

## Drafting Options

### Proposed Revision: APES 110 Code of Ethics for Professional Accountants

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#### Option 1 Adopt IESBA Code with no changes (change front cover)

##### Procedure

Adopt IESBA Code with no changes (change front cover) – retitle as APES 110. Conformity paragraph will state that there are no differences between IESBA's Code and APES 110.

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- Retains look and feel of the IESBA Code in its entirety.
- No changes required to be made to internal policies of Australian divisions of global accounting firms.

##### Disadvantages

- Departs from substantially all of APESB's drafting conventions.
- Inconsistent use of defined terms within the same document as well as Australian Auditing Standards.
- Will result in use of IESBA defined terms in APES 110 which may differ, at least in the short term, to defined terms used in other APESB pronouncements.
- Potential application inconsistencies:
  - Legislative requirements – *Corporations Act 2001*;
  - Australian Auditing Standards; and
  - Public interest entity.
- Creates issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Significant duplication of sections 290 and 291.
- Clarity of requirements for local accounting firms (sole practitioners, SMP's who have limited resources) and Members in Business.

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#### Option 2 Adopt IESBA Code (including IESBA defined terms) **with minimal application of APESB drafting conventions**

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

##### Minimal editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- **Uses a few elements of the APESB drafting conventions.**
- Retains **substantive** look and feel of IESBA Code.
- **Minimal** changes required to be made to internal policies of global accounting firms.

##### Disadvantages

- Departs from the majority of APESB's drafting conventions.
- Inconsistent use of defined terms within the same document as well as Australian Auditing Standards.
- Will result in the use of IESBA defined terms in APES 110 which may differ, at least in the short term, to defined terms used in other APESB pronouncements.
- Potential application inconsistencies:
  - Legislative requirements – *Corporations Act 2001*;
  - Australian Auditing Standards; and
  - Public interest entity.
- Creates issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Significant duplication of sections 290 and 291.
- Clarity of requirements for local accounting firms (sole practitioners, SMP's who have limited resources) and Members in Business.

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#### Option 3 Adopt IESBA Code (including IESBA defined terms) with minimal application of APESB drafting conventions and internal/external guidance

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

Minimal editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.

##### Internal/External guidance to address specific Australian issues relating to:

- Legislative requirements – *Corporations Act 2001*;
- Australian Auditing Standards (including ASA 102); and
- Public interest entity.

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- Includes more elements of APESB's drafting conventions.
- External/Internal guidance improves use of APES 110 by providing some context to the application in the Australian environment.
- Retains substantive look and feel of the IESBA Code.
- Minimal changes required to be made to internal policies of global accounting firms.

##### Disadvantages

- Departs from majority of APESB's drafting conventions.
- Inconsistent use of defined terms within the same document as well as Australian Auditing Standards.
- Will result in the use of IESBA defined terms in APES 110 which may differ, at least in the short term, to defined terms used in other APESB pronouncements.
- Creates issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Significant duplication of sections 290 and 291.
- Clarity of requirements for local accounting firms (sole practitioners, SMP's who have limited resources) and Members in Business.
- Authority and enforceability of external or internal guidance would be an issue.
- Creates two points of reference on application of APES 110.

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#### Option 4 Adopt IESBA Code (including IESBA defined terms) with further application of APESB drafting conventions (bold and grey type) and internal/external guidance

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

Editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.
- **Bold-type mandatory requirements, grey-type explanatory guidance – included within the same paragraph similar to the IESBA Code (as distinct from normal APESB drafting convention of having mandatory paragraphs and explanatory guidance shown in separate paragraphs)**

Internal/External guidance to address specific Australian issues relating to:

- Legislative requirements – *Corporations Act 2001*;
- Australian Auditing Standards (including ASA 102); and
- Public interest entity.

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- This approach is less divergent from the application of APESB's drafting conventions compared to option 3.
- External/Internal guidance improves use of APES 110 by providing some context to the application in the Australian environment.
- Retains substantive look and feel of IESBA Code.
- Minimal changes required to be made to internal policies of global accounting firms.

##### Disadvantages

- Departs from **some** of APESB's drafting conventions.
- Inconsistent use of defined terms within the same document as well as Australian Auditing Standards.
- Will result in the use of IESBA defined terms in APES 110 which may differ, at least in the short term, to defined terms used in other APESB pronouncements.
- Creates issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Significant duplication of sections 290 and 291.
- Clarity of requirements for local accounting firms (sole practitioners, SMP's who have limited resources) and Members in Business.
- Authority and enforceability of external or internal guidance would be an issue.
- Creates two points of reference on application of APES 110.

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#### Option 5 Adopt IESBA Code (including IESBA defined terms) with application of all APESB drafting conventions with internal/external guidance

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

Editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.
- Bold-type mandatory requirements, grey-type explanatory guidance.
- **Mandatory requirements and explanatory guidance shown in separate paragraphs.**

Internal/External guidance to address specific Australian issues relating to:

- Legislative requirements – *Corporations Act 2001*;
- Australian Auditing Standards (including ASA 102); and
- Public interest entity.

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- **Adopts all of APESB's drafting conventions which further improves application and use of APES 110 by all members.**
- External/Internal guidance improves use of APES 110 by providing some context to the application in the Australian environment.

##### Disadvantages

- Inconsistent use of defined terms within the same document as well as Australian Auditing Standards.
- Will result in the use of IESBA defined terms in APES 110 which may differ, at least in the short term, to defined terms used in other APESB pronouncements.
- Creates issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Changes may be required to be made to internal policies of global accounting firms.
- Significant duplication of sections 290 and 291.
- Clarity of requirements for local accounting firms (sole practitioners, SMP's who have limited resources) and Members in Business.
- Authority and enforceability of external or internal guidance would be an issue.
- Creates two points of reference on application of APES 110.

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#### Option 6 Adopt IESBA Code (mix of IESBA and Australian defined terms) with application of all APESB drafting conventions

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

Editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.
- Bold-type mandatory requirements, grey-type explanatory guidance.
- Mandatory requirements and explanatory guidance shown in separate paragraphs.
- Adopt IESBA definitions where possible, amend and/or add to IESBA definitions in relation to legislative requirements, Australian Auditing Standards, and defined terms established in other APESB pronouncements.
- Carry forward 2006 APES Board decisions which tailored the IESBA Code to the Australian environment.
- Incorporate guidance to address specific Australian issues (including definition of “public interest entity”) relating to legislative requirements (*Corporations Act 2001*) and Australian Auditing Standards (including ASA 102) via Australian supplementary paragraphs prefaced by the letters AUST.

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- Adopts all APESB drafting conventions which improves application and use of APES 110 by all members.
- Consistent use of defined terms in all APESB pronouncements and within APES 110.
- Overcomes the issues of authority and enforceability of approach to guidance in options 3 to 5 and creates one point of reference for application of APES 110 – addition of AUST paragraphs assists application by all Members operating in the Australian environment.
- Creates no issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Clarity of requirements for local accounting firms (sole practitioners, SMP’s who have limited resources) and Members in Business.

##### Disadvantages

- Significant duplication of sections 290 and 291.
- Departs from the look and feel of IESBA Code.
- Changes may be required to internal policies of Australian divisions of global accounting firms to take in to account the differences in the Australian environment.
- Issue of alignment of paragraph numbering between the IESBA Code and APES 110.

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#### Option 7 Adopt IESBA Code (mix of IESBA and Australian defined terms) with application of all APESB drafting conventions and with restructure of sections 290 and 291 into one section 290.

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

Editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.
- Bold-type mandatory requirements, grey-type explanatory guidance.
- Mandatory requirements and explanatory guidance shown in separate paragraphs.
- Adopt IESBA definitions where possible, amend and/or add to IESBA definitions in relation to legislative requirements, Australian Auditing Standards, and defined terms established in other APESB pronouncements.
- Carry forward 2006 APES Board decisions which tailored the IESBA Code to the Australian environment.
- Incorporate guidance to address specific Australian issues (including definition of “public interest entity”) relating to legislative requirements (*Corporations Act 2001*) and Australian Auditing Standards (including ASA 102) via Australian supplementary paragraphs prefaced by the letters AUST.
- **Restructure sections 290 and 291 into one section to cover all independence requirements.**

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- Adopts all APESB drafting conventions which improves application and use of APES 110 by all members.
- Consistent use of defined terms in all APESB pronouncements and within APES 110.
- Overcomes the issues of authority and enforceability of approach to guidance in options 3 to 5 and creates one point of reference for application of APES 110 – addition of AUST paragraphs assists application by all Members operating in the Australian environment.
- Creates no issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- **Removes significant duplication of sections 290 and 291.**
- **Provides clarity regarding application of independence requirements to all assurance engagements whether there of financial statements or other subject matter.**

##### Disadvantages

- Departs from the look and feel of the IESBA Code.
- Changes may be required to be made to internal policies of Australian divisions of global accounting firms to take in to account the differences in the Australian environment.
- Issue of alignment of paragraph numbering between the IESBA Code and APES 110.

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#### Option 8 Adopt IESBA Code (mix of IESBA and Australian defined terms) with application of all APESB drafting conventions and with restructure of sections 290 and 291 into one section **290 with Parts A and B**.

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

Editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.
- Bold-type mandatory requirements, grey-type explanatory guidance.
- Mandatory requirements and explanatory guidance shown in separate paragraphs.
- Adopt IESBA definitions where possible, amend and/or add to IESBA definitions in relation to legislative requirements, Australian Auditing Standards, and defined terms established in other APESB pronouncements.
- Carry forward 2006 APES Board decisions which tailored the IESBA Code to the Australian environment.
- Incorporate guidance to address specific Australian issues (including definition of “public interest entity”) relating to legislative requirements (*Corporations Act 2001*) and Australian Auditing Standards (including ASA 102) via Australian supplementary paragraphs prefaced by the letters AUST.
- Restructure sections 290 and 291 into one section **with two parts in the following manner. Part A would address all the general requirements relating to assurance engagements (i.e. the common requirements/guidance currently duplicated in sections 290 and 291 and requirements/guidance for other assurance engagements). Part B would include the specific requirements/guidance for audit and review engagements which are generally higher than other assurance engagements.**

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- Adopts all APESB drafting conventions which improves application and use of APES 110 by all members.
- Retains easy identification of requirements and guidance that apply to all assurance engagements and audit/review engagements.
- Consistent use of defined terms in all APESB pronouncements and within APES 110.
- Overcomes the issues of authority and enforceability of approach to guidance in options 3 to 5 and creates one point of reference for application of APES 110 – addition of AUST paragraphs assists application by all Members operating in the Australian environment.
- Creates no issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Removes significant duplication of sections 290 and 291.
- Provides clarity regarding application of independence requirements to all assurance engagements. **The specific additional requirements/guidance for audit and reviews of financial statements are separately identified as there is generally a significant public interest in these types of engagements.**

##### Disadvantages

- Departs from the look and feel of IESBA Code.
- Changes may be required to be made to internal policies of Australian divisions of global accounting firms to take in to account the differences in the Australian environment.
- Issue of alignment of paragraph numbering between IESBA Code and APES 110.

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#### Option 9 Adopt IESBA Code (mix of IESBA and Australian defined terms) with application of all APESB drafting conventions and with restructure of sections 290 and 291 into **two sections (i.e. Australian versions of 290 and 291)**

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

Editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.
- Bold-type mandatory requirements, grey-type explanatory guidance.
- Mandatory requirements and explanatory guidance shown in separate paragraphs.
- Adopt IESBA definitions where possible, amend and/or add to IESBA definitions in relation to legislative requirements, Australian Auditing Standards, and defined terms established in other APESB pronouncements.
- Carry forward 2006 APES Board decisions which tailored the IESBA Code to the Australian environment.
- Incorporate guidance to address specific Australian issues (including definition of “public interest entity”) relating to legislative requirements (*Corporations Act 2001*) and Australian Auditing Standards (including ASA 102) via Australian supplementary paragraphs prefaced by the letters AUST.
- Restructure sections 290 and 291 into **two sections** in the following manner. **One section** would address all the general requirements relating to assurance engagements (i.e. the common requirements/guidance currently duplicated in sections 290 and 291 and requirements/guidance for other assurance engagements). **Then restructure section 291 to** include the specific requirements/guidance for audit and review engagements which are generally higher than other assurance engagements.

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- Adopts all APESB drafting conventions which improves application and use of APES 110 by all members.
- Retains easy identification of requirements and guidance that apply to all assurance engagements and audit/review engagements.
- Consistent use of defined terms in all APESB pronouncements and within APES 110.
- Overcomes the issues of authority and enforceability of approach to guidance in options 3 to 5 and creates one point of reference for application of APES 110 – addition of AUST paragraphs assists application by all Members operating in the Australian environment.
- Creates no issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Removes significant duplication of sections 290 and 291.
- Provides clarity regarding application of independence requirements to all assurance engagements. The specific additional requirements/guidance for audit and reviews of financial statements are separately identified as there is generally a significant public interest in these types of engagements.

##### Disadvantages

- Departs from the look and feel of IESBA Code.
- Changes may be required to be made to internal policies of Australian divisions of global accounting firms to take in to account the differences in the Australian environment.
- Issue of alignment of paragraph numbering between IESBA Code and APES 110.

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#### Option 10 Adopt IESBA Code (mix of IESBA and Australian defined terms) with application of all APESB drafting conventions and with restructure of sections 290 and 291 into **three sections (i.e. 290, 291 and 292).**

##### Procedures

Australian Preface to explain drafting approach and significant application requirements. Any differences from the IESBA Code can be addressed in the Conformity paragraph of APES 110.

Editorial changes:

- Grammar (e.g. change US to Australian English).
- Capitalisation of defined terms.
- Change reference from professional accountant to Member, Member in Public Practice or Member in Business.
- Bold-type mandatory requirements, grey-type explanatory guidance.
- Mandatory requirements and explanatory guidance shown in separate paragraphs.
- Adopt IESBA definitions where possible, amend and/or add to IESBA definitions in relation to legislative requirements, Australian Auditing Standards, and defined terms established in other APESB pronouncements.
- Carry forward 2006 APES Board decisions which tailored the IESBA Code to the Australian environment.
- Incorporate guidance to address specific Australian issues (including definition of “public interest entity”) relating to legislative requirements (*Corporations Act 2001*) and Australian Auditing Standards (including ASA 102) via Australian supplementary paragraphs prefaced by the letters AUST.
- **Restructure sections 290 and 291 into three sections. One section would address all the general requirements relating to assurance engagements (i.e. the common requirements currently duplicated in sections 290 and 291). The other two sections would contain specific provisions relating to the audit and review of financial statements and other assurance engagements respectively.**

##### Advantages

- Retains the requirements and guidance in the IESBA Code.
- Adopts all APESB drafting conventions which improves application and use of APES 110 by all members.
- Consistent use of defined terms in all APESB pronouncements and within APES 110.
- Overcomes the issues of authority and enforceability of approach to guidance in options 3 to 5 and creates one point of reference for application of APES 110 – addition of AUST paragraphs assists application by all Members operating in the Australian environment.
- Creates no issues for the link between APES 110 and Australian Auditing Standards due to operation of ASA 102.
- Removes significant duplication of sections 290 and 291.
- Provides clarity regarding application of independence requirements to all assurance engagements. The specific additional requirements/guidance for audit and reviews of financial statements are separately identified as there is generally a significant public interest in these types of engagements.

##### Disadvantages

- Departs from the look and feel of IESBA Code.
- Changes may be required to be made to internal policies of Australian divisions of global accounting firms to take in to account the differences in the Australian environment.
- Issue of alignment of paragraph numbering between IESBA Code and APES 110.