



Annual Review of Compiled APES 110 Code of Ethics for Professional Accountants

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Background

APESB issued APES 110 *Code of Ethics for Professional Accountants – Revised 2010* (APES 110) in December 2010 with an effective date of 1 July 2011. The revised APES 110 aligned Australia's professional requirements with the IESBA's Code and also includes additional Australian specific requirements.

In December 2011, the definition of Public Interest Entity in APES 110 was revised and was included in the compiled version of APES 110 that was issued in September 2012.

APESB subsequently issued amending standards to APES 110 in May 2013 and November 2013 due to revisions to the IESBA's Code and in respect of SMSF Auditor Independence matters. A compiled APES 110 was released in November 2013 taking into account all amending standards issued as at that date.

Reason for this report

In accordance with APESB's constitution, a review should be performed on an annual basis after a new standard is effective in order to identify any issues reported by stakeholders. This report presents a review of the issues reported to APESB or identified by an internal technical review and the proposed recommendations to address those issues.

Review of Issues

Carry forward issue from the 2013 and 2014 Annual Review

1. **Public Interest Entities in the public sector**

Issue

During a meeting held with the Audit Office of New South Wales the issue of what is considered a Public Interest Entity (PIE) in the public sector was raised with APESB. This was due to the potential differing interpretations of the definition of a Public Interest Entity in the Code as currently there is no specific guidance for the public sector in this regard.

Analysis of Issue

APES 110 defines Public Interest Entity as:

- (a) *A Listed Entity; or*
- (b) *An entity (a) defined by regulation or legislation as a public interest entity or (b) for which the audit is required by regulation or legislation to be conducted in compliance with the same Independence requirements that apply to the audit of Listed Entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.*

2013 Update

APESB representatives met with officers of Audit Office of New South Wales and understood that clarification of the application of this definition to the public sector would be useful for stakeholders.

2014 Update

Further discussions were held with representatives of the Audit Office of New South Wales. The Board has also communicated with the Chairman of the Australasian Council of Auditors-General (ACAG) and offered APESB's assistance to define PIE for the public sector. APESB is yet to receive a respond from ACAG.

Impacted Stakeholders

Firms, State and Federal Auditor Generals.

Recommendation

Technical staff will update the Board as soon as a response is received from ACAG.

Current Issues

2. Defined terms

Issue

The Technical Staff review identified that the Definitions section of APES 110 needs to be revised.

Analysis of Issue

The following definition needs to be added to APES 110 based on legal advice:

Professional Bodies means the Institute of Chartered Accountants Australia, CPA Australia and the Institute of Public Accountants.

It should also be noted that APESB is currently considering whether the definition of *Professional Activity* should be revised in the Australian context. If this occurs then this definition will require revision.

Impacted Stakeholders

Members, Firms and Professional Bodies.

Recommendation

It is recommended that these changes be processed at the next revision of APES 110 which is scheduled for the August 2015 Board meeting.