Accounting Professional & Ethical Standards Board

APES 110 Prohibitions applicable to Audit, Review and Sustainability Assurance Engagements

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Introduction and purpose

APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) requires auditors and firms[1] to be independent when undertaking audit, review and sustainability assurance engagements. The independence requirements for audit and review engagements are specified in Part 4A of APES 110. For sustainability assurance engagements, the independence requirements are specified in Parts 4B and 5 of APES 110. This document outlines the prohibitions that apply to audit and review engagements within the scope of Part 4A of APES 110, and sustainability assurance engagements that are within the scope of the Independence Standards in Part 5 of APES 110.[2]

Audit, review and sustainability assurance engagement teams in Australia specifically exclude individuals within the client's internal audit function, as direct assistance by the internal audit function to the external auditor and sustainability assurance practitioner is prohibited.[3]

Auditors and sustainability assurance practitioners must apply the Conceptual Framework[4] in APES 110 to assess whether interests, relationships, actions or the provision of non-assurance services create threats to their independence. This process involves a rigorous analysis to identify, evaluate and address threats to independence, including using a reasonable and informed third party test. There is an overarching prohibition on assuming management responsibility in Sections 400 and 5400. Sections 600 and 5600 set out the requirements and application material relevant to applying the conceptual framework when providing non-assurance services to audit and sustainability assurance clients.

The analysis of threats to independence must consider the aggregate impact of multiple threats (paragraphs AUST R400.19.1 and AUST R5400.19.1), such as where a firm provides multiple non-assurance services to an audit client or a sustainability assurance client[5] or the fees in respect of multiple audit clients referred from one source represents more than 30% of total fees for each of the five consecutive years.[6] If threats to independence cannot be eliminated, and if safeguards are not available to reduce the threats to an acceptable level, the firm is required to eliminate the circumstances creating the threats, or decline or end the audit, review or sustainability assurance engagement.

Some situations will always create threats that cannot be reduced to an acceptable level. These situations are, therefore, prohibited explicitly in APES 110. These prohibitions are either strict prohibitions or prohibitions based on specific factors. Where APES 110 expressly or strictly prohibits a non-assurance service to an audit client or a sustainability assurance client, it cannot be provided by the firm or a network firm, regardless of the materiality of the outcome or results of the service on the financial statements or sustainability information (paragraphs 600.11 A2 and 5600.11 A2).

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1 Firm is defined in APES 110 as:
- (a) A sole practitioner, partnership, corporation or other entity of professional accountants or Sustainability Assurance Practitioners;
- (b) An entity that controls such parties, through ownership, management or other means;
- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

2 Sustainability Assurance Engagements that are subject to the independence requirement in Part 5 are those that meet the criteria in paragraph 5400.3b where the sustainability information that is subject to assurance is:
- (a) Reported in accordance with a general purpose framework and
- (b) Is (i) required to be provided in accordance with law or regulation; or (ii) publicly disclosed to support decision-making by investors or other users.

3 The AUASB has prohibited the use of direct assistance by the client's internal audit function in Auditing and Assurance Standards ASA 610 *Using the Work of Internal Auditors* and ASSA 5000 *General Requirements for Sustainability Assurance Engagements*.

4 Refer to Sections 120 and 5120 and paragraphs R400.19, R600.9, R5400.19 and R5600.9 in APES 110.

5 Per paragraphs R600.13 and R5600.13, when a firm or network firm provides multiple non-assurance services to an audit client or a sustainability assurance client, the firm must consider whether the individual and also the combined effect of the services creates threats or impacts threats to independence.

6 Paragraphs AUST 410.14.1 A1 to AUST R410.14.3 establish requirements and provide application material where the fees from one referral source represent more than 30% of the total fees of the engagement partner, an office of the firm or the firm for five or more consecutive years.

APES 110 imposes more extensive prohibitions for audit and sustainability assurance clients that are Public Interest Entities (PIEs).[7] The prohibitions have legal enforceability for audits and reviews performed under the *Corporations Act 2001*, the *Superannuation Industry (Supervision) Act 1993*, the *Superannuation Industry (Supervision) Regulations 1994*, and sustainability assurance engagements performed under the *Corporations Act 2001*.

A firm is required to communicate with Those Charged With Governance (TCWG) of a PIE audit or sustainability assurance client before the firm or the network firm provides a non-assurance service for entities within the corporate structure of which the PIE forms part, where the non-assurance service might create threats to the firm's independence. Communication enables TCWG to have effective oversight of the firm's independence (paragraphs 600.21 A1 to R600.25, 5600.21 A1 to R5600.25). This includes informing TCWG that the firm has determined that the non-assurance service is not prohibited, will not create a threat to independence, or any identified threats are at an acceptable level or will be eliminated or reduced to an acceptable level. The firm must provide information to enable TCWG to make an informed assessment about the impact of the non-assurance service on independence (paragraphs R600.22 and R5600.22). The non-assurance service cannot be provided by the firm or network firm unless TCWG concur with the firm's conclusion that the provision of that non-assurance service will not create a threat to the firm's independence, or any identified threat is at an acceptable level or will be eliminated or reduced to an acceptable level (paragraphs R600.23 and R5600.23).[8]

Firms are required to document conclusions about the firm's compliance with independence standards (paragraphs R400.60 and R5400.60). The conclusions about compliance with independence obligations regarding the provision of non-assurance services might include key elements of understanding the nature of the services and the impact on the financial statements or sustainability information, the nature of threats to independence and whether the results of the non-assurance services will be subject to audit or sustainability assurance procedures, the extent of management's involvement in the provision and oversight of the proposed services, any safeguards or other actions to address threats, the rationale as to why the services are not prohibited and that any threats identified are at an acceptable level (paragraphs 600.28 A1 and 5600.28 A1).

The following tables provide high-level summaries of APES 110 prohibitions relating to audit, review and sustainability assurance engagements (refer paragraphs 400.2, 5400.3a and 5400.3b) and include references to relevant APES 110 paragraphs. Even if a non-assurance service is not prohibited by APES 110, members and sustainability assurance practitioners must apply the conceptual framework and the application material in Sections 600 and 5600 in relation to those services.

The summaries do not amend or override APES 110, the text of which alone is authoritative. Reading this summary is **not** a substitute for reading APES 110.

There are also restrictions and prohibitions in legislation, such as the *Corporations Act 2001*, in addition to the prohibitions summarised below.

7 PIEs are defined in the Glossary and paragraphs R400.22 to AUST R400.24.

8 Paragraphs R600.24 and R5600.24 provide exceptions to paragraphs R600.22, R600.23, R5600.22 and R5600.23 where the firm is prohibited by professional standards, laws or regulation, from providing information about the proposed non-assurance service to TCWG or it would result in disclosure of confidential information, the proposed service may be provided if certain criteria are met.

Part 1 – Audit and Review Engagements

Table 1: Summary of APES 110 prohibitions relating to providing Non-Assurance Services to Audit Clients

Prohibition	All Audit Clients	PIE Audit Clients only	Non-PIE Audit Clients only
	Strictly Prohibited	**Strictly Prohibited or by factors listed**	**Prohibited based on specific factors**
Assuming management responsibility for a client (R400.20). When performing a professional activity for an audit client the firm must be satisfied that client management makes all judgements and decisions that are the proper responsibility of management (R400.21)	●		
Accepting an audit appointment where a non-assurance service that was previously provided might create a self-review threat unless the service ceases before the audit commences, the firm takes action to address any threats, and any threats have been or will be eliminated or reduced to an acceptable level (R400.32)		● Self-review	
Allowing the audit fee to be influenced by the provision of non-audit services (R410.6)[9]	●		
Compensating or evaluating a key audit partner based on that partner's success in selling non-assurance services to any audit client of the firm (AUST R411.4)[10]	●		
Managing the administration of an insolvent client (AUST R523.3.1)	●		
Serving as a company secretary (R523.4 & AUST R523.5)	●		
Non-assurance service that might create a self-review threat[11]		● Self-review (R600.17)[12]	● Conceptual Framework (R600.9, 600.14 A1 & R600.15)

9 This does not prevent the firm from taking into consideration the cost savings achieved from the experience of providing the non-audit services to the client when determining the audit fee (paragraph R410.7).

10 A firm must also take reasonable steps to ensure any profit-sharing arrangement is not a cross-subsidisation of the audit by other service lines or a mechanism to distribute indirect incentives based on the ability to sell non-assurance services to the firm's audit clients.

11 Paragraph R600.15 requires a determination of whether providing a non-assurance service might create a self-review threat by evaluating whether there is a risk that:
a) The results of the service will form part of or affect accounting records, internal controls over financial reporting, or financial statements; and
b) In the course of the audit, the audit team will evaluate or rely on any judgements made or activities performed by the firm or a network firm when providing the service.

12 Paragraph R600.18 provides an exception to paragraph R600.17 where firms may provide advice and recommendations to PIE audit clients in relation to information or matters arising in the audit provided the firm:
a) Does not assume a management responsibility; and

Prohibition	All Audit Clients	PIE Audit Clients only	Non-PIE Audit Clients only
	Strictly Prohibited	Strictly Prohibited or by factors listed	Prohibited based on specific factors
Subsection 601 Accounting and Bookkeeping			
Accounting and bookkeeping services, including preparing accounting records or financial statements (R601.5 & R601.6) subject to limited exceptions		● Self-review (R601.6)[13]	● Routine & Mechanical[14] (R601.5)
Subsection 603 Valuation Services			
Valuation services		● Self-review (R603.5)	● Materiality[15] and a significant degree of subjectivity (R603.4)
Subsection 604 Tax Services			
Tax services or recommending transactions related to marketing, planning, or opining in favour of a tax treatment initially recommended by the firm or a network firm, unless the firm is confident the treatment has a basis in applicable tax law or regulation that is likely to prevail (AUST R604.4)[16]	●		
Calculating current and deferred tax liabilities (or assets)		● (R604.10)	● Conceptual Framework (R600.9, 604.7 A1 to 604.9 A2)[17]

b) Applies the conceptual framework to identify, evaluate and address threats, other than self-review threats, to independence that might be created by the provision of that advice.

Paragraph 600.18 A1 provides examples of advice and recommendations contemplated by paragraph R600.18.

13 Preparing statutory financial statements is allowed for certain related entities of PIE audit clients (as specified in subparagraphs (c) and (d) of the definition of related entity) and subject to conditions in paragraph R601.7.

14 Providing accounting and bookkeeping services to non-PIE audit clients is prohibited unless the services are of a routine or mechanical nature and the firm addresses any threats that are not at an acceptable level (paragraph R601.5). Routine or mechanical services involve information, data or material in relation to which the client has made any judgements or decisions that might be necessary and require little or no professional judgement (paragraph 601.5 A1 and refer to paragraph 601.5 A3 for examples).

15 Reference to materiality in this table refers to a material effect on the financial statements on which the audit firm will express an opinion. The concept of materiality is addressed in Australian Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit*. The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and qualitative factors and is also affected by perceptions of the financial information needs of users.

16 The firm will need a high level of confidence it is likely to prevail, which will be gained if there is a high probability, if viewed objectively by applying the reasonable and informed third party test (paragraph AUST 604.4 A1.1). Paragraph AUST R604.4.1 requires the firm to document the factors considered and conclusions reached in determining that the tax treatment is not prohibited by paragraph AUST R604.4.

17 Reference to Conceptual Framework means that although the non-assurance services are not strictly prohibited, the auditor needs to consider whether the application of the conceptual framework would lead to the services being impermissible.

Prohibition	All Audit Clients	PIE Audit Clients only	Non-PIE Audit Clients only
	Strictly Prohibited	**Strictly Prohibited or by factors listed**	**Prohibited based on specific factors**
Tax advisory and tax planning services where the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements and the audit team has doubt as to the appropriateness of that treatment or presentation (R604.13)	●		
Tax advisory and tax planning services		● Self-review (R604.15)[18]	● Conceptual Framework (R600.9, 604.11 A1 to 604.12 A3, and 604.14 A1)[18]
Valuation for tax purposes		● Self-review (R604.19)[19]	● Conceptual Framework (R600.9, 604.16 A1 to 604.18 A3)[19]
Providing assistance in the resolution of tax disputes		● Self-review (R604.24)	● Conceptual Framework (R600.9, 604.20 A1 to 604.23 A1)
Acting as an advocate for a client in the resolution of tax disputes before a tribunal or court		● (R604.26)	● Materiality (R604.25)

18 Tax advisory and tax planning services will not create a self-review threat if such services (a) are supported by a tax authority or other precedent; (b) are based on established practice that is commonly used and not been challenged by the relevant tax authority; or (c) has a basis in tax law that the firm is confident is likely to prevail (paragraph 604.12 A2).

The firm requires a high level of confidence it is likely to prevail which will be gained if there is a high probability, if viewed objectively by applying the reasonable and informed third party test (paragraph AUST 604.12 A2.1). Paragraph AUST R604.12.1 requires the firm to document the factors considered and conclusions reached in determining that the tax advisory and tax planning service satisfies paragraph 604.12 A2.

19 A valuation for tax purposes will not create a self-review threat if (a) the underlying assumptions are either established by law or regulation, or are widely accepted; or (b) the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation, and the valuation is subject to external review by a tax authority or similar regulatory authority (paragraph 604.17 A3).

Prohibition	All Audit Clients	PIE Audit Clients only	Non-PIE Audit Clients only
	Strictly Prohibited	Strictly Prohibited or by factors listed	Prohibited based on specific factors
Subsection 605 **Internal Audit Services**			
Internal audit services[20]		● Self-review (R605.6)[21]	● Conceptual Framework (R600.9, 605.1 to 605.5 A1)
Subsection 606 **Information Technology Systems Services**			
Designing or implementing IT systems[22]		● Self-review (R606.6)[23]	● Conceptual Framework (R600.9, 606.1 to 606.5 A1)
Subsection 607 **Litigation Support Services**			
Litigation support services		● Self-review (R607.6)[24]	● Involving estimating damages or other amounts that affect the financial statements, materiality and a significant degree of subjectivity (607.4 A2 & R603.4)
Acting as an expert witness		● R607.9 (unless 607.7 A2 or A3 applies)[25]	● Conceptual Framework (R600.9, 607.7 A1 to 607.8 A1)

20 A firm must be satisfied that the client has taken management responsibility for the internal audit services as specified in paragraph R605.3.

21 Paragraph 605.6 A1 includes examples of internal audit services that are prohibited by paragraph R605.6, being services that relate to internal controls over financial reporting, financial accounting systems, or amounts or disclosures that relate to the financial statements.

22 A firm must be satisfied that the client has taken management responsibility for the information technology systems services as specified in paragraph R606.3.

23 Paragraph 606.4 A3 includes examples of designing or implementing IT systems services that are prohibited by paragraph R606.6, being IT systems that form part of the internal control over financial reporting, or generate information for accounting records or financial statements.

24 Paragraph 607.6 A1 includes an example of a litigation support service that is prohibited which is providing advice in connection with legal proceedings where there is a risk that the outcome of the service affects the quantification of any provision or other amount in the financial statements.

25 Paragraph 607.7 A2 states that a threat to independence is not created if an individual acts as a witness of fact and provides an opinion in the individual's area of expertise in response to a question asked in the course of giving factual evidence. Paragraph 607.7 A3 states that the advocacy threat from acting as an expert witness is at an acceptable level if the firm or a network firm is appointed by a tribunal or court, or is engaged in relation to a class action subject to listed criteria.

Prohibition	All Audit Clients	PIE Audit Clients only	Non-PIE Audit Clients only
	Strictly Prohibited	Strictly Prohibited or by factors listed	Prohibited based on specific factors
Subsection 608 **Legal Services**			
Legal advice		● Self-review (R608.7)	● Conceptual Framework (R600.9, 608.1 to 608.6 A1)
Serving as General Counsel (R608.9)	●		
Acting as an advocate for a client in resolving a dispute or litigation before a tribunal or court		● (R608.11)	● Materiality (R608.10)
Subsection 609 **Recruiting Services**			
Performing negotiations for a client as part of a recruiting service (R609.5)	●		
Recruiting services, including recommending persons or advising on employment terms, relating to positions as director or officer, or for a senior management position that can exert significant influence over accounting records or the financial statements (R609.6)[26]	●		
Subsection 610 **Corporate Finance Services**			
Promoting, dealing in, or underwriting a client's shares, debt or other financial instruments or providing advice on investment in such shares, debt or other financial instruments (R610.5)	●		
Corporate finance advisory services where the effectiveness of the advice requires a particular accounting treatment or presentation in the financial statements and the audit team has doubt as to the appropriateness of that treatment or presentation (R610.6)	●		
Corporate finance services		● Self-review (R610.8)	● Conceptual Framework (R600.9, 610.1 to 610.4 A1, and 610.7 A1)

26 The firm must be satisfied that the client has taken management responsibility when providing recruiting services for other positions that are not specifically prohibited (paragraph R609.3).

Table 2: Summary of APES 110 prohibitions relating to interests, relationships and actions for all Audit Clients

Prohibited Interests, Relationships and Actions
Acting where a conflict of interest compromises professional or business judgement (R310.4)
Receiving commissions or similar benefits for assurance engagements (AUST R330.5.2)
Offering or accepting, or encouraging others to offer or accept, inducements that the auditor considers is made with the intent to improperly influence the behaviour of the recipient or another individual (R340.7 and R340.8)
Assuming custody of client money or other assets unless permitted by law to do so and in accordance with any conditions under which such custody may be taken (R350.3)
Charging contingent fees for an audit engagement (R410.9)
Charging contingent fees for a non-assurance service provided to the audit client where the fees are material to the firm (or network firm) or the outcome of the service is dependent on a judgement related to a material amount in the financial statements (R410.10)
Receiving total fees from a **PIE audit client** that represent more than 15% of the firm's total fees for more than five consecutive years (R410.20)[27]
Gifts and hospitality from the client where the value is not trivial and inconsequential (R420.3)
Direct financial interest or material indirect financial interest in the client, subject to limited exceptions in relation to an immediate family member (R510.4 and R510.5)
Direct financial interest or material indirect financial interest in the client's parent entity when the client is material to that entity (R510.6)
Acting as a trustee where the trust holds a direct financial interest or material indirect financial interest in the client unless specific requirements are met (R510.7)
Financial interests held in common with a client in an entity where either the financial interests are material or the client can exert significant influence over the entity (R510.8)
Loans, or guarantees for a loan, to the client that are material (R511.4)[28]
Loans, or guarantees for a loan, from a client that is a bank or similar institution that are not made under normal lending procedures, terms and conditions (R511.5)
Deposits or brokerage accounts with a client that is a bank, broker or similar institution that are not under normal commercial terms (R511.6)
Material loans, or guarantees for a loan, from a client that is not a bank or similar institution (R511.7)
Close business relationships with a client that are significant or involve a material financial interest (R520.4)
Business relationships involving holding common interests in a closely-held entity with a client or a director or officer of the client, or any group thereof, if the business relationship is significant, any financial interest is material or the financial interest creates control over the closely-held entity (R520.5)
Using technology to provide a non-assurance service or providing, selling, reselling or licensing technology to resulting in the provision of a non-assurance service to an audit client, which does not comply with Section 600 (520.7 A1 and 600.6)

27 Paragraph R410.21 provides for an exception to this if there is a compelling reason having regard to the public interest and subject to criteria. Paragraphs R410.18 and R410.19 include requirements pertaining to actions that might be safeguards when total fees from a PIE audit client represent more than 15% of the Firm's total fees for two to five consecutive years.

28 When a significant part of fees due from an audit client remains unpaid for a long time, the firm must determine whether the overdue fees might be equivalent to a loan to the client, in which case Section 511 applies, and whether it is appropriate for the firm to be re-appointed or continue the audit engagement (paragraph R410.13).

Prohibited Interests, Relationships and Actions
Participating in an audit team if an immediate family member (spouse (or equivalent) or dependent) is, or was during any period covered by the engagement or financial statements, a director or officer of the client or an employee able to exert significant influence over the client's accounting records or financial statements (R521.5)
Participating in an audit team if, during the period covered by the audit report, the individual served as a director or officer of the audit client or was an employee able to exert significant influence over the client's accounting records or financial statements (R522.3)
A partner or employee acting as a director or an officer, including the company secretary, of the client (R523.3 and AUST R523.5). A firm must refuse/withdraw from an audit if a partner or employee were to serve as an officer or a director of the client or as an employee able to exert direct and significant influence over the subject matter of the audit (AUST R523.3.1)
Significant connections between a firm (or network firm) and a former partner or audit team member who is now employed by an audit client as a director, officer or employee in a position to exert significant influence over the client's accounting records or financial statements (R524.4) Key audit partners or senior or managing partners joining **PIE audit clients** as a director, officer or an employee able to exert significant influence over accounting records or financial statements unless an applicable 'cooling-off' period has passed (R524.6 and R524.7)[29]
Loan of personnel to the client unless specific requirements are met (R525.4)
Individuals who are serving a cooling-off period due to long association (540.1 to R540.6) are prohibited from: • Being a member of the engagement team for the audit engagement or sustainability assurance engagement; • Performing an engagement quality review or similar review for the audit engagement or sustainability assurance engagement; or • Exerting direct influence on the outcome of the audit engagement or sustainability assurance engagement. This requirement is stricter for **PIE audit clients** with specified cooling-off periods[30] for engagement partner, engagement quality reviewer, other key audit partners or key sustainability assurance leader after serving a maximum length of time on the audit engagement or sustainability assurance engagement (R540.7 to AUST R540.22.1). In addition, key audit partners or key sustainability assurance leaders who are serving a cooling-off period due to long association (R540.23) are prohibited from: • Being on the audit engagement team or sustainability assurance engagement; • Performing an engagement quality review or similar review on the audit engagement or sustainability assurance engagement; • Consulting with the client or engagement team on technical or industry-specific issues, transactions or events affecting the audit engagement or sustainability assurance engagement; • Leading or coordinating the professional services provided to that client; • Overseeing the relationship with the client; or • Undertaking any other role or activity (including providing non-assurance services) involving significant or frequent interaction with senior management or those charged with governance of the client, or exerting direct influence on the outcome of the audit engagement or sustainability assurance engagement
Acting as the Engagement Quality Reviewer for an audit client after finishing the role of Engagement Partner for the same audit client, unless the individual has served a two-year cooling-off period (325.8 A3)

29 Subject to limited exceptions in relation to business combinations (paragraph R524.8).
30 Auditors must also comply with the *Corporations Act 2001* requirements on rotation. APESB guidance on rotation requirements in Australia is available at www.apesb.org.au/resources/.

Part 2 – Sustainability Assurance Engagements subject to the Independence Standards in Part 5

Table 3: Summary of APES 110 prohibitions in Part 5 relating to providing Non-Assurance Services to Sustainability Assurance Clients

Prohibition	All Sustainability Assurance Clients	PIE Sustainability Assurance Clients only	Non-PIE Sustainability Assurance Clients only
	Strictly Prohibited	Strictly Prohibited or by factors listed	Prohibited based on specific factors
Assuming management responsibility for a sustainability assurance client (R5400.20). When performing a professional activity for a sustainability assurance client, the firm must be satisfied that client management makes all judgements and decisions that are the proper responsibility of management (R5400.21)	●		
Accepting a sustainability assurance appointment where a non-assurance service that was previously provided might create a self-review threat unless the service ceases before the assurance engagement commences, the firm takes action to address any threats, and any threats have been or will be eliminated or reduced to an acceptable level (R5400.32)		● Self-review	
Allowing the sustainability assurance fee to be influenced by the provision of services other than the sustainability assurance engagement (R5410.6)[31]	●		
Compensating or evaluating a key sustainability assurance leader based on that partner's success in selling non-assurance services to any sustainability assurance client of the firm (AUST R5411.4)[32]	●		
Managing the administration of an insolvent sustainability assurance client (AUST R5523.3.1)	●		
Serving as a company secretary (R5523.4 & AUST R5523.5)	●		

31 This does not prevent the firm from taking into consideration the cost savings achieved from the experience of providing services other than the sustainability assurance engagement to the client when determining the sustainability assurance fee (paragraph R5410.7).

32 A firm must also take reasonable steps to ensure any profit-sharing arrangement is not a cross-subsidisation of the sustainability assurance engagement by other service lines or a mechanism to distribute indirect incentives based on the ability to sell non-assurance services to the firm's sustainability assurance clients.

Prohibition	All Sustainability Assurance Clients	PIE Sustainability Assurance Clients only	Non-PIE Sustainability Assurance Clients only
	Strictly Prohibited	Strictly Prohibited or by factors listed	Prohibited based on specific factors
Non-assurance service that might create a self-review threat[33]		● Self-review (R5600.17)[34]	● Conceptual Framework (R5600.9, 5600.14 A1 & R5600.15)
Subsection 5601 **Sustainability Data and Information Services**			
Sustainability data and information services, including preparing sustainability data records or sustainability information that is reported (R5601.5 & R5601.6), subject to limited exceptions		● (R5601.6)	● Routine and Mechanical (R5601.5)[35]
Subsection 5603 **Valuation and Advisory Services on Forward-Looking Information**			
Valuation or advisory services on forward-looking information		● Self-review (R5603.5)	● Materiality[36] and a significant degree of subjectivity (R5603.4)

33 Paragraph R5600.15 requires a determination of whether providing a non-assurance service might create a self-review threat by evaluating whether there is a risk that:
a) The results of the service will form part of or affect records underlying that information, or internal controls over sustainability reporting; and
b) In the course of the assurance, the sustainability assurance team will evaluate or rely on any judgements made or activities performed by the firm or a network firm when providing the service.

34 Paragraph R5600.18 provides an exception to paragraph R5600.17 where firms may provide advice and recommendations to PIE sustainability assurance clients in relation to information or matters arising in the assurance provided the firm:
a) Does not assume a management responsibility; and
b) Applies the conceptual framework to identify, evaluate and address threats, other than self-review threats, to independence that might be created by the provision of that advice.

Paragraph 5600.18 A1 provides examples of advice and recommendations contemplated by paragraph R5600.18.

35 Providing sustainability data and information services to non-PIE audit clients is prohibited unless the services are of a routine or mechanical nature and the firm addresses any threats that are not at an acceptable level (paragraph R5601.5). Routine or mechanical services involve information, data or material in relation to which the client has made any judgements or decisions that might be necessary and require little or no professional judgement (paragraph 5601.5 A1 and refer to paragraph 5601.5 A3 for examples).

36 Reference to materiality in this table refers to a material effect on the sustainability information on which the firm will express an opinion. The concept of materiality is addressed in Australian Standards on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements*. The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and qualitative factors and is also affected by perceptions of the information needs of users.

Prohibition	All Sustainability Assurance Clients	PIE Sustainability Assurance Clients only	Non-PIE Sustainability Assurance Clients only
	Strictly Prohibited	**Strictly Prohibited or by factors listed**	**Prohibited based on specific factors**
Subsection 5604 **Tax Services**			
Tax services or recommending transactions related to marketing, planning, or opining in favour of a tax treatment initially recommended by the firm or a network firm, unless the firm is confident the treatment has a basis in applicable tax law or regulation that is likely to prevail (AUST R5604.4)[37]	●		
Calculating current and deferred tax liabilities (or assets)		● (R5604.10)	● Conceptual Framework (R5600.9, 5604.7 A1 to 5604.9 A2)[38]
Tax advisory and tax planning services where the effectiveness of the advice depends on a particular treatment or presentation in the sustainability information and the sustainability assurance team has doubt as to the appropriateness of that treatment or presentation (R5604.13)	●		
Tax advisory and tax planning services		● Self-review (R5604.15)[39]	● Conceptual Framework (R5600.9, 5604.11 A1 to 5604.12 A3, and 5604.14 A1)[39]

37 The firm will need a high level of confidence it is likely to prevail, which will be gained if there is a high probability, if viewed objectively by applying the reasonable and informed third party test (paragraph AUST 5604.4 A1.1). Paragraph AUST R5604.4.1 requires the firm to document the factors considered and conclusions reached in determining that the tax treatment is not prohibited by paragraph AUST R5604.4.

38 Reference to Conceptual Framework means that although the non-assurance services are not strictly prohibited, the sustainability assurance practitioner needs to consider whether the application of the conceptual framework would lead to the services being impermissible.

39 Tax advisory and tax planning services will not create a self-review threat if such services (a) are supported by a tax authority or other precedent; (b) are based on established practice that is commonly used and not been challenged by the relevant tax authority; or (c) has a basis in tax law that the firm is confident is likely to prevail (paragraph 5604.12 A2).

The firm requires a high level of confidence it is likely to prevail which will be gained if there is a high probability, if viewed objectively by applying the reasonable and informed third party test (paragraph AUST 5604.12 A2.1). Paragraph AUST R5604.12.1 requires the firm to document the factors considered and conclusions reached in determining that the tax advisory and tax planning service satisfies paragraph 5604.12 A2.

Prohibition	All Sustainability Assurance Clients	PIE Sustainability Assurance Clients only	Non-PIE Sustainability Assurance Clients only
	Strictly Prohibited	Strictly Prohibited or by factors listed	Prohibited based on specific factors
Valuation for tax purposes		● Self-review (R5604.19)[40]	● Conceptual Framework (R5600.9, 5604.16 A1 to 5604.18 A3)[40]
Providing assistance in the resolution of tax disputes		● Self-review (R5604.24)	● Conceptual Framework (R5600.9, 5604.20 A1 to 5604.23 A1)
Acting as an advocate for a sustainability assurance client in the resolution of tax disputes before a tribunal or court		● (R5604.26)	● Materiality (R5604.25)
Subsection 5605 **Internal Audit Services**			
Internal audit services[41]		● Self-review (R5605.6)[42]	● Conceptual Framework (R5600.9, 5605.1 to 5605.5 A1)
Subsection 5606 **Information Technology Systems Services**			
Designing or implementing IT systems[43]		● Self-review (R5606.6)[44]	● Conceptual Framework (R5600.9, 5606.1 to 5606.5 A1)

40 A valuation for tax purposes will not create a self-review threat if (a) the underlying assumptions are either established by law or regulation, or are widely accepted; or (b) the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation, and the valuation is subject to external review by a tax authority or similar regulatory authority (paragraph 5604.17 A3).

41 A firm must be satisfied that the sustainability assurance client has taken management responsibility for the internal audit services as specified in paragraph R5605.3.

42 Paragraph 5605.6 A1 includes examples of internal audit services that are prohibited by paragraph R5605.6, being services that relate to internal controls over sustainability reporting, sustainability information systems, or amounts or disclosures that relate to the sustainability information.

43 A firm must be satisfied that the sustainability assurance client has taken management responsibility for the information technology systems services as specified in paragraph R5606.3.

44 Paragraph 5606.4 A3 includes examples of designing or implementing IT systems services that are prohibited by paragraph R5606.6, being IT systems that form part of the internal control over sustainability reporting, or generate information for sustainability information records.

Prohibition	All Sustainability Assurance Clients	PIE Sustainability Assurance Clients only	Non-PIE Sustainability Assurance Clients only
	Strictly Prohibited	Strictly Prohibited or by factors listed	Prohibited based on specific factors
Subsection 5607 **Litigation Support Services**			
Litigation support services		● Self-review (R5607.6)[45]	● Involving estimating damages or other amounts that affect the sustainability information, materiality and a significant degree of subjectivity (5607.4 A2 & R5603.4)
Acting as an expert witness		● R5607.9 (unless 5607.7 A2 or A3 applies)[46]	● Conceptual Framework (R5600.9, 5607.7 A1 to 5607.8 A1)
Subsection 5608 **Legal Services**			
Legal advice		● Self-review (R5608.7)	● Conceptual Framework (R5600.9, 5608.1 to 5608.6 A1)
Serving as General Counsel (R5608.9)	●		
Acting as an advocate for a sustainability assurance client in resolving a dispute or litigation before a tribunal or court		● (R5608.11)	● Materiality (R5608.10)

45 Paragraph 5607.6 A1 includes an example of a litigation support service that is prohibited which is providing advice in connection with legal proceedings where there is a risk that the outcome of the service affects the quantification of any provision or other amount in the sustainability information.

46 Paragraph 5607.7 A2 states that a threat to independence is not created if an individual acts as a witness of fact and provides an opinion in the individual's area of expertise in response to a question asked in the course of giving factual evidence. Paragraph 5607.7 A3 states that the advocacy threat from acting as an expert witness is at an acceptable level if the firm or a network firm is appointed by a tribunal or court, or is engaged in relation to a class action subject to listed criteria.

Prohibition	All Sustainability Assurance Clients	PIE Sustainability Assurance Clients only	Non-PIE Sustainability Assurance Clients only
	Strictly Prohibited	Strictly Prohibited or by factors listed	Prohibited based on specific factors
Subsection 5609 **Recruiting Services**			
Performing negotiations for a sustainability assurance client as part of a recruiting service (R5609.5)	●		
Recruiting services, including recommending persons or advising on employment terms, relating to positions as director or officer, or for a senior management position that can exert significant influence over sustainability information or the records underlying that information (R5609.6)[47]	●		
Subsection 5610 **Corporate Finance Services**			
Promoting, dealing in, or underwriting a sustainability assurance client's shares, debt or other financial instruments or providing advice on investment in such shares, debt or other financial instruments (R5610.5)	●		
Corporate finance advisory services where the effectiveness of the advice requires a particular method of measurement or presentation in the sustainability information and the sustainability assurance team has doubt as to the appropriateness of that method of measurement or presentation (R5610.6)	●		
Corporate finance services		● Self-review (R5610.8)	● Conceptual Framework (R5600.9, 5610.1 to 5610.4 A1, and 5610.7 A1)

47 The firm must be satisfied that the sustainability assurance client has taken management responsibility when providing recruiting services for other positions that are not specifically prohibited (paragraph R5609.3).

Table 4: Summary of APES 110 prohibitions relating to interests, relationships and actions for Sustainability Assurance Engagements subject to the Independence Standards in Part 5

Prohibited Interests, Relationships and Actions
Acting where a conflict of interest compromises professional or business judgement (R5310.4)
Receiving commissions or similar benefits for sustainability assurance engagements (AUST R5330.5.2)
Offering or accepting, or encouraging others to offer or accept, inducements that the sustainability assurance practitioner considers is made with the intent to improperly influence the behaviour of the recipient or another individual (R5340.7 and R5340.8)
Assuming custody of a sustainability assurance client's money or other assets unless permitted by law to do so and in accordance with any conditions under which such custody may be taken (R5350.3)
Charging contingent fees for a sustainability assurance engagement (R5410.9)
Charging contingent fees for a non-assurance service provided to the sustainability assurance client where the fees are material to the firm (or network firm) or the outcome of the service is dependent on a judgement related to a material amount in the sustainability information (R5410.10)
Receiving total fees from a **PIE sustainability assurance client** that represent more than 15% of the firm's total fees for more than five consecutive years (R5410.20)[48]
Gifts and hospitality from the sustainability assurance client where the value is not trivial and inconsequential (R5420.3)
Direct financial interest or material indirect financial interest in the sustainability assurance client, subject to limited exceptions in relation to an immediate family member (R5510.4 and R5510.5)
Direct financial interest or material indirect financial interest in the sustainability assurance client's parent entity when the client is material to that entity (R5510.6)
Acting as a trustee where the trust holds a direct financial interest or material indirect financial interest in the sustainability assurance client unless specific requirements are met (R5510.7)
Financial interests held in common with a sustainability assurance client in an entity where either the financial interests are material or the client can exert significant influence over the entity (R5510.8)
Loans, or guarantees for a loan, to the sustainability assurance client that are material (R5511.4)[49]
Loans, or guarantees for a loan, from a sustainability assurance client that is a bank or similar institution that are not made under normal lending procedures, terms and conditions (R5511.5)
Deposits or brokerage accounts with a sustainability assurance client that is a bank, broker or similar institution that are not under normal commercial terms (R5511.6)
Material loans, or guarantees for a loan, from a sustainability assurance client that is not a bank or similar institution (R5511.7)
Close business relationships with a sustainability assurance client that are significant or involve a material financial interest (R5520.4)
Business relationships involving holding common interests in a closely-held entity with a sustainability assurance client or a director or officer of the client, or any group thereof, if the business relationship is significant, any financial interest is material or the financial interest creates control over the closely-held entity (R5520.5)
Using technology to provide a non-assurance service or providing, selling, reselling or licensing technology resulting in the provision of a non-assurance service to a sustainability assurance client which does not comply with Section 5600 (5520.7 A1 and 5600.6)

48 Paragraph R5410.21 provides for an exception to this if there is a compelling reason having regard to the public interest and subject to criteria. Paragraphs R5410.18 and R5410.19 include requirements pertaining to actions that might be safeguards when total fees from a PIE sustainability assurance client represent more than 15% of the Firm's total fees for two to five consecutive years.

49 When a significant part of fees due from a sustainability assurance client remains unpaid for a long time, the firm must determine whether the overdue fees might be equivalent to a loan to the client, in which case Section 5511 applies, and whether it is appropriate for the firm to be re-appointed or continue the sustainability assurance engagement (paragraph R5410.13).

Prohibited Interests, Relationships and Actions
Participating in a sustainability assurance team if an immediate family member (spouse (or equivalent) or dependent) is, or was during any period covered by the engagement or the reporting period for the engagement, a director or officer of the sustainability assurance client or an employee able to exert significant influence over the client's sustainability information or the records underlying that information (R5521.5)
Participating in a sustainability assurance team if, during the period covered by the sustainability assurance report, the individual served as a director or officer of the sustainability assurance client or was an employee able to exert significant influence over the client's sustainability information or the records underlying that information (R5522.3)
A leader or employee acting as a director or an officer, including the company secretary, of the sustainability assurance client (R5523.3 and AUST R5523.5). A firm must refuse/withdraw from a sustainability assurance engagement if a partner or employee were to serve as an officer or a director of the client or as an employee able to exert direct and significant influence over the subject matter of the sustainability assurance (AUST R5523.3.1)
Significant connections between a firm (or a network firm) and a former leader or sustainability assurance team member who is now employed by a sustainability assurance client as a director, officer or employee in a position to exert significant influence over the client's sustainability information or the records underlying that information (R5524.4) Key sustainability assurance leaders or chief executive or equivalent of a firm joining **PIE sustainability assurance clients** as a director, officer or an employee able to exert significant influence over sustainability information or the records underlying that information unless an applicable 'cooling-off' period has passed (R5524.6 and R5524.7)[50]
Loan of personnel to the sustainability assurance client unless specific requirements are met (R5525.4)
Individuals who are serving a cooling-off period due to long association (5540.1 to R5540.6) are prohibited from: • Being a member of the engagement team for the sustainability assurance engagement or audit engagement; • Performing an engagement quality review or similar review for the sustainability assurance engagement or audit engagement; or • Exerting direct influence on the outcome of the sustainability assurance engagement or audit engagement. This requirement is stricter for **PIE sustainability assurance clients** with specified cooling-off periods for engagement leader, engagement quality reviewer, other key sustainability assurance leaders or key audit partners after serving a maximum length of time on the sustainability assurance engagement (R5540.7 to R5540.21). In addition, key sustainability assurance leaders or key audit partners who are serving a cooling-off period due to long association (R5540.23) are prohibited from: • Being on the sustainability assurance engagement team or audit engagement team; • Performing an engagement quality review or similar review on the sustainability assurance or audit engagement; • Consulting with the client or engagement team on technical or industry-specific issues, transactions or events affecting the sustainability assurance or audit engagement; • Leading or coordinating the professional services provided to the sustainability assurance client; • Overseeing the relationship with the client; or • Undertaking any other role or activity (including providing non-assurance services) involving significant or frequent interaction with senior management or those charged with governance of the client, or exerting direct influence on the outcome of the sustainability assurance or audit engagement
Acting as the Engagement Quality Reviewer for a sustainability assurance client after finishing the role of Engagement Leader for the same sustainability assurance client, unless the individual has served a two-year cooling-off period (5325.8 A3)

50 Subject to limited exceptions in relation to business combinations (paragraph R5524.8).

Part 3 – Performing both Audit and Review Engagements & Sustainability Assurance Engagements subject to the Independence Standards in Part 5

When an individual or firm is engaged to provide the audit engagement and the sustainability assurance engagement for the same client, the individual or firm must comply with the independence requirements applicable to both types of engagements. This would mean compliance with all prohibitions in Parts 4A and the Independence Standards of Part 5 of APES 110 (as set out in the tables in Parts 1 and 2 of this document).

In addition, the individual or firm will need to address the following specific independence matters that arise when the firm performs both engagements.

Proportion of Fees analysis

When the firm receives separate fees for audit and sustainability assurance engagements subject to the Independence Standards of Part 5, the firm needs to consider both these fees in light of the independence requirements in sections 410 and 5410 of APES 110. However, fees for sustainability assurance engagements that are within the scope of the Independence Standards of Part 5 do not create threats to independence for the fees received for the audit engagement.

Consequently, when the firm is assessing independence threats that may be created due to receiving a large proportion of fees for non-audit services to audit fees from a client, the firm does not need to consider the fees received for the sustainability assurance engagement that fall within the scope of the Independence Standards in Part 5 (as per paragraph 410.11 A2a).

This position differs when sustainability assurance engagements fall within the scope of Part 4B, where those fees must be included in the Firm's or Network Firms' independence assessment on the proportion of fees for services other than audit to the audit fee (as per paragraphs R410.6, 410.11 A1 and 401.11 A2).

Disclosure of Fees

When the firm provides both the audit and sustainability assurance engagements, the firm is required to separately disclose the fees for the audit of the financial statements and the fees for the sustainability assurance engagement if they are not disclosed by the client (paragraphs R410.31 and R5410.31).

Long Association of Personnel (including rotation)

Sections 540 and 5540 of APES 110 require firms to consider, evaluate and address familiarity and self-interest threats created due to long association with a client. APES 110 treats the audit engagements and sustainability assurance engagements subject to the Independence Standards in Part 5 as equivalent. Therefore, if an auditor or firm provides both these engagements, the auditor or firm needs to consider the years spent on both engagements when considering the time-on and the cooling-off period.

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