

## AGENDA PAPER

**Item Number:** 7  
**Date of Meeting:** 6 March 2020  
**Subject:** Key Issues in IESBA EDs

---

Action required     For discussion     For noting     For information

---

### Purpose

To update the Board on three recent exposure drafts issued by the International Ethics Standards Board for Accountants (IESBA) in January 2020.

### Background

The IESBA has been working on projects relating to Non-Assurance Services (NAS) and Fees since 2018.

In July 2018, APESB and the New Zealand XRB co-hosted an IESBA roundtable on NAS and professional scepticism in Melbourne, which considered the IESBA briefing paper *Non-assurance Services, Exploring Issues to Determine a Way Forward*. An [update on this roundtable](#) was provided to the Board at their September 2018 board meeting. Based on feedback from the briefing paper, the IESBA determined to progress separate projects on Fees and NAS.

In February 2019, the International Auditing and Assurance Standards Board (IAASB) issued the exposure draft *Proposed International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews* which proposed the implementation of a cooling-off period before an engagement partner for an audit can become an engagement quality reviewer (EQR) on the same audit engagement.

At their December 2019 board meeting, the IESBA determined to review the guidance relating to the objectivity of the EQR and how the conceptual framework in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code) would be applied. This project has been accelerated to align with the IAASB project on ISQM 2.

In January 2020, the IESBA released the following Exposure Drafts:

- [Proposed Revisions to the Non-Assurance Services Provisions of the Code](#) (the NAS ED) – comments due 4 May 2020;
- [Proposed Revisions to the Fee-related Provisions of the Code](#) (the Fees ED) – comments due 4 May 2020; and
- [Proposed Revisions to the Code Addressing the Objectivity of Engagement Quality Reviewers](#) (the EQR ED) – comments due 16 March 2020.

## Key Considerations

### Key proposals

The table below provides a high-level summary of the key proposals in each of the IESBA exposure drafts.

Exposure Draft	Key proposals
NAS ED	<ul style="list-style-type: none"><li>• A prohibition on providing NAS to an audit client that is a public interest entity (PIE) if a self-review threat to independence will be created.</li><li>• Further tightening of the circumstances in which materiality may be considered in determining the permissibility of a NAS.</li><li>• Strengthened provisions regarding auditor communication with those charged with governance (TCWG), including, for PIEs, a requirement for NAS pre-approval by TCWG.</li><li>• Stricter requirements regarding the provision of some NAS, including certain tax and corporate finance advice.</li></ul>
Fees ED	<ul style="list-style-type: none"><li>• A prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client.</li><li>• In the case of PIEs, a requirement to cease to act as an auditor if fee dependency on the audit client continues beyond a specified period.</li><li>• Communication of fee-related information to TCWG and to the public to assist their judgments about auditor independence.</li></ul>
Objectivity and EQR ED	<p>The proposed guidance:</p> <ul style="list-style-type: none"><li>• Explains the different types of threat to compliance with the fundamental principle of objectivity that might be created in circumstances where an individual is being considered for appointment as an EQR for a given engagement;</li><li>• Sets out factors to consider in evaluating the level of the identified threats; and</li><li>• Suggests actions that might be safeguards to address the threats.</li></ul>

Refer to Agenda Item 7(a) for further details on the key proposals in each exposure draft as prepared by APESB Technical Staff.

### Stakeholder Engagement

The IESBA has organised the following stakeholder engagement in relation to these EDs:

- [Webinar on 17 March 2020](#) relating to the NAS ED hosted by Mr. Richard Fleck (the NAS Task Force Chair) – in Australian time the webinar runs from Tuesday 17 March 2020, 11:30 PM to Wednesday 18 March 2020, 12:30 AM AEDT.
- [Webinar on 19 March 2020](#) relating to the Fees ED hosted by Mr. Ian McPhee (the Fees Task Force Chair) – in Australian time, the webinar runs Friday 20 March 2020, 1:00 AM – 2:00 AM AEDT.

In addition, the IESBA supported Ms. Sylvie Soulier, former IESBA Board member and lead of the IESBA-IAASB Coordination project, in undertaking stakeholder engagement in Australia and New Zealand in late January 2020.

As part of Sylvie's visit, APESB filmed an interview with her that covers these three IESBA EDs and other relevant IESBA developments. The interview is available on the [APESB website](#).

Refer to Agenda Item 7(b) for a copy of the IESBA presentation made at the New Zealand stakeholder engagement event.

APESB is planning the following stakeholder engagement opportunities:

- Calls for feedback through the website and LinkedIn (with the IESBA EDs published on the APESB website, inviting comments from stakeholders for inclusion in our submissions to the IESBA).
- Organising Roundtables on the NAS and Fees ED to be held in Sydney on 1 April 2020 and in Melbourne on 2 April 2020. Mr. Ian McPhee has agreed to present at both these roundtables.

Due to the tight timeframe of the Objectivity and EQR ED, we are not planning to include this in the roundtables to be held in early April 2020.

### **Staff Recommendation**

The Board note the key proposals in the IESBA EDs released in January 2020 and APESB's approach to obtaining stakeholder feedback on these proposals.

### **Materials Presented**

Agenda Item 7(a)	Summary of Proposals in IESBA EDs issued January 2020
Agenda Item 7(b)	Presentation – IESBA Update

**Author:** Jacinta Hanrahan

**Date:** 20 February 2020