

Australian Context to the NAS and Fees Changes to the IESBA Code

CPA Australia Webinar

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Channa Wijesinghe FCPA, FCA
Chief Executive Officer

International Standard Setting Developments

The IESBA approved revisions at the December 2020 Board meeting to the IESBA Code in respect of:

- Fees related matters impacting or perceived to impact auditor independence.
- Non-Assurance Services (NAS) related matters to clarify circumstances in which a firm may or may not provide a NAS to an audit client.

PIOB approval received and final standards released 28 April 2021 with revisions to take effect from 15 December 2022.

PJC Inquiry into the Regulation of Auditing in Australia

- August 2019 – inquiry established into the regulation of auditing, conflicts of interest and performance of regulators
- Led by PJC on corporations and financial services.
- February 2020 – Interim report released:
 - 10 recommendations
 - No major structural changes to legislative and regulatory framework
- November 2020 – Final report issued with no changes to the interim recommendations.
- Government yet to respond to the PJC’s final report.

PJC Inquiry recommendations relating to NAS & Fees

- Establish **defined categories** and associated **fee disclosure** requirements in relation to audit and non-audit services
[*Recommendation 3*]
- Establish a **list of non-audit services** that audit firms are **explicitly prohibited** from providing to an audited entity
[*Recommendation 3*]
- The **auditor's independence declaration** must specifically confirm that **no prohibited non-audit services** have been **provided**. [*Recommendation 4*]
- Consider revising APES 110 to include a **safeguard** that **no audit partner** can be **incentivised**, through remuneration advancement or any other means or practice, for **selling non-audit services** to an audited entity [*Recommendation 5*]

Australian Fees Exposure Draft

ED for proposed amendments to APES 110 Fee-related provisions align to IESBA amendments with Australian specific changes:

- *PJC Recommendation 3* – guidance on categories of services and what included in each category (Audit, Audit-Related, Other Assurance, Tax and Other)
- *PJC Recommendation 5* – requirement to not evaluate or compensate audit partner based on success in selling NAS to any audit clients
- SMSF audit referral source > 20% for firm/audit partner/office – requirement to evaluate significance and apply safeguards when necessary

To be approved by the Board mid May 2021 for release.

Australian NAS Exposure Draft

Issues paper considered at the March 2021 APESB Board meeting.

Technical Staff undertaking further stakeholder engagement noting the PJC inquiry's final recommendations.

ED for proposed amendments to APES 110 on NAS-related provisions align to IESBA amendments with Australian specific changes being considered (subject to ongoing engagement):

- *PJC Recommendation 3* – list of prohibited non-audit services
- Tax Advisory and Tax Planning Services

To be considered at the June 2021 APESB meeting.

Australian NAS & Fees Exposure Drafts

Projected timeline:

- Fees ED expected to be released 3rd week of May 2021
- NAS ED expected to be released mid/late June 2021
- 90-day exposure periods for each ED

After considering stakeholder feedback the final amending standards to APES 110 expected to be:

- Approved at the November 2021 APESB Board meeting
- Issued November/December 2021
- Effective from 1 January 2023

Further Information

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