board approved their SWP, which they expect to release in April 2019 once the PIOB confirms that due process has been followed.

Technical Staff note that the SWP in the agenda papers include amendments to introduce a post implementation review of the jurisdictional provision in the long association provisions earlier than the review of other elements of the other long association provisions. The timing of the review is proposed to commence in Quarter 3 in 2020.

This was an issue APESB specifically raised in the Board's submission to IESBA's SWP, and we welcome the fact that now the review is scheduled to occur earlier.

The IESBA meeting highlights are available at Agenda Item 4(a) or the podcast is available on the IESBA [website](#).

The next IESBA Board Meeting will be held on March 11 – 13, 2019, in New York, USA.

### ***Reappointment of Dr. Thomadakis***

It was announced on December 13, 2018 that Dr. Stavros Thomadakis has been reappointed as the IESBA Chair for a further one-year term (for 2019).

More information on Dr. Thomadakis' reappointment may be found [here](#).

## **International and Other Developments**

### ***International Auditing and Assurance Standards Board (IAASB)***

#### IAASB Board Meeting

The final IAASB Board Meeting for 2018 was held on December 10 – 14 in New York, USA, and included the following key points:

- Consideration of exposure drafts on Quality Management at the Firm and Engagement Level (ISQM 1 and ISA 220);
- Consideration of an exposure drafts on Engagement Quality Reviews (ISQM 2);
- Discussion of the responses to the ISA 315 exposure draft on identifying and assessing the risks of material misstatement;
- Discussion of the IAASB Strategy and Work Plan 2020 – 2023; and
- Discussion of the Emerging External Reporting Assurance draft guidance.

The IAASB approved for issue exposure drafts relating to quality management and engagement quality reviews. The exposure drafts on proposed ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2 *Engagement Quality Reviews* and ISA 220 *Quality Management for an Audit of Financial Statements* will be issued in early February 2019 with comments due by 30 June 2019.

The IAASB meeting highlights document is available [on the IAASB website](#). The relevant APESB pronouncements (APES 320 *Quality Control for Firms* and APES 325 *Risk Management for Firms*) are available on our [website](#). Also refer to Agenda Item 5 for a summary of the proposed changes to the quality management standards.

The IAASB will hold teleconferences on 22 and 31 January 2019, followed by a Board Meeting on March 11 – 15, 2019, in Toronto, Canada.

#### IAASB New Technical Director

The IAASB have appointed Mr Willie Botha to the role of Technical Director. Mr Botha was previously the Senior Executive, Assurance and Practice with the South African Institute of Chartered Accountants (SAICA).

The media release is available [here](#).

## ***International Federation of Accountants (IFAC)***

### IFAC Report – Enabling the Accountant’s Role in Effective Enterprise Risk Management

In January 2019, IFAC released a report which encourages accountants to drive effective Enterprise Risk Management (ERM) within their organisations. The report identifies three ways in which CFOs and the finance function of an organisation may contribute to ERM:

1. Aligning risk management with value creation and preservation;
2. Driving insights and enabling decisions through the provision of risk modelling and analytics, data governance and identification of organisational risk appetite; and
3. Enabling integration and interconnectivity by breaking down silos across the organization to share information.

More information on the report may be found [here](#).

### Chair of the International Accounting Education Standards Board (IAESB)

It was announced on December 10, 2018 that Ms. Anne-Marie Vitale, current deputy Chair of the IAESB, has been appointed Chair, effective January 1, 2019. Ms Vitale is a PwC partner with over 25 years’ experience in the accounting industry.

More information on Ms Vitale’s appointment may be found [here](#).

### Position openings – IAASB and IESBA

IFAC are seeking five IAASB and six IESBA Board Members for 2020. Nominations for these volunteer positions are open to all stakeholders. Candidates should have strong knowledge of the subject matters considered by a board and be fluent in English.

More information of the nomination process may be found [here](#).

## ***Financial Reporting Council – UK (FRC)***

### Independent Review of the FRC

A report on the independent review of the FRC was released on 18 December 2018. The review recommended that the FRC be replaced with an independent statutory regulator called the Audit, Reporting and Governance Authority with clear statutory powers and objectives. The propose new regulator would be accountable to parliament and should have new leadership and a new mission.

The report contains 83 recommendations, including recommendations that:

- the current self-regulatory model for the largest audit firms should end,
- the government should review the UK’s definition of Public Interest Entities; and
- a backstop statutory power should be put in place by the Government to require Professional Bodies to act if there was a need in the public interest

The full report on the review is available on the UK Government [website](#).

In addition, the Chair of the independent review, Sir John Kingman, was asked to consider whether there should be changes to the way in which company auditors are appointed and compensated. The consultation undertaken indicated that there was not a great deal of

support for changing the current model in place. However, Sir Kingman did suggest the government should grant powers to the regulator allowing it to:

- appoint an auditor for PIEs where audit quality issues have been identified, where the company has parted with its auditors (out of the normal rotating cycle) or where there has been a meaningful vote against the auditor's appointment; and
- to approve audit fees for PIEs where it sees a case for doing so in the public interest.

The letter on the operation of the audit market is available on the UK Government [website](#).

### ***International Organisation of Securities Commissions (IOSCO)***

In January 2019, IOSCO released a report on [Good Practices for Audit Committees in Supporting Audit Quality](#), which suggests assessing auditor independence as one of the ways that audit committees can promote and assist with audit quality

### ***International Federation of Independent Audit Regulators***

In December 2018, IFIAR released a report on its survey of audit regulators' enforcement regimes. The report details the differing authorities of IFIAR members around the globe and recognises the critical role enforcement plays in audit oversight.

The full report may be accessed [here](#).

### ***American Institute of Certified Public Accountants (AICPA)***

In December 2018, the AICPA released for exposure a new forensic accounting standard, *Statement on Standards for Forensic Services 1* (SSFS 1). The proposed standard covers engagements being provided for either a 'Litigation' or an 'Investigation' as defined within the proposed standard. The proposed standard also includes prohibitions on providing legal opinions and performing certain forensic services for a contingent fee.

The comment period for the exposure draft closes 28 February 2019 and the full exposure draft may be accessed [here](#).

### ***Financial Advisers Standards and Ethics Authority (FASEA)***

In January 2019, FASEA released the following Legislative Instruments:

- Relevant Providers Degrees, Qualifications and Courses Standard;
- Continuing Professional Development Standard;
- Work and Training (Professional Year) Standard; and
- Provisional Relevant Provider Expression.

FASEA also released a policy in relation to foreign qualifications.

More information on these releases may be found [here](#).

## ***Australian Accounting Standards Board***

### Amended definition of material

In December 2018, the AASB issued Amendments to Australian Accounting Standards 2018-7 which amends the definition of 'material' (accessible [here](#)).

## **APESB Submissions**

### ***FASEA Code of Ethics***

APESB submitted a response to FASEA's consultation on the draft Legislative instrument on the Code of Ethics in December 2018.

The draft Legislative Instrument and related explanatory memorandum contained substantial improvements over the initial proposed Code of Ethics released in May 2018. The proposed Legislative Instrument now includes enhanced provisions on remuneration compared to the extant exposure draft.

The APESB submission to FASEA may be accessed [here](#).

## **Recommendation**

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

## **Materials Presented**

Agenda Item 4(a)            IESBA's December 2018 Meeting Highlights.

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