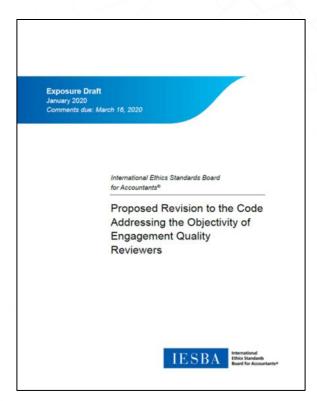
# APESB's preliminary views on IESBA's Exposure Drafts

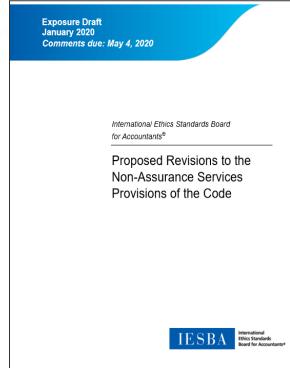
NZAuASB Board Meeting
9 April 2020

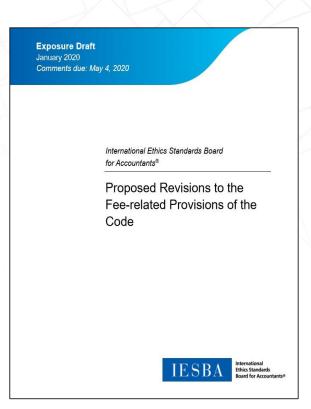


Channa Wijesinghe FCPA, FCA
Chief Executive Officer

## Proposals to Strengthen Independence Standards









## 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





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