

Media Release

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Strengthened independence requirements from 1 July 2008

Accounting firms that will become network firms under a newly-revised definition need to move quickly to ensure compliance, according to the Accounting Professional & Ethical Standards Board (APESB).

APESB Chairperson Kate Spargo says: "It's important that all firms who will be considered network firms from July 1 act quickly to put in place the appropriate independence policies and procedures to ensure they're compliant."

The revised definition may have a significant impact on some small to mid-tier firms who may not have considered themselves network firms under the old definition.

The revised definition strengthens independence requirements for audit and assurance engagements conducted by accounting firms who are part of a network. It will also ensure that independence requirements are implemented network-wide and provide greater clarity for firms about their responsibilities.

"While we know that many of the larger accounting firms already consider themselves a network firm, it's possible some small to mid-tier firms out there who don't consider themselves part of a network now will be under the new classification," Ms Spargo said.

Under the revised definition, an accounting firm is considered part of a network when there is a larger structure aimed at co-operation in place **and** if one or more of the following apply:

- Profit or cost sharing among the entities;
- Share common ownership, control or management;
- Common quality control policies and procedures;
- Common business strategy;
- Use of common brand name; or
- Sharing of a significant part of professional resources.

For example, the Big Four accounting firms are all network firms.

"We strongly encourage firms to consider the impact of the revised definition on the way they do business," Ms Spargo said.

The definition was revised following public consultation in November 2007.

It brings Australia into line with changes made in 2006 by the International Ethics Standards Board for Accountants (IESBA) to the international *Code of Ethics for Professional Accountants*.

"The APESB will continue to monitor the implementation of this standard and the need for additional guidance in this area," Ms Spargo said.

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Notes to Editors: The APESB is an independent body that sets the code of ethics and professional standards by which members of Australia's three professional accounting bodies are required to abide.