

APESB Update

FRC Board Meeting - 4 December 2024

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Board Member, IESBA

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Agenda

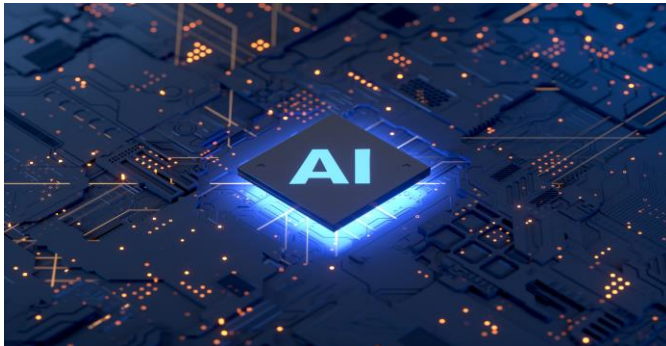
- APESB's Strategy 2021-25
- IESBA Engagement
- Recent Global Ethical Failings
- PJC Inquiry relating to the accounting profession
- Tax planning & related services
- Sustainability-related standards
- IESBA Firm Culture & Governance Project
- Q & A

Strategy 2021-25

APESB Strategic Plan 2021-2025

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

Standards	Engagement	Influence	Ethics Outreach
Issuing professional and ethical standards that are relevant to members of the Professional Accounting Bodies while serving the public interest	Effectively engaging our key stakeholders, including professional accountants, the public, government bodies, regulators and the Professional Accounting Bodies	Influencing and responding to the national and international agenda in relation to professional and ethical standards	Promoting that professionalism and ethical conduct drive the behaviour of accountants and conducting outreach activities in collaboration with key stakeholders



Achievements from Strategic Plan 2021-2025 to date

- 3 Compiled Code of Ethics issued (4th to be issued)
- Strengthened Auditor Independence Standards
- Reissued APES 320 on Quality Management for Firms providing Non-Assurance Services
- Issued authoritative guidance materials
- Member engagement – 35 events
- APESB CEO attended 117 meetings for IESBA
- Made 11 International and 14 local submissions
- Engaging with Parliamentary Inquiries (2023-24)

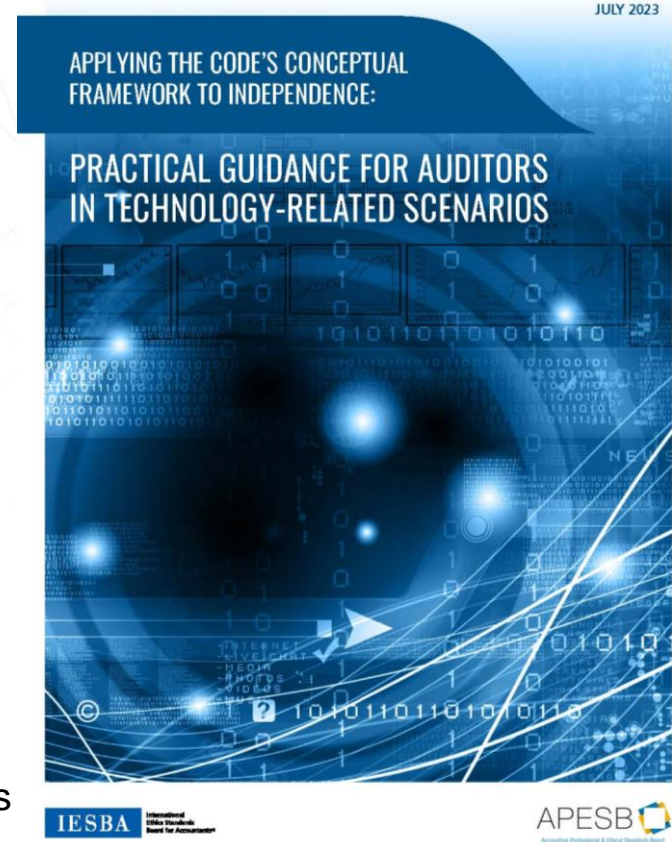
WHISTLEBLOWING & CONFIDENTIALITY -
APESB TECHNICAL STAFF PUBLICATION
February 2021



IESBA Engagement

APESB has strong engagement with the IESBA in the following ways:

- APESB CEO is an IESBA Board Member (2022 onwards) and will be the IESBA Vice Chair from 1 January 2025
- As an IESBA member, the APESB CEO was involved with the Tax Planning Services Taskforce, Sustainability Taskforce, Sustainability Reference Group, Firm Culture & Governance Taskforce and the Planning Committee meetings
- Developed submissions to the IESBA on its EDs
- A member of the IESBA's NSS COVID-19 Taskforce, with other Standard Setters from Canada, China, South Africa, the UK & the US
- Guidance material developed on Fraud, COVID-related government grants, Valuation & Taxation Services, Cyber risks and Technology.



Recent global ethical failings

UK – Kingman and CMA Reviews, Brydon Report, FRC overhaul and Big 4 operational separation as a result:

- Carillion – KPMG LLP fined £18.5m. Auditor fined £350k, banned for 10 yrs
- BHS – PwC fined £6.5m. Auditor fined £325k, banned for 15 yrs

EU – Wirecard collapse in Germany 2020 – €1.9b fictitious assets, unqualified audit reports and alleged audit failures

USA – US SEC & PCAOB Independence and Ethics breaches




- US\$ 100M fine for EY
- US\$ 50M fine for KPMG

AU – Parliamentary inquiries on audit regulation, use of consultants and ethics and structural accountability





- PwC – Breach of Confidentiality (Multinational taxation schemes)
- KPMG - Conflicts of interest (NSW Transport)







APESB's recommendations to the PJC Inquiry

APESB Recommendation to the PJC	Captured in PJC Recommendations
<p>APESB consider developing</p> <ul style="list-style-type: none">- a standard on the culture and governance of large professional services firms in Australia- a specific standard on management consulting services	<p></p> <ul style="list-style-type: none">• Partly PJC Rec 5 & 6• Partly PJC Rec 29
<p>APESB, in conjunction with the IESBA, works towards strengthening the global Code on issues that impact firm culture and governance</p>	<p> Not covered</p>
<p>Encourage the enhancement of ethics modules of professional programs and mandatory continuing professional development</p>	<p> Not covered</p>

APESB's recommendations to the PJC Inquiry

APESB Recommendation to the PJC	Captured in PJC Recommendations
Provide legislative backing for APESB's professional and ethical pronouncements	 PJC Rec 28
Move APESB under the oversight of the FRC (consistent with the Australian Accounting and Auditing standard setters)	 PJC Rec 28
Require large professional service firms to prepare audited general purpose financial reports, including remuneration disclosures	 PJC Rec 5 & 6
Establish an independent body to monitor all professional services firms that provide audit, assurance and consulting services	 PJC Rec 20 & 26

APESB's recommendations to the PJC Inquiry

APESB Recommendation to the PJC	Captured in PJC Recommendations
Require financial statements disclosures on all fees paid by an entity to professional services firms on all services they have provided	 PJC Rec 7
The Government develop a rigorous Code of Ethics (such as APES 110) for any entity or persons that provide professional services to the Government	 Partly PJC Rec 29 & 30
Extend the application of a Code of Ethics to all firms providing professional services	 Partly PJC Rec 29
APESB consider developing a professional agnostic APES 110 and management consulting standard that could apply to all professionals	 Partly PJC Rec 29

Tax Planning and Related Services

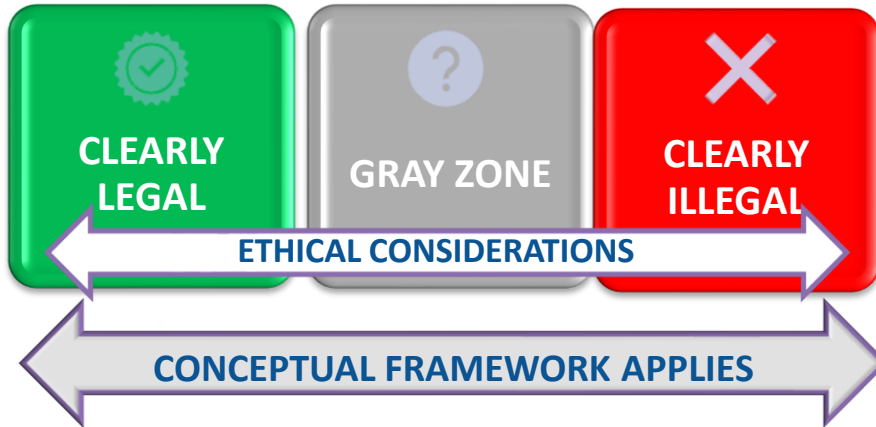


- In April 2024, IESBA issued the Final Pronouncement [Revisions to the Code Addressing Tax Planning and Related Services](#).
- In July 2024, APESB issued [ED 03/24](#) on Proposed Revisions to the Code for Tax Planning and Related Service.
- Approval of Amending Standard to the Code being considered at APESB's 9 December 2024 Board Meeting.
- The proposed revisions will be effective from **1 July 2025**, with early adoption permitted.

Broad Spectrum of Tax Planning

Project Objective

Develop an **ethical framework** to guide judgements and decisions when PAs in public practice (PAPPs) provide TP services or PAs in business (PAIBs) perform TP activities



Applicability

- PAIBs – All entities (Section 280)
- PAPPs – All clients: individuals and entities (Section 380)
- Other tax advisers *encouraged* to apply the standard

Exclusions

- Tax compliance or preparation
- Tax evasion

Overview of Standard (PAPPs)

Description of
Tax Planning

Related
Services

Role of PA in
Acting in Public
Interest

Compliance
with Laws and
Regulations

Responsibilities of
Management and
Those Charged
with Governance

Responsibilities
of Professional
Accountants

Establishing a
Credible Basis

Applying
“Stand-back
Test”

Multi-
jurisdictional
Tax Benefits

Navigating the
“Gray Zone”

Applying the
Conceptual
Framework

Disagreement
with Client

TP Products/
Arrangements
Developed by a
Third Party

Documentation

International Sustainability Standards Infrastructure

Sustainability Reporting and Assurance

Standardized approach for **reporting** information



Reliable, comparable and decision useful information

Reporting Standards

Standardized approach for providing independent **assurance**



Credible and trustworthy information

Assurance Standards

Ethical mindset and behaviors to guide judgments and drive actions



Trustworthy information that is factual and not misleading

IESBA – Ethics and Independence Standards

Sustainability Assurance - Applicability

Proposed IESSA applies when a **sustainability assurance practitioner** performs an **assurance engagement** on **sustainability information**

IESSA consists of ethics and independence standards

New defined terms in the Glossary of the Code

❖ **Sustainability Assurance Practitioner**

- Includes all practitioners, including PAs and non-PAs

❖ **Sustainability Information**

- Broad and sufficiently generic to be perennial and interoperable with various reporting and assurance standards (including proposed ISSA 5000)
- **Also relevant for sustainability reporting**

❖ **Sustainability Assurance Engagement**

- An engagement designed to enhance the degree of confidence of the intended users about the sustainability information
- Can be either limited or reasonable assurance

Use of Experts

Current Position

What the Code addresses

- Independence for experts consulted on audit / assurance

What the Code does *not* address

- *External experts* whose work is used in audit / assurance
- External experts used for NAS
- External experts used by PAIBs

What ISAs address

- Competence, capabilities and objectivity of auditors' experts
- Management's experts



Desired Public Interest Position

What the Code should/will address

- Independence for experts consulted on audit / assurance
- Competence, capabilities and objectivity (CCO) for external experts used in any professional service
- Additional rigor for *external experts* whose work is used in audit / assurance, including sustainability assurance engagements (SAEs)
- External experts used by PAIBs

IESBA Exposure Draft [Using the Work of an External Expert](#) released in January 2024.

Comment closed on 30 April 2024. IESBA expects to approve final standards in December 2024.

APESB Project timeline for Sustainability

IESBA key dates on Sustainability:

- IESBA EDs released in January 2024.
- Comment period closed 10 May 2024.
- Final standards expected to be approved by IESBA in December 2024.

Key dates for APESB project on Sustainability:

- APESB ED on sustainability – expected release March/April 2025
- Comment period to close – August 2025
- Final amending standard expected to be approved by APESB – November/December 2025
- Sustainability reporting required for Group 1 entities for first annual reporting periods starting on or after 1 January 2025

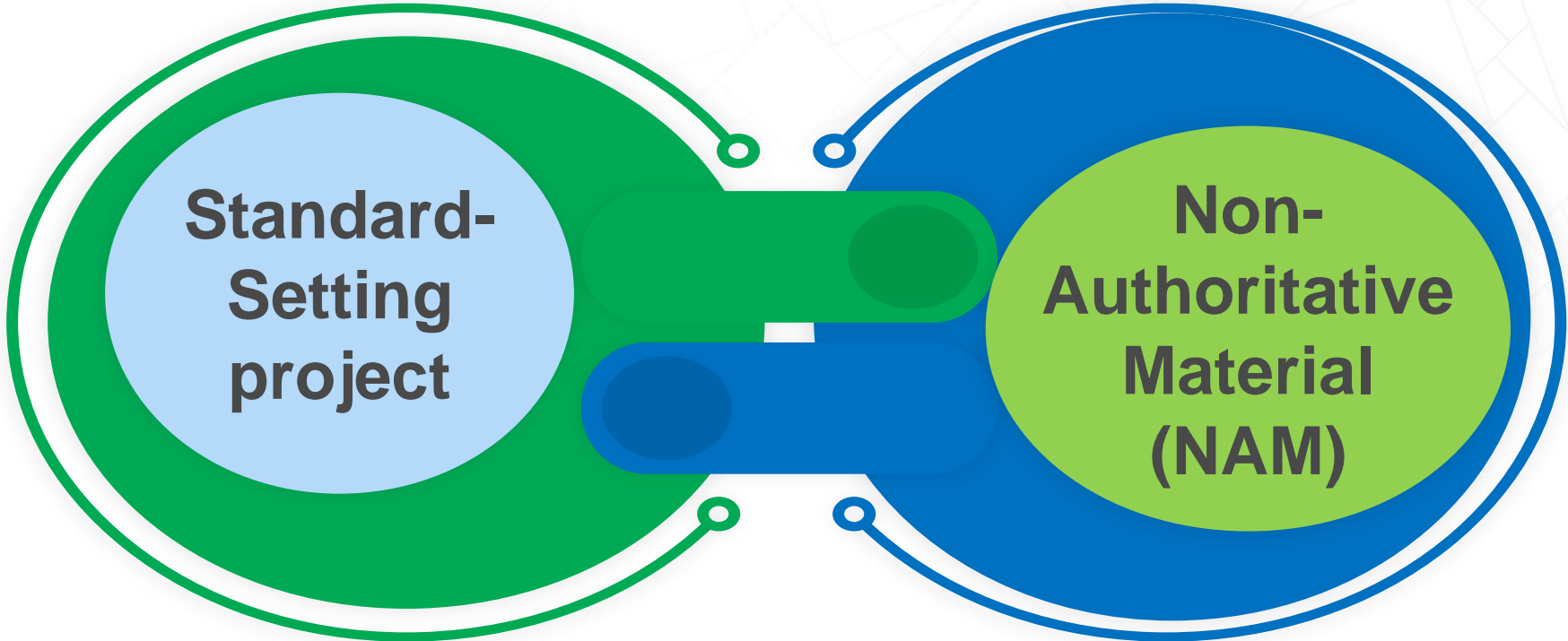
IESBA Firm Culture & Governance project

Key Themes

Ecosystem



IESBA Firm Culture & Governance project Recommendations

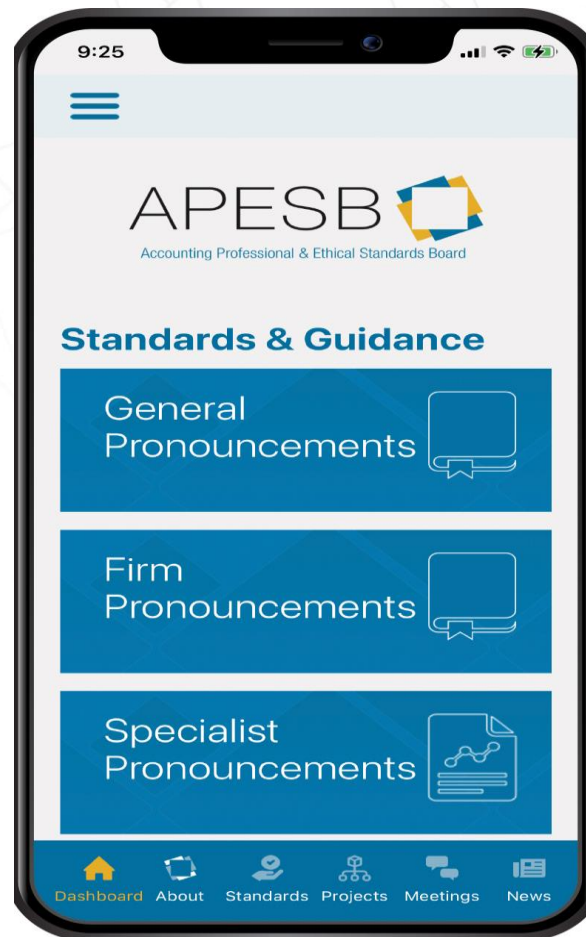


Further Information

For more information visit www.apesb.org.au

Follow the APESB [LinkedIn page](#) for timely updates,

To download APESB's mobile app:



Questions ?