

Professional Standards update

CPA Australia Centres of Excellence

2 May 2025



Channa Wijesinghe FCPA, FCA
Chief Executive Officer, APESB
Vice Chair, IESBA

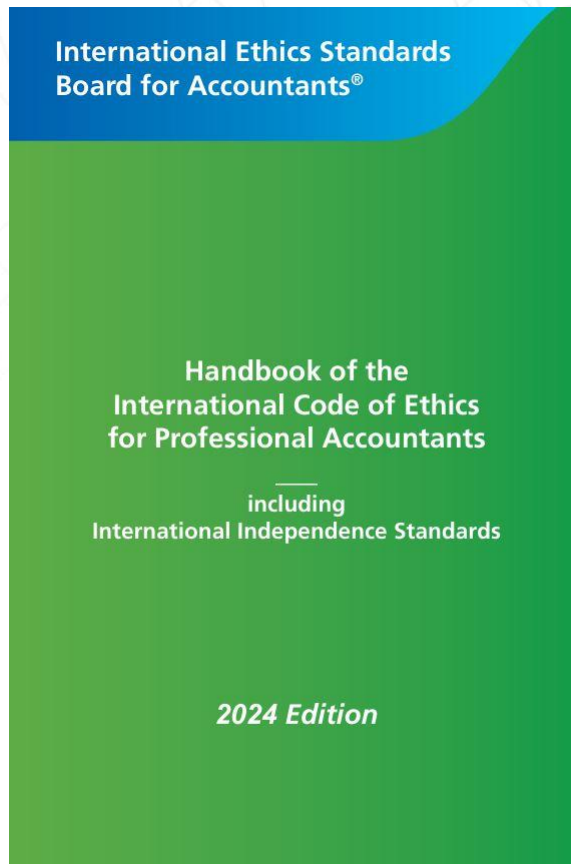
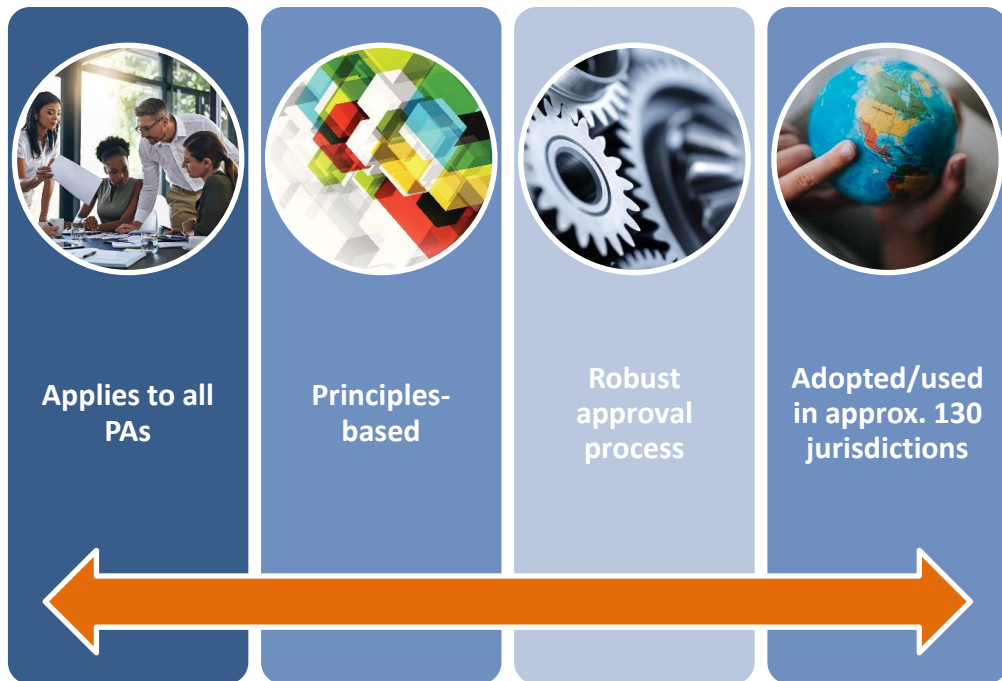
Agenda

- IESBA Code
- IESBA Engagement
- Sustainability Ethics and Independence Standards
- IESBA Firm Culture and Governance Project
- IESBA Consultation Paper on CIVs and Pension Funds

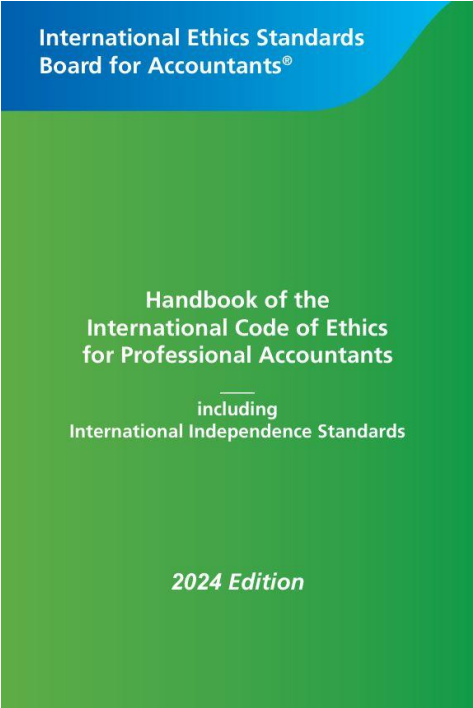
IESBA Code



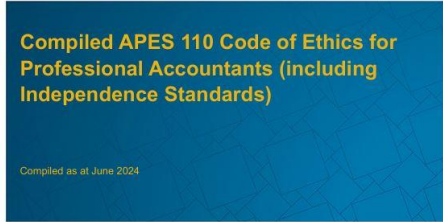
About the IESBA Code



About the IESBA Code



Full adoption of the IESBA Code by APESB in Australia



APES 110 Code of Ethics for Professional Accountants (including Independence Standards) is published in June 2024 under licence from the International Federation of Accountants (IFAC) by the Accounting Professional & Ethical Standards Board Limited (APESB). All rights reserved. The text, graphics and layout of this Standard are protected by Australian copyright law, international treaties, and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use, subject to the inclusion of an acknowledgment of the source for APES 110 Code of Ethics for Professional Accountants (including Independence Standards) as being the Accounting Professional & Ethical Standards Board Limited (APESB).

APES 110 Code of Ethics for Professional Accountants (including Independence Standards) is based on and adapted from the International Code of Ethics for Professional Accountants (including International Independence Standards) published by the International Federation of Accountants (IFAC), and in the manner described in the Statement on Conformity with International Pronouncements.

Contact Permissions@ifac.org for permission to reproduce, store or transmit or to make other similar uses of the International Code of Ethics for Professional Accountants (including International Independence Standards).



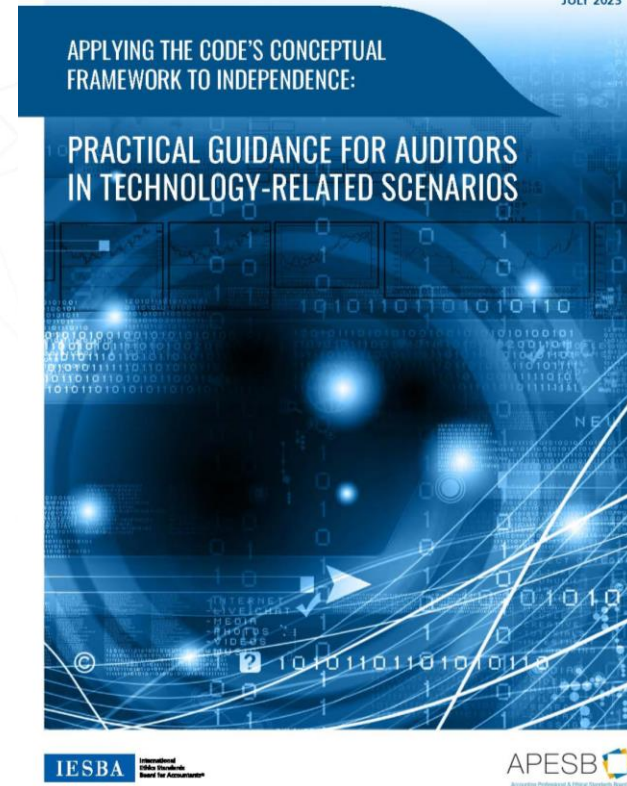
IESBA Engagement



IESBA Engagement

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

- APESB CEO has been an IESBA Board Member since 2022, and, effective 1 January 2025, has taken on new role as IESBA Vice Chair.
- As an IESBA member, he was involved with the Tax Planning Services Taskforce, Sustainability Taskforce, Sustainability Reference Group, Firm Culture & Governance Taskforce and the Planning Committee.
- APESB developed submissions to the IESBA:
 - IESBA's ED on Tax Planning & Related Services (May 2023)
 - IESBA's Strategy & Work Plan 2024-27 (July 2023)
 - IESBA's ED on Use of Expert (May 2024)
 - IESBA's ED on Sustainability Assurance (May 2024)



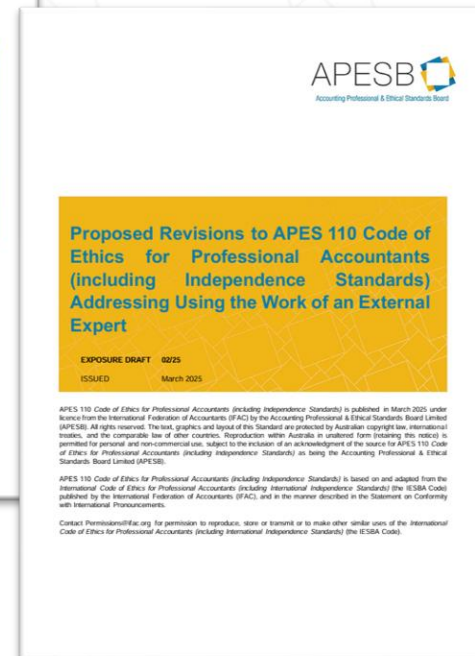
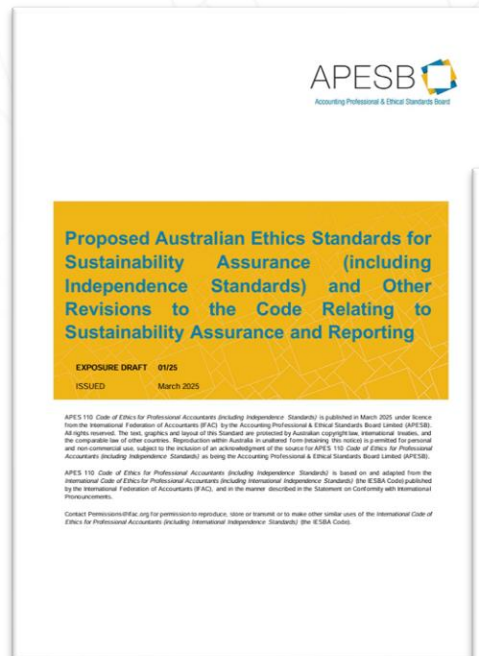
Sustainability Ethics and Independence Standards



Sustainability Ethics and Independence Standards

Key dates for APESB project on Sustainability:

- APESB released two exposure drafts on Sustainability ([ED 01/25](#)) and Use of Expert ([ED 02/25](#)) in March 2025
- Comments are requested by **12 May 2025**
- Feedback on EDs will be considered by APESB at the June 2025 Board meeting
- Sustainability reporting required for **Group 1 entities** for first annual reporting periods starting on or after **1 January 2025**



Building out Ethics as the Third Pillar of the Global 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

Global Ethics & Independence Standards for Sustainability Assurance

IESSA

International Ethics Standards for Sustainability Assurance (including International Independence Standards)

KEY CHARACTERISTICS

PROFESSION-AGNOSTIC

(ALL Sustainability Assurance Practitioners)

FRAMEWORK NEUTRAL

EQUIVALENT

to Standards for Audits

STANDALONE

(New Part 5 of IESBA Code)

- Serve as **Relevant Ethical Requirements** for users of ISSA 5000
- **Close coordination with IAASB** and other Standard Setters to ensure alignment and interoperability
- Applicable to **all sustainability assurance practitioners** whether professional accountants or not
- **Robust standards** – same level of public interest as audits of financial statements

The IESBA Code

NEW

For Professional Accountants

PART 1

Complying with the Code, the Fundamental Principles, and the Conceptual Framework

(All Professional Accountants)
Section 100–199

PART 2

Professional Accountants in Business (PAIBs)

Part 2 is also applicable to individual PAPPs when performing professional activities pursuant to their relationship with the firm

Section 200–299

PART 3

Professional Accountants in Public Practice (PAPPs)

Section 300–399

PART 4A

International Independence Standards

Independence for Audits and Reviews

Section 400–899

PART 4B

International Independence Standards

Independence for Assurance Engagements other than Audit Engagements, Review Engagements, and Sustainability Assurance Engagements Addressed in Part 5

Section 900–999

PART 5

International Ethics Standards for Sustainability Assurance (including international Independence Standards)

For Sustainability Assurance Engagements Scoped to Part 5

Section 5100–5700

For Sustainability Assurance Practitioners

IESSA – Scope & Key Elements

Scope of Ethics provisions –
All sustainability assurance
engagement (SAE) and any
other service to the same
client

Scope of Independence
Standards – Sustainability
information reported under a
general-purpose framework,
publicly disclosed, or required
by law

- Equivalent to ethics and independence standards applicable to audit engagements (Parts 1 to 4A), but addressing sustainability-specific issues, including:
 - Definition of sustainability information and other **sustainability-related terms**
 - **NOCLAR** – communication between practitioner and auditor and vice versa
 - **Group sustainability assurance engagements** and the **value chain**
 - Using the work of **another practitioner**
 - Non-assurance services – **Sustainability Data & Forward-Looking Information**

Group Sustainability Assurance Engagement

ASSURANCE ENGAGEMENT ON SUSTAINABILITY INFORMATION THAT INCLUDES SUSTAINABILITY INFORMATION OF MORE THAN ONE ENTITY OR BUSINESS UNITS

- **IESSA and ISSA 5000 have the same approach to groups** and group-related definitions
 - Groups include both group components and value chain components (VCCs)
- IESSA addresses independence considerations related to
 - A group sustainability assurance firm
 - Component practitioners (within and outside the network)
 - Members of the group sustainability assurance team
- Independence considerations for **assurance work performed at a component**
 - Different provisions for assurance work at a group component and a VCC

Group Component

A component required to be included in the reporting entity's group financial statements

Value Chain Component

A component within the reporting entity's value chain that is not included in the group financial statements

Performing Assurance Work at a Component

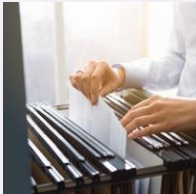
WHAT ACTIVITIES DOES “PERFORMING ASSURANCE WORK AT A COMPONENT” COVER?



No need for physical presence at the component to perform assurance work



A group firm has determined to perform assurance procedures at a component to obtain evidence for purposes of the group SAE



The assurance procedures are performed on the data or information *maintained by* the component

- Guidance in IIS regarding the meaning of “performing assurance work at” (para. 5405.2 A3)
 - Determines applicability of independence provisions
 - Promotes consistent application
- Consistent approach with “audit work performed at a component” for group audit engagements

Providing NAS to Sustainability Assurance Clients

- Same approach regarding provision of NAS to sustainability assurance clients as for audit clients
 - Consideration of impact on *sustainability information on which the firm expresses an opinion*
- Same general provisions
 - Prohibition from assuming management responsibility
 - “Self-review threat” prohibition
 - Requirement for communication with TCWG
- List of prohibited NAS equivalent to those for audit engagements
 - Additional sustainability-specific services, such as services related to sustainability data and forward-looking information
- Transitional provision



Ethical Framework – Reporting and Assurance

1. Definitions Introduced for “Expert” and “Expertise”

- Distinguish the work of experts from the work of other individuals or organizations providing information for general use

2. Evaluating Whether to Use Work of An Expert

- Focused on expert’s competence, capabilities and objectivity (CCO)

3. Experts in Audit or Other Assurance Engagements

- Additional objectivity requirements to evaluate interests and relationships based on independence attributes (financial interests, business relationships, etc)

4. Concluding on an Expert’s CCO

- Work of an expert cannot be used if it does not meet CCO requirements

5. Potential Threats When Using the Work of an Expert

- Provisions to guide identifying, evaluating and addressing potential threats to compliance with the fundamental principles

Robust and
balanced approach
to address public
interest expectations

Project Informed By:

Global Roundtables

National Standard Setters

Forum of Firms

Liaison with IAASB

IESBA CAG / SAC

Small-medium Practices

Stakeholder outreach

Interaction of AUASB and APESB transition provisions

Application	ASSA 5000 (ED proposals 2025-3)	ASSA 5000 (ED proposals 2025-4)	APESB AESSA & Experts EDs	Interaction/Applicability
Effective Date [simplified at this stage]				
	<p>Periods commencing 1 January 2025 (Chapter 2M reporters)</p> <p>Periods ending 31 December 2025 (other sustainability information)</p> <p>As at 31 December 2025</p>	<p>Periods commencing 1 January 2025 (Chapter 2M reporters)</p> <p>Periods ending 31 December 2025 (other sustainability information)</p> <p>As at 31 December 2025</p>	<p>For periods beginning after 1 January 2026</p> <p>Except for Value Chain Components, which are applicable for periods beginning on or after 1 January 2027</p>	

Group 1 entities (Chapter 2M reporters)

Non-Assurance Services (NAS) [otherwise prohibited under Section 5600]

<p>First reporting period: 31 December 2025 & 30 June 2026</p>	<p>Subject to the transitional provisions for Part 5 of the Code (ASSA 5000, Aus 18.1(b)(i)).</p> <p>Permitted to continue NAS engagements for 1 more reporting period for work:</p> <ul style="list-style-type: none"> commenced before 1 January 2025 or inadvertently contracted and commenced by 1 July 2025. 	<p>Subject to the transitional provisions in APES 110 (Aus 18.1(i)).</p> <p>Permitted to continue NAS engagements for 1 more reporting period for work:</p> <ul style="list-style-type: none"> commenced before 1 January 2025 or inadvertently contracted and commenced by 1 July 2025. 	<p>For NAS engagements entered into before 1 January 2026 but for which work has already commenced,</p> <ul style="list-style-type: none"> may continue such engagements in accordance with the original engagement terms for no more than 1 reporting cycle. 	<p>Aligned – Transitional provisions align in terms of permitting NAS engagements to continue for 1 further operating cycle/reporting period.</p>
--	--	---	--	--

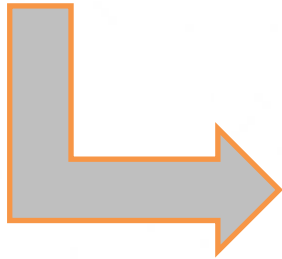
IESBA Firm Culture and Governance Project



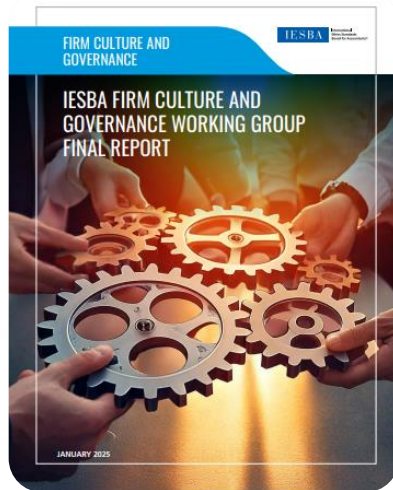
Reason for the Project

Consultation on IESBA's Strategy and Work Plan highlighted:

- Persisting **high-profile cases of unethical behavior** in accounting firms & their **adverse impact on the reputation** of the accountancy profession
- Requests for IESBA to consider a **strategic and constructive response**



Extensive outreach and information gathering

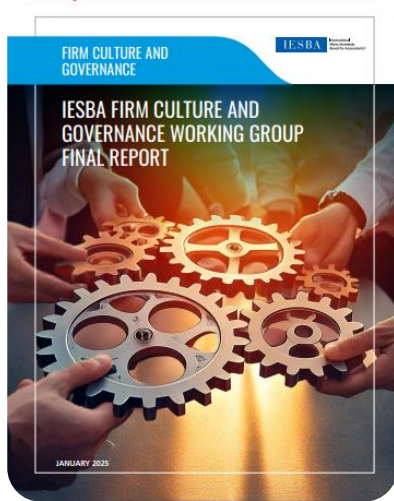


WHY THE FCG FRAMEWORK IS BEING DEVELOPED

Stakeholder feedback generally recognized that:

- While the Code addresses ethics for individuals, it does not comprehensively address the culture of a firm to facilitate and promote ethical behavior
- Developing a principles-based framework for accounting firms, addressing the culture and governance of firms in order to instill best practice in ethical conduct
- IESBA approved a new project with two work streams

The Firm Culture & Governance Journey So Far



- IESBA approved a new staff-driven project to commence in 2025

***OBJECTIVE:** to develop a culture and governance framework that promotes, supports and reinforces a high standard of ethical behavior by a firm's leadership, other partners, and staff across all of the firm's services, thereby helping the firm develop a reputation as a highly ethical firm, mitigate the risks of unethical behavior and strengthen public trust and confidence in all of its services.*

- Complementary non-authoritative guidance material
- First read of Exposure Draft in **September 2025** and anticipated approval of Exposure Draft in **December 2025**

IESBA Firm Culture & Governance project

Key Themes



Initial Considerations

For developing the FCG framework



- The FCG framework is intended to be a principles-based framework to enhance and support a culture of ethical behavior. It is not intended to be an extension of a system of quality management
- IESBA will collaborate with the IAASB to ensure the FCG standard is developed, considering existing IAASB standards, including ISQM1

IESBA Consultation Paper on CIVs and Pension Funds



IESBA Consultation Paper on CIVs and Pension Funds

IESBA has launched a [public consultation](#) to seek views on addressing auditor independence for audits of Collective Investment Vehicles (“CIVs”) and Pension Funds (“Investment Schemes”)

Key areas for input include:

- definition of “related entity” in the Code
- where Connected Parties are involved in such schemes
- treats to independence resulting from interests, relationships or circumstances between Connected Parties and auditor of such schemes

Stakeholders can submit feedback in the following ways:

- directly via [IESBA website](#) (by **30 June 2025**)
- submit comments to the APESB via [APESB website](#) or email to sub@apesb.org.au (by **6 June 2025**)





Q & A



Further Information

For more information visit www.apesb.org.au

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

To download APESB's mobile app:



Purpose & Disclaimers

This set of PowerPoint slides has been developed by APESB Technical Staff and the IESBA Technical Staff on the Code, applicable standards and relevant proposals.

These slides provide only an *overview* and do not purport to present all the detailed requirements or changes. The slides should be read in conjunction with the Code, applicable standards and relevant proposals. These slides do not form part of the Code, the text of which is authoritative.

APESB does not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.