

30 May 2017

APESB issues amendments to APES 110 *Code of Ethics for Professional Accountants*

Accounting Professional & Ethical Standards Board Limited (APESB) issued today an amending standard in respect of APES 110 *Code of Professional Ethics for Professional Accountants* (APES 110). The amendments reflect changes made by the International Ethics Standards Board for Accountants (IESBA) to the international *Code of Ethics for Professional Accountants*, for:

- *Responding to Non-Compliance with Laws and Regulations (NOCLAR)*

NOCLAR is a new standard that sets the framework and guides Members on how to act in the public interest when they become aware of a non-compliance or suspected non-compliance with laws and regulations committed by a client or employer.

The NOCLAR standard is incorporated in new Sections 225 (Members in Public Practice) and 360 (Members in Business). Consequential and conforming amendments have also been made to several other sections of APES 110.

- *Non-assurance Services to Audit or Assurance Clients*

Incorporates IESBA's amendments to Sections 290 and 291 in respect of Non-assurance services.

In Australia, an additional amendment to the Code is the inclusion of the definition of Professional Bodies and related consequential amendments.

Please refer to Appendix 1 of this technical update for details of the revisions. The amendments noted above will be effective from 1 January 2018 with early adoption permitted.

The amending standard to the Code is available from APESB's website: www.apesb.org.au

– ENDS –

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Appendix 1

Amendments to APES 110 (Issued December 2010 and amended December 2011, May 2013 and November 2013)

APESB has approved the following revisions to APES 110 *Code of Ethics for Professional Accountants* which was issued in December 2010 and amended in December 2011, May 2013 and November 2013.

Paragraph/Section Reference	Revisions
1.1	Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 110 <i>Code of Ethics for Professional Accountants</i> (this Code). This Code is operative from 1 July 2011 and supersedes APES 110 <i>Code of Ethics for Professional Accountants</i> (issued in June 2006 and subsequently amended in February 2008). Earlier adoption of this Code is permitted. Transitional provisions relating to Public Interest Entities, partner rotation, non-assurance services, Fees – relative size, compensation and evaluation policies, <u>non-compliance with laws and regulations and the provision of non-assurance services</u> apply from the date specified in the respective transitional provisions.
1.7	<u>In this Code, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.</u>
2	<p>[AUST] Member means a member of a pProfessional bBody that has adopted this Code as applicable to their membership, as defined by that Pprofessional Bbody.</p> <p>Member in Public Practice means a Member, irrespective of functional classification (e.g., audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable pProfessional bBody.</p> <p>[AUST] Professional Bodies means <u>Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.</u></p>
100.5	<p>A Member shall comply with the following fundamental principles:</p> <p>(a) <i>Integrity</i> – to be straightforward and honest in all professional and business relationships.</p> <p>(b) <i>Objectivity</i> – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.</p> <p>(c) <i>Professional competence and due care</i> – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent Professional Activities based on current developments in practice, legislation and techniques and</p>

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	<p>act diligently and in accordance with applicable technical and professional standards.</p> <p>(d) <i>Confidentiality</i> – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the Member or third parties.</p> <p>(e) <i>Professional behaviour</i> – to comply with relevant laws and regulations and avoid any action <u>conduct</u> that discredits the profession.</p> <p>Each of these fundamental principles is discussed in more detail in Sections 110 - 150.</p>
100.23	<p>If a significant conflict cannot be resolved, a Member may consider obtaining professional advice from the relevant professional body or from legal advisors. The Member generally can obtain guidance on ethical issues without breaching the fundamental principle of confidentiality if the matter is discussed with the relevant professional body on an anonymous basis or with a legal advisor under the protection of legal privilege. Instances in which the Member may consider obtaining legal advice vary. For example, a Member may have encountered a fraud, the reporting of which could breach the Member's responsibility to respect confidentiality. The Member may consider obtaining legal advice in that instance to determine whether there is a requirement to report.</p>
100.24	<p>If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a Member shall, where possible <u>unless prohibited by law</u>, refuse to remain associated with the matter creating the conflict. The Member shall determine whether, in the circumstances, it is appropriate to withdraw from the Engagement Team or specific assignment, or to resign altogether from the engagement, the Firm or the employing organisation.</p>
100.26	<p><u>In some cases, all of Those Charged with Governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. The Member or Firm shall nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the Member or Firm would otherwise communicate in their governance capacity.</u></p>
140.7	<p><u>As a fundamental principle, confidentiality serves the public interest because it facilitates the free flow of information from the Member's client or employing organisation to the Member. Nevertheless, the the following</u></p>

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	<p>are circumstances where Members are or may be required to disclose confidential information or when such disclosure may be appropriate:</p> <ul style="list-style-type: none"> (a) Disclosure is permitted by law and is authorised by the client or the employer; (b) Disclosure is required by law, for example: <ul style="list-style-type: none"> (i) Production of documents or other provision of evidence in the course of legal proceedings; or (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and (c) There is a professional duty or right to disclose, when not prohibited by law: <ul style="list-style-type: none"> (i) To comply with the quality review of a member body or <u>Professional B</u>body; (ii) To respond to an inquiry or investigation by a member body or regulatory body; (iii) To protect the professional interests of a Member in legal proceedings; or (iv) To comply with <u>technical and professional standards, and including ethical</u> requirements.
150.1	<p>The principle of professional behaviour imposes an obligation on all Members to comply with relevant laws and regulations and avoid any action or omission <u>conduct</u> that the Member knows or should know may discredit the profession. This includes actions or omissions <u>conduct</u> that a reasonable and informed third party, weighing all the specific facts and circumstances available to the Member at that time, would be likely to conclude adversely affects the good reputation of the profession.</p>
SECTION 210	<p>Professional Appointment <i>Client Acceptance and Continuance</i></p>
210.1	<p>Before accepting a new client relationship, a Member in Public Practice shall determine whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behaviour may be created from, for example, questionable issues associated with the client (its owners, management or activities)- <u>that, if known, could threaten compliance with the fundamental principles. These include, for example, client involvement in illegal activities (such as money laundering), dishonesty, questionable financial reporting practices or other unethical behaviour.</u></p>
210.2	<p>Client issues that, if known, could threaten compliance with the fundamental principles include, for example, client involvement in illegal activities (such as money laundering), dishonesty or questionable financial reporting practices.</p>
210.3 <u>2</u>	<p>A Member in Public Practice shall evaluate the significance of any threats and apply safeguards when necessary to eliminate them or reduce them to an Acceptable Level.</p> <p>Examples of such safeguards include:</p>

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	<ul style="list-style-type: none"> • Obtaining knowledge and understanding of the client, its owners, managers and those responsible for its governance and business activities; or • Securing the client's commitment to <u>address the questionable issues, for example, through improving</u> improve corporate governance practices or internal controls.
210.43	Where it is not possible to reduce the threats to an Acceptable Level, the Member in Public Practice shall decline to enter into the client relationship.
210.54	<p>It is recommended that a Member in Public Practice periodically review acceptance decisions for recurring client engagements. Potential threats to compliance with the fundamental principles may have been created after acceptance that would have caused the Member in Public Practice to decline the engagement had that information been available earlier. A Member shall, therefore, periodically review whether to continue with a recurring client engagement. For example, a threat to compliance with the fundamental principles may be created by a client's unethical behaviour such as improper earnings management or balance sheet valuations. If a Member identifies a threat to compliance with the fundamental principles, the Member shall evaluate the significance of the threats and apply safeguards when necessary to eliminate the threat or reduce it to an Acceptable Level. Where it is not possible to reduce the threat to an Acceptable Level, the Member shall consider terminating the client relationship where termination is not prohibited by law or regulation.</p>
210.65	The fundamental principle of professional competence and due care imposes an obligation on a Member in Public Practice to provide only those services that the Member in Public Practice is competent to perform. Before accepting a specific client engagement, a Member in Public Practice shall determine whether acceptance would create any threats to compliance with the fundamental principles. For example, a self-interest threat to professional competence and due care is created if the Engagement Team does not possess, or cannot acquire, the competencies necessary to properly carry out the engagement.
210.76	<p>A Member in Public Practice shall evaluate the significance of threats and apply safeguards, when necessary, to eliminate them or reduce them to an Acceptable Level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Acquiring an appropriate understanding of the nature of the client's business, the complexity of its operations, the specific requirements of the engagement and the purpose, nature and scope of the work to be performed. • Acquiring knowledge of relevant industries or subject matters. • Possessing or obtaining experience with relevant regulatory or reporting requirements.

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	<ul style="list-style-type: none"> • Assigning sufficient staff with the necessary competencies. • Using experts where necessary. • Agreeing on a realistic time frame for the performance of the engagement. • Complying with quality control policies and procedures designed to provide reasonable assurance that specific engagements are accepted only when they can be performed competently.
210.87	<p>When a Member in Public Practice intends to rely on the advice or work of an expert, the Member in Public Practice shall determine whether such reliance is warranted. Factors to consider include: reputation, expertise, resources available and applicable professional and ethical standards. Such information may be gained from prior association with the expert or from consulting others.</p>
210.98	<p>A Member in Public Practice who is asked to replace another Member in Public Practice, or who is considering tendering for an engagement currently held by another Member in Public Practice, shall determine whether there are any reasons, professional or otherwise, for not accepting the engagement, such as circumstances that create threats to compliance with the fundamental principles that cannot be eliminated or reduced to an Acceptable Level by the application of safeguards. For example, there may be a threat to professional competence and due care if a Member in Public Practice accepts the engagement before knowing all the pertinent facts.</p>
210.409	<p>A Member in Public Practice shall evaluate the significance of any threats. Depending on the nature of the Engagement, this may require direct communication with the Existing Accountant to establish the facts and circumstances regarding the proposed change so that the Member in Public Practice can decide whether it would be appropriate to accept the engagement. For example, the apparent reasons for the change in appointment may not fully reflect the facts and may indicate disagreements with the Existing Accountant that may influence the decision to accept the appointment. <u>Safeguards shall be applied when necessary to eliminate any threats or reduce them to an Acceptable Level. Examples of such safeguards include:</u></p> <ul style="list-style-type: none"> • <u>When replying to requests to submit tenders, stating in the tender that, before accepting the engagement, contact with the Existing or predecessor accountant will be requested so that inquiries may be made as to whether there are any professional or other reasons why the appointment should not be accepted;</u> • <u>Asking the predecessor accountant to provide known information on any facts or circumstances that, in the predecessor accountant's opinion, the proposed successor accountant needs to be aware of before deciding whether to accept the engagement. For example, the apparent reasons for the change in appointment may not fully reflect the facts and may indicate disagreements with</u>

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	<p><u>the predecessor accountant that may influence the decision to accept the appointment; or</u></p> <ul style="list-style-type: none"> • <u>Obtaining necessary information from other sources.</u>
210.11	<p>Safeguards shall be applied when necessary to eliminate any threats or reduce them to an Acceptable Level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • When replying to requests to submit tenders, stating in the tender that, before accepting the engagement, contact with the Existing Accountant will be requested so that inquiries may be made as to whether there are any professional or other reasons why the appointment should not be accepted; • Asking the Existing Accountant to provide known information on any facts or circumstances that, in the Existing Accountant's opinion, the proposed accountant needs to be aware of before deciding whether to accept the engagement; or • Obtaining necessary information from other sources. <p>When the threats cannot be eliminated or reduced to an Acceptable Level through the application of safeguards, a Member in Public Practice shall, unless there is satisfaction as to necessary facts by other means, decline the engagement.</p>
<u>210.10</u>	<p><u>When the threats cannot be eliminated or reduced to an Acceptable Level through the application of safeguards, a Member in Public Practice shall, unless there is satisfaction as to necessary facts by other means, decline the engagement.</u></p>
AUST210.11.1	<p>A Member in Public Practice who is asked to replace an existing auditor or to accept nomination as a replacement auditor shall:</p> <ul style="list-style-type: none"> (a) Request the prospective client's permission to communicate with the existing auditor. If such permission is refused the Member shall, in the absence of exceptional circumstances, decline the Audit Engagement or the nomination; and (b) On receipt of permission, request in writing of the existing auditor all information which ought to be available to enable the Member to make a decision as to whether the Audit Engagement or the nomination should be accepted.
<u>210.112</u>	<p>A Member in Public Practice may be asked to undertake work that is complementary or additional to the work of the Existing Accountant. Such circumstances may create threats to professional competence and due care resulting from, for example, a lack of or incomplete information. The significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level. An example of such a safeguard is notifying the Existing Accountant of the proposed work, which would give the Existing Accountant the opportunity</p>

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	to provide any relevant information needed for the proper conduct of the work.
210.123	<p>An Existing <u>or predecessor</u> Accountant is bound by confidentiality. Whether that Member is permitted or required to discuss the affairs of a client with a proposed accountant will depend on the nature of the engagement and on:</p> <ul style="list-style-type: none"> (a) Whether the client's permission to do so has been obtained; or (b) The legal or ethical requirements relating to such communications and disclosure, which may vary by jurisdiction. <p>Circumstances where the Member is or may be required to disclose confidential information or where such disclosure may otherwise be appropriate are set out in Section 140 of Part A of this Code.</p>
210.134	<p>A Member in Public Practice will generally need to obtain the Cclient's permission, preferably in writing, to initiate discussion with an Existing <u>or predecessor</u> Accountant. Once that permission is obtained, the Existing <u>or predecessor</u> Accountant shall comply with relevant legal laws and other regulations governing such requests. Where the Existing <u>or predecessor</u> Accountant provides information, it shall be provided honestly and unambiguously. If the proposed accountant is unable to communicate with the Existing <u>or predecessor</u> Accountant, the proposed accountant shall take reasonable steps to obtain information about any possible threats by other means, such as through inquiries of third parties or background investigations of senior management or Those Charged with Governance of the client.</p>
210.14	<p><u>In the case of an audit of Financial Statements, a Member in Public Practice shall request the predecessor accountant to provide known information regarding any facts or other information that, in the predecessor accountant's opinion, the proposed successor accountant needs to be aware of before deciding whether to accept the engagement. Except for the circumstances involving identified or suspected non-compliance with laws and regulations set out in paragraph 225.31:</u></p> <ul style="list-style-type: none"> <u>(a) If the client consents to the predecessor accountant disclosing any such facts or other information, the predecessor accountant shall provide the information honestly and unambiguously; and</u> <u>(b) If the client fails or refuses to grant the predecessor accountant permission to discuss the client's affairs with the proposed successor accountant, the predecessor accountant shall disclose this fact to the proposed successor accountant, who shall carefully consider such failure or refusal when determining whether or not to accept the appointment.</u>
<u>SECTION 225</u>	<p><u>Responding to Non-Compliance with Laws and Regulations</u></p> <p>Paragraphs 225.1 - 225.56 added.</p>

Paragraph/Section Reference	Revisions
250.2	<p>A Member in Public Practice shall not bring the profession into disrepute when marketing Professional Services. The Member in Public Practice shall be honest and truthful and not:</p> <p>(a) Make exaggerated claims for services offered, qualifications possessed, or experience gained; or</p> <p>(b) Make disparaging references or unsubstantiated comparisons to the work of another.</p> <p>If the Member in Public Practice is in doubt about whether a proposed form of Advertising or marketing is appropriate, the Member in Public Practice shall consider consulting with the relevant pProfessional bBody.</p>
SECTION 270	Custody of <u>e</u>Client Assets
270.3	<p>As part of client and engagement acceptance procedures for services that may involve the holding of client assets, a Member in Public Practice shall make appropriate inquiries about the source of such assets and consider legal and regulatory obligations. For example, if the assets were derived from illegal activities, such as money laundering, a threat to compliance with the fundamental principles would be created. In such situations, the Member may consider seeking legal advice <u>shall comply with the provisions of Section 225.</u></p>
290.100	<p>Paragraphs 290.102 to 290.2268 describe specific circumstances and relationships that create or may create threats to Independence. The paragraphs describe the potential threats and the types of safeguards that may be appropriate to eliminate the threats or reduce them to an Acceptable Level and identify certain situations where no safeguards could reduce the threats to an Acceptable Level. The paragraphs do not describe all of the circumstances and relationships that create or may create a threat to Independence. The Firm and the members of the Audit Team shall evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 200.12 to 200.15, can be applied when necessary to eliminate the threats to Independence or reduce them to an Acceptable Level.</p>
290.159	<p>Provision of Non-assurance Services to <u>an</u> Audit Clients</p> <p><i>[Paragraphs 290.154 – 290.158 remain unchanged.]</i></p> <p>Management of an entity performs many activities in managing the entity in the best interests of stakeholders of the entity. It is not possible to specify every activity that is a management responsibility. However, management responsibilities involve <u>controlling</u>, leading and directing an entity, including making significant decisions regarding the acquisition, deployment and control of human, financial, <u>technological</u>, physical and intangible resources.</p>

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290.160	<p><u>Determining</u> Whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgement. Examples of activities that would generally be considered a management responsibility include:</p> <ul style="list-style-type: none"> • <u>Setting policies and strategic direction;</u> • <u>Hiring or dismissing employees.</u> • <u>Directing and taking responsibility for the actions of <u>employees in relation to the entity's employees' work for the entity;</u></u> • <u>Authorising transactions;</u> • <u>Controlling or managing of bank accounts or investments.</u> • Deciding which recommendations of the Firm or other third parties to implement; • <u>Reporting to Those Charged with Governance on behalf of management.</u> • Taking responsibility for the preparation and fair presentation of the Financial Statements in accordance with the applicable financial reporting framework; and • Taking responsibility for designing, implementing, <u>monitoring or</u> and maintaining internal controls.
290.161	<p>Activities that are routine and administrative, or involve matters that are insignificant, generally are deemed not to be a management responsibility. For example, executing an insignificant transaction that has been authorised by management or monitoring the dates for filing statutory returns and advising an Audit Client of those dates is deemed not to be a management responsibility. Further, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.</p>
290.161 2	<p>If a <u>A</u> Firm shall not were to assume a management responsibility for an Audit Client; †<u>The</u> threats created would be so significant that no safeguards could reduce the threats to an Acceptable Level. For example, deciding which recommendations of the Firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the Firm becomes too closely aligned with the views and interests of management. Therefore, the Firm shall not assume a management responsibility for an Audit Client. <u>Subject to compliance with paragraph 290.162, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.</u></p>
290.163 2	<p>To avoid the risk of assuming a management responsibility when providing non-assurance services to an Audit Client, the Firm shall be satisfied that a member of client management is responsible for making the significant <u>makes all</u> judgements and decisions that are the proper responsibility of management; <u>This includes ensuring that the client's management:</u></p>

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	<ul style="list-style-type: none"> • <u>Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand the objectives, nature and results of the services and the respective client and Firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services;</u> • <u>Provides oversight of the services and evaluating evaluates the adequacy of the results of the services performed for the client's purpose; and</u> • and a<u>Accepting</u> responsibility for the actions, if any, to be taken arising from the results of the services. This reduces the risk of the Firm inadvertently making any significant judgements or decisions on behalf of management. The risk is further reduced when the Firm gives the client the opportunity to make judgements and decisions based on an objective and transparent analysis and presentation of the issues.
290.163	<p><u>Administrative Services</u></p> <p><u>Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgement and are clerical in nature. Examples of administrative services include word processing services, preparing administrative or statutory forms for client approval, submitting such forms as instructed by the client, monitoring statutory filing dates, and advising an Audit Client of those dates. Providing such services does not generally create a threat to Independence. However, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level.</u></p>
290.164	<p>Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the applicable financial reporting framework. These responsibilities include:</p> <ul style="list-style-type: none"> • <u>Determining accounting policies and the accounting treatment within those policies. Originating or changing journal entries, or determining the account classifications of transactions; and</u> • Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders). • <u>Originating or changing journal entries, or determining or approving the account classifications of transactions.</u>
290.166	<p>The audit process, however, necessitates dialogue between the Firm and management of the Audit Client, which may involve:</p>

Paragraph/Section Reference	Revisions
	<ul style="list-style-type: none"> • (a)–The application of accounting standards or policies and Financial Statement disclosure requirements₁; • (b)–The appropriateness of financial and accounting control and the methods used in determining the stated amounts of assets and liabilities₁; or • (c)–Proposing adjusting journal entries. <p>These activities are considered to be a normal part of the audit process and do not, generally, create threats to Independence <u>so long as the client is responsible for making decisions in the preparation of the accounting records and Financial Statements.</u></p>
290.168	<p>Audit Clients that are Not Public Interest Entities</p> <p>The Firm may provide services related to the preparation of accounting records and Financial Statements to an Audit Client that is not a Public Interest Entity where the services are of a routine or mechanical nature, so long as any self-review threat created is reduced to an Acceptable Level. <u>Services that are routine or mechanical in nature require little to no professional judgement from the Member in Public Practice. Some</u> Examples of such services include <u>are:</u></p> <ul style="list-style-type: none"> • Providing-Preparing payroll services-calculations or reports based on client-originated data <u>for approval and payment by the client</u>₂; • Recording <u>recurring</u> transactions for which <u>amounts are easily determinable from source documents or originating data, such as a utility bill</u> where the client has determined or approved the appropriate account classification₂; • <u>Recording a transaction for which the client has already determined the amount to be recorded, even though the transaction involves a significant degree of subjectivity. Posting transactions coded by the client to the general ledger</u>; • <u>Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.</u> • Posting client-approved entries to the trial balance₂; • Preparing Financial Statements based on information in the <u>client-approved trial balance and preparing the related notes on client-approved records.</u> <p>In all cases, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Arranging for such services to be performed by an individual who is not a member of the Audit Team; or • If such services are performed by a member of the Audit Team, using a partner or senior staff member with appropriate expertise

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	<p>who is not a member of the Audit Team to review the work performed.</p>
290.171	<p>Emergency Situations— Audit Clients that are not Public Interest Entities Accounting and bookkeeping services, which would otherwise not be permitted under this section, may be provided to Audit Clients that are not Public Interest Entities in emergency or other unusual situations when it is impractical for the Audit Client to make other arrangements. This may be the case when (a) only the Firm has the resources and necessary knowledge of the client’s systems and procedures to assist the client in the timely preparation of its accounting records and Financial Statements, and (b) a restriction on the Firm’s ability to provide the services would result in significant difficulties for the client (for example, as might result from a failure to meet regulatory reporting requirements). In such situations, the following conditions shall be met:</p> <p>(a) Those who provide the services are not members of the Audit Team;</p> <p>(b) The services are provided for only a short period of time and are not expected to recur; and</p> <p>(c) The situation is discussed with Those Charged with Governance.</p>
290.172 1 – 290.174 3	<p><i>[Paragraphs 290.172 – 290.174 remain unchanged but renumbered as paragraphs 290.171 – 290.173.]</i></p>
290.175 4	<p>If a Firm is requested to perform a valuation to assist an Audit Client with its tax reporting obligations or for tax planning purposes and the results of the valuation will not have a direct effect on the Financial Statements, the provisions included in paragraph 290.1886 apply.</p>
290.176 5 – 290.177 6	<p><i>[Paragraphs 290.176 – 290.177 remain unchanged but renumbered as paragraphs 290.175 – 290.176.]</i></p>
290.178 7 – 290.180 7	<p><i>[Paragraphs 290.178 – 290.180 remain unchanged but renumbered as paragraphs 290.177 – 290.179.]</i></p>
290.184 0 – 290.182 1	<p><i>[Paragraphs 290.181 – 290.182 remains unchanged but renumbered as paragraphs 290.180 – 290.181.]</i></p>
290.183	<p>Emergency Situations— Audit Clients that are not Public Interest Entities</p> <p>The preparation of calculations of current and deferred tax liabilities (or assets) for an Audit Client that is not a Public Interest Entity for the purpose of the preparation of accounting entries, which would otherwise not be permitted under this section, may be provided to Audit Clients in emergency or other unusual situations when it is impractical for the Audit Client to make other arrangements. This may be the case when (a) only the Firm has the resources and necessary knowledge of the client’s business to assist the client in the timely preparation of its calculations of current and deferred tax liabilities (or assets), and (b) a restriction on</p>

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	<p>the Firm's ability to provide the services would result in significant difficulties for the client (for example, as might result from a failure to meet regulatory reporting requirements). In such situations, the following conditions shall be met:</p> <p>(a) Those who provide the services are not members of the Audit Team;</p> <p>(b) The services are provided for only a short period of time and are not expected to recur; and</p> <p>(c) The situation is discussed with Those Charged with Governance.</p>
290.184 <u>2</u> – 280.187 <u>5</u>	<p><i>[Paragraphs 290.184 – 290.187 remain unchanged but renumbered as paragraphs 290.182 – 290.185.]</i></p>
290.188 <u>6</u>	<p>In providing tax services to an Audit Client, a Firm may be requested to perform a valuation to assist the client with its tax reporting obligations or for tax planning purposes. Where the result of the valuation will have a direct effect on the Financial Statements, the provisions included in paragraphs 290.172<u>1</u> to 290.177<u>6</u> relating to valuation services are applicable. Where the valuation is performed for tax purposes only and the result of the valuation will not have a direct effect on the Financial Statements (i.e. the Financial Statements are only affected through accounting entries related to tax), this would not generally create threats to Independence if such effect on the Financial Statements is immaterial or if the valuation is subject to external review by a tax authority or similar regulatory authority. If the valuation is not subject to such an external review and the effect is material to the Financial Statements, the existence and significance of any threat created will depend upon factors such as:</p> <ul style="list-style-type: none"> • The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice and the degree of subjectivity inherent in the valuation. • The reliability and extent of the underlying data. <p>The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Using professionals who are not members of the Audit Team to perform the service; • Having a professional review the audit work or the result of the tax service; or • Obtaining pre-clearance or advice from the tax authorities.
290.189 <u>7</u> – 290.204 <u>2</u>	<p><i>[Paragraphs 290.189 – 290.204 remain unchanged but renumbered as paragraphs 290.187 – 290.202.]</i></p>
290.205 <u>3</u>	<p>If the Firm provides a litigation support service to an Audit Client and the service involves estimating damages or other amounts that affect the</p>

Paragraph/Section Reference	Revisions
	Financial Statements on which the Firm will express an Opinion, the valuation service provisions included in paragraphs 290.172 1 <u>1</u> to 290.177 6 <u>6</u> shall be followed. In the case of other litigation support services, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level.
290.206 4 <u>4</u> – 290.217 5 <u>5</u>	<i>[Paragraphs 290.206 – 290.217 remain unchanged but renumbered as paragraphs 290.204 – 290.215.]</i>
AUST 290.217 5 <u>5</u> .1	<p>In certain circumstances another party or Firm may refer multiple Audit Clients to a Firm. In these circumstances, when the total fees in respect of multiple Audit Clients referred from one source represent a large proportion of the total fees of the Firm expressing the audit opinions, the dependence on that source and concern about losing those clients creates a self-interest or intimidation threat.</p> <p>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level. Paragraph 290.2472<u>15</u> provides examples of factors that may affect the significance of the threat and potential safeguards.</p>
290.218 6 <u>6</u> – 290.228 6 <u>6</u>	<i>[Paragraphs 290.218 – 290.228 remain unchanged but renumbered as paragraphs 290.216 – 290.226.]</i>
Paragraphs 290.2297<u>7</u> to 290.499 are intentionally left blank.	
290.503	If the Firm also issues an audit report that does not include a restriction on use and distribution for the same client, the provisions of paragraphs 290.500 to 290.514 do not change the requirement to apply the provisions of paragraphs 290.1 to 290.228 6 <u>6</u> to that Audit Engagement.
290.505	When the conditions set out in paragraphs 290.500 to 290.502 are met, it is not necessary to apply the additional requirements in paragraphs 290.100 to 290.228 6 <u>6</u> that apply to Audit Engagements for Public Interest Entities.
290.514	If the Firm conducts an engagement to issue a restricted use and distribution report for an Audit Client and provides a non-assurance service to the Audit Client, the provisions of paragraphs 290.154 to 290.228 6 <u>6</u> shall be complied with, subject to paragraphs 290.504 to 290.507.
291.23	If the Firm also issues an assurance report that does not include a restriction on use and distribution for the same client, the provisions of paragraphs 291.25 to 291.27 do not change the requirement to apply the provisions of paragraphs 291.1 to 291.157 6 <u>6</u> to that Assurance Engagement. If the Firm also issues an audit report, whether or not it includes a restriction on use and distribution, for the same client, the provisions of Section 290 shall apply to that Audit Engagement.

Paragraph/Section Reference	Revisions
291.26	Even though the conditions set out in paragraphs 291.21 to 291.22 are met, if the Firm had a material Financial Interest, whether direct or indirect, in the Assurance Client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an Acceptable Level. Accordingly, the Firm shall not have such a Financial Interest. In addition, the Firm shall comply with the other applicable provisions of this section described in paragraphs 291.112 to 291.1576.
291.100	Paragraphs 291.104 to 291.1576 describe specific circumstances and relationships that create or may create threats to Independence. The paragraphs describe the potential threats and the types of safeguards that may be appropriate to eliminate the threats or reduce them to an Acceptable Level and identify certain situations where no safeguards could reduce the threats to an Acceptable Level. The paragraphs do not describe all of the circumstances and relationships that create or may create a threat to Independence. The Firm and the members of the Assurance Team shall evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 200.11 to 200.15 can be applied when necessary to eliminate the threats to Independence or reduce them to an Acceptable Level.
291.141	<p>Provision of Non-assurance Services to <u>an</u> Assurance Clients</p> <p><i>[Paragraphs 291.138 – 291.140 remain unchanged.]</i></p> <p><i>Management Responsibilities</i></p> <p>Management of an entity performs many activities in managing the entity in the best interests of stakeholders of the entity. It is not possible to specify every activity that is a management responsibility. However, management responsibilities involve <u>controlling</u>, leading and directing an entity, including making significant decisions regarding the acquisition, deployment and control of human, financial, <u>technological</u>, physical and intangible resources.</p>
291.142	<p><u>Determining</u> Whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgement. Examples of activities that would generally be considered a management responsibility include:</p> <ul style="list-style-type: none"> • <u>Setting policies and strategic direction;</u> • <u>Hiring or dismissing employees.</u> • <u>Directing and taking responsibility for the actions of <u>employees in relation to the entity's employees' work for the entity;</u></u> • <u>Authorising transactions;</u> • <u>Control or management of bank accounts or investments.</u> • <u>Deciding which recommendations of the Firm or other third parties to implement;</u> and

Paragraph/Section Reference	Revisions
	<ul style="list-style-type: none"> • <u>Reporting to Those Charged with Governance on behalf of management.</u> • <u>Taking responsibility for designing, implementing, monitoring or and-maintaining internal controls.</u>
291.143	<p>Activities that are routine and administrative, or involve matters that are insignificant, generally are deemed not to be a management responsibility. For example, executing an insignificant transaction that has been authorised by management or monitoring the dates for filing statutory returns and advising an Assurance Client of those dates is deemed not to be a management responsibility. Further, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.</p>
291.144 <u>3</u>	<p>Assuming a management responsibility for an Assurance Client may create threats to Independence. If a Firm were to assume a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an Acceptable Level. Accordingly, in providing assurance services to an Assurance Client, a Firm shall not assume a management responsibility as part of the assurance service. If the Firm were to assume a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an Acceptable Level. If the Firm assumes management responsibility as part of any other services provided to the Assurance Client, # the Firm shall ensure that the responsibility is not related to the subject matter and or subject matter information of an the Assurance Engagement provided by the Firm.</p>
291.145 <u>4</u>	<p>To avoid the risk of assuming a management responsibility related to the subject matter or subject matter information of the Assurance Engagement-When providing services that are related to the subject matter or subject matter information of an Assurance Engagement provided by the Firm, the Firm shall be satisfied that a member of client management is responsible for making the significant makes all judgements and decisions relating to the subject matter or subject matter information of the Assurance Engagement that are the proper responsibility of management. This includes ensuring that the client's management:</p> <ul style="list-style-type: none"> • <u>Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand the objectives, nature and results of the services and the respective client and Firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services;</u>

Paragraph/Section Reference	Revisions
	<ul style="list-style-type: none"> • <u>Provides oversight of the services and evaluating the adequacy of the results of the services performed for the client's purpose; and</u> • and a <u>Accepting</u> responsibility for the actions, <u>if any</u>, to be taken arising from the results of the services. This reduces the risk of the Firm inadvertently making any significant judgements or decisions on behalf of management. This risk is further reduced when the Firm gives the client the opportunity to make judgements and decisions based on an objective and transparent analysis and presentation of the issues.
291.1465—291.1576	<i>[Paragraphs 291.146 – 291.157 remain unchanged but renumbered as paragraphs 291.145 - 291.156.]</i>
320.6	The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level. Such safeguards include consultation with superiors within the employing organisation, the audit committee or Those Charged with Governance of the organisation, or with a relevant pProfessional bBody.
340.4	<p>The significance of any threat created by Financial Interests, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an Acceptable Level. In evaluating the significance of any threat, and, when necessary, determining the appropriate safeguards to be applied, a Member in Business shall evaluate the nature of the interest. This includes evaluating the significance of the interest. What constitutes a significant interest will depend on personal circumstances. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management. • Disclosure of all relevant interests, and of any plans to exercise entitlements or trade in relevant shares, to those charged with the governance of the employing organisation, in accordance with any internal policies. • Consultation, where appropriate, with superiors within the employing organisation. • Consultation, where appropriate, with those charged with the governance of the employing organisation or relevant pProfessional bBodies. • Internal and external audit procedures. • Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading.
<u>SECTION 360</u>	<p><u>Responding to Non-Compliance with Laws and Regulations</u></p> <p><u>Paragraphs 360.1 - 360.37 added.</u></p>

Paragraph/Section Reference	Revisions
TRANSITIONAL PROVISIONS	
4.	Paragraphs 290.154 - 290.216 4 address the provision of non-assurance services to an Audit or Review Client. If, at the effective date of the Code, services are being provided to an Audit or Review Client and the services were permissible under the June 2006 Code (revised February 2008) but are either prohibited or subject to restrictions under the revised Code, the Firm may continue providing such services only if they were contracted for and commenced prior to July 1, 2012, and are completed before January 1, 2013.
5.	Paragraph 290.219 2 <u>17</u> provides that, in respect of an Audit or Review Client that is a Public Interest Entity, when the total fees from that client and its related entities (subject to the considerations in paragraph 290.27) for two consecutive years represent more than 15% of the total fees of the Firm expressing the opinion on the Financial Statements, a pre- or post-issuance review (as described in paragraph 290.219 7) of the second year's audit shall be performed. This requirement is effective for Audits or Reviews of Financial Statements covering years that begin on or after January 1, 2012. For example, in the case of an Audit Client with a calendar year end, if the total fees from the client exceeded the 15% threshold for 2012 and 2013, the pre- or post-issuance review would be applied with respect to the audit of the 2013 Financial Statements.
6.	Paragraph 290.226 4 provides that a Key Audit Partner shall not be evaluated or compensated based on that partner's success in selling non-assurance services to the partner's Audit Client. This requirement is effective on January 1, 2013. A Key Audit Partner may, however, receive compensation after January 1, 2013 based on an evaluation made prior to January 1, 2013 of that partner's success in selling non-assurance services to the Audit Client.
<u>7.</u>	<u><i>Responding to Non-Compliance with Laws and Regulations (NOCLAR)</i></u> <u>Sections 225 and 360 of the Code outline a framework to assist a Member in what actions to take in the public interest when they become aware of non-compliance or suspected non-compliance with laws and regulations by either a client or their employer. Other consequential amendments to consider this framework are included in paragraphs 100.5, 100.23 – 100.26, 140.7, and 270.3, and also Sections 150 and 210. The NOCLAR standard and related amendments are effective from 1 January 2018. Early adoption of these provisions is permitted.</u>
<u>8.</u>	<u><i>Non-assurance services provisions for Audit and Assurance Clients</i></u> <u>The non-assurance services provisions set out in paragraphs 290.159 – 290.186 and paragraphs 291.141 – 291.144 are effective from 1 January 2018. Early adoption of these provisions is permitted.</u>

Paragraph/Section Reference	Revisions
CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS	
	<p data-bbox="549 282 975 315"><i>Compliance with the IESBA Code</i></p> <p data-bbox="549 356 1398 427">The principles and requirements of APES 110 and the IESBA Code are consistent except for the following:</p> <ul data-bbox="549 450 1398 1615" style="list-style-type: none"> <li data-bbox="549 450 1350 483">• The addition of a Scope and Application section in APES 110; <li data-bbox="549 506 1398 645">• The addition of paragraphs and definitions prefixed as AUST in APES 110. The additional definitions are of AASB, Administration, AuASB, AUASB, Auditing and Assurance Standards, Australian Accounting Standards, and <u>Member and Professional Bodies</u>; <li data-bbox="549 667 1398 739">• APES 110 generally refers to Members whereas the IESBA Code refers to professional accountants; <li data-bbox="549 761 1139 795">• Defined terms are in title case in APES 110; <li data-bbox="549 817 1398 1025">• The definition of Engagement Team in APES 110 does not exclude individuals within the client’s internal audit function who provide direct assistance on an Audit Engagement as the AUASB has prohibited the use of direct assistance in Auditing and Assurance Standard ASA 610 <i>Using the Work of Internal Auditors</i> (November 2013); <li data-bbox="549 1048 1398 1187">• APES 110 tailors the following IESBA defined terms to the Australian environment: Audit Engagement, Engagement Team, Financial Statements, Firm, Member in Public Practice, and Review Engagement; <li data-bbox="549 1209 1398 1281">• Paragraph 290.25 of APES 110 expresses Public Interest Entity in the singular form consistent with its definition in section 2; <u>and</u> <li data-bbox="549 1303 1398 1411">• Paragraph 290.26 in APES 110 mandates Firms to determine whether additional entities are Public Interest Entities and the reference to member bodies has been removed; and. <li data-bbox="549 1433 1398 1615">• Unless strict requirements are met, APES 110 prohibits Members in Public Practice from providing accounting and bookkeeping services and preparing tax calculations for Audit Clients which are Public Interest Entities, even in emergency situations (refer paragraphs 290.169 – 290.170 and 290.182).
<u>Effective Date</u>	The changes will be effective on 1 January 2018 with early adoption permitted.