

IESBA Chair Meets UAA Committee

For the September 12-13 AICPA/NASBA Uniform Accountancy Act Committee’s meeting, NASBA UAA Committee Chair J. Coalter Baker (TX) invited subject experts to lay out the issues involved in determining how the UAA should approach a client’s noncompliance with regulations and laws (NOCLAR). NASBA had raised several concerns in its May 2017 letter responding to the AICPA’s Professional Ethics Executive Committee’s (PEEC) proposed guidance on NOCLAR, which remain unresolved. PEEC is reconsidering its proposal and the UAA Committee is looking at how the UAA may need to be changed to accommodate new guidance. At their September meeting, the AICPA/NASBA UAA Committee heard from: International Ethics Standards Board for Accountants (IESBA) Chair Stavros Thomadakis and Senior Technical Director Ken Siong; AICPA Professional Ethics Executive Committee NOCLAR Task Force Chair Robert E. Denham; NASBA Ethics Committee Chair Catherine Allen; and NASBA External Legal Counsel Noel L. Allen.

Dr. Thomadakis explained that IESBA’s NOCLAR standard, which became effective on July 15, 2017, provides a framework to guide professional accountants in deciding how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR. He stressed that the standard was a “guide” and it is for decision-making when the professional accountant “becomes aware of”

NOCLAR. The project was born out of the scandals at the turn of the century (ENRON, WorldCom, Tyco, etc.) and took six years to complete. The project had three specific aims, Dr. Thomadakis explained:

1. To provide guidance where no specific guidance for professional accountants previously existed;
2. To move away from professional accountants “taking the easy way out” and just silently resigning “when something fishy is encountered”;
3. Not to permit “hiding behind client confidentiality” citing confidentiality as a key professional principle.

IESBA started with a standard that would cover only auditors and then determined it should cover all professional accountants, as the IESBA’s code of ethics does. IESBA took a proportional and holistic approach that differentiates between auditors and other accountants in public practice, and between senior public accountants in business as opposed to other public accountants in business. Dr. Thomadakis stated: “It is a standard about responding to NOCLAR – actions, decisions and response that have to come before reporting to an appropriate authority. Reporting would be the last step if nothing else could be fixed.”

Mr. Siong reported on how different countries have adopted

(Continued on page 2)

President Bishop Meets Irish Regulator

Kevin Prendergast, Chief Executive of the Irish Auditing and Accounting Supervisory Authority (IAASA) met with NASBA President and CEO Ken Bishop on September 25 in Dublin, Ireland. Their discussions included Eileen Townsend, IAASA Head of Regulatory and Monitoring Supervision. Besides acquainting each other with the operations of their respective organizations, the leaders discussed what would be needed for the IAASA to recognize experience gained by CPAs in the United States as meeting the experience requirement called for in the mutual recognition agreement renewed by the International Qualifications Appraisal Board in 2017. President Bishop observed that NASBA’s mission and that of the IAASA are similar, as their mission is “to contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest.”

Mr. Bishop conferred with Chartered Accountants of Ireland President Feargal McCormick and CEO Barry Dempsey on working through gaps in the mutual recognition agreement, and issues associated with the European Union’s recognition of U.S. CPAs. President Bishop also met with CPA Ireland’s CEO Eamonn Siggins, another recognized accountancy body under the supervision of the IAASA.

Back in Nashville on September 12, Chair Ted Long and President Bishop met with IESBA Chair Stavros Thomadakis and introduced him to NASBA’s headquarters staff and the projects they are pursuing. ♦



From Left to Right: Ken Bishop, Eileen Townsend and Kevin Prendergast.

Contents

IESBA Chair Meets UAA Committee.....	1
President Bishop Meets Irish Regulator.....	1
Registry Summit Calls for Growth Mindset.....	2
Chair’s Memo	3
FTC Report Showcases CPA Mobility	4
Bishop Speaks with CAANZ Leaders	4

*Published by the National Association of State Boards of Accountancy
 Editor-in-Chief: Louise Dratler Haberman; Editor: Ken L. Bishop; Production Editor:
 Anthony E. Cox; Editorial Assistant: A. Ann Bell.
 Tel/615.880.4200 Fax/615.880.4290 Web/www.nasba.org*

Registry Summit Calls for Growth Mindset

What continuing professional education will need to bring to the accounting profession at a time when emerging and advancing technologies are coming into use by the profession was discussed at NASBA's 2018 National Registry Summit, September 24-26 in Denver. The program covered not only emerging technologies and the current state of the CPA profession, but also how to create a mindset open to learning and how to use the guidance provided by the NASBA CPE Sponsor Registry for measuring course validity and avoiding compliance pitfalls. "Taking Learning to a Higher Level" was the theme of this year's conference, which brought together program sponsors and developers with representatives of the State Boards of Accountancy for a total attendance of 142.

Dr. Jay Van Bavel, of the NeuroLeadership Institute, explained to the audience that different biological processes occur when someone sees a change as a challenge instead of a threat. They perform better when they conceive of something as a challenge. He discussed how a "growth mindset" is a person's understanding that his or her skills are not fixed, that he or she can get better, and then focuses on how that improvement can occur.

How to analyze and maximize results from continuing



2018 National Registry Summit attendees discuss advancing technologies.

professional education programs was outlined by A.D. Detrick, of MetriVerse Learning Solutions. He mapped out the advantages of different types of questions in evaluation questionnaires and praised the CPE Sponsor Registry for providing clear guidance on what needs to be measured.

The CPE Standards, which are appended to the Uniform Accountancy Act, are in the process of being reviewed and evaluated for revisions, Jessica Luttrull, Associate Director of the NASBA National Registry, reported to the audience. She presented an update on the status of the proposed revisions. Besides presentations from NASBA staff members on best practices for CPE sponsors, there were speakers addressing the convergence of technologies and positioning the profession to respond. ♦

IESBA Chair Meets UAA Committee Continued from page 1

the NOCLAR standard as developed by IESBA. The first adopter was South Africa. Scotland adopted it in November 2017. Australia adopted it on January 1, 2018 and they are waiting for formalization of whistleblowing legislation this fall to then have it go into effect in 2019. Japan has taken a stepped approach with auditors in public practice being covered as of July 2018 and those in business in 2019, but with no disclosure allowed.

The IESBA speakers listed the following countries as a sample of the global adopters/considerers of their NOCLAR standard:

- **Adopted/Converged:** Australia, Germany, Hong Kong, Japan, Malaysia, Netherlands, New Zealand, Nigeria, Sri Lanka, South Africa
- **Adopting:** Brazil, China, Pakistan, UK, Ireland
- **Actively Considering:** Canada, India and Singapore.

Other countries will follow what is done in the United States, Mr. Siong said. "Disclosure was at the heart of the debate: When should a public accountant override the duty of confidentiality and disclose NOCLAR to an appropriate authority? Balance is important," he observed. While many in the regulatory community felt disclosure should be a requirement, the IESBA determined that "confidentiality can be set aside in certain circumstances." Factors weighing on that decision include:

- Nature and extent of actual or potential harm to stakeholders;
- Whether there is an appropriate authority to intake and act on information;
- Availability of legal protection;
- Actual/potential threats to physical safety of auditor or others;
- Disclosure must be done in good faith – not for personal gain.

PEEC NOCLAR Task Force Chair Robert Denham summarized differences between the IESBA's standard and the 2017 PEEC exposure draft. Among those are: The PEEC standard would apply to all members regardless of the type of service provided or the member's employment. Also, the IESBA standard directs the professional accountant to consider further action (which may include withdrawal and disclosing to an appropriate authority even

where there is no legal or regulatory requirement to do so), but the PEEC draft only addresses withdrawal. The PEEC exposure draft does not recommend communication to the external auditor, but the IESBA standard allows such communication.

Mr. Denham noted an objection raised to adopting the IESBA's standard that would cover non-audit services was: "Clients may view confidentiality of the non-attest work product as paramount and choose non-CPA service providers over CPA service providers." Dr. Thomadakis commented: "The issue of competition of non-accountants and accountants... this is a difficult line to walk down. I think it is a slippery slope."

"Our goal is to get to a good answer working together," NASBA Ethics Committee Chair Catherine Allen told the UAA Committee. She cautioned the UAA Committee that this is "a tricky balancing act," but confidentiality needs to be looked at. "We have the IESBA blueprint and hearing how other countries are addressing the standard is helpful." Ms. Allen's discussion of the key elements of NOCLAR can be found on www.nasba.org.

Accountant-client privilege is a creature of some states' law, but is not recognized federally, NASBA legal counsel Noel Allen told the UAA Committee. He found 17 states to have some form of privilege and 14 to have other protections that do not purport to be "privilege." Eight states have language favorable to NOCLAR disclosure. Mr. Allen recommended the UAA Committee review Section 18 of the UAA.

NASBA UAA Committee Chair Baker believes the UAA Committee will need time to address all of the issues involved in coming to a practical solution for NOCLAR. In addition, he and AICPA UAA Committee Chair Thomas Neill will be working with PEEC to make sure the groups' efforts are coordinated. For example, would standards need to be changed to permit enhanced communications between the predecessor and successor auditors.

One UAA Committee member commented that by simply resigning from a client when NOCLAR appears to exist, is the profession just continuing to play "kick the can" – and leaving it to someone else to protect the public? ♦

CHAIR'S MEMO

Tomorrow Is Still Promised

During my inaugural address, entitled "Tomorrow is Promised," I asked who hasn't said or heard the phrase: "Promises, promises...?" Every day, we are challenged to keep our commitment as regulators to ensure a safer tomorrow for the public we serve and protect. Last year's Annual Meeting theme focused on the continual evolution of the accounting profession and its effect on regulation. I asked you, the Boards of Accountancy, to: promise to implement your Board's rules and regulations; guard against deregulation; and engage in the evolution of the profession, especially as it relates to technology. This past year, we achieved positive results and progress in each of these areas.



Ted Long
NASBA Chair

- **Implement Board Rules and Regulations:** Throughout the year, Boards of Accountancy were extremely active in rulemaking. Four states adopted the AICPA Code of Professional Conduct and several states have begun the adoption process. In addition, several states adopted firm mobility provisions. They have enforced their regulations on use of titles. I applaud the efforts of these Boards of Accountancy and urge all jurisdictions to continue to work towards conformity with the Uniform Accountancy Act and Model Rules.
- **Guard Against Deregulation:** For several years, and especially since the *North Carolina Dental Board* decision, there has been a concerted effort by various anti-regulatory groups to limit or dismantle the state-based licensing system for professions and occupations. These groups aim to weaken a Board's ability to fulfill its statutory charge to protect the public. Their strategy is to pursue the consolidation of boards' functions; require agency supervision and oversight; remove regulations claimed to be barriers for entry into the profession; and establish "sunrise" and "sunset" provisions. During the past two years, our Legislative and Governmental Affairs Department has identified 46 pieces of legislation specifically aimed at weakening State Board licensing statutes. The overarching debate is about the role of government in occupational regulation.

The validity of the profession and the necessity of an effective state-based regulatory system are being challenged in the courts and the legislatures. NASBA continues to work with stakeholders within the profession and with other associations to counter efforts that threaten the existence of State Boards. Several Boards of Accountancy were affected by deregulatory legislative proposals that aim to limit government by reducing occupational license requirements. These efforts are being supported by a bipartisan group and will affect the overall practice of the profession, including mobility, uniformity and reciprocity. Cooperative efforts between regulatory, professional and other interested parties are required to withstand this current movement.

- **Engage in the Evolution of the Profession:** Current research has confirmed that there will be an increase in the hiring of personnel with technology backgrounds into CPA firms. These technologically savvy professionals will also need to have a working knowledge of basic accounting skills. In response to these findings, NASBA and AICPA leadership directed a new "Technology Pathway" to licensure be conceptualized. This new pathway was vetted and studied by joint committees and task forces prior to exposure at NASBA's Annual Conference for Executive Directors and Board Staff, NASBA's Regional Meetings and the AICPA's Spring Council Meetings. However, the overall conclusion from participants at these events was that the pathway as initially envisioned would not be a viable option. There was a consensus that adopting technological advances is inevitable, and steps need to be taken to ensure the profession remains relevant.

A clear message that we must continue to work towards solutions for both regulators and the profession was received by NASBA's leadership. The benefit of exploring the pathway project was reaping good information for continuance of the innovation process. We gathered ideas about experience requirements, educational curriculum, 150-hour credit requirements and the skill set for future accountants. During discussions with the AICPA leadership at our August Summit meeting, it was determined that we need to refocus our efforts on the evolution of the profession.

I am proud to announce the formation of a new joint taskforce: the "CPA Evolution Work Group." This work group will be comprised of State Board of Accountancy members and executive directors, State CPA Society members and their executive directors, a large firm representative, NASBA leadership, AICPA leadership, an educator and an IT professional. This taskforce will bring fresh eyes to the subject, serve as a think tank for the short term, and work to develop strategies for a positive outcome.

Serving as chair of NASBA has been an honor and a privilege. I have enjoyed the opportunity to meet so many of you and to see firsthand, the dedication, expertise and valuable contributions you have made toward advancing this great organization. Thank you for your support and for your commitment to the regulation of the accounting profession. I leave you with the following words, which I recite to myself each morning:

"A Deliberate Life"

Sometimes we make choices in life and sometimes life makes them for us,
but in the end
it is where you put your heart and soul that really matters.

Ted Long
— Theodore W. Long, Jr., CPA
NASBA Chair 2017-2018

State Board Report

National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700
Nashville, TN 37219-2417

FTC Report Showcases CPA Mobility

The Federal Trade Commission released its staff report on “Options to Enhance Occupational License Portability” in September, including a description of the provisions that were added to the Uniform Accountancy Act to enhance interstate mobility for CPAs.

The FTC comments: “Although the ULC [Uniform Law Commission] has not undertaken any projects on occupational licensure portability, a uniform act could be a good vehicle for such an initiative, because uniform acts have the backing of the ULC and are generally more widely adopted than ULC model laws that do not receive such support.”

The FTC report, which is meant to guide state policy makers, states: “Some professions have developed model laws or interstate compacts that improve licensure portability nationwide. These examples of successful portability suggest further liberalization and reform is both possible and beneficial.”

Among its other suggestions, the report tells stakeholders: “Harmonize state licensure standards, using the least restrictive standard that can gain the support of states nationwide.”

Tara Isa Koslov, FTC Chief of Staff-Office of the Chairman, will be addressing NASBA’s Annual Meeting later this month. ♦

Bishop Speaks with CAANZ Leaders



L to R – CAANZ Rep. R. Munro, CA BOA Pres. M. Savoy, CAANZ CEO R. Ellis, NASBA CEO K. Bishop and CA BOA Member J. Campos.

As the NASBA/AICPA International Qualifications Appraisal Board (IQAB) was completing its drafting of the renewal of the mutual recognition agreement with the Chartered Accountants of Australia and New Zealand (CA ANZ), Rick Ellis, Chief Executive Officer of the Chartered Accountants Australia/New Zealand, met with NASBA President and Chief Executive Officer Ken Bishop on September 4 to discuss matters of mutual concern. IQAB’s mutual recognition agreements have been in place with both the New Zealand Institute of Chartered Accountants and the Institute of Chartered Accountants in Australia for several years, but this will be the first agreement with the merged body. It is anticipated this renewal will be signed within the next few weeks. ♦