

AGENDA PAPER

Item Number: 5
Date of Meeting: 23 March 2010
Subject: Revision of APES 110 *Code of Ethics for Professional Accountants*

Action Required

For Information Only

Purpose

To seek direction from the Board on the proposed Drafting Options for the revision of APES 110 taking into consideration respondents comments on the Consultation Paper *Proposed Revision of APES 110 Code of Ethics for Professional Accountants* (CP 01/09), overview of the current approach taken in the existing APES 110 and the requirements of Australian Auditing Standards,

Background

At the May 2009 meeting, the Board approved a project to update APES 110 *Code of Ethics for Professional Accountants* to bring the requirements of APES 110 into alignment with the revisions made internationally by IESBA in July 2009 to its *Code of Ethics for Professional Accountants* (IESBA Code).

At the November 2009 Board meeting, the Board decided to issue a Consultation Paper seeking views of interested stakeholders on three key areas:

- Consideration of the IESBA Code in the Australian Context and application of APESB drafting conventions;
- Reference to Australian legislative requirements; and
- Structure of sections 290 and 291 of the IESBA Code.

Consultation Paper 01/09

Consultation Paper 01/09: *Proposed Revision of APES 110 Code of Ethics for Professional Accountants* (CP 01/09) was issued on 3 December 2009 with a comment period until 29 January 2010. Due to request from respondents, the comment period was extended to 26 February 2010. APESB received ten submissions on CP 01/09 from the following respondents:

1. Australian Securities and Investments Commission (ASIC) – Confidential.
2. Auditing and Assurance Standards Board (AUASB).
3. Deloitte.
4. Ernst & Young (EY).
5. Grant Thornton Australia Limited (GT).
6. Group of 100 (G100).

7. Joint Accounting Bodies (CPAA, ICAA, NIA).
8. KPMG.
9. New Zealand Institute of Chartered Accountants (NZICA).
10. PricewaterhouseCoopers (PwC).

Proposed Drafting Options

APESB technical staff have prepared a Drafting Options Paper which sets out procedures, advantages and disadvantages of ten different Drafting Options that can be considered in drafting the revised version of APES 110. The Drafting Options presented range from no or minimal changes from the revised IESBA Code to more substantive changes which include applying APESB drafting conventions, carrying forward APES Board decisions made in 2006, and/or restructuring sections 290 and 291.

Staff Views and Recommendations

Subject to Board decisions on the structure of Auditor independence requirements (i.e. Sections 290/291) Technical staff recommends as follows:

- If the Board determines that it is appropriate to retain the structure in the IESBA Code in respect of 290/291 then Technical staff recommends Drafting Option 6.
- If the Board determines that it is appropriate to restructure the IESBA Code to include all independence requirements in one section and to remove the duplication then Technical staff recommends Drafting Option 8.
- If the Board determines that it is appropriate to restructure the IESBA Code to include independence requirements in two different sections and to remove the duplication then Technical staff recommends Drafting Option 9.

Material Presented

- Technical Staff Paper on APES 110 Drafting Options
- CP 01/09 Consultation Paper: Proposed Revision of APES 110 *Code of Ethics for Professional Accountants*
- Submissions received from respondents to CP 01/09;
- Drafting Options Paper;
- Drafting Options Table – overview summary of Drafting Options Paper;
- AUASB Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*
- IESBA Agenda Item 4 Independence – Adoption paper;
- IESBA Agenda Item 9 Convergence paper; and
- Extract of World Economic Forum's *The Global Competitiveness Report 2009-2010: Strength of auditing and reporting standards in different countries.*

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Date: 17 March 2010