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### New code of ethics for auditors ensures public protection

Accountants who are auditors will be subject to strengthened independence requirements after the Accounting Professional and Ethical Standards Board (APESB) today issued a new code of ethics. This follows on from IFAC's International Ethics Standards Board for Accountants (IESBA) revision of the international Code which APESB has considered in its own review.

The new code, a revised version of APES 110 *Code of Ethics for Professional Accountants* (the Code), aligns Australia's professional requirements with international standards and also includes Australian specific requirements relating to inadvertent violations and multiple threats to auditors' independence. The new code will be effective from 1 July 2011 with early adoption permitted.

APESB Chair Kate Spargo said it was appropriate for the Australian Code to have additional requirements given the high expectations of capital markets of auditor independence requirements in this country.

"The new code ensures we continue to be a global leader in professional ethics for accountants as well as auditor independence requirements," said Ms Spargo.

The code encompasses two new concepts – Public Interest Entities and Key Audit Partners and also splits the existing Section 290 dealing with auditor independence into two sections with the inclusion of new Section 291 which deals with independence requirements relating to the provision of assurance services other than Audits and Reviews of financial statements.

A key issue APESB considered during the development process was which entities in Australia, in addition to Listed Entities, should be captured within the definition of Public Interest Entities. APESB determined to retain the definition from the international code and will conduct further work in respect of this issue in 2011.

Other revisions to the Code include:

- The use of the word "shall" to identify a mandatory requirement of the Code
- Extending the independence requirements for audits of Listed Entities to all Public Interest Entities;
- Requiring a cooling-off period before Key Audit Partners of the firm can join public interest audit clients in certain specified positions;
- Extending partner rotation requirements to all Key Audit Partners;
- Strengthening some of the provisions related to the provision of non-assurance services to audit clients;
- Prohibiting Key Audit Partners from being evaluated on or compensated for selling non-assurance services to their audit clients.
- Revising the description of each category of threats
- Adopted a footnoting referencing system to assist readers to identify provisions where a higher requirement currently exists in the *Corporations Act 2001*.

APES 110 *Code of Ethics for Professional Accountants*, and the Basis for Conclusions, are available to download at [www.apesb.org.au](http://www.apesb.org.au).

- ENDS -

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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.

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