

Project Proposal – Revision of APES 110 *Code of Ethics for Professional Accountants* to incorporate IESBA’s amendments to its Code

Introduction

The International Ethics Standards Board for Accountants (IESBA) is currently in the process of reviewing Section 290 and 291 of the IESBA *Code of Ethics for Professional Accountants* (the Code) in respect of the following areas:

- Non-assurance services (NAS) provisions for Audit Clients; and
- Long association provisions of Personnel with an Audit or Assurance Client.

In accordance with APESB’s due process, the revisions to the IESBA Code need to be considered in the Australian context in due course.

Background

Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services (NAS) for Audit Clients

In May 2014, the IESBA released for public comment the Exposure Draft (ED), *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients* with comments requested by 15 August 2014. The proposed changes aim to enhance the independence provisions in the *Code of Ethics for Professional Accountants* (the Code) by:

- Providing additional guidance and clarification regarding what constitutes management’s responsibilities;
- Providing better guidance and clarification on the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for non-public interest entity audit clients; and
- Removing the provision that permits an audit firm to provide certain bookkeeping and taxation services to public interest entity audit clients in emergency situations.

Stakeholder comments received on the NAS project will be considered by the IESBA at its October 2014 meeting in New York. The IESBA is also expected to approve the proposed final changes to Sections 290 and 291 in principle, subject to further consultation with the IESBA Consultative Advisory Group (CAG). The NAS project is expected to be completed in Q1 2015.

The ED is available via the following link:

<http://www.ifac.org/sites/default/files/publications/files/IESBA-Non-Assurance-Services-Exposure-Draft.pdf>.

Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client

In August 2014, the IESBA released for public comment the Exposure Draft (ED), *Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client* with comments requested by 12 November 2014.

The proposals in the ED respond to stakeholders concerns about the appearance of independence and the need to ensure that the threats created by the long association of audit firm personnel with an audit client are appropriately addressed on all audit engagements.

APESB will hold two roundtable events on 14 October 2014 and 21 October 2014 to obtain views from local stakeholders prior to preparing a response for IESBA's consideration. The project is expected to be completed in Q2 2015.

The ED is available via the following link:

<http://www.ifac.org/sites/default/files/publications/files/IESBA-Long-Association-Exposure-Draft.pdf>.

Project Objective:	<ul style="list-style-type: none">• To update APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) to be consistent with the revised international Code to be issued by IESBA.
Project Steps:	<ul style="list-style-type: none">• Monitor the progress of the IESBA projects;• Review new provisions of the revised IESBA Code;• Develop an Exposure Draft of the proposed new APES 110 incorporating IESBA's amendments for the Board to review;• Present the draft of the Exposure Draft to the Board for consideration at the APESB's Q3 2015 Board meeting;• Release the Exposure Draft for public comment;• Consider respondents' comments and their impact on the Exposure Draft and amend as required;• Present the final Amending Standard for the Board's approval; and• Release the Amending Standard publicly and upload the Amending Standard onto the APESB website; and• Prepare a Compiled version of APES 110.
Project Structure:	<ul style="list-style-type: none">• APES Board – provide feedback and oversee the revision of the Code;• APESB Technical Director – principal drafting editor; and• APESB Secretariat – provide administrative support.
Resource Requirements:	<ul style="list-style-type: none">• It is estimated that staff time on this project will be approximately 2 to 3 weeks.

Timeline:	October 2014	Approve project proposal
	February – July 2015	Develop revised APES 110 ED to incorporate IESBA's amendments to its Code.
	August – September 2015	Present Exposure Draft for Board approval.
	September 2015	Release Exposure Draft for public comment.
	<p>Thereafter subject to the date the Exposure Draft is issued APESB Technical Staff will complete the following process:</p> <ul style="list-style-type: none"> • Collation of respondents comments; • Present results of the consultation process to the Board; • Present final amending standard to the Board; • Issue amending standard; and • Prepare a compiled version of APES 110. 	

Impact on other APESB pronouncements

The potential revised sections of the Code will impact other APESB pronouncements as the Code is one of the fundamental standards in the APESB framework of professional standards.

Impact on accounting, auditing, or other relevant standards

Improved clarity of the Code will enhance consistency with the international Code.

Related legislative developments

None noted.

Related international developments

The European Union (EU) had published an amended Directive on statutory audits of annual accounts and consolidated accounts and a new Regulation on specific requirements regarding statutory audits of public interest entities which mandates firm rotation.

Benefits of developing the pronouncement

Revision of APES 110 will ensure that it continues to be aligned with the IESBA Code.