

# 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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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](http://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](mailto: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](http://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. ~~The transitional provision relating to Key Audit Partner rotation and revisions to Part 4B shall apply as up to the date specified in the respective transitional provisions on page 2048.~~

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

## GLOSSARY

### Assurance Client

The ~~R~~responsible ~~p~~Party ~~that is the person (or persons) who:~~

~~(a) — In a direct reporting engagement, is responsible for the subject matter; or~~

~~(b) — and also, in an Attestation Engagement assertion-based engagement, the party taking responsibility is responsible for the sSubject mMatter iInformation and (who might be the same as the Responsible Party) responsible for the subject matter.~~

### Assurance Engagement

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 ~~r~~Responsible ~~p~~Party about the ~~s~~Subject ~~m~~Matter ~~i~~Information ~~(that is, the outcome of the measurement or evaluation of an uUnderlying sSubject mMatter against cCriteria).~~

This includes an engagement in accordance with the *Framework for Assurance Engagements* issued by the AUASB or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

~~(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the AUASB. The *Framework for Assurance Engagements 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 and identifies engagements 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.)~~

**Attestation Engagement**

An Assurance Engagement in which a party other than the Member in Public Practice measures or evaluates the Underlying Subject Matter against the Criteria.

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.

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**

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.

The term does not refer to specific elements, accounts or items of a Financial Statement.



<b><u>Responsible Party</u></b>	<u>In an Assurance Engagement, the party responsible for the Underlying Subject Matter.</u>
<b><u>Subject Matter Information</u></b>	<u>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.</u>
<b><u>Underlying Subject Matter</u></b>	<u>The phenomenon that is measured or evaluated by applying Criteria.</u>

*[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:

- ~~Performance assurance on a company'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.
- ~~Performance assurance on a company's key performance indicators.~~

*[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. ~~In addition~~ 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 ~~such 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 ~~Other~~ Assurance Engagements

900.7 ~~Assurance Engagements are designed to enhance intended users' degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria.~~ 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 ~~outcome Subject Matter Information of the evaluation or measurement of a subject matter against criteria.~~ ASAE 3000 (Revised) The Framework for Assurance Engagements issued by the AUASB describes the elements and objectives of an Assurance Engagement conducted under that Standard, and the and identifies engagements to which Auditing and Assurance Standards apply. For a description of the elements and objectives of an Assurance Engagement, refer to 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.

~~The outcome of the evaluation or measurement of a subject matter is the information that results from applying the criteria to the subject matter. The term "subject matter information" is used to mean the outcome of the evaluation or measurement of a subject matter. For example, the Framework for Assurance Engagements states that an assertion about the effectiveness of internal control (subject matter information) results from applying a framework for evaluating the effectiveness of internal control, such as COSO<sup>1</sup> or CoCo<sup>2</sup> (criteria), to internal control, a process (subject matter).~~

900.9 ~~Assurance Engagements might be assertion-based or direct reporting. In either case, they involve three separate parties: a Firm, a responsible party and intended users.~~

900.10 ~~In an assertion-based Assurance Engagement, the evaluation or measurement of the subject matter is performed by the responsible party. The subject matter information is in the form of an assertion by the responsible party that is made available to the intended users.~~

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~~1 "Internal Control — Integrated Framework" The Committee of Sponsoring Organizations of the Treadway Commission.~~

~~2 "Guidance on Assessing Control — The CoCo Principles" Criteria of Control Board, The Canadian Institute of Chartered Accountants.~~

~~900.11 In a direct reporting Assurance Engagement, the Firm:~~

- ~~(a) Directly performs the evaluation or measurement of the subject matter; or~~
- ~~(b) Obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to the intended users. The subject matter information is provided to the intended users in the assurance report.~~

*[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

**R900.114 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~~6~~** **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.]*

## **Types of Assurance Engagements**

### *Assertion-based Assurance Engagements*

**~~R900.18~~** **~~When performing an assertion-based Assurance Engagement:~~**

- ~~(a) The Assurance Team members and the Firm shall be independent of the Assurance Client (the party responsible for the subject matter information, and which might be responsible for the subject matter) as set out in this Part. The Independence requirements set out in this Part prohibit certain relationships between Assurance Team members and (i) Directors or Officers, and (ii) individuals at the client in a position to exert significant influence over the subject matter information;~~
- ~~(b) The Firm shall apply the conceptual framework set out in Section 120 to relationships with individuals at the client in a position to exert significant influence over the subject matter of the engagement; and~~
- ~~(a) The Firm shall evaluate and address any threats that the Firm has reason to~~

~~believe are created by Network Firm<sup>3</sup> interests and relationships.~~

~~R900.19—When performing an assertion-based Assurance Engagement where the responsible party is responsible for the subject matter information but not the subject matter:~~

- ~~(a) The Assurance Team members and the Firm shall be independent of the party responsible for the subject matter information (the Assurance Client); and~~
- ~~(b) The Firm shall evaluate and address any threats the Firm has reason to believe are created by interests and relationships between an Assurance Team member, the Firm, a Network Firm and the party responsible for the subject matter.~~

~~900.19 A1—In the majority of assertion-based Assurance Engagements, the responsible party is responsible for both the subject matter information and the subject matter. However, in some engagements, the responsible party might not be responsible for the subject matter. An example might be when a Firm is engaged to perform an Assurance Engagement regarding a report that an environmental consultant has prepared about a company's sustainability practices for distribution to intended users. In this case, the environmental consultant is the responsible party for the subject matter information but the company is responsible for the subject matter (the sustainability practices).~~

#### *Direct Reporting Assurance Engagements*

~~R900.20—When performing a direct reporting Assurance Engagement:~~

- ~~(a) The Assurance Team members and the Firm shall be independent of the Assurance Client (the party responsible for the subject matter); and~~
- ~~(b) The Firm shall evaluate and address any threats to Independence the Firm has reason to believe are created by Network Firm interests and relationships.~~

#### *Multiple Responsible Parties*

~~900.21 A1—In some Assurance Engagements, whether assertion-based or direct reporting, there might be several responsible parties. In determining whether it is necessary to apply the provisions in this Part to each responsible party 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 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 subject matter information (or of the subject matter) for which the particular responsible party is responsible.~~
- ~~(a) The degree of public interest associated with the engagement.~~

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

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<sup>3</sup>—See paragraphs 400.50 A1 to 400.54 A1 for guidance on what constitutes a Network Firm.

*[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 **sSubject mMatter iInformation**.

*[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 **sSubject mMatter iInformation** 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 **sSubject mMatter iInformation** 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 **sSubject mMatter iInformation**, 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 ~~Other than Audit and Review Engagements~~**

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

#### **Breach of an Independence Provision for Assurance Engagements ~~Other than Audit and Review 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 **sSubject mMatter iInformation** 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 **sSubject mMatter iInformation**.

*[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 eClient** 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 eClient**, 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 eSubject mMatter** of the **Assurance eEngagement**.

*[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:**

- (a) Is a Director or Officer of the Assurance Client;**
- (b) In an Attestation Engagement, is an employee in a position to exert significant influence over the eSubject mMatter iInformation of the Assurance Engagement;**  
or

- (c) Was in such a position during any period covered by the engagement or the ~~s~~Subject ~~m~~Matter ~~i~~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) 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 ~~s~~Subject ~~m~~Matter ~~i~~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 ~~s~~Subject ~~m~~Matter ~~i~~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 of the Assurance Client or;~~
  - 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 ~~s~~Subject ~~m~~Matter ~~i~~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 ~~who is~~ in a position to exert significant influence over the ~~s~~Subject ~~m~~Matter ~~i~~nformation 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 ~~s~~Subject ~~m~~Matter ~~i~~nformation 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 ~~s~~Subject ~~m~~Matter and/or, in an Attestation Engagement, ~~s~~Subject ~~m~~Matter ~~i~~nformation 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 the responsible party 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 ~~individual 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 ~~the that~~ individual from the client who is the responsible party.

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

## SECTION 950

### PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS ~~OTHER THAN AUDIT AND REVIEW ENGAGEMENT 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 ~~s~~Subject ~~m~~Matter ~~i~~nformation 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 ~~s~~Subject ~~m~~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 ~~i~~nformation](#) 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 ~~s~~Subject ~~m~~Matter ~~or~~ and, in an Attestation Engagement, the ~~s~~Subject ~~m~~Matter ~~i~~nformation 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 ~~s~~Subject ~~m~~Matter ~~or~~ and, in an Attestation Engagement, the ~~s~~Subject ~~m~~Matter ~~i~~nformation 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 ~~s~~Subject ~~m~~Matter ~~or~~ and, in an Attestation Engagement, the ~~s~~Subject ~~m~~Matter ~~i~~nformation](#) 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 sSubject mMatter or and, in an Attestation Engagement, the sSubject mMatter iInformation 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 sSubject mMatter iInformation which ~~is~~ subsequently becomes the sSubject mMatter iInformation of an Assurance Engagement. Examples of non-assurance services that might create such self-review threats when providing services related to the sSubject mMatter iInformation of an Assurance Engagement include:

- (a) Developing and preparing prospective information and subsequently ~~providing~~ issuing an assurance report on this information.
- (b) Performing a valuation that is related to or forms part of the sSubject mMatter iInformation 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 ~~July 2018~~ [January 2020](#).

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