



INSTITUTE OF
**PUBLIC
ACCOUNTANTS***

Are you ready
for the
restructured
suite of
professional
and ethical
standards?

The changing role of the public accountant

Cloud

Globalisation

Financial Services
Reform

Noclar

Digital Disruption

Future service offerings

Robo-advice

Importance of Professional Ethics

- Protects **public interest**
- Maintain and increase **trust** in the accounting profession
- Assists accountants to address professional and ethical issues
- If **adhered** to, establishes robust standards of professional conduct

The restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*

Highlights of the restructured Code

- New **user guide** and updated glossary
- Requirements now **separate** to guidance material
- Increased **focus** on compliance with the **fundamental principles** and **independence**
- **Enhanced** conceptual framework
- Auditor independence sections are now Independence Standards
- Audit Partner Rotation (Long Association): effective 1 Jan 2019
- Non-compliance with Laws and Regulations (NOCLAR): effective 1 Jan 2018

Highlights of the restructured Code

- Strengthened provisions on **Non-assurance Services**
- New **Inducements** provisions
- Enhanced **PDF features** in APES 110:
 - Bookmarks and pop-ups of definitions
 - Dynamic links to sections and sub-sections
 - Increased navigation within the document and externally
- **Mapping table** of the new Code vs Extant Code on the APESB Website

New Structure of the Code – APES 110

SCOPE AND APPLICATION *(All Members)*

GLOSSARY *(All Members)*

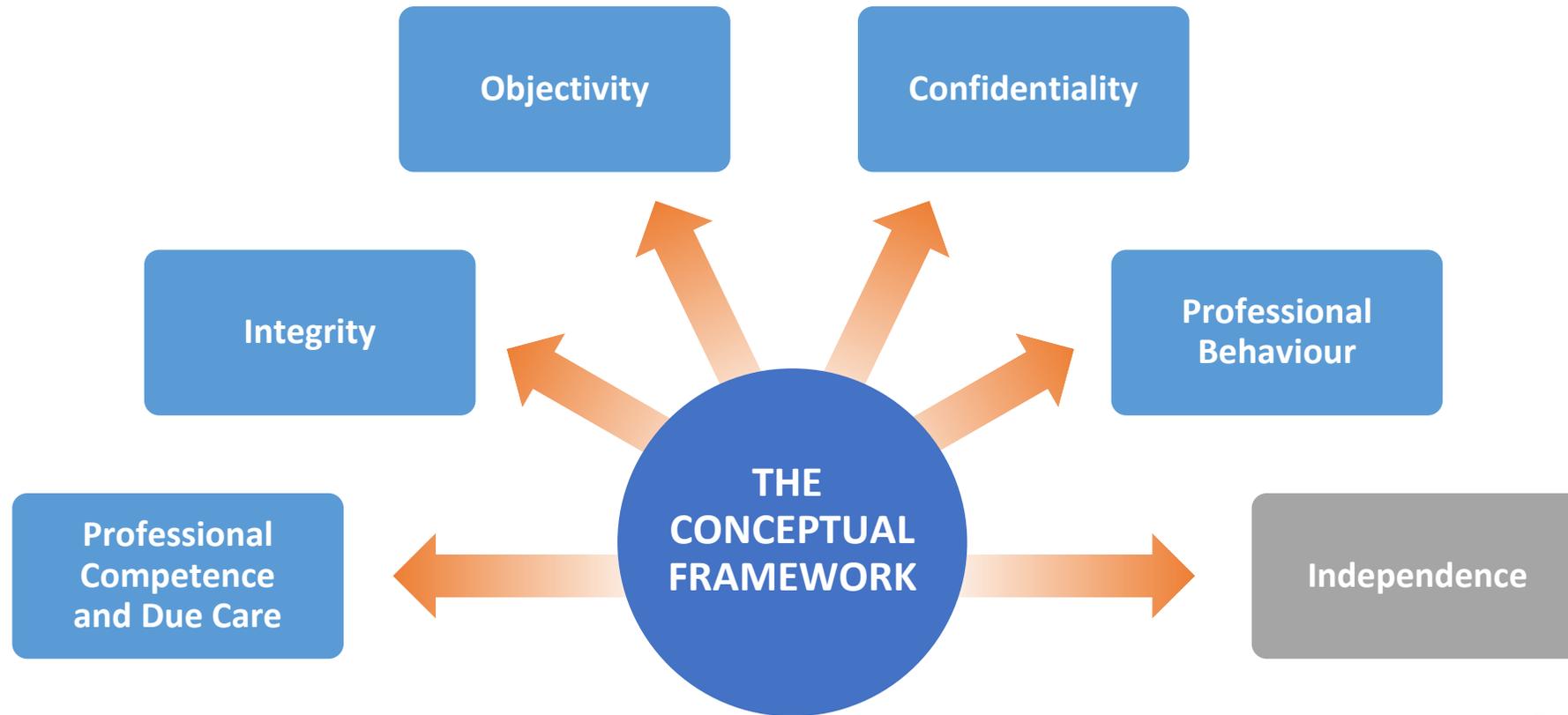
PART 1 **Complying with the Code, Fundamental Principles and Conceptual Framework**
(Sections 100 to 199) *(All Members)*

PART 2 **Members in Business (including employment relationships of Members in Public Practice)**
(Sections 200 to 299)

PART 3 **Members in Public Practice**
(Sections 300 to 399)

PARTS 4A & 4B **Independence Standards**
Part 4A—Independence for Audits & Reviews *(Sections 400 to 899)*
Part 4B—Independence for Assurance Engagements Other than Audit & Review Engagements *(Sections 900 to 999)*

Overarching requirements



Category of threats

Self-interest

Self-review

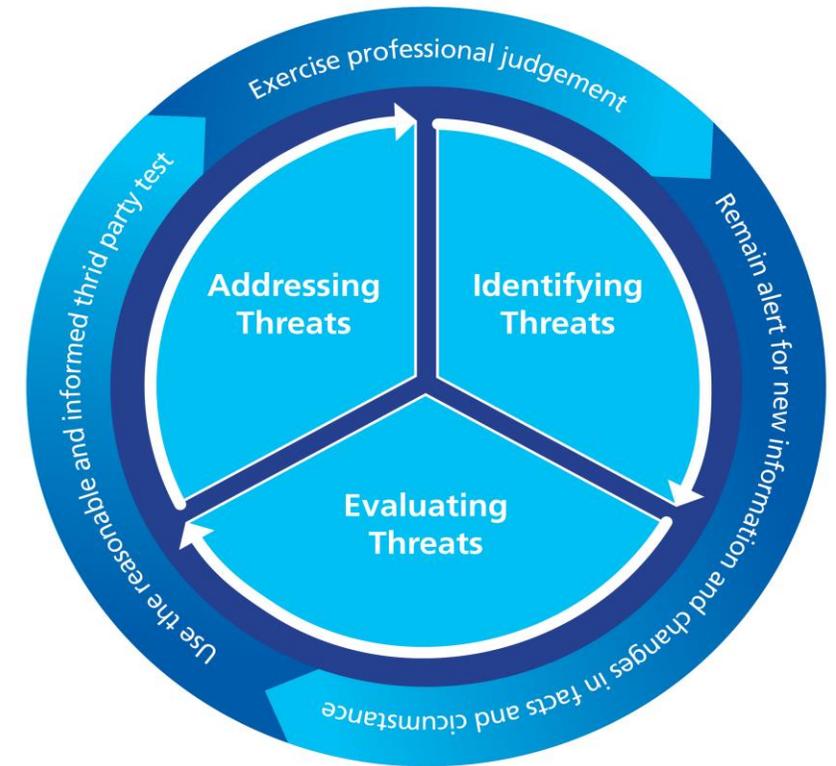
Advocacy

Familiarity

Intimidation

Enhanced conceptual framework

- No longer threats & safeguards approach - **not all** threats addressed by safeguards
- Identified threats that are **not** at Acceptable Level must be addressed in one of three ways:
 - **Eliminate** circumstances creating the threats;
 - **Apply** safeguards; or
 - **Decline** or **end** the specific professional activity/service
- **New requirements** – form an overall conclusion on effectiveness of actions, and remain alert to new information or changes in circumstances



APESB suite of pronouncements

APESB Pronouncements

APES 110 *Code of Ethics for Professional Accountants*

14 standards

APES 205 *Conformity with Accounting Standards*
APES 210 *Conformity with Auditing and Assurance Standards*
APES 215 *Forensic Accounting Services*
APES 220 *Taxation Services*
APES 225 *Valuation Services*
APES 230 *Financial Planning Services*
APES 305 *Terms of Engagement*

APES 310 *Dealing with Client Monies*
APES 315 *Compilation of Financial Information*
APES 320 *Quality Control for Firms*
APES 325 *Risk Management for Firms*
APES 330 *Insolvency Services*
APES 345 *Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document*
APES 350 *Participation by Members in Due Diligence Committees in connection with a Public Document*

6 Guidance Notes

APES GN 20 *Scope and Extent of Work for Valuation Services*
APES GN 21 *Valuation Services for Financial Reporting*
APES GN 30 *Outsourced Services*

APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs*
APES GN 40 *Ethical Conflicts in the Workplace*
APES GN 41 *Management Representations*

Restructure project changes

- Updating cross references to the Code and other APESB pronouncements
- Addition of NOCLAR requirements
- Updating provisions to reflect updated material and references from external parties
- Consistency of definitions and provisions across pronouncements
- Inclusion of interactive PDF features

Other approved changes to pronouncements

Pronouncement	Key changes
APES 220 <i>Taxation Services</i>	<ul style="list-style-type: none">• Footnote that highlights the promoter penalty regime
APES 225 <i>Valuation Services</i>	<ul style="list-style-type: none">• Clarification of the scope - estimating the value of assets or liabilities included in some circumstances• Consideration of need to hold AFSL will depend on laws and regulations that apply to valuation service being offered
APES 305 <i>Terms of Engagement</i>	<ul style="list-style-type: none">• Revised guidance on disclosure of fees and billing arrangement to include the calculation method for referral fees and commissions• Revisions to reflect changes to the Professional Standards Scheme and limitation of liability
APES 310 <i>Client Monies</i>	<ul style="list-style-type: none">• Inclusion of an example of a Limited Assurance Engagement Report

Other approved changes to pronouncements

Pronouncement	Key changes
APES 330 <i>Insolvency Services</i>	<ul style="list-style-type: none">• New template for a Declaration of Independence, Relevant Relationships and Indemnities (DIRRI)• Additional guidance on independence and professional fees and expenses in the context of insolvency services• New requirement to make reasonable inquiries into identity of director of Insolvent Entity or Insolvent Debtor• Money received in advance of appointment to be dealt with in trust account (as per requirements in APES 310 <i>Client Monies</i>)• Revised requirements relating to disclosures of referring entities in a DIRRI

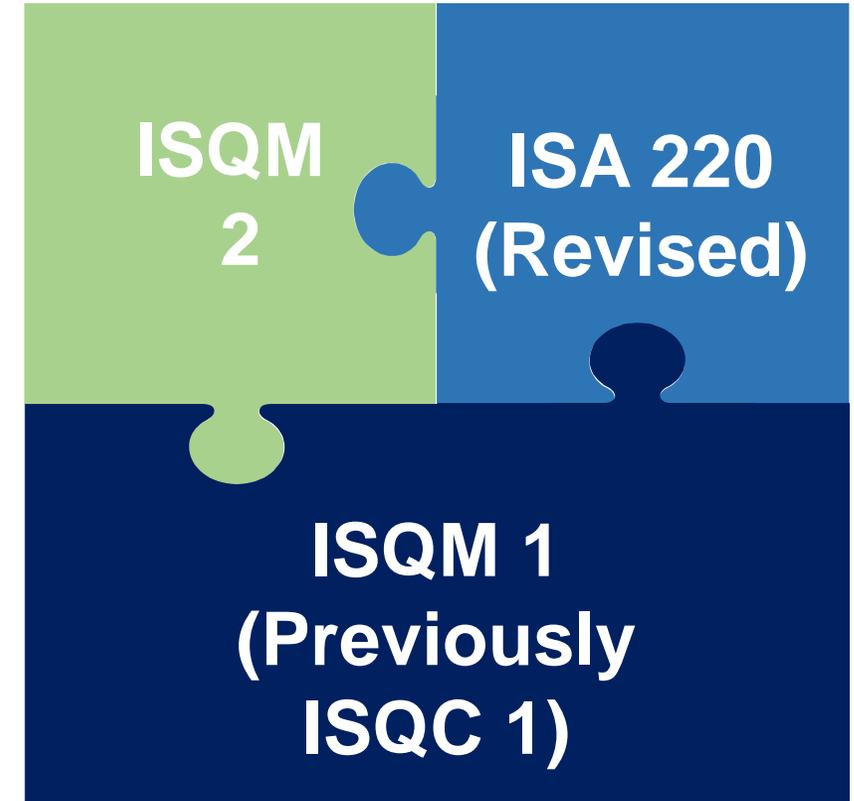
Proposed changes to pronouncements

Pronouncement	Key changes
APES 205 <i>Conformity with Accounting Standards</i>	<ul style="list-style-type: none">• New requirement for Members in Business to determine whether to decline to perform duties where they do not have the requisite professional knowledge and skill
APES 315 <i>Compilation of Financial Information</i>	<ul style="list-style-type: none">• New guidance for Members in Public Practice to consider APES GN 30 <i>Outsourced Services</i> if the Member engages or outsources to a third party
APES 230 <i>Financial Planning Services</i>	<ul style="list-style-type: none">• Change requirement to obtain informed consent to charge and collect fees on a percentage of funds under management to an annual basis
APES GN 30 <i>Outsourced Services</i>	<ul style="list-style-type: none">• New guidance on clarifying the requirements of the client when using outsourced services

Future developments

Proposed revisions to Quality Control framework

- Exposure drafts released by the IAASB in late 2018
- Significant revisions to current quality control framework
- Proposes implementation of Quality Management System (QMS)
- QMS is developed based on determining applicable risks - use professional judgement



Potential impacts if proposals implemented

- Significant impact on SMPs
- Need significant investment of firm time and resources:
 - New set of complex requirements to understand, design and implement
 - Only comply with relevant requirements – but must navigate full document to determine relevance
 - How and will quality improve?
 - Cost vs Benefit analysis ?
- Subjectivity around quality objectives to suit individual firm
- May need to justify decisions to regulator or professional body
- Additional layers to quality management than existing framework which is based on responses to risk (i.e. policies and procedures)

Potential impacts if proposals implemented

- Risk assessment:
 - No specific risks prescribed – promotes scalability and tailorability
 - All risks considered in the first instance – whole population
 - Only identify and assess those meeting threshold requirements
- Continual and iterative process responsive to change:
 - Results in continuous re-evaluations as circumstances or risks change
 - Annual evaluation of effectiveness of the SQM

Questions?

Further Information

- For more information visit www.apesb.org.au
- Follow the APESB **LinkedIn page** for timely updates,



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