

Australian Developments and APESB Agenda

IESBA Meeting

New York

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APESB 
Accounting Professional & Ethical Standards Board

Overview

- Australian Framework and Regulatory Regime
- APES 110 *Code of Ethics for Professional Accountants*
- APESB's amendments to the IESBA Code
- Recent Auditor Independence developments
- Public Interest Entities
- Financial Advice reforms in Australia
- APESB's suite of Professional Pronouncements & 5 Year event
- Recent high profile cases
- Sydney Australia September 2013

Australian Framework and Regulatory Regime

- Australian Financial Reporting Framework
 - Financial Reporting Council
 - Australian Accounting Standards Board (Statutory body)
 - Auditing and Assurance Standards Board (Statutory body)
 - Accounting Professional & Ethical Standards Board: www.apesb.org.au
- Regulators
 - Australian Securities & Investments Commission:
 - Australian Prudential Regulatory Authority



Australian Framework and Regulatory Regime

- Key legislation
 - *Corporations Act 2001*
 - *ASIC Act 2001*
- Accounting and Auditing and Assurance Standards
 - Issued as legislative instruments under the *ASIC Act 2001*
 - Accounting Standards are based on IFRS standards issued by the IASB with minor modifications
 - Auditing and Assurance Standards are based on ISA Standards issued by the IAASB

- Auditor independence
 - Auditor Independence requirements for listed entities in the *Corporations Act 2001*
 - Auditor Independence requirements for all entities in APES 110 *Code of Ethics for Professional Accountants* (the Code) issued by APESB
 - The Code is based on IESBA's Code with minor modifications and additional AUST paragraphs
 - The Code has legislative backing in respect of Corporations Act Audits due to AUASB issuing a legislative instrument (ASA 102)

APES 110 *Code of Ethics for Professional Accountants*

- Based on the IESBA Code
- APES 110 is the framework within which APESB develops all of its professional standards and guidance notes
- APES 110 has the same style, paragraph numbering etc. as the IESBA Code
- APESB issues 3 categories of professional standards:
 - APES 200 series which addresses all members;
 - APES 300 series which addresses members in public practice;
 - APES 400 series which addresses members in business.
- APESB also issues Guidance Notes (APES GN 20, 30, 40 etc.).

APESB's amendments to the revised IESBA Code

- Scope & application section added
- Addition of Australian paragraphs with prefix AUST
- Additional defined terms: AASB, Administration, AUASB, Auditing and Assurance Standards, Australian Accounting Standards and Member
- Replaced “Professional Accountants” with “Members”
- Defined terms in title case

APESB's amendments to the revised IESBA Code

- Tailored definitions of: Audit Engagement, Engagement Team, Financial Statements, Firm, Member in Public Practice and Review Engagement
- Prohibitions in respect of Accounting, Bookkeeping & Taxation Services provided to Public Interest Entities
 - Provision of accounting and bookkeeping services and preparation of tax calculations for Audit Clients which are Public Interest Entities are prohibited even in emergency situations

Amendments to APES 110

Code of Ethics for Professional Accountants

- Legislative references
 - Legislative references which were incorporated within the existing APES 110 to the *Corporations Act 2001* and *Privacy Act* have been removed
 - Where more stringent independence requirements are imposed by the *Corporations Act 2001*, a footnoting system to warn readers has been adopted in the revised APES 110

Amendments to APES 110

Code of Ethics for Professional Accountants

- Inadvertent violations of the Code
 - IESBA Code recognises that inadvertent violations of independence requirements do occur in practice
 - The revised APES 110 introduces additional mandatory requirements that:
 - Unless the inadvertent violation of independence is trivial and inconsequential, the Firm must document and discuss the matter with Those Charged with Governance of the entity

Recent Auditor Independence developments

- Australian Corporations Law amendments have resulted in:
 - For Listed Entities, the 5 year audit partner rotation period being extended by two years subject to approval from the audit committee
 - Audits firms have to publish audit transparency reports
 - Additional powers given to the Australian Securities and Investments Commission (ASIC) to report on audit deficiencies in respect of audit firms as well as to inform clients
- AUASB's ASA 102 makes the Code legally binding on auditors who perform Corporations Act audits

Public Interest Entities (PIEs)

- APESB has issued additional guidance on what entities are likely to be PIEs in Australia (effective from 1 January 2013)
 - Banks, Superannuation Entities (i.e. Entities that manage retirement savings), Insurance and Life Insurance companies who are regulated by the Australia Prudential Regulatory Authority (APRA)
 - Disclosing entities (Listed entities and others who have publicly tradeable debt or equity instruments)
 - Other issuers of debt and equity instruments to the public

Financial Advice reforms in Australia

- GFC and poor financial advice led to the demise of companies (e.g. Storm Financial and Westpoint) with significant investor losses: [2009 ABC News reportage](#)
- Australian Government initiated an enquiry which has now resulted in the proposed *Future of Financial Advice (FoFA)* legislation due to be passed by parliament shortly (effective 1 July 2013):
 - Introduces a legislative best interest duty
 - Prospective ban on commissions for Financial Advice
 - Prospective ban on asset based fees where there is gearing
 - Prospective ban on commissions on life insurance within group superannuation

Financial Advice reforms in Australia (cont)

- APESB's proposed APES 230 *Financial Planning Services*
 - ED issued June 2010 and APESB received 67 submissions
 - Second ED issued in July 2012 and APESB received 163 submissions
 - APES 230 proposes higher professional requirements than the Australian government's *Future of Financial Advice* legislation

APESB's suite of Professional Pronouncements

Applicable to all members

- APES 205 *Conformity with Accounting Standards*
- APES 210 *Conformity with Auditing and Assurance Standards*
- APES 215 *Forensic Accounting Services*
- APES 220 *Taxation Services*
- APES 225 *Valuation Services*
- APES 230 *Financial Planning Services – project in final stages*

APESB's suite of Professional Pronouncements

- APES 305 *Terms of Engagement*
- APES 310 *Dealing with Client Monies*
- APES 315 *Compilation of Financial Information*
- APES 320 *Quality Control for Firms*
- APES 325 *Risk Management for Firms*
- APES 330 *Insolvency Services*
- APES 345 *Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document*
- APES 350 *Participation by Members in Due Diligence Committees in connection with a Public Document*

APESB's suite of Professional Pronouncements

Guidance Notes

- APES GN 20 *Scope and Extent of Work for Valuation Services* – ED stage
- APES GN 30 *Outsourced Services* – in the final stages
- APES GN 40 *Ethical conflicts in the workplace* – Considerations for Members in Business

Matters of interest:

- To date APESB has developed 18 pronouncements of which only 3 are based on international pronouncements (APES 110, APES 315 & APES 320)
- Refer to page 12 -15 of APESB's five year anniversary document for a summary of the APESB pronouncements

APESB's 5 Year Anniversary Event

- On 9th February 2012 APESB celebrated 5 years of successful operations.

Highlights include:

- Prominent Australian company director and businessman David Gonski AC delivering an inspiring speech on professionalism: [5 Year Anniversary Highlights Reel](#)
- Refer to APESB 2012 Annual Report for coverage of the event.
- Accolades were also given to members of APESB Taskforces who made significant contributions to the standards development process

Recent high profile cases

- Centro – Auditors, Members in Business and Directors
- Westpoint – financial advice
- ASIC vs. Rich – Forensic Accounting
- Stuart Ariff – Insolvency

Taking a 'squiz' at Australia

- In preparation for the September 2013 IESBA Meeting in Sydney here is a glimpse of what awaits in 'Oz'.



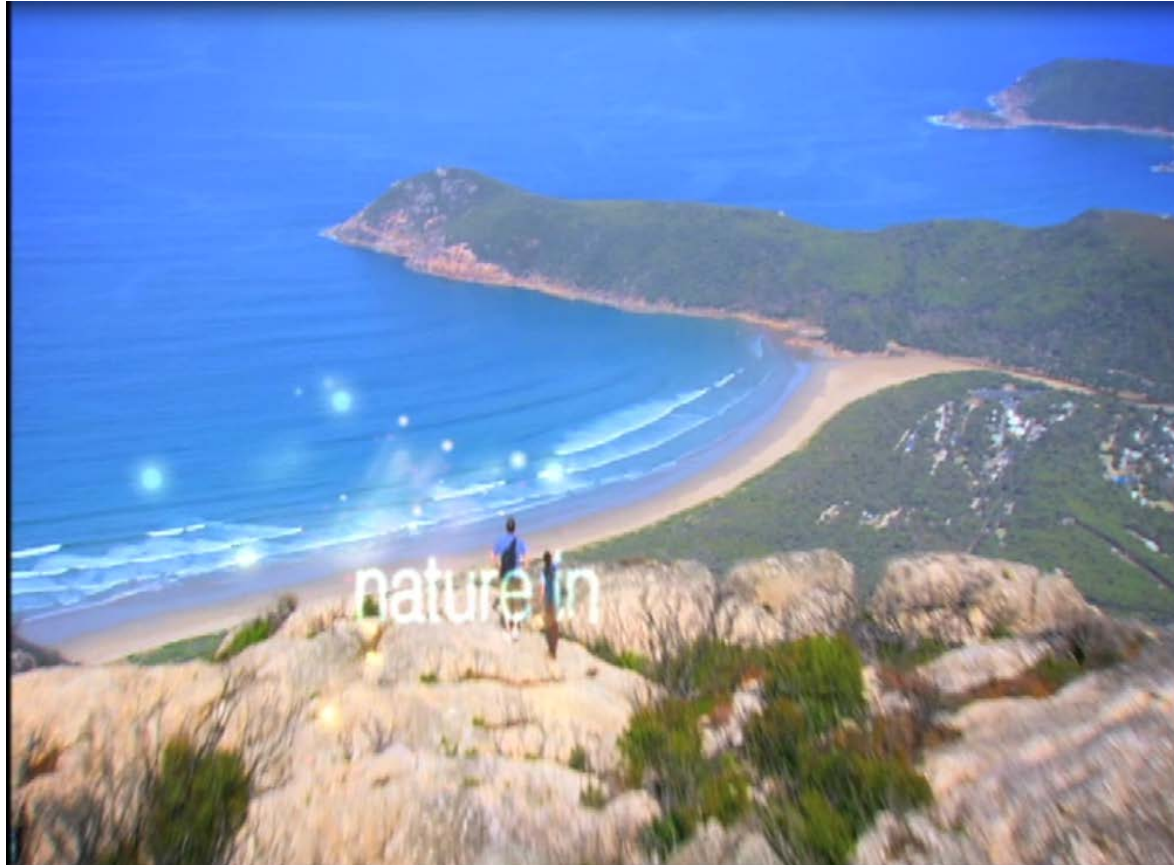
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Outback Australia



Presented with grateful acknowledgement of Tourism Australia.

Nature in Australia



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Questions?

For more information visit:

www.apesb.org.au