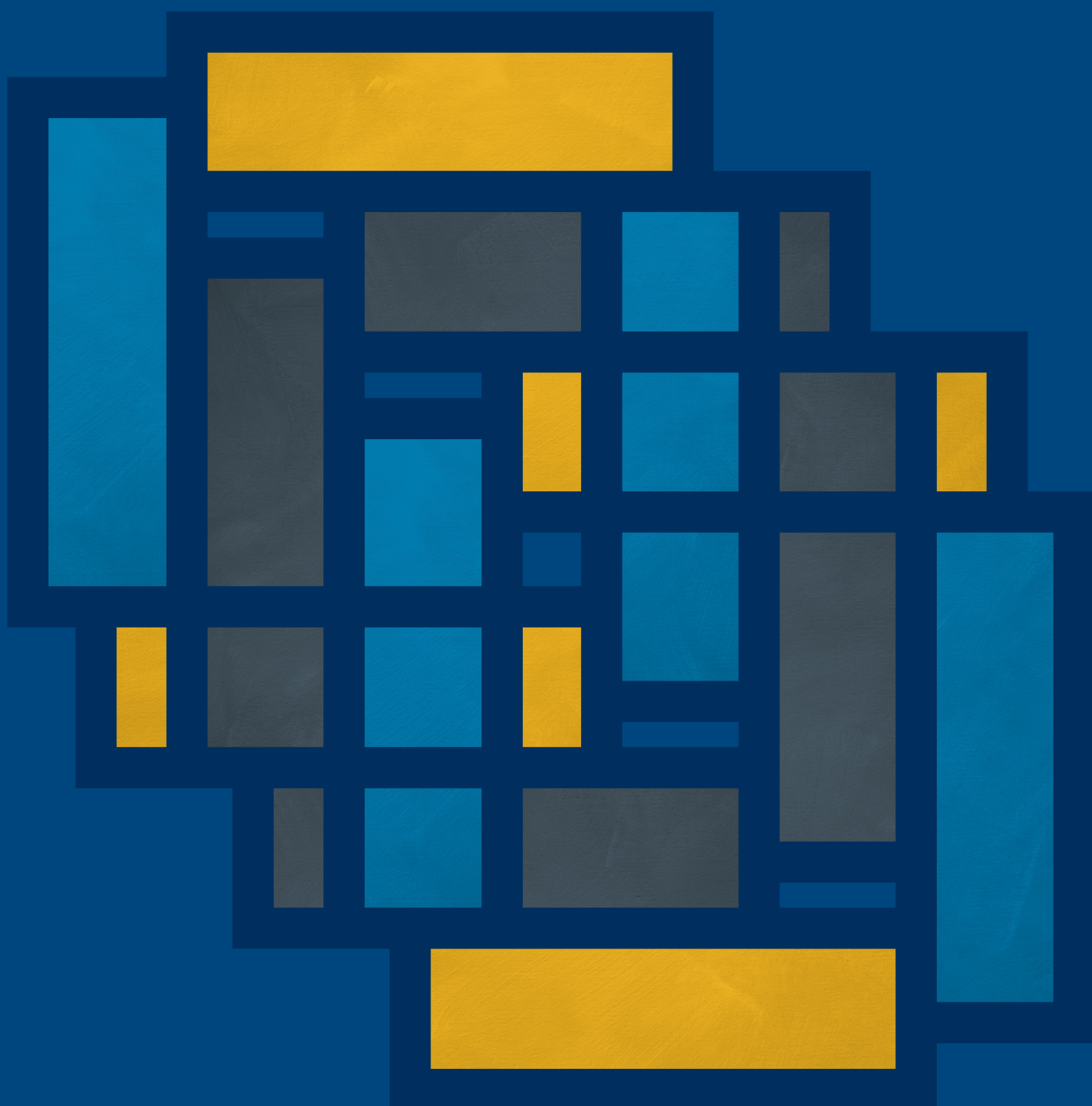


**Accounting
Professional &
Ethical Standards
Board Limited**

ACN 118 227 259

Annual Report

for the year ended
30 June 2022





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APESB's Strategic Plan 2021–2025

Vision:

We strive to achieve exemplary levels of professionalism and ethical behaviour in the accounting profession.

Statement of Purpose:

We develop and issue, in the public interest, high quality professional and ethical standards.

Values:

We are committed to being consultative and transparent in all our activities and work independently and resourcefully in the public interest.

We will promote professionalism and ethical behaviour and maximise the integrity of the accounting profession by:

Standards

Issuing professional and ethical standards that are relevant to members of the Professional Accounting Bodies while serving the public interest.

Strategies

- Develop and issue Standards and Guidance Notes
- Develop and issue appropriate guidance material to support the application of the pronouncements
- Monitor the external environment to ensure the issued pronouncements remain relevant and identify the need for new standards and guidance
- Ensure that the concepts of professionalism and public interest are the cornerstones of the standard-setting process
- Attract and retain an appropriate mix of skills, experience, knowledge and expertise to the Board, management and taskforces
- Ensure the organisation is governed, structured and resourced appropriately with transparent oversight

Engagement

Effectively engaging our key stakeholders, including professional accountants, the public, government bodies, regulators and the Professional Accounting Bodies.

Strategies

- Engage with key stakeholders across the profession in practice and business to provide leadership in respect of accounting, professional and ethical matters

- Adopt a communication strategy that facilitates a continuous process of engagement that takes advantage of appropriate platforms
- Raise awareness within targeted audiences: Members in Business, SMP/SMEs, and Universities
- Engagement and interaction with key regulators (i.e., ASIC, APRA, ATO, ACNC and NZ equivalents)
- Maintaining ongoing communication with the staff of the three major accounting bodies who are involved in professional standards, quality review and disciplinary activities

Influence

Influencing and responding to the national and international agenda in relation to professional and ethical standards.

Strategies

- Influence and engage with the work program of regulators, government bodies and other Australian standard setters
- Influence and engage with the work program of the International Federation of Accountants (IFAC) and the International Ethics Standards Board for Accountants (IESBA) and contribute to the agenda of the IESBA National Standard Setter Group
- Identify future trends and emerging issues that have an impact on the accounting profession and professional standards, such as artificial intelligence and sustainability, in order to proactively develop solutions to capitalise on these opportunities

- Develop and maintain a communication and awareness raising program nationally and, as appropriate, internationally

Ethics Outreach

Promoting that professionalism and ethical conduct drive the behaviour of accountants and conducting outreach activities in collaboration with key stakeholders

Strategies

- Demonstrate leadership in ethical thinking and practice
- Promote to the public the professionalism and ethical conduct of accountants in the public sphere
- Raise awareness of APESB standards with Universities, the academic community and collaborate with the professional bodies in outreach activities to support emerging diverse young professionals
- Partner with the professional bodies to enhance the integration of APESB standards within continuing professional development programs and conduct specific outreach activities to engage with the SMP community
- Partner with the business community and influence debates on business ethics and professional standards

Key Achievements and Highlights for 2021–2022

In 2021–22, APESB:

- Ensured the currency of the Board's suite of pronouncements through the issue of amending standards, revised pronouncements and exposure drafts.
- Provided input to global ethical and independence standards development through contributions to IESBA's work program and supporting the IESBA's Technology Expert's Group.
- Reissued APES 320 to focus on quality management for firms that provide non-assurance services, complementing the quality management standards for assurance practices issued by the AUASB.
- Strengthened auditor independence standards by setting a higher bar for auditors of public interest entities in relation to non-assurance services provided to audit clients, fees and the objectivity of the engagement quality reviewer.
- Provided multiple opportunities for stakeholders to engage on various topics related to professional and ethical matters.
- Continued raising awareness of APESB standards through presentations, webinars and outreach activities.

The Board accomplished the following outcomes in each of the four strategic pillars, which contribute to the achievement of its strategic objectives, as follows:

Standards

- Issued an Amending Standard to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to address the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers and completed the Fees project.
- Reissued APES 320 *Quality Management for Firms that provide Non-Assurance Services*.
- Issued revised APES 330 *Insolvency Services*, which deal with small business insolvency reforms.
- Issued four exposure drafts relating to APESB pronouncements, including Exposure Drafts on the Fees provisions, non-assurance services and Quality Management-related Conforming amendments to the Code and APES 205 *Conformity with Accounting Standards*.

Engagement

- Hosted an online roundtable event for stakeholders on the IESBA's exposure drafts proposing technology-related revisions and revisions to the definitions of Engagement Team and Group Audits, with IESBA Board Member and Deputy Chair, Ms Caroline Lee, co-presenting at the event.
- Engaged with regulatory stakeholders, professional bodies, and members on the proposed revisions to the Non-assurance services provisions in the Code.

- Extensive stakeholder engagement to discuss revisions to the fee-related provisions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.
- Hosted multiple webinars on the reissued APES 320 *Quality Management for Firms that provide Non-Assurance Services*.
- Presented at conferences, forums and webinar events on matters related to professional standards.
- The Taskforce was convened for APES 330 *Insolvency Services* to address small business insolvency reforms and the creation of the new restructuring practitioner role.
- Released a Non-assurance Services Survey to seek stakeholder feedback on whether providing non-assurance services to audit clients impacts the public perception of an auditor's independence.

Influence

International developments:

- Three submissions were made to the IESBA on projects relating to proposed revisions to the International Code.
- Participated in the IESBA's National Standard Setters Group virtual meetings held in October 2021 and May 2022.
- Hosted NZAuASB's Chair, Mr Robert Buchanan, who presented to the Board on the NZAuASB's project on Non-Assurance Services.

Taskforces

for the year ended
30 June 2022

- Continued engagement with NZAuASB on Trans-Tasman matters of mutual interest.

National developments:

- Participation in the Financial Reporting Council's (FRC's) Working Group to consider the Parliamentary Joint Committee Inquiry recommendations on the Regulation of Auditing in Australia.
- Collaboration with AUASB, AASB, ASIC, ATO, ARITA, and other stakeholders on projects of mutual interest.
- Presented to the AASB and AUASB on APESB's 2021-2025 Strategy and key projects in November 2021.
- National submissions to the Professional Standards Councils' (PSC) on its exposure draft on Codes of Ethics and to the Australian Law Reform Council on Financial Services Legislation Interim Report A (ALRC Report 137).

Outreach

- Co-presented at CA ANZ Global Ethics Day event alongside IESBA Deputy Chair Caroline Lee and Audit New Zealand's Executive Director Stephen Walker, promoting professionalism and the ethical conduct of accountants.
- Issuing media releases on key APESB standards development projects.
- Continual publication of our quarterly e-newsletter, *Professionalism*.
- Regular social media updates on APESB activities via LinkedIn.

Insolvency Services

Channa Wijesinghe
APESB (Chairman)

Robyn Erskine AM
Brooke Bird

Kim Arnold
ARITA

Julie Williams
Insolvency & Turnaround Solutions and
Institute of Public Accountants

Stephen Longley
PricewaterhouseCoopers

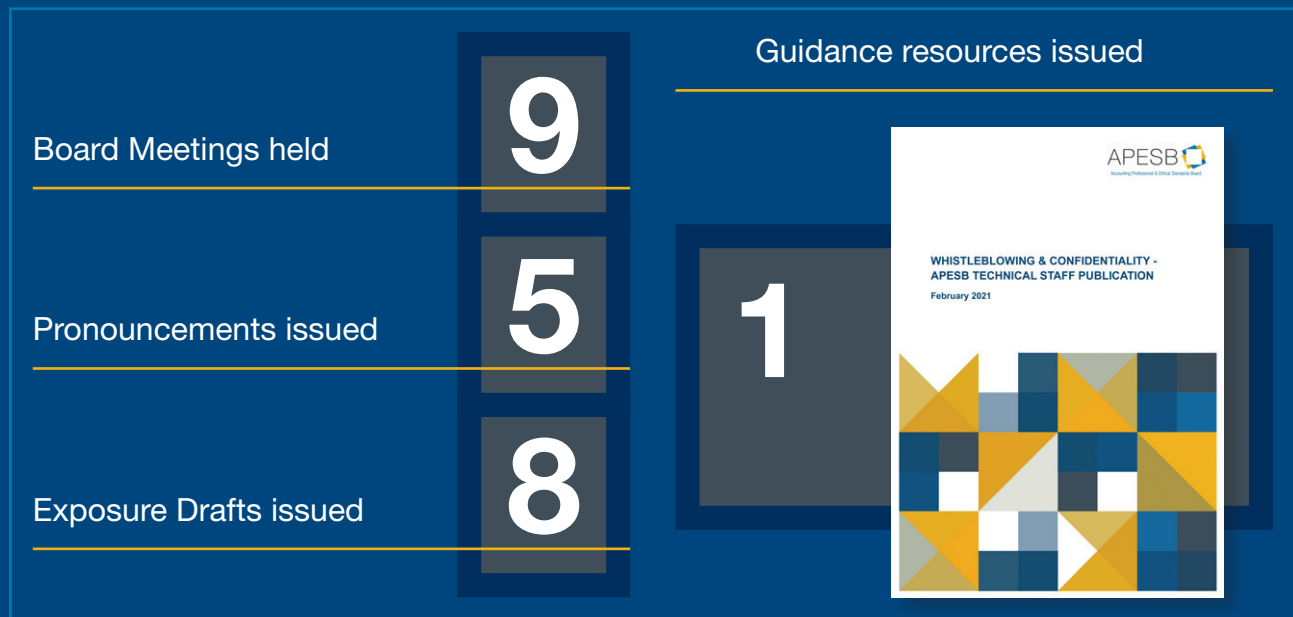
Natasha McHattan
ARITA

Karen McWilliams
Chartered Accountants Australia
& New Zealand

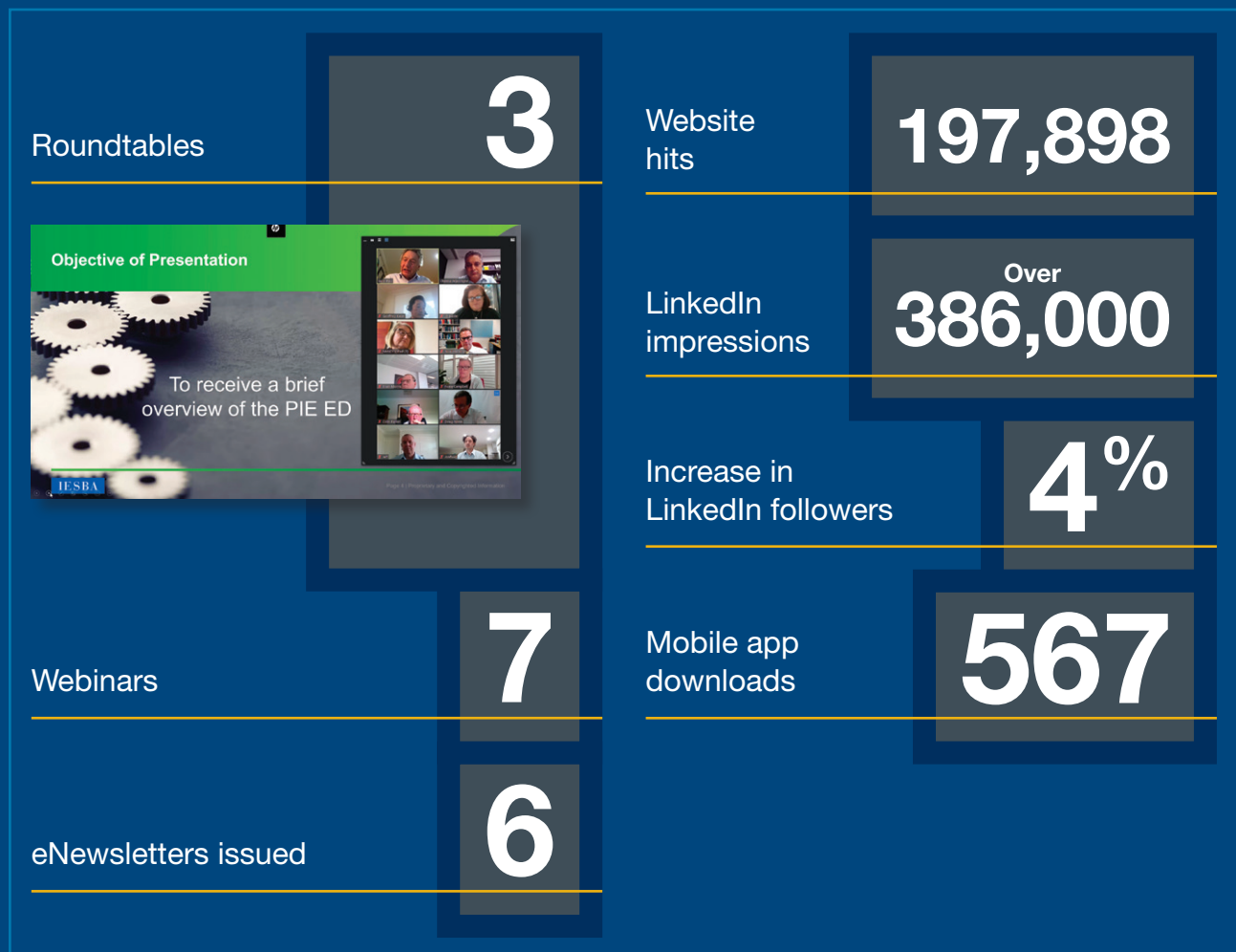
Dr John Purcell
CPA Australia

Achievements

Standards



Engagement



for the 18 months ended 30 June 2022

Influence

National
Submissions

3

International
Submissions

6

Annual IESBA National
Standards Setters Meetings

3

APESB CEO's new role as a
Public Interest Board member
of the IESBA from 1 January
2022 for a three year term.



IESBA's Tax Planning
& Related Services
Taskforce Meeting in
London (April 2022)

*Left to right: Channa Wijesinghe,
Carla Vijan, Jens Poll (Chair),
Andy Mintzer, Ken Siong & Sanjiv
Chaudhary*



Ethics Outreach

Global Ethics Day
CA ANZ Panel event 2021

2

*Ethics Panel clockwise from the top left: Caroline Lee
(IESBA), Stephen Walker (Audit New Zealand), Simon
Grant (CA ANZ) and Channa Wijesinghe (APESB)*



Major Projects for 2021–22

Reissue of APES 320 *Quality Control for Firms that provide Non-Assurance Services*

In February 2022, APESB reissued APES 320 *Quality Management for Firms that provide Non-Assurance Services* (APES 320), effective from 1 January 2023, with early adoption permitted. This standard replaces the existing APES 320 *Quality Control for Firms*.

The key changes that are in the reissued APES 320 include the change in scope to only apply to non-assurance practices of firms and high-level alignment of APES 320's elements to the components of AUASB's ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* which will apply to Australian assurance practices.

The policies and procedures required by the reissued APES 320 reflect a risk assessment performed by APESB to address risks that generally occur when providing non-assurance engagements to clients. The quality management system developed in accordance with APES 320 aims to provide firms with reasonable confidence that they comply with

professional standards, laws and regulations and that engagement outputs issued by the Firm are appropriate.

APESB has maintained many of the existing requirements from the current APES 320 to minimise disruption for firms that provide non-assurance services and, in particular, Small to Medium Practices (SMPs), taking into consideration the lack of evidence that the extant APES 320 was not working in practice. In addition, APESB Technical Staff have developed a mapping table to assist members in transitioning to the reissued APES 320 and held several webinars to raise awareness.

Strengthening Auditor Independence Standards

APESB has strengthened the auditor independence standards by issuing amending standards on the Fees provisions and Engagement Quality Reviewer (EQR) requirements and issuing an exposure draft on the Non-Assurance Services (NAS) provisions of the Code. The fees project resulted in extensive consultations with the SMP sector due to its impact on SMSF auditors. The EQR and NAS projects resulted in stakeholder engagement with firms, professional

bodies, and regulators, ATO and ASIC. APESB also collaborated with the NZAuASB during the development stages of these projects to ensure that there is Trans-Tasman harmonisation, where possible.

The strengthened provisions for Fees align with the changes to the IESBA's global Code and enhance the transparency and governance of fees paid to the external auditor, including communicating with those charged with governance concerning audit and non-audit services. It also addresses a key recommendation from the PJC Inquiry on the Regulation of Auditing in Australia to prohibit audit partners from being incentivised, either directly or indirectly, to sell NAS to all audit clients of the Firm.

The proposals concerning revisions to the NAS provisions include prohibiting NAS to PIE audit clients that might create a self-review threat, enhancing communication with those charged with governance, and in certain instances requiring pre-approval of NAS and strengthening tax services to suit the Australian environment.

In the current regulatory and economic climate, enhanced transparency and governance of fees paid to the external auditor and limiting the provision of NAS positively impacts the public's perception of the auditor's independence, thus contributing to audit quality.



1. APESB Technical Staff collaborated with AUASB's Technical Director, Matthew Zappulla, in presenting a webinar in May 2022 to raise awareness of Quality Management Standards 2. APESB Chairman Nancy Milne OAM presented a gift to farewell NZAuASB Chairman Robert Buchanan when he attended the June 2022 Board meeting to provide an update on New Zealand's NAS project.



Directors left to right:

Ms Nancy Milne OAM (Chairman), Mr Kevin Osborn, Mr Craig Farrow, Ms Claire Mackay, Mr Brian Morris, Ms Rachel Grimes AM and Colin Murphy PSM



Staff left to right:

Mr Channa Wijesinghe (Chief Executive Officer/Company Secretary), Ms Jacinta Hanrahan (Principal), Mr Jon Reid (Senior Technical Manager), Ms Rachael Tiong (Assistant Technical Manager) Absent: Ms Rozelle Azad (Accountant), Ms Dolla Wilkinson (Bookkeeper) and Ms Shannon Heng (Research Officer & Admin Assistant)

Chairman's Report

I am pleased to present APESB's 2021-22 annual report and share the Board's accomplishments over the last financial year as the challenges caused by the Covid pandemic wane and the profession faces new challenges associated with geo-political tensions, global supply chain constraints, sustainability reporting and assurance, and professional integrity issues.

Notwithstanding the impact of pandemic lockdowns in Melbourne and Sydney during the first half of the financial year, APESB has made excellent use of digital and online platforms to progress its work program. The Board has advanced projects which strengthened auditor independence standards, developed a new quality management standard focussed on non-assurance services for firms and revised the insolvency services standard to address small business insolvency reforms.

The Board was delighted with APESB's CEO Channa Wijesinghe's appointment as a public interest member to the International Ethics Standards Board for Accountants (IESBA) from 1 January 2022 for a three-year term. Channa's IESBA appointment enables Australia to have a voice at the global level in respect of the Code, including auditor independence standards. It also benefits APESB as, in time, the IESBA standards are adopted into the Australian Code.

APESB's 2021 - 25 Strategy

APESB is making strong progress in delivering on its 2021 – 2025 Strategy.

A key achievement during this year has been developing and issuing a quality management framework that will apply to firms that provide non-assurance services. This standard will ensure that APESB's robust suite of pronouncements addressing non-assurance services will continue to provide the accounting profession with a solid foundation to perform their professional activities.

APESB has also strengthened the guardrails around auditor independence standards, with a higher bar being set for auditors in relation to fees and the objectivity of the engagement quality reviewer and issuing proposals on non-assurance services. In addition, APESB has undertaken various stakeholder engagement activities to facilitate these changes, particularly fees and non-assurance services revisions to the Code.

As part of our stakeholder engagement this year, we have actively sought engagement with the small-to-medium practice (SMP) sector and encouraged their input to our standards development work program. We were inspired by their engagement in the fees project due to the impact on self-managed superannuation fund (SMSF) auditors, who are predominantly SMPs.

APESB has provided input to the IESBA's technology project, including supporting the IESBA's Technology Experts Group, and now embarked on assessing the impacts of technology on valuation and forensic accounting services provided by Australian professional accountants.

In the coming years, sustainability will be a key focus of APESB as global standards setters develop new reporting, assurance and ethical standards on this topic. On the domestic front, we have been engaging with other national standard setters, regulators and professional accounting bodies exploring the impacts of sustainability in Australia.

Stakeholder engagement

APESB has undertaken extensive stakeholder outreach activities to inform the APESB's work program and raise awareness of professional and ethical standards that are fundamental to the profession. The engagement included information sessions, webinars, roundtables, meetings, and briefings.

There was strong stakeholder engagement with SMP practitioners and regulators concerning SMSF auditor independence and fee dependency. The proposed revisions to the International Code for non-assurance services was also a key topic for engagement, with representatives from the Australian Tax Office (ATO) and the Australian Securities and Investments Commission (ASIC) providing their views and insights to the Board.

APESB presented to both the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board

(AUASB) in late 2021 on APESB's future strategy and projects of mutual interest which include the fees project and the quality management standards.

In May 2022, APESB hosted an online roundtable to inform Australian stakeholders of proposed changes to the international Code regarding Technology and Independence for Group Audits. The feedback from these roundtables was invaluable in informing APESB's submissions to the IESBA on these proposals. We were joined by IESBA Deputy Chair and Chair of the Engagement Team - Group Audits Fees Taskforce, Ms Caroline Lee.

APESB influences the global standards development process by providing submissions to the IESBA and participating in the IESBA's National Standards Setters Group. APESB is also providing support to the IESBA's Technology Expert's Group, with Senior Technical Manager, Jon Reid, providing secretariat support for this group from January 2022.

The Board is also thankful for the contributions made by our Taskforce members and stakeholders, including staff from the Professional Bodies, accounting firms, government and regulators who provide important viewpoints to our standard-setting process. We especially acknowledge the attendance of members from the Professional Bodies, regulators and other stakeholders who attend the APESB board meetings throughout the year.

Board

APESB has been fortunate to have the support of talented and committed directors who play an active role in the work of this national organisation. On 30 June 2022, APESB's long standing Board member, Kevin Osborn, retired after providing exemplary service to the Board for over nine years. Kevin's extensive financial services and governance experience and his insights and perspectives were invaluable to APESB's achievements of its strategic objectives during his tenure.

On behalf of the Board, I acknowledge Kevin's outstanding contribution to the APESB and the accounting profession in general and wish him all the best for the future.

APESB director Rachel Grimes was re-appointed for a second three-year term commencing 1 February 2022. APESB director Claire Mackay has also been re-appointed to the Board for a third three-year term effective from 1 July 2022.

Staff

The APESB Secretariat is a small, dedicated team led by Channa Wijesinghe (Chief Executive Officer/ Company Secretary). Channa is supported by Jacinta Hanrahan (Principal), Jon Reid (Senior Technical Manager), Rachael Tiong (Assistant Technical Manager), Shannon Heng (Research Officer & Admin Assistant), Rozelle Azad (Accountant) and Dolla Wilkinson (Bookkeeper).

The Secretariat's dedicated work effort ensures the Board's strategy is delivered and high-quality outputs are produced for the benefit of the accounting profession. On behalf of the Board and stakeholders, I would like to thank them and acknowledge their commitment and efforts for the last year.

The Board looks forward to assisting the Australian accounting profession in maintaining its professionalism and ethical behaviour as it navigates society's expectations of trust in financial reporting, auditing and the sustainability of business operations. I look forward to sharing APESB's progress with you in the coming years.



Nancy Milne OAM
Chairman

27 October 2022

CEO's Report

The APESB Secretariat has delivered a demanding work program to strengthen quality management and independence standards in Australia, as well as contributing to and influencing the work program of the IESBA.

I was humbled to be appointed as a public interest Board member of the International Ethics Standards Board for Accountants (IESBA) to represent Australia from 1 January 2022 for a three-year term. As part of this role, I have the opportunity to engage with a broader international professional network focussed on accountants' professional and ethical standing and contribute to the global standard development process.

Over the year, the Secretariat focused on the following key strategic objectives from APESB's 2021-2025 Strategic Plan.

Standards

APESB has revised APES 320 *Quality Control for Firms* to focus on quality management systems for firms that provide non-assurance services. Quality Management has been a critical project of the Secretariat during this period. The new APES 320 *Quality Management for Firms that provide Non-Assurance Services* is based on the extant standard but also aligns with the new auditing standards on Quality Management at the component level.

Accounting firms will need to update to a new system of quality management, which may be a significant change for some firms. APESB has worked with the Australian Auditing and Assurance Standards

Board (AUASB), the professional accounting bodies and regulators to provide guidance to facilitate the transition. We thank the professional accounting bodies and those stakeholders who engaged with us on this topic to develop a robust solution for accounting firms.

During the period, APESB completed work on pronouncements addressing requirements on fees and providing guidance for engagement quality reviewers in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). In addition, the Board revised the Insolvency Services standard to address the government's small business insolvency reforms and the creation of the new restructuring practitioner role. Exposure drafts have also been issued that will see future revisions to the Code in relation to Non-assurance services and quality management-related conforming amendments, as well as proposed revisions to APES 205 *Conformity with Accounting Standards*.

Engagement

A key focus of our engagement is to promote awareness and understanding of professional and ethical standards. During the past year, we have worked with the professional accounting bodies and other stakeholders to achieve this by

conducting Zoom webinars, virtual roundtables, forums and publishing articles on LinkedIn. We have also collaborated with the ATO and ASIC on issues regarding taxation services, SMSF auditor independence and forensic accounting services.

Influence

Internationally, the Board continued to influence the standard-setting projects of the IESBA with representation on IESBA Board, IESBA National Standards Setters Group and through submissions.

As part of my new IESBA Board role, I have attended two IESBA Board Meetings during the reporting period. In addition, I have been appointed to the IESBA's Tax Planning and Related Services Taskforce, which held three virtual global roundtables at the end of April 2022. Over 97 senior delegates involved in tax planning services worldwide participated in these roundtables. This global engagement provided valuable insights into the Exposure Draft's development process.

APESB attended the IESBA's two National Standard Setters Group meetings online in October 2021 and May 2022. The meetings focused on current IESBA projects, including Technology, Tax planning and Related Services, Benchmarking and Sustainability.

APESB made three submissions to IESBA, which were in response to exposure drafts on *Proposed Quality Management-related Conforming Amendments to the Code*, *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits* and *Proposed Technology-related Revisions to the Code*. The outcome of these projects will drive future amendments to the Australian Code (APES 110).

Ethics Outreach

In October 2021, I was pleased to represent APESB at CA ANZ's Global Ethics Day event as a co-presenter alongside IESBA Deputy Chair Caroline Lee and Audit New Zealand's Executive Director Stephen Walker. The event promoted professionalism and the ethical conduct of accountants. It focused on ethics and values and how they evolve or are maintained in a rapidly changing business climate.

Acknowledgements and future focus

The development of robust pronouncements by APESB, would not be possible without the input provided by the staff of the Professional Accounting Bodies, regulators, taskforce

members, AUASB, AASB, and other stakeholders. I want to acknowledge their contribution and thank them for their ongoing support.

I would also like to thank the professional bodies for their support in providing Kristen Wydell, General Manager of Professional Standards from CA ANZ, as my Technical Advisor for the IESBA Board role and to acknowledge Kristen's efforts to support me during the IESBA Board activities.

I am also grateful to the APESB Secretariat team, whose dedication and commitment have enabled APESB to deliver on its strategic commitments.

The year ahead for APESB will be extremely busy. Significant changes to the Code for non-assurance services will be issued, and projects on technology and sustainability will become a key focus.

In addition, APESB will also consider how its operations are performed sustainably and the relevant Environmental, Social and Governance (ESG) measures to implement. APESB has successfully increased the diversity of its Board and staff, with a reasonably even representation combined of gender (54% female and 46% male) and 30% having a cultural or linguistically diverse background. An independent assessment of the workplace culture was conducted during the year, which found a strong work culture.

COVID-mandated lockdowns have driven some environmentally friendly practices by adopting online resources and tools and reducing printing and stationery costs. We will review in the coming year how we can further improve on these aspects.

I look forward to engaging with our stakeholders regarding these developments in the coming months and years.



Channa Wijesinghe
Chief Executive Officer

27 October 2022

Directors' Report

The directors of Accounting Professional & Ethical Standards Board Limited (APESB or the company) present the financial report of the company for the year ended 30 June 2022.

In complying with the provisions of the *Australian Charities and Not-for-profits Commission Act 2012*, the directors' report is as follows:

Principal Activities

The principal activities of APESB during the year were the development and issue, in the public interest, of professional and ethical standards that apply to the members of the Professional Accounting Bodies and the provision of a formal and rigorous forum for the consideration, promulgation and approval of professional and ethical standards in an open, timely, independent and proactive manner.

The company's objectives are to monitor and evaluate the robustness of professional and ethical pronouncements for professional accountants in Australia and develop additional pronouncements as required in the public interest. To achieve its objectives, the company has adopted the following strategies:

- Communicating and raising awareness of APESB pronouncements with our constituency;
- Engaging in and keeping up to date with international developments;
- Requesting input in terms of work plan inclusions from Professional Accounting Bodies;
- Maintaining awareness of the business environment and legislative developments to identify opportunities where APESB should develop pronouncements in the public interest; and
- Engaging in stakeholder consultation when developing pronouncements for members.

The Chairman's and CEO's reports include further information on APESB's strategy and key achievements.

Results of Operations

The company's operations for the year ended 30 June 2022 resulted in a surplus of \$41,429 (2021: surplus \$41,720).

Review of Operations

The major focus of the company's operations for the year continued to be the review and maintenance of the APESB suite of pronouncements with appropriate engagement, influence and ethics outreach.

Significant Changes in the State of Affairs

There were no significant changes in the company's state of affairs during the financial year.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

Future Developments

The company expects to maintain the present status and level of operations and hence, there are no likely developments in the company's operations. The company is continually updating, reviewing, and improving its management and governance practices to ensure that the company's strategic objectives are met.

Dividends

The company is limited by guarantee and its Constitution precludes the payments of dividends.

Events after the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or are likely to significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated. None of the directors listed had any special responsibilities during the year other than as noted below.

Nancy Milne OAM (Chairman)

Ms Nancy Milne OAM brings over 30 years of experience as a lawyer working on large commercial cases involving risk and compliance to her role as Chairman at APESB. As a partner at Clayton Utz, her accounting and indemnity work established her strength in stakeholder management, dispute resolution and governance. She has also developed an in-depth knowledge of the regulatory environment within the financial services sector.

Nancy holds a Bachelor of Law from the University of Sydney. She is a Fellow of the Australian Institute of Company Directors. Nancy was a recipient of an Order of Australia Medal in 2008 for services to the legal sector and the community.

Since 2003, Nancy has taken up a variety of governance roles, focussing on improving business performance. She is Chair of the Securities Exchanges Guarantee Corporation, and Deputy Chair at the State Insurance Regulatory Authority.

Nancy is a Director at Pacific Opera, the Benevolent Society and FBR Limited. She is a Council Member for the Asbestos Safety and Eradication Agency Council and a Member of the Audit and Risk Committee, NSW Department of Customer Service.

Date of appointment: 1 January 2019

Kevin Osborn

Mr Kevin Osborn has worked in international financial markets, where he held various global senior management positions with the USA's then fourth-largest Banking Corporation, Bank One, which is now part of JP Morgan Chase. He was also a former Non-Executive Director of Calgary-based Vitera, the Deputy Chairman of Bendigo and Adelaide Bank and Chairman of Power Community Ltd.

Kevin is a Foundation Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Public Accountants.

Kevin is Chairman of VUCA Pty Ltd, Beerenberg Farm Advisory Board Coppin Capital Pty Ltd and Carlisle Health Pty Ltd. Kevin is a Director of Port Adelaide Football Club, Nut Producers Australia Pty Ltd, Pateka Pty Ltd and OSADA Pty Ltd.

Date of appointment: 18 March 2013

Date of retirement: 30 June 2022

Craig Farrow

Mr Craig Farrow is Managing Director of Innvatio Advisory Pty Ltd and Consultant at Brentnalls SA Chartered Accountants. He is a past President of the Institute of Chartered Accountants Australia (ICAA). Craig played a pivotal role in ICAA's historic merger with the New Zealand Institute of Chartered Accountants as the Executive Chair of the merger project that led to the creation of Chartered Accountants Australia and New Zealand.

Craig is a Fellow of both the Chartered Accountants Australia and New Zealand and the Australian Institute

of Company Directors and a Fellow of the Australian Institute of Management (AIM). He is also a certified practicing manager and holds a Diploma of Financial Services.

Craig is the Chairman of Centre State Exports Group, SRL Marketing Group, Resolution Minerals Ltd, Real Time Data Pty Ltd, Pinion Advisory Pty Ltd, and Mantina Quarries and Concrete. He is also a Director at Carlisle Health Pty Ltd and a Non-Executive Director of Australian Technology Innovators Pty Ltd and Country and Outback Health SA. Craig is Chief Operating Officer at Raven/Cavity Sliders Group.

Date of appointment: 10 February 2015

Claire Mackay

Ms Claire Mackay is a Principal at Quantum Financial, a leading independent financial planning firm. Previously, Claire worked in structured tax at PwC and Macquarie Bank, and she was an industry nominated Panel Adjudicator for the Financial Ombudsman Service.

Claire is admitted to the NSW Supreme Court; she holds a Bachelor of Commerce and a Bachelor of Law from Macquarie University and a Master of Law from Sydney University. Claire is a qualified Chartered Accountant (SMSF and Financial Planning Specialist), a Certified Financial Planner, a Certified Practising Accountant, a Chartered Tax Advisor, and a Graduate Member of the Australian Institute of Company Directors. She is also a Fellow of Chartered Accountants Australia and New Zealand.

Claire is a Director of the Australian Financial Complaints Authority, a member of the Finance Audit and Compliance Committee of Surf Life Saving NSW, the Professional Standards and Conduct Committee at the Financial Planning Association, and a member of RMIT's Program Advisory Committee for the School of Accounting.

Date of appointment: 1 July 2016

Brian Morris

Mr Brian Morris is the Principal of Morris Forensic, a specialist forensic accounting practice. Over the years, Brian has served on a variety of Board and Committee positions. From 1983 to 2014, he was a partner at Edward Marshall, specialising in audit, forensic accounting, valuations and management consulting services. He was also the firm's managing partner and Chairman of partners at various times.

Brian is a Fellow of both Chartered Accountants Australia and New Zealand and CPA Australia and a Member of the Australian Institute of Company Directors.

Brian is the Chair of the Audit & Risk Committee of the Courts Administrative Authority, a member of the Audit Committee of the Art Gallery of South Australia and the Editorial Committee of the Australian Accounting Review. He is a member of the Stratco Group Advisory Board.

Date of appointment: 1 January 2019

Rachel Grimes AM

Ms Rachel Grimes is the Chief Financial Officer of Challenger Limited and a director of a number of its subsidiaries. Rachel is a past President of the International Federation of Accountants (IFAC) (2016-2018).

Prior to her international appointment, she was co-lead of the merger between Westpac and St George. She is a strong advocate for Diversity and Inclusion in the workplace and was a finalist in Westpac's internal Women of Influence Awards Inclusion & Diversity category from 2013 – 2015. Rachel was awarded a Member in the General Division Medal in 2022 for her significant service to business in the field of accountancy and to professional associations.

Rachel is a Fellow of the Institute of Public Accountants, Chartered Accountants Australia and New Zealand and CPA Australia. Rachel is the Chair of the Finance and

Risk Committee of Surfing Australia, Deputy Chair of Digital Finance CRC and a Director of the Loreto Ministries Limited.

Date of appointment: 1 February 2019

Colin Murphy PSM

Mr Colin Murphy is the former Auditor General for Western Australia, where he served the Parliament of Western Australia for more than 11 years. Colin was also formerly President of the Institute of Public Administration Western Australia and a past AUASB Board member.

Colin holds a Bachelor of Commerce degree from the University of Western Australia. Colin is a Fellow, former Board member and Past State President of CPA Australia and a Fellow of the Institute of Chartered Accountants in Australia and New Zealand. He is also a Graduate of the Australian Institute of Company Directors. Colin received CPA Australia's President's Award and a Meritorious Service Award and was also awarded the Public Service Medal (PSM) in the 2010 Australia Day Honours.

Colin is a Director of the Winston Churchill Memorial Trust Australia, Wajarri Enterprises Ltd, and an independent Director of Winja Wajarri Barna Limited. He is a Board member of the South Metropolitan Health Services Board WA and ChemCentre Western Australia. Colin is a Commissioner at the Gaming and Wagering Commission WA.

Colin is the Chair of the Western Australia Audit and Risk Committees for the Department of Education, Department of Justice, Department of Water and Environmental Regulation and the Department of Training and Workforce Development

Date of appointment: 1 May 2020

Chief Executive Officer & Company Secretary

Channa Wijesinghe

Mr Channa Wijesinghe is the Chief Executive Officer and Company Secretary of APESB. He is a Fellow of Chartered Accountants Australia and New Zealand, CPA Australia and the Governance Institute of Australia. Channa joined the APESB in January 2007. He is the founding Technical Director of the APESB and was subsequently appointed as the CEO in 2016. He manages the implementation of the Board's strategy, national and international stakeholder engagement, operations and technical work program. From 1 January 2022, Channa became a public interest Board Member of the International Ethics Standards Board for Accountants (IESBA).

Directors' meetings

The following table sets out the number of directors' meetings held during the financial reporting year and the number of meetings attended by each director. During the financial reporting year, seven directors' meetings were held.

Indemnification of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the cover and the amount of the premium.

The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such officer or auditor.

Proceedings on Behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of

the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstandings and obligations of the company. At 30 June 2022, the number of members was 3 (2021: 3 members).

Auditor's Independence Declaration

A copy of the auditor's independence declaration for the year ended 30 June 2022 has been received and can be found in the directors' report on page 18.

Signed in accordance with a resolution of the Board of Directors.

Nancy Milne OAM
Chairman

27 October 2022

Director	Directors' Meetings	
	Number Eligible to Attend	Number Attended
Nancy Milne OAM	7	6
Kevin Osborn	7	7
Craig Farrow	7	7
Rachel Grimes AM	7	6
Claire Mackay	7	6
Brian Morris	7	7
Colin Murphy PSM	7	7

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARDS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

- i. No contraventions of the auditor independence requirements as set out in *the Australian Charities and Not-for-profits Commission Act 2012*, in relation to the audit, and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.



SW Audit (formerly ShineWing Australia)
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 27 October 2022

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sw-au.com

Directors' Declaration

The directors of the company declare that:

- (1) The financial statements and notes as set out on pages 20 to 38, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
 - (b) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the company;
- (2) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.



Nancy Milne OAM
Chairman

27 October 2022

Statement of Comprehensive Income

for the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue	2	1,425,000	1,341,000
Other income	2	3,286	47,503
Employee costs, directors fees and contractors		(1,017,798)	(1,003,299)
Employee benefits expense		(62,149)	(56,041)
Board meeting costs		(8,970)	-
Conferences and events		(1,544)	(95)
Consulting fees		(17,250)	(10,000)
Depreciation and amortisation		(94,269)	(93,987)
Lease finance charges		(597)	(966)
Auditing and legal fees		(30,079)	(14,770)
Cleaning and outgoings		(34,115)	(34,041)
Information technology support and development		(30,653)	(30,163)
Marketing		(26,594)	(35,934)
Insurance		(14,010)	(12,624)
Postage, printing and stationary		(9,747)	(9,816)
Communications		(11,383)	(12,468)
Independence guide development costs		-	(113)
Other expenses		(27,699)	(32,466)
Surplus before income tax		41,429	41,720
Income tax expense	1(i)	-	-
Surplus after income tax		41,429	41,720
Surplus for the financial year		41,429	41,720
Other comprehensive income for the year		-	-
Total comprehensive income for the year		41,429	41,720

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current Assets			
Cash	4,16(a)	576,155	525,873
Financial Assets	5	949,077	946,892
Other assets	6	27,559	27,647
Total Current Assets		1,552,791	1,500,412
Non-Current Assets			
Financial assets	5	42,383	42,383
Property, plant and equipment	7	33,901	58,598
Right of use assets	8	70,983	136,506
Total Non-Current Assets		147,267	237,487
Total Assets		1,700,058	1,737,899
Current Liabilities			
Trade and other payables	9	80,935	71,627
Lease liabilities	11	98,137	93,993
Provisions	10	114,339	114,924
Total Current Liabilities		293,411	280,544
Non-Current Liabilities			
Lease liabilities	11	7,989	106,126
Provisions	10	18,312	12,312
Total Non-Current Liabilities		26,301	118,438
Total Liabilities		319,712	398,982
Net Assets		1,380,346	1,338,917
Accumulated surplus		1,380,346	1,338,917
Total Equity		1,380,346	1,338,917

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2022

	Accumulated Surplus \$
Balance at 1 July 2020	1,297,197
Net surplus for the financial year	41,720
Other comprehensive income for the year	-
Balance at 30 June 2021	1,338,917
Balance at 1 July 2021	1,338,917
Net surplus for the financial year	41,429
Other comprehensive income for the year	-
Balance at 30 June 2022	1,380,346

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2022

	Note	2022 \$	2021 Restated \$
Cash Flows from Operating Activities			
Receipts from Professional Bodies		1,567,500	1,475,100
Receipts from other operating activities		-	37,500
Payments to suppliers and employees		(1,418,977)	(1,358,185)
Interest received		2,280	8,398
Net cash generated by operating activities	16(b)	150,803	162,813
Cash Flows from Investing Activities			
Proceeds from financial asset investments		1,271,124	926,777
Cash invested in financial assets		(1,273,309)	(933,892)
Payments for property, plant and equipment		(4,049)	(7,006)
Net cash used in investing activities		(6,234)	(14,121)
Cash Flows from Financing Activities			
Interest paid		(597)	(966)
Repayment of lease liabilities		(93,690)	(87,175)
Net cash used in financing activities		(94,287)	(88,141)
Net Increase in Cash and Cash Equivalents		50,282	60,551
Cash and Cash Equivalents at the Beginning of the Financial Year		525,873	465,322
Cash and Cash Equivalents at the End of the Financial Year	16(a)	576,155	525,873

The accompanying notes form part of these financial statements

Notes to the Financial Statements

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Accounting Professional & Ethical Standards Board Limited (APESB or the Company) is an individual company, incorporated and domiciled in Australia. APESB is a not-for-profit company limited by guarantee. The address of its registered office and principal place of business is disclosed in note 20. The financial report was authorised for issue on 27 October 2022 by the Board of Directors.

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

The financial statements are General Purpose Financial Statements that have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements that contain relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. The functional and presentation currency of the Company is in Australian dollars.

The financial statements except for cash flow information have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The amounts presented in the financial statements have been rounded to the nearest dollar.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

Accounting Policies

(a) Revenue

Revenue primarily consists of subscriptions paid by the Professional Accounting Bodies (Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants) in the form of transfers of resources to the company. Annual contributions are received based on the agreed budgeted activities of the Company for the year. Revenue is therefore recognised over time over any given year. The performance obligations are satisfied within the same period the funding is received resulting in no deferral of income. Income is remitted on 30 day net terms from the date of invoice.

Government grant income

The Company was eligible to receive government support by the means of the cash flow boosts net against the taxes payable to the Australian Tax Office. When the right to receive the income was established, the amount was immediately recognised in profit or loss.

Interest revenue

Revenue is recognised as interest accrues, using the effective interest rate method.

(b) Property, Plant and Equipment

Plant and equipment and leasehold improvements are measured on the basis of cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of improvements. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation Rate
Leasehold improvements	14.29% - 20%
Lease assets	10%
Furniture	20%
Computer equipment	25% - 50%
Office equipment	25% - 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

(c) Leases

The Company as a lessee

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the Government bond rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(d) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs. This includes trade receivables as they do not contain a significant financing component.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at amortised cost using the effective interest method where it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires).

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The simplified approach does not require tracking of changes in credit risk in every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. Expected credit losses are measured with reference to and reflect:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Changes in expected credit losses from the previous reporting period are recognised in profit or loss as an impairment gain or loss.

No impairment on financial assets was recognised during the year ended 30 June 2022 (2021: Nil).

(e) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

As a not-for-profit company where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows, value in use is determined as the depreciated replacement cost of an asset.

(f) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Employee benefits expected to be settled wholly within 12 months together with benefits arising from wages, salaries and annual leave which may be settled after 12 months, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the net present value.

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits held at-call, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

(i) Income Tax

No provision for income tax has been raised as the Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(j) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(k) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Company.

Lease term and Option to Extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Whether an option is reasonably certain of being exercised is a key management judgement that the Company will make. The Company determined the likelihood to exercise the option looking at various factors such as which assets are strategic and which are key to future strategy of the Company.

Estimation of the incremental borrowing rate under AASB 16

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure the lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available.

(l) Economic Dependency

APESB is dependent on the Professional Accounting Bodies (CPA Australia, Chartered Accountants Australia and New Zealand and the Institute of Public Accountants) for the majority of its revenue used to operate the business. As per clause 2.2 of the Memorandum of Agreement between

the Chartered Accountants Australia and New Zealand, CPA Australia and APESB, funding is on a three year rolling cycle, reviewable annually.

At the date of this report the Board of Directors has no reason to believe the Professional Accounting Bodies will not continue to support APESB.

(m) Prior Period Restatement

During the year ended 30 June 2022 the Company has identified a misclassification error in its comparative statement of cash flows. The statement of cash flows incorrectly assessed term deposits and security deposits with greater than 3 months maturity as part of cash and cash equivalents. The Company has corrected this misclassification error in the comparative period. It has no impact on the company's retained earnings or net assets.

The impact of correcting this misclassification error is shown on the following page:

Notes to the Financial Statements

	2021 as previously presented \$	Adjustment \$	2021 Restated \$
Cash Flows from Operating Activities			
Receipts from Professional Bodies	1,475,100	-	1,475,100
Receipts from other operating activities	37,500	-	37,500
Payments to suppliers and employees	(1,358,185)	-	(1,358,185)
Interest received	8,398	-	8,398
Net cash generated by operating activities	162,813		162,813
Cash Flows from Investing Activities			
Proceeds from financial asset investments	-	926,777	926,777
Cash invested in financial assets	-	(933,892)	(933,892)
Payments for property, plant and equipment	(7,006)	-	(7,006)
Net cash used in investing activities	(7,006)		(14,121)
Cash Flows from Financing Activities			
Interest paid	(966)	-	(966)
Repayment of lease liabilities	(87,175)	-	(87,175)
Net cash used in financing activities	(88,141)		(88,141)
Net Increase in Cash and Cash Equivalents	67,666		60,551
Cash and Cash Equivalents at the Beginning of the Financial Year	1,447,482	(982,160)	465,322
Cash and Cash Equivalents at the End of the Financial Year	1,515,148		525,873

Note 2: Revenue

	2022 \$	2021 \$
Revenue from Professional Bodies		
Operating revenue	1,425,000	1,341,000
Total Revenue	1,425,000	1,341,000
Other Income		
Bank deposits interest revenue	2,983	6,973
COVID-19 cash boost	-	37,500
COVID-19 rent relief	303	3,030
Total Other Income	3,286	47,503
Total Revenue and Other Income	1,428,286	1,388,503

Note 3: Auditor's Remuneration

	2022 \$	2021 \$
Auditor's Remuneration		
— Audit services	20,815	14,250
— Other services	-	-
Total Auditor's Remuneration	20,815	14,250

Note 4: Cash and Cash Equivalents

	2022 \$	2021 \$
Current		
Cash at bank	576,152	525,773
Cash on hand	3	100
	576,155	525,873

Note 5: Financial Assets

	2022 \$	2021 \$
Current		
Term deposits at amortised cost	949,077	946,892
Non-Current		
Security deposits at amortised cost	42,383	42,383
	991,460	989,275

Note 6: Other Assets

	2022 \$	2021 \$
Current		
Accrued interest	1,996	1,293
Prepayments and deposits	25,563	26,354
	27,559	27,647

The Company has assessed the recoverability of amounts receivable and on the basis that no amounts are past due or are considered impaired, a provision for impairment of receivables is not required. Further there is no material credit risk exposure to any single receivable or group of receivables.

Note 7: Property, Plant and Equipment

	Leasehold Improvements \$	Furniture \$	Computer Equipment \$	Office Equipment \$	Total \$
Gross Carrying Amount					
Balance at 1 July 2021	147,948	27,080	31,982	9,402	216,412
Additions	-	-	4,049	-	4,049
Disposals	-	-	-	-	-
Balance at 30 June 2022	147,948	27,080	36,031	9,402	220,461
Accumulated Depreciation					
Balance at 1 July 2021	(98,805)	(27,080)	(22,563)	(9,366)	(157,814)
Depreciation and amortisation expense	(23,540)	-	(5,170)	(36)	(28,746)
Eliminated on disposal of assets	-	-	-	-	-
Balance at 30 June 2022	(122,345)	(27,080)	(27,733)	(9,402)	(186,560)
Net Book Value					
As at 1 July 2021	49,143	-	9,419	36	58,598
As at 30 June 2022	25,603	-	8,298	-	33,901

Gross Carrying Amount					
Balance at 1 July 2020	146,069	27,080	32,233	9,402	214,784
Additions	1,879	-	5,127	-	7,006
Disposals	-	-	(5,378)	-	(5,378)
Balance at 30 June 2021	147,948	27,080	31,982	9,402	216,412
Accumulated Depreciation					
Balance at 1 July 2020	(75,680)	(27,080)	(23,395)	(8,574)	(134,729)
Depreciation and amortisation expense	(23,125)	-	(4,546)	(792)	(28,463)
Eliminated on disposal of assets	-	-	5,378	-	5,378
Balance at 30 June 2021	(98,805)	(27,080)	(22,563)	(9,366)	(157,814)
Net Book Value					
As at 1 July 2020	70,389	-	8,838	828	80,055
As at 30 June 2021	49,143	-	9,419	36	58,598

Note 8: Right of Use Assets

The company has a lease for office premises for a term of 7 years.

Options to extend or terminate

The option to extend or terminate is contained in office leases of the Company. This clause provides the Company opportunity to manage its lease in order to align with its operations. The extension or termination options are only exercisable by the Company.

AASB 16 related amounts recognised in the Statement of Financial Position

	2022 \$	2021 \$
Right of use asset		
Leased office	267,552	267,552
Accumulated depreciation	(196,569)	(131,046)
Total right of use asset	70,983	136,506
Right of use asset - accumulated depreciation		
Leased office		
Balance at 1 July	(131,046)	(65,523)
Depreciation expense	(65,523)	(65,523)
Balance at 30 June	(196,569)	(131,046)

Note 9: Trade and Other Payables

	2022 \$	2021 \$
Current		
Trade payables	8,237	3,418
Other payables	519	247
Goods and services tax payable	22,039	24,512
PAYG payable	21,390	20,450
Audit fees payable	28,750	23,000
	80,935	71,627

Note 10: Provisions

	2022 \$	2021 \$
Current		
Annual leave provision	36,105	43,125
Long service leave provision	78,234	71,799
	114,339	114,924
Non-Current		
Long service leave provision	18,312	12,312
	18,312	12,312
	132,651	127,236
Movement in Provisions	Annual Leave Provision \$	Long Service Leave Provision \$
Opening Balance at 1 July 2020	39,769	74,340
Additional provisions recognised	46,270	9,771
Reductions arising from payments	(42,914)	-
Closing Balance at 30 June 2021	43,125	84,111
Opening Balance at 1 July 2021	43,125	84,111
Additional provisions recognised	49,714	12,435
Reductions arising from payments	(56,734)	-
Closing Balance at 30 June 2022	36,105	96,546

Note 11: Lease Liabilities

	2022 \$	2021 \$
Unsecured		
Current	98,137	93,993
Non-current	7,989	106,126
	106,126	200,119

Significant leasing arrangements

Lease liabilities represent the discounted future rentals payable by the Company for office facilities at Level 11, 99 William Street, Melbourne, Victoria 3000 for an initial term of 7 years which expires on 31 July 2023. Thereafter there is an option for the Company to extend the lease for a further period of 3 years at the then prevailing market rate. The Company determined that the option to extend the lease is not sufficiently certain and accordingly, the option has not been included in the lease period used to determine the associated liability. The liability incorporates fixed annual increases in lease payments with no applicable variable components.

The Company is currently in negotiations with the landlord in relation to the office lease which expires in July 2023 with an expected decision to result in the near future. If the lease is terminated, make good costs will be incurred and are expected to be in the range of \$22.5k - \$45k. However, given the current stage of negotiations, the Company is unable to quantify the financial impact with a sufficient level of probability or certainty.

Notes to the Financial Statements

Future minimum lease payments

The future minimum lease payments arising under the Company's lease contract at the end of the reporting period is as follows:

	2022 \$	2021 \$
Not longer than 1 year	98,137	94,590
Longer than 1 year and not longer than 5 years	8,203	106,340
Greater than 5 years	-	-
	106,340	200,930

Short-term leases and leases of low value assets

Contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease. Lease payments recognised as an expense for short-term leases and leases of low value assets are as follows:

	2022 \$	2021 \$
Lease payments recognised as an expense	6,588	7,020
	6,588	7,020

Note 12: Contingent Liabilities

The directors are not aware of any material contingent liabilities as at 30 June 2022 (2021:Nil).

Note 13: Events after the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Note 14: Key Management Personnel Compensation

The aggregate compensation paid to directors and other key management personnel of the Company is set out below:

	2022 \$	2021 \$
Short-term employee benefits ¹	601,515	593,627
Post-employment benefits ²	60,151	56,395
Other long-term benefits ³	6,435	6,234
	668,101	656,256

¹ Includes payments to directors for their services.

² Comprises payments to contributory superannuation funds.

³ Includes long-service leave provided during the year, not paid (inc on costs).

Aggregate compensation paid to directors and other key management personnel of the Company is comprised of the following amounts:

	Number	2022 \$	Number	2021 \$
Chairman	1	97,666	1	97,222
Directors	6	264,000	6	262,800
Chief Executive Officer	1	306,435	1	296,234
	8	668,101	8	656,256

Note 15: Related Party Transactions

(a) Equity Interests in Related Entities

The Company does not have any equity interests in related entities.

(b) Key Management Personnel Compensation

Disclosures relating to key management personnel compensation are set out in note 14.

(c) Key Management Personnel Loans

There are no loans to or from key management personnel.

(d) Transactions with Key Management Personnel

There are no transactions with key management personnel.

(e) Transactions with Members of the Company

All transactions with related parties were carried out on an "arms length" basis. Funding income received from the members of the Company during the year is as follows:

	2022 \$	2021 \$
Chartered Accountants Australia and New Zealand	475,000	447,000
CPA Australia	475,000	447,000
Institute of Public Accountants	475,000	447,000
	1,425,000	1,341,000

Note 16: Cash Flow Information**(a) Reconciliation of Cash**

	2022 \$	2021 \$
Current		
Cash at bank	576,152	525,773
Cash on hand	3	100
	576,155	525,873
Cash at the end of the financial year as shown in the Statement of Cashflows is reconciled in the Statement of Financial Position as follows:		
Cash and cash equivalents	576,155	525,873
	576,155	525,873

(b) Reconciliation of Cash Flows from Operations with Surplus for the reporting period

	2022 \$	2021 \$
Surplus for the year	41,429	41,720
<i>Non-Cash Flows:</i>		
Depreciation and amortisation expense	94,269	93,987
Other non-cash flows	294	(2,064)
Movement in Working Capital		
(Increase)/Decrease in other assets	88	46,881
Increase/(Decrease) in trade and other payables	9,308	(30,837)
Increase/(Decrease) in provisions	5,415	13,126
Net cash from operating activities	150,803	162,813

Note 17: Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts payable and lease liabilities.

The Company does not have any derivative instruments as at 30 June 2022 (2021: Nil).

Specific Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

The Board is responsible for monitoring the Company's compliance with its risk management strategy. The Board's overall risk management strategy is to assist the Company in meeting its financial targets while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis.

(a) Interest Rate Risk

The Company is not exposed to any fluctuations in interest rates, other than interest income earned on bank deposits.

The Company monitors interest rate risk by effective oversight of the treasury transactions.

(b) Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised funds are maintained.

Financial liability and financial asset maturity analysis

	Fixed Interest Rate Maturing				Non Interest Bearing		Total	
	2022		2021		2022	2021	2022	2021
	<1 year	>1 year	<1 year	>1 year				
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets at amortised cost								
Cash and cash equivalents	576,155	-	525,873	-	-	-	576,155	525,873
Term deposits and security deposits	949,077	42,383	946,892	42,383	-	-	991,460	989,275
Other receivables	-	-	-	-	1,996	1,293	1,996	1,293
Total financial assets at amortised cost	1,525,232	42,383	1,472,765	42,383	1,996	1,293	1,569,611	1,516,441
Financial liabilities at amortised cost								
Trade payables	-	-	-	-	80,935	71,627	80,935	71,627
Lease liabilities	98,137	7,989	93,993	106,126	-	-	106,126	200,119
Total financial liabilities at amortised cost	98,137	7,989	93,993	106,126	80,935	71,627	187,061	271,746

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

The Company manages credit risk by continuously monitoring its exposure to credit risk by dealing with reputable counter parties.

(d) Sensitivity Analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. The table indicates the impact on how surplus and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in interest rates is independent of other variables.

	Surplus \$	Equity \$
Year ended 30 June 2022		
+2% in interest rates	28,527	28,527
-2% in interest rates	(2,983)	(2,983)
Year Ended 30 June 2021		
+2% in interest rates	27,594	27,594
-2% in interest rates	(6,739)	(6,739)

No sensitivity analysis has been performed on foreign exchange risk as the company is not exposed to foreign currency fluctuations.

(e) Net Fair Values

For all assets and liabilities the fair value approximates their carrying value.

Note 18: Capital Management

Management manages the capital of the Company to ensure that adequate cash flows are available to fund its activities. The Board ensures that the overall risk management strategy is in line with this objective. Management operates under policies approved and regularly reviewed by the Board of Directors. These include credit risk policies and cash flow policies. The Company's capital consists of an accumulated surplus, represented and supported by total assets, net of total liabilities.

The Company's capital is managed by assessing its financial risks and responding to changes in these risks. Investments are directed at ensuring minimal risk of capital loss on invested funds.

There have been no changes to the strategy adopted by management to manage the capital of the Company since the previous year.

Consistent with the previous financial year, APESB does not have any borrowings and funds its operations utilising subscriptions from its members.

APESB is not subject to any externally imposed capital requirements.

Note 19: Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstandings and obligations of the Company. At 30 June 2022 the number of members was 3 (2021: 3 members).

Note 20: Company Details

The registered office and principal place of business of the Company is Level 11, 99 William Street, Melbourne, Victoria, 3000.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

Opinion

We have audited the financial report of Accounting Professional & Ethical Standards Board Limited (the Company) which comprises the statement of financial position as at 30 June 2022, the statement comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Accounting Professional & Ethical Standards Board Limited is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended, and
- complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



SW Audit (formerly ShineWing Australia)
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 27 October 2022

Accounting Professional & Ethical Standards Board

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