

## AGENDA PAPER

**Item Number:** 4

**Date of Meeting:** 28 August 2020

**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, presentations and other activities.

### IESBA

#### IESBA Board Meeting – June 2020

The IESBA held its June Board meeting between 8 – 15 June 2020 via several video conferences, which covered the following key agenda items:

- Role and Mindset;
- Tax Planning update;
- Coordination with the IAASB;
- EQR Objectivity review;
- IESBA Communications plan;
- Engagement Team – Group Audit Independence;
- Definitions of Listed Entity and Public Interest Entity;
- Technology; and
- eCode Phase 2.

At this meeting, the IESBA approved a new standard to amend to the IESBA Code to promote the Role & Mindset expected of professional accountants. The Board also discussed the progress on the EQR objectivity review project, noting that approval of the final revisions is likely to occur at the September 2020 Board Meeting.

Refer to Agenda Item 4 (a) for the highlights of the June 2020 IESBA meeting, or the IESBA website for [audio recordings](#) of the meeting sessions.

## IESBA Board Meeting – July 2020

The IESBA held a meeting on 22 July 2020 via teleconference to discuss progress on the projects relating to Fees, Non-Assurance Services and Benchmarking (which is considering how the independence requirements in the Code compare to requirements in key jurisdictions).

The Board considered feedback from the exposure drafts on fees and non-assurance services. The Board will consider amendments to the proposals at the meeting in September 2020, with the approval of the final standards expected to occur by December 2020.

The IESBA have released an [audio recording](#) of the July teleconference on their website.

The next IESBA Board meeting will be held via video conferencing on 14 – 21 September 2020.

## **International and Other Developments**

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

#### *Project update on International Standards on Quality Management (ISQMs)*

The IAASB has progressed the developments of its ISQM suite of standards, with the standards expected to be presented to the IAASB Board in September 2020 for approval with an effective date of 15 December 2022.

In relation to the standard relating to Engagement Quality Reviewers (EQR) (ISQM 2), the Board noted the proposed revisions to the IESBA Code to address the objectivity of EQRs. The Board agreed that the IESBA's proposed changes aligned with their provisions in ISQM2.

Further details on this project are available on the [IAASB's website](#) in the highlights document for the June 2020 meeting.

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

#### *Exploring the IESBA Code*

IFAC and the IESBA have released additional instalments in their *Exploring the IESBA Code* publication series. Instalment 7 – Inducements and Instalment 8 – Responding to Non-Compliance with Laws and Regulations (for PAIBs) are accessible on the [IFAC website](#) and in the Interest Area section on the [APESB website](#).

### ***Monitoring Group***

#### *Strengthening the International Audit and Ethics Standard-Setting System*

The Monitoring Group have released their final report on their proposed reforms to the audit and ethics standard-setting system. Notably, several original proposals by the Monitoring Group, the amalgamation of the IAASB and IESBA, have not carried through to final recommendations. Read [Strengthening the International Audit and Ethics Standard-Setting System](#) report.

APESB released a Media Statement in response to the Monitoring Group report on the international audit and ethics standard-setting system issued in July 2020. Read the [Media Statement](#).

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

### *Resignation of UK FRC Chair*

The UK FRC announced in May the resignation of their Chair, Mr Simon Dingemans. The UK FRC cited an inability to undertake work external to the organisation as the reason for Mr Dingeman's departure. No formal announcement of a replacement Chair has yet been made. Read the [FRC News Update](#).

### *New UK FRC appointments*

In July 2020, the UK FRC announced the following key Executive Director appointments:

- Executive Director, Regulatory Standards: Mr Mark Babington
- Executive Director, Corporate Services and General Counsel: Mr Alex Kuczynski

Read the [Media Release](#).

### *Operational Separation Principles*

The UK FRC has published a [list of principles](#) for the operational separation of the auditing arm of firms from the rest of the firm, and are seeking consent from PwC, EY, KPMG and Deloitte, and legal backing through audit reform legislation, to proceed with operational separation no later than 30 June 2024. The list of principles will guide the operational separation of the Big Four firms in the UK.

The list is a result of recent reviews conducted in the UK on audit quality and effectiveness, including the Competition and Market Authority's (CMA) audit market study (2019), in which the [CMA review](#) called for the operational separation of the audit function of the major accounting firms (recommendation 3).

Please refer to Agenda Item 10 for APESB's summary of the update or refer to the [UK FRC website](#) for the media release and full report.

### *Results of FRC audit inspections*

The UK FRC has released its annual audit inspection reports for 2019-20. The UK FRC reviewed seven firms: Deloitte, PwC, EY, KPMG, BDO, Grant Thornton and Mazars. In all, the Audit Quality Review (AQR) team reviewed 88 audits across these firms and noted that only two-thirds of the audits were of a good standard or required limited improvement.

The FRC said improvements are required in impairment of goodwill and intangibles, revenue and contracts and provisions, including loan loss provision. In response to the findings, the FRC will initiate several significant changes to improve audit quality, including an increased focus on proactive supervision of the large audit firms. Further reading: [AQI 2020: FRC finds a third of audits need improvement](#).

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

### ***Consulting on outsourcing principles***

The Board of the International Organization of Securities Commissions (IOSCO) is requesting feedback on proposed updates to its principles for regulated entities that outsource tasks to service providers. The revised principles comprise a set of fundamental precepts and a set of seven principles. The fundamental precepts cover issues such as the definition of outsourcing, the assessment of materiality and criticality, their application to affiliates, the treatment of sub-contracting and outsourcing on a cross-border basis.

More information on this consultation report may be found on the [IOSCO website](#).

## ***Australian Auditing and Assurance Standards Board (AUASB)***

### ***AUASB amends Auditor's Responsibilities Statements***

The AUASB has amended its Auditor's Responsibilities Statement 1 and Statement 2 as a direct result of the restructured *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) effective 1 January 2020. The statements describe the auditor's responsibilities referred by ASA 700 paragraph 41(c) in the Auditor's Responsibilities for the Audit of the Financial Report section of the audit report. Further details are available on the [AUASB website](#).

### ***AUASB issues Confirming Amendments to the Australian Auditing and Assurance Standards resulting from the revised Code of Ethics***

The AUASB has also issued Confirming Amendments to the Australian Auditing Standards to align the wording of various auditing and assurance standards with the restructured Code. The amendments are effective for financial reporting periods beginning on or after 15 July 2020. Further information is available on the [AUASB website](#).

## ***APESB submissions, presentations and other activities***

### ***APESB and IESBA staff collaborate on ethics guidance for COVID-19***

APESB and IESBA collaborated on a publication on ethics guidance for COVID-19. *Applying the Code's Conceptual Framework in COVID-19 Circumstances: Scenarios in Taxation and Valuation Services* was published in July 2020.

The publication is one of the initiatives of the Working Group formed by the IESBA and the National Standard Setters (NSS) to develop implementation support resources to assist accountants effectively apply the Code when facing circumstances created by COVID 19. The publication is available on the [APESB](#) and [IESBA](#) websites.

### ***APESB publishes APES 110 Code Prohibitions List***

In August 2020, the APESB published *APES 110 Code Prohibitions applicable to Auditors for all Audit and Review Engagements*, a high-level summary of APES 110 prohibitions relating to audit or review engagements. This publication expands on the list of PIE Prohibitions published in November 2019 and includes amended guidance to cover all audit and review engagements. Further information is provided in the [Technical Alert](#) and the [APES 110 Code prohibitions](#) publication.

### Upcoming Presentations

- APESB CEO, Mr Channa Wijesinghe, to co-present on a CPA Australia podcast on SMSF Auditor Independence on 19 August 2020 with fellow presenters Josephine Haste (CPA Australia) and Kelly Grant from the ATO.
- APESB Senior Technical Manager, Ms Jacinta Hanrahan, to present at the CA ANZ disciplinary panel information session on the restructured Code on Friday 21 August 2020

### **Recommendation**

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

### **Materials Presented**

Agenda Item 4 (a)            IESBA Meeting Highlights – June 2020

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