



Australian Government

Auditing and Assurance Standards Board

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Melbourne VIC 3000 Australia
PO Box 204, Collins Street West
Melbourne VIC 8007

18 February 2010

Ms Kate Spargo
Chairperson
Accounting Professional and Ethical Standards Board Limited
Level 7, 600 Bourke Street
MELBOURNE VIC 3000

Dear Kate,

**Accounting Professional and Ethical Standards Board (APESB) Consultation Paper
01/09—Proposed Revision of APES 110 *Code of Ethics for Professional Accountants***

The Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on the above Consultation Paper.

We welcome the proposed revision of APES 110 *Code of Ethics for Professional Accountants* (APES 110) in response to changes that were made in July 2009 to the IFAC *Code of Ethics for Professional Accountants* (IFAC Code).

Responses to the Specific Matters for Comment are provided in the attachment to this letter, for your consideration.

Please do not hesitate to contact us should you wish to discuss any of the points raised in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Merran H Kelsall', with a long horizontal flourish extending to the right.

Merran H Kelsall
Chairman

Attachment

Specific Matters for Comment

1. Consideration of the IFAC Code in the Australian Context

Question 1

- a) **Mixture of mandatory requirements and guidance** – In accordance with APESB drafting conventions, should the revised APES 110 be formatted so that mandatory requirements appear in separate paragraphs to guidance?
- b) **Defined terms** – Should the revised APES 110 use IFAC defined terms, use defined terms tailored to the Australian environment, or, where applicable, use defined terms which are consistent with those used in Australian Auditing Standards?
- c) **Capitalisation of defined terms** – Should defined terms be differentiated from non-defined terms by capitalising defined terms in the revised APES 110?
- d) **Definition of “public interest entity”** – Should the revised APES 110 use the IFAC definition of “public interest entity” or provide guidance on the application of the IFAC definition in the Australian context or redefine this term in the Australian context?

We note that the approach adopted by the International Ethics Standards Board for Accountants (IESBA) in revising the IFAC *Code of Ethics for Professional Accountants* (IFAC Code) (July 2009) differs from the existing approach adopted by the APESB for the development of its professional and ethical standards.

As to which approach is preferable, we respectfully suggest that it is a matter for determination by the APESB whether an exception should be made to its usual drafting conventions in the revision of APES 110, in line with the revised IFAC Code.

For information, we refer you to the policies adopted by the AUASB for developing the Australian Auditing standards. Specifically:

- a) The AUASB has used the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) as the underlying standards for developing the Australian Auditing Standards. Thus, in the Australian Auditing Standards, mandatory requirements appear in separate paragraphs to guidance material, and variations from the international requirements and guidance are identified by use of the prefix “Aus”. This approach contributes to ensuring, and demonstrating, that Australian Auditing Standards comply with the ISAs. It also contributes to the consistent application of auditing standards globally, particularly in multi-jurisdictional audit engagements.
- b) The AUASB uses IAASB defined terms in the Australian Auditing Standards, where applicable, tailoring them to the Australian environment and legislative framework, as required. The AUASB may add defined terms that are not defined internationally, where they are relevant in the Australian context, or delete IAASB defined terms that do not apply in Australia. Australian-specific differences are identified using the prefix “Aus”.
- c) Capitalisation of defined terms is not required in the drafting conventions of the IAASB or the AUASB.
- d) Refer to 1 b) above.

However, we note that the IESBA has different drafting conventions to those of the IAASB and, in particular, for its pronouncements has not adopted a Clarity format, as adopted by the IAASB.

2. References to Australian Legislative Requirements

Question 2

Should specific references to the *Corporations Act 2001* and Australian Auditing Standards be incorporated into the revised APES 110 where relevant?

This is a matter for the APESB to determine. However, we would support broad references to the *Corporations Act 2001* and Australian Auditing Standards in the revised APES 110, where considered necessary by the APESB. We would caution against the inclusion of specific references, as changes to either the *Corporations Act 2001* or the Australian Auditing Standards could result in APES 110 being inconsistent with those instruments.

3. Structure of Sections 290 and 291 of the IFAC Code

Question 3

Do you believe sections 290 and 291 of the IFAC Code should be presented in their current form in the revised APES 110 or should they be restructured to remove duplication where possible?

The concern about possible duplication in the revised IFAC Code is noted. We also understand there may be concerns about the differential ethical requirements for audit and review engagements as compared to other assurance engagements. We suggest that the matter of duplication and other issues be raised by the APESB with the IESBA for consideration for possible changes to the IFAC Code, as appropriate.

