

APESB's preliminary views on IESBA's Exposure Drafts

NZAuASB Board Meeting

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Channa Wijesinghe FCPA, FCA
Chief Executive Officer

Proposals to Strengthen Independence Standards

Exposure Draft

January 2020

Comments due: March 16, 2020

*International Ethics Standards Board
for Accountants®*

Proposed Revision to the Code
Addressing the Objectivity of
Engagement Quality
Reviews

IESBA International
Ethics Standards
Board for Accountants®

Exposure Draft

January 2020

Comments due: May 4, 2020

*International Ethics Standards Board
for Accountants®*

Proposed Revisions to the
Non-Assurance Services
Provisions of the Code

IESBA International
Ethics Standards
Board for Accountants®

Exposure Draft

January 2020

Comments due: May 4, 2020

*International Ethics Standards Board
for Accountants®*

Proposed Revisions to the
Fee-related Provisions of the
Code

IESBA International
Ethics Standards
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APESB views re Objectivity and EQR Exposure Draft

- Not supportive of a two-year mandatory cooling off period for EQCRs becoming EPs (currently proposed to be included in ISQM2) – Not a proportionate response
- Guidance from Section 120 relocated to either Sections 540 & 940 or Part 3;
- Enhance the guidance on objectivity and broaden it to cover EPs, EQRs and other KAPs;
- Co-ordinate with IAASB and maintain all partner rotation requirements in the IESBA Code
- Include guidance in the Code that where there is an identified independence threat of an EP moving to an EQR in respect of a Listed Entity, a possible safeguard is a cooling-off period of two years.

Preliminary views re NAS Exposure Draft

Supportive of intent of the ED including the following proposals

- New prohibitions on self-review threats and the marketing/promotion of tax services
- Removal of the materiality qualifier
- Relocation of prohibition on assuming management responsibility

Concerns:

- The enforceability of the NAS prohibitions when it refers to ‘if there is a self-review threat’
- The meaning of the phrase ‘where tax laws will prevail’
- The drafting of para 600.11 A2 – could be a quasi-materiality test and requires clarity re all factors needed for self-review threat
- Overall the prohibitions in respect of PIEs may not be strict as originally flagged

Preliminary views re Fees Exposure Draft

Supportive of Revisions to PIEs on fee dependency

Potential enhancements:

- Improve enforceability – what does ‘influence’ mean
- Additional guidance on what would trigger a re-evaluation of the fees level

Potential concerns:

- Requirement for auditors to disclosure audit fees – should be a requirement for the preparer (referral to the IASB?)
- 30% threshold for non-PIE over 5 years seems high

Related developments

- Revised Auditors Independence Guide
 - To be issued Qtr. 2 2020
- [Revised Technical Staff Q & A on Audit Partner Rotation](#)
 - Issued November 2019
- [APES 110 PIE Prohibitions Summary](#)
 - Issued November 2019



Further Information

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