

17 May 2013

### APESB amends the Code

APESB has today issued an amending standard in respect of the existing APES 110 *Code of Ethics for Professional Accountants* (the Code).

The amendments to the Code are:

- A minor editorial amendment to the definition of Immediate Family;
- A new AUST paragraph to address circumstances where auditors may be receiving multiple referrals from a single source. APESB has identified that this is a risk in the Self-Managed Superannuation Fund (SMSF) sector and it is likely to be relevant in other sectors as well; and
- Minor editorial amendments to the preface of Sections 290 and 291.

Please refer to Appendix 1 of this technical update for details of the revisions. The amendments will be effective from 1 July 2013.

To review a copy of the amending standard to the Code or for further information please visit: [www.apesb.org.au](http://www.apesb.org.au).

– ENDS –

#### Technical Enquiries:

Mr Channa Wijesinghe  
Technical Director  
Email: [channa.wijesinghe@apesb.org.au](mailto:channa.wijesinghe@apesb.org.au)  
Phone: 03 9642 4372

## Appendix 1

### Amendments to the Definitions and Auditor Independence Requirements in APES 110 *Code of Ethics for Professional Accountants* (issued December 2010 and amended December 2011)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following amendments to APES 110 *Code of Ethics for Professional Accountants* which was originally issued in December 2010 and subsequently amended for the definition of Public Interest Entity in December 2011.

Section Reference	Revisions
2	<b>Immediate Family</b> means a spouse (or equivalent) or dependent dependant.
[AUST] Preface: SECTIONS 290 and 291	<p><b>Section 290 Independence – Audit and Review Engagements and Section 291 independence – Other Assurance Engagements</b></p> <p>Section 290 of this Code addresses Independence requirements for Audit and Review Engagements, which are Assurance Engagements where a Member in Public Practice expresses a conclusion on Historical Financial Information.</p> <p>Section 291 of this Code addresses Independence requirements for Assurance Engagements that are not Audit or Review Engagements of Historical Financial Information, referred to in this Code as Other Assurance Engagements.</p> <p>The concept of Independence is fundamental to compliance with the principles of integrity and objectivity. This Code adopts a conceptual framework that requires the identification and evaluation of threats to Independence so that any threats created are eliminated or reduced to an Acceptable Level by the application of safeguards.</p> <p>This approach contrasts with the rules adopted in legislation, which are often prescriptive in nature. Accordingly, Members and other readers of this Code should be aware that adherence to this Code does not ensure adherence to legislation and they must refer to such legislation to determine their legal obligations.</p> <p>While this difference in approach makes precise comparisons to specific legislation <u>difficult</u>, such as the <i>Corporations Act 2001</i>, <del>difficult</del>, the underlying principles of integrity and objectivity are consistent with objective and impartial judgement, when both approaches are tested in the context of all relevant facts by a reasonable person. Where APESB is aware that there is a more stringent requirement in the <i>Corporations Act 2001</i> an appropriate footnote reference has been included for <del>the</del> Members' and other readers' information. However, please note that not all applicable <i>Corporations Act 2001</i> requirements have been addressed and thus Members are referred to the <i>Corporations Act 2001</i> to determine their independence obligations when performing Audit and Review Engagements in accordance with the Act.</p> <p>The statutory Independence of Auditors-General is provided for in legislation by the Parliament of each Australian jurisdiction in a number of ways. This includes defining the scope of an Auditor-General's mandate, the appointment and removal of an Auditor-General and the performance of his or her responsibilities. The requirements within this Code apply to Auditors-General and their senior Officers who are delegated or</p>

Section Reference	Revisions
	<p>authorised to sign assurance reports and are Members, to the extent that they do not conflict with applicable legislation.</p> <p>With regard to the use of the words “material” and “materiality” in Sections 290 and 291, it is not possible to <del>give</del> <u>provide</u> a definition <del>which that</del> covers all circumstances where either word is used. In assessing materiality, a Member in Public Practice or a Firm shall consider both the qualitative and quantitative aspects of the matter under consideration which might have, or be seen to have, an adverse effect on the objectivity of the Member or Firm.</p>
<u>AUST 290.220.1</u>	<p><u>In certain circumstances another party or Firm may refer multiple Audit Clients to a Firm. In these circumstances, when the total fees in respect of multiple Audit Clients referred from one source represent a large proportion of the total fees of the Firm expressing the audit opinions, the dependence on that source and concern about losing those clients creates a self-interest or intimidation threat.</u></p> <p><u>The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an Acceptable Level. Paragraph 290.220 provides examples of factors that may affect the significance of the threat and potential safeguards.</u></p>
Effective date	The revisions are effective from 1 July 2013.