

Proposed Amendments to Part 4B of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

EXPOSURE DRAFT 01/20
ISSUED: June 2020

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APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* is based on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the *Final Pronouncement: Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in International Standard on Assurance Engagements 3000 (Revised)* of the International Ethics Standards Board for Accountants (IESBA), published by the International Federation of Accountants (IFAC) in April 2018 and January 2020 respectively and as amended, and is used with permission of IFAC.

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Commenting on this Exposure Draft

This Exposure Draft, *Proposed Amendments to Part 4B of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 31 July 2020.**

Comments should be addressed to:

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E-mail: sub@apesb.org.au

APESB would prefer that respondents express a clear overall opinion on whether the proposed amendments, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed amendments.

Respondents are asked to submit their comments electronically through the APESB website, using the link <https://apesb.org.au/current-projects/>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are practical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au.

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Reasons for issuing Exposure Draft 01/20

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to amend APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (“the Code”) to incorporate changes to Part 4B of the Code made by the International Ethics Standards Board for Accountants (IESBA) to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (International Code). These changes make the provisions in Part 4B consistent with the revised assurance terms and concepts in *International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements other than Audit and Reviews of Historical Financial Information*, which is issued by the International Auditing and Assurance Standards Board.

In Australia, the Auditing and Assurance Standards Board (AUASB) issues the *Standard on Assurance Engagements (ASAE) 3000 (Revised) Assurance Engagements Other than Audit and Reviews of Historical Financial Information*, which is the equivalent of ISAE 3000 (Revised)

Key requirements and guidance in Exposure Draft 01/20

This Exposure Draft sets out proposed amendments to the current version of the Code. The proposed key amendments are summarised below:

- Amendments to requirements and application paragraphs to reflect the two types of assurance engagements referred to in ASAE 3000 (Revised) as Attestation Engagement and Direct Engagement. These types of engagements replace assertion-based and direct-reporting engagements;
- The addition of definitions for Attestation Engagement, Criteria, Direct Engagement, Responsible Party, Subject Matter Information, and Underlying Subject Matter, in line with ISAE 3000 (revised);
- Amendment to the definition of Assurance Client, Assurance Engagement and Financial Statements to align with the ASAE 3000 (revised);
- The addition of application material to clarify the roles of the various parties to an Assurance Engagement;
- Amendments to clarify the independence requirements for attestation engagements; and
- The removal of requirements and application material now covered by the above definitions.

Proposed operative date

It is intended that the operative date for the proposed amendments will be effective for assurance engagements with respect to underlying subject matter covering periods beginning on or after 1 July 2021; otherwise it will be effective from 1 July 2021.

Earlier adoption of these provisions will be permitted.

Amendments to Part 4B of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

ISSUED: [DATE]

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SCOPE AND APPLICATION

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (**this Code**). This **Code** is operative from 1 January 2020 and supersedes APES 110 *Code of Ethics for Professional Accountants* (issued in December 2010 and subsequently amended in December 2011, May 2013, November 2013, May 2017 and April 2018). Earlier adoption of this **Code** is permitted. Transitional provision relating to **Key Audit Partner** rotation and revisions to Part 4B apply as specified in the respective transitional provisions on page 17.

[Paragraphs R1.2 to 1.8 of extant Scope and Application remain unchanged.]

GLOSSARY

Assurance Client	The Responsible Party and also, in an Attestation Engagement , the party taking responsibility for the Subject Matter Information (who might be the same as the Responsible Party).
Assurance Engagement	<p>An engagement in which a Member in Public Practice aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the Responsible Party about the Subject Matter Information.</p> <p>This includes an engagement in accordance with the <i>Framework for Assurance Engagements</i> issued by the AUASB or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.</p> <p><i>(Standard on Assurance Engagements (ASAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information describes the elements and objectives of an Assurance Engagement conducted under that Standard and the Assurance Framework provides a general description of Assurance Engagements to which Australian Auditing Standards (ASAs), Standards on Review Engagements (ASREs) and Standards on Assurance Engagements (ASAEs) apply.)</i></p>
Attestation Engagement	<p>An Assurance Engagement in which a party other than the Member in Public Practice measures or evaluates the Underlying Subject Matter against the Criteria.</p> <p>A party other than the Member also often presents the resulting Subject Matter Information in a report or statement. In some cases, however, the Subject Matter Information may be presented by the Member in the assurance report. In an Attestation Engagement, the Member's conclusion addresses whether the Subject Matter Information is free from material misstatement.</p>

The **Member's** conclusion may be phrased in terms of:

- (i) The **Underlying Subject Matter** and the applicable **Criteria**;
- (ii) The **Subject Matter Information** and the applicable **Criteria**; or
- (iii) A statement made by the appropriate party.

Criteria	In an Assurance Engagement , the benchmarks used to measure or evaluate the Underlying Subject Matter . The “applicable Criteria ” are the Criteria used for the particular engagement.
Direct Engagement	An Assurance Engagement in which the Member in Public Practice measures or evaluates the Underlying Subject Matter against the applicable Criteria and the Member presents the resulting Subject Matter Information as part of, or accompanying, the assurance report. In a Direct Engagement , the Member's conclusion addresses the reported outcome of the measurement or evaluation of the Underlying Subject Matter against the Criteria .
Financial Statements	<p>A structured representation of Historical Financial Information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of Financial Statements, but it can also refer to a single Financial Statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements. For the purposes of this Code, financial report is considered to be an equivalent term to Financial Statements.</p> <p>The term does not refer to specific elements, accounts or items of a Financial Statement.</p>
Responsible Party	In an Assurance Engagement , the party responsible for the Underlying Subject Matter .
Subject Matter Information	The outcome of the measurement or evaluation of the Underlying Subject Matter against the Criteria , i.e., the information that results from applying the Criteria to the Underlying Subject Matter .
Underlying Subject Matter	The phenomenon that is measured or evaluated by applying Criteria .

[All other terms in the Glossary of the extant Code remain unchanged.]

PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 900

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

900.1 This Part applies to [Assurance Engagements](#) other than [Audit](#) and [Review Engagements](#) (referred to as “[Assurance Engagements](#)” in this Part). Examples of such engagements include:

- Assurance on an entity’s key performance indicators.
- Assurance on an entity’s compliance with law or regulation.
- Assurance on performance [Criteria](#), such as value for money, achieved by a public sector body.
- Assurance on the effectiveness of an entity’s system of internal control.
- Assurance on an entity’s greenhouse gas statement.
- An audit of specific elements, accounts or items of a [Financial Statement](#).

[Paragraph 900.2 of extant Section 900 remains unchanged.]

900.3 APES 320 *Quality Control for Firms* (APES 320) requires a [Firm](#) to establish policies and procedures designed to provide it with reasonable assurance that the [Firm](#), its personnel and, where applicable, others subject to [Independence](#) requirements maintain [Independence](#) where required by relevant ethics standards. In addition, [Auditing and Assurance Standards](#) establish responsibilities for [Engagement Partners](#) and [Engagement Teams](#) at the level of the engagement. The allocation of responsibilities within a [Firm](#) will depend on its size, structure and organisation. Many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the [Firm](#) for actions related to [Independence](#), instead referring to “[Firm](#)” for ease of reference. [Firms](#) assign responsibility for a particular action to an individual or a group of individuals (such as an [Assurance Team](#)) in accordance with APES 320. Additionally, an individual [Member in Public Practice](#) remains responsible for compliance with any provisions that apply to that [Member’s](#) activities, interests or relationships.

[Paragraph 900.4 of extant Section 900 remains unchanged.]

900.5 When performing [Assurance Engagements](#), the [Code](#) requires [Firms](#) to comply with the fundamental principles and be independent. This Part sets out specific requirements and application material on how to apply the conceptual framework to maintain [Independence](#) when performing [Assurance Engagements](#) other than [Audit](#) or [Review Engagements](#). The conceptual framework set out in Section 120 applies to [Independence](#) as it does to the fundamental principles set out in Section 110.

[Paragraph 900.6 of extant Section 900 remains unchanged.]

Description of Assurance Engagements

900.7 In an **Assurance Engagement**, the **Firm** aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the **Responsible Party** about the **Subject Matter Information**. ASAE 3000 (Revised) describes the elements and objectives of an **Assurance Engagement** conducted under that Standard, and the *Framework for Assurance Engagements* issued by the **AUASB** provides a general description of **Assurance Engagements**. An **Assurance Engagement** might be an **Attestation Engagement** or a **Direct Engagement**.

900.8 In this Part, the term ‘**Assurance Engagement**’ refers to **Assurance Engagements** other than **Audit Engagements** and **Review Engagements**.

[Paragraph AUST 900.11.1 of extant Section 900 remains unchanged but renumbered as paragraph AUST 900.8.1.]

[Paragraphs 900.12 to 900.13 of extant Section 900 remain unchanged but renumbered as paragraphs 900.9 to 900.10.]

Requirements and Application Material

General

R900.11 A Firm performing an Assurance Engagement shall be independent of the Assurance Client.

900.11 A1 For the purposes of this Part, the **Assurance Client** in an **Assurance Engagement** is the **Responsible Party** and also, in an **Attestation Engagement**, the party taking responsibility for the **Subject Matter Information** (who might be the same as the **Responsible Party**).

900.11 A2 The roles of the parties involved in an **Assurance Engagement** might differ and affect the application of the **Independence** provisions in this Part. In the majority of **Attestation Engagements**, the **Responsible Party** and the party taking responsibility for the **Subject Matter Information** are the same. This includes those circumstances where the **Responsible Party** involves another party to measure or evaluate the **Underlying Subject Matter** against the **Criteria** (the measurer or evaluator) where the **Responsible Party** takes responsibility for the **Subject Matter Information** as well as the **Underlying Subject Matter**. However, the **Responsible Party** or the engaging party might appoint another party to prepare the **Subject Matter Information** on the basis that this party is to take responsibility for the **Subject Matter Information**. In this circumstance, the **Responsible Party** and the party responsible for the **Subject Matter Information** are both **Assurance Clients** for the purposes of this Part.

900.11 A3 In addition to the **Responsible Party** and, in an **Attestation Engagement**, the party taking responsibility for the **Subject Matter Information**, there might be other parties in relation to the engagement. For example, there might be a separate engaging party or a party who is a measurer or evaluator other than the party taking responsibility for the **Subject Matter**

Information. In these circumstances, applying the conceptual framework requires the **Member** to identify and evaluate threats to the fundamental principles created by any interests or relationships with such parties, including whether any conflicts of interest might exist as described in Section 310.

[Paragraphs R900.15 to AUST R900.15.1 of extant Section 900 remains unchanged but renumbered as paragraphs R900.12 to AUST R900.12.1.]

Multiple Responsible Parties and Parties Taking Responsibility for the Subject Matter Information

900.13 A1 In some **Assurance Engagements**, whether an **Attestation Engagement** or **Direct Engagement**, there might be several **Responsible Parties** or, in an **Attestation Engagement**, several parties taking responsibility for the **Subject Matter Information**. In determining whether it is necessary to apply the provisions in this Part to each individual **Responsible Party** or each individual party taking responsibility for the **Subject Matter Information** in such engagements, the **Firm** may take into account certain matters. These matters include whether an interest or relationship between the **Firm**, or an **Assurance Team** member, and a particular **Responsible Party** or party taking responsibility for the **Subject Matter Information** would create a threat to **Independence** that is not trivial and inconsequential in the context of the **Subject Matter Information**. This determination will take into account factors such as:

- (a) The materiality of the **Underlying Subject Matter** or **Subject Matter Information** for which the particular party is responsible in the context of the overall **Assurance Engagement**.
- (b) The degree of public interest associated with the **Assurance Engagement**.

If the **Firm** determines that the threat created by any such interest or relationship with a particular party would be trivial and inconsequential, it might not be necessary to apply all of the provisions of this section to that party.

Network Firms

R900.14 When a **Firm** knows or has reason to believe that interests and relationships of a **Network Firm** create a threat to the **Firm's Independence**, the **Firm** shall evaluate and address any such threat.

[Paragraphs 900.16 A1 to R900.17 of extant Section 900 remain unchanged but renumbered as paragraphs 900.14 A1 to R900.15.]

[Paragraphs 900.22 to 900.29 remain unchanged and are intentionally left blank]

Period During which Independence is Required

R900.30 **Independence**, as required by this Part, shall be maintained during both:

- (a) The **Engagement Period**; and
- (b) The period covered by the **Subject Matter Information**.

[Paragraph 900.30 A1 of extant Section 900 remains unchanged.]

R900.31 If an entity becomes an **Assurance Client** during or after the period covered by the **Subject Matter Information** on which the **Firm** will express a conclusion, the **Firm** shall determine whether any threats to **Independence** are created by:

- (a) Financial or business relationships with the **Assurance Client** during or after the period covered by the **Subject Matter Information** but before accepting the **Assurance Engagement**; or
- (b) Previous services provided to the **Assurance Client**.

R900.32 Threats to **Independence** are created if a non-assurance service was provided to the **Assurance Client** during, or after the period covered by the **Subject Matter Information**, but before the **Assurance Team** begins to perform assurance services, and the service would not be permitted during the **Engagement Period**. In such circumstances, the **Firm** shall evaluate and address any threat to **Independence** created by the service. If the threats are not at an **Acceptable Level**, the **Firm** shall only accept the **Assurance Engagement** if the threats are reduced to an **Acceptable Level**.

[Paragraphs 900.32 A1 to R900.39 of extant Section 900 remain unchanged.]

General Documentation of Independence for Assurance Engagements

[Paragraphs R900.40 to 900.49 of extant Section 900 remain unchanged.]

Breach of an Independence Provision for Assurance Engagements

[Paragraphs R900.50 to R900.55 of extant Section 900 remain unchanged.]

SECTION 905

FEES

[Paragraphs 905.1 to R905.7 of extant Section 905 remain unchanged.]

R905.8 A **Firm** shall not charge directly or indirectly a **Contingent Fee** for a non-assurance service provided to an **Assurance Client** if the outcome of the non-assurance service, and therefore, the amount of the fee, is dependent on a future or contemporary judgement related to a matter that is material to the **Subject Matter Information** of the **Assurance Engagement**.

[Paragraph 905.9 A1 of extant Section 905 remains unchanged.]

905.9 A2 Factors that are relevant in evaluating the level of such a threat include:

- The range of possible fee amounts.
- Whether an appropriate authority determines the outcome on which the **Contingent Fee** depends.

- Disclosure to intended users of the work performed by the [Firm](#) and the basis of remuneration.
- The nature of the service.
- The effect of the event or transaction on the [Subject Matter Information](#).

[Paragraph 905.9 A3 of extant Section 905 remains unchanged.]

SECTION 906

GIFTS AND HOSPITALITY

[Paragraphs 906.1 to 906.3 A2 of extant Section 906 remain unchanged.]

SECTION 907

ACTUAL OR THREATENED LITIGATION

[Paragraphs 907.1 to 907.3 A4 of extant Section 907 remain unchanged.]

SECTION 910

FINANCIAL INTERESTS

[Paragraphs 910.1 to 910.8 A7 of extant Section 910 remain unchanged.]

SECTION 911

LOANS AND GUARANTEES

[Paragraphs 911.1 to R911.7 of extant Section 911 remain unchanged.]

SECTION 920

BUSINESS RELATIONSHIPS

[Paragraphs 920.1 to 920.3 A1 of extant Section 920 remain unchanged.]

920.3 A2 Examples of a close business relationship arising from a commercial relationship or common [Financial Interest](#) include:

- Having a [Financial Interest](#) in a joint venture with either the [Assurance Client](#) or a controlling owner, [Director](#) or [Officer](#) or other individual who performs senior managerial activities for that client.

- Arrangements to combine one or more services or products of the Firm with one or more services or products of the client and to market the package with reference to both parties.
- Distribution or marketing arrangements under which the Firm distributes or markets the client's products or services, or the client distributes or markets the Firm's products or services.

[Paragraphs R920.4 to 920.5 A2 of extant Section 920 remain unchanged.]

SECTION 921

FAMILY AND PERSONAL RELATIONSHIPS

[Paragraphs 921.1 to 921.3 A1 of extant Section 921 remain unchanged.]

921.3 A2 Factors that are relevant in evaluating the level of such threats include:

- The individual's responsibilities on the Assurance Team.
- The role of the family member or other individual within the Assurance Client, and the closeness of the relationship.

Immediate Family of an Assurance Team Member

921.4 A1 A self-interest, familiarity or intimidation threat is created when an Immediate Family member of an Assurance Team member is an employee in a position to exert significant influence over the Underlying Subject Matter of the Assurance Engagement.

[Paragraphs 921.4 A2 to 921.4 A4 of extant Section 921 remain unchanged.]

R921.5 An individual shall not participate as an Assurance Team member when any of that individual's Immediate Family:

- Is a Director or Officer of the Assurance Client;**
- In an Attestation Engagement, is an employee in a position to exert significant influence over the Subject Matter Information of the Assurance Engagement; or**
- Was in such a position during any period covered by the engagement or the Subject Matter Information.**

Close Family of an Assurance Team Member

921.6 A1 A self-interest, familiarity or intimidation threat is created when a Close Family member of an Assurance Team member is:

- A Director or Officer of the Assurance Client; or
- An employee in a position to exert significant influence over the Underlying Subject Matter or, in an Attestation Engagement, an employee in a position to exert significant influence over the Subject Matter Information of the Assurance Engagement.

[Paragraphs 921.6 A2 to 921.6 A4 of extant Section 921 remain unchanged.]

Other Close Relationships of an Assurance Team Member

R921.7 An **Assurance Team** member shall consult in accordance with **Firm** policies and procedures if the **Assurance Team** member has a close relationship with an individual who is not an **Immediate** or **Close Family** member, but who is:

- (a) A **Director** or **Officer** of the **Assurance Client**; or
- (b) An employee in a position to exert significant influence over the **Underlying Subject Matter** or, in an **Attestation Engagement**, an employee in a position to exert significant influence over the **Subject Matter Information** of the **Assurance Engagement**.

[Paragraphs 921.7 A1 to 921.7 A3 of extant Section 921 remain unchanged.]

Relationships of Partners and Employees of the Firm

921.8 A1 A self-interest, familiarity or intimidation threat might be created by a personal or family relationship between:

- (a) A partner or employee of the **Firm** who is not an **Assurance Team** member; and
- (b) Any of the following individuals at the **Assurance Client**:
 - i. A **Director** or **Officer**;
 - ii. An employee in a position to exert significant influence over the **Underlying Subject Matter**, or in an **Attestation Engagement**, an employee in a position to exert significant influence over the **Subject Matter Information** of the **Assurance Engagement**.

[Paragraphs 921.8 A2 to 921.8 A3 of extant Section 921 remain unchanged.]

SECTION 922

RECENT SERVICE WITH AN ASSURANCE CLIENT

[Paragraphs 922.1 to 922.2 of extant Section 922 remain unchanged.]

Requirements and Application Material

Service During the Period Covered by the Assurance Report

R922.3 The **Assurance Team** shall not include an individual who, during the period covered by the assurance report:

- (a) Had served as a **Director** or **Officer** of the **Assurance Client**; or
- (b) Was an employee in a position to exert significant influence over the **Underlying Subject Matter** or, in an **Attestation Engagement**, an employee in a position to exert significant influence over the **Subject Matter Information** of the **Assurance Engagement**.

Service Prior to the Period Covered by the Assurance Report

922.4 A1 A self-interest, self-review or familiarity threat might be created if, before the period covered by the assurance report, an [Assurance Team](#) member:

- (a) Had served as a [Director](#) or [Officer](#) of the [Assurance Client](#); or
- (b) Was an employee in a position to exert significant influence over the [Underlying Subject Matter](#) or, in an [Attestation Engagement](#), an employee in a position to exert significant influence over the [Subject Matter Information](#) of the [Assurance Engagement](#).

For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current [Assurance Engagement](#).

[Paragraphs 922.4 A2 to 922.4 A3 of extant Section 922 remain unchanged.]

SECTION 923

SERVING AS A DIRECTOR OR OFFICER OF AN ASSURANCE CLIENT

[Paragraphs 923.1 to 923.4 A1 of extant Section 923 remain unchanged.]

SECTION 924

EMPLOYMENT WITH AN ASSURANCE CLIENT

[Paragraphs 924.1 to 924.2 of extant Section 924 remain unchanged.]

Requirements and Application Material

General

924.3 A1 A familiarity or intimidation threat might be created if any of the following individuals have been an [Assurance Team](#) member or partner of the [Firm](#):

- A [Director](#) or [Officer](#) of the [Assurance Client](#).
- An employee in a position to exert significant influence over the [Underlying Subject Matter](#) or, in an [Attestation Engagement](#), an employee in a position to exert significant influence over the [Subject Matter Information](#) of the [Assurance Engagement](#).

Former Partner or Assurance Team Member Restrictions

R924.4 If a former partner has joined an [Assurance Client](#) of the [Firm](#) or a former [Assurance Team](#) member has joined the [Assurance Client](#) as:

- (a) A [Director](#) or [Officer](#); or
- (b) An employee in a position to exert significant influence over the [Underlying Subject Matter](#) or, in an [Attestation Engagement](#), an employee in a position to

exert significant influence over the **Subject Matter Information** of the **Assurance Engagement**,

the individual shall not continue to participate in the **Firm's** business or **Professional Activities**.

[Paragraphs 924.4 A1 to 924.5 A3 of extant Section 924 remain unchanged.]

SECTION 940

LONG ASSOCIATION OF PERSONNEL WITH AN ASSURANCE CLIENT

[Paragraphs 940.1 to 940.2 of extant Section 940 remain unchanged.]

Requirements and Application Material

General

940.3 A1 A familiarity threat might be created as a result of an individual's long association with:

- (a) The **Assurance Client**;
- (b) The **Assurance Client's** senior management; or
- (c) The **Underlying Subject Matter** or, in an **Attestation Engagement**, **Subject Matter Information** of the **Assurance Engagement**.

[Paragraph 940.3 A2 of extant Section 940 remains unchanged.]

940.3 A3 Factors that are relevant to evaluating the level of such familiarity or self-interest threats include:

- The nature of the **Assurance Engagement**.
- How long the individual has been an **Assurance Team** member, the individual's seniority on the team, and the nature of the roles performed, including if such a relationship existed while the individual was at a prior **Firm**.
- The extent to which the work of the individual is directed, reviewed and supervised by more senior personnel.
- The extent to which the individual, due to the individual's seniority, has the ability to influence the outcome of the **Assurance Engagement**, for example, by making key decisions or directing the work of other **Engagement Team** members.
- The closeness of the individual's personal relationship with the **Assurance Client** or, if relevant, senior management.
- The nature, frequency and extent of interaction between the individual and the **Assurance Client**.
- Whether the nature or complexity of the **Underlying Subject Matter** or **Subject Matter Information** has changed.
- Whether there have been any recent changes in the individual or individuals at the **Assurance Client** who are responsible for the **Underlying Subject Matter** or, in an

Attestation Engagement, the Subject Matter Information or, if relevant, senior management.

940.3 A4 The combination of two or more factors might increase or reduce the level of the threats. For example, familiarity threats created over time by the increasingly close relationship between an Assurance Team member and an individual at the Assurance Client who is in a position to exert significant influence over the Underlying Subject Matter or, in an Attestation Engagement, the Subject Matter Information, would be reduced by the departure of that individual from the client.

[Paragraphs 940.3 A5 to R940.4 of extant Section 940 remain unchanged.]

SECTION 950

PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS

[Paragraphs 950.1 to 950.3 A2 of extant Section 950 remain unchanged.]

Evaluating Threats

950.4 A1 Factors that are relevant in evaluating the level of threats created by providing a non-assurance service to an Assurance Client include:

- The nature, scope and purpose of the service.
- The degree of reliance that will be placed on the outcome of the service as part of the Assurance Engagement.
- The legal and regulatory environment in which the service is provided.
- Whether the outcome of the service will affect the Underlying Subject Matter and, in an Attestation Engagement, matters reflected in the subject matter or Subject Matter Information of the Assurance Engagement, and, if so:
 - The extent to which the outcome of the service will have a material or significant effect on the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of the Assurance Engagement.
 - The extent of the Assurance Client's involvement in determining significant matters of judgement.
- The level of expertise of the client's management and employees with respect to the type of service provided.

Materiality in Relation to an Assurance Client's Information

950.4 A2 The concept of materiality in relation to an Assurance Client's Subject Matter Information is addressed in *Standard on Assurance Engagements (ASAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information

needs of users.

[Paragraphs 950.4 A3 to 950.5 A1 of extant Section 950 remain unchanged.]

Prohibition on Assuming Management Responsibilities

R950.6 A Firm shall not assume a management responsibility related to the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of an **Assurance Engagement** provided by the Firm. If the Firm assumes a management responsibility as part of any other service provided to the **Assurance Client**, the Firm shall ensure that the responsibility is not related to the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of the **Assurance Engagement** provided by the Firm.

[Paragraph 950.6 A1 of extant Section 950 remains unchanged.]

950.6 A2 Providing a non-assurance service to an **Assurance Client** creates self-review and self-interest threats if the Firm assumes a management responsibility when performing the service. In relation to providing a service related to the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of an **Assurance Engagement** provided by the Firm, assuming a management responsibility also creates a familiarity threat and might create an advocacy threat because the Firm becomes too closely aligned with the views and interests of management.

[Paragraphs 950.6 A3 to 950.6 A4 of extant Section 950 remain unchanged.]

R950.7 To avoid assuming a management responsibility when providing non-assurance services to an **Assurance Client** that are related to the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of the **Assurance Engagement**, the Firm shall be satisfied that client management makes all related judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand:
 - (i) The objectives, nature and results of the services; and
 - (ii) The respective client and Firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the services.

- (b) Provides oversight of the services and evaluates the adequacy of the results of the service performed for the client's purpose; and
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.

Other Considerations Related to Providing Specific Non-Assurance Services

- 950.8 A1 A self-review threat might be created if, in an **Attestation Engagement**, the **Firm** is involved in the preparation of **Subject Matter Information** which subsequently becomes the **Subject Matter Information** of an **Assurance Engagement**. Examples of non-assurance services that might create such self-review threats when providing services related to the **Subject Matter Information** of an **Assurance Engagement** include:
- (a) Developing and preparing prospective information and subsequently issuing an assurance report on this information.
 - (b) Performing a valuation that is related to or forms part of the **Subject Matter Information** of an **Assurance Engagement**.

SECTION 990

REPORTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS)

[Paragraphs 990.1 to 990.2 of extant Section 990 remain unchanged.]

Requirements and Application Material

General

- R990.3** When a **Firm** intends to issue a report on an **Assurance Engagement** which includes a restriction on use and distribution, the **Independence** requirements set out in Part 4B shall be eligible for the modifications that are permitted by this section, but only if:
- (a) The **Firm** communicates with the intended users of the report regarding the modified **Independence** requirements that are to be applied in providing the service; and
 - (b) The intended users of the report understand the purpose, **Subject Matter Information** and limitations of the report and explicitly agree to the application of the modifications.
- 990.3 A1 The intended users of the report might obtain an understanding of the purpose, **Subject Matter Information**, and limitations of the report by participating, either directly, or indirectly through a representative who has authority to act for the intended users, in establishing the nature and scope of the engagement. In either case, this participation helps the **Firm** to communicate with intended users about **Independence** matters, including the circumstances that are relevant to applying the conceptual framework. It also allows the **Firm** to obtain the agreement of the intended users to the modified **Independence** requirements.

[Paragraphs R990.4 to R990.8 of extant Section 990 remain unchanged.]

TRANSITIONAL PROVISIONS

[Paragraph 1 of the transitional provisions of APES 110 remains unchanged.]

Revisions to Part 4B to reflect terms and concepts used in Auditing and Assurance Standards on Assurance Engagements

2. Part 4B relating to [Independence](#) for [Assurance Engagements](#) with respect to [Underlying Subject Matter](#) covering periods will be effective for periods beginning on or after 1 July 2021; otherwise, it is effective as of 1 July 2021. Early adoption will be permitted.

CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS

APES 110 and the IESBA Code

APES 110 incorporates the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants (IESBA) in April 2018 and incorporating amendments up to January 2020.

[The list of compliance with the IESBA Code in the extant Code remains unchanged.]