

AGENDA PAPER

Item Number: 3

Date of Meeting: 28 August 2020

Subject: Proposed revisions to APES 110 for the Role and Mindset of Accountants

Action required **For discussion** **For noting** **For information**

Purpose

To obtain the Board's approval to issue the Exposure Draft *Proposed Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to promote the Role and Mindset of the Professional Accountant* (the Role and Mindset ED), subject to the Board's feedback and review comments.

Background

In 2017, the International Ethics Standards Board for Accountants (IESBA) commenced a project relating to Professional Scepticism.

During 2018, the IESBA released a consultation paper *Professional Skepticism – Meeting Public Expectations*. In July 2018, APESB, in conjunction with the New Zealand External Reporting Board (NZ XRB), held a [roundtable](#) in Melbourne, Australia, to discuss this consultation paper.

In November 2018, APESB issued the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), with an effective date of 1 January 2020. The Code is based on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code) issued by the IESBA.

Over the course of 2019 and 2020, the IESBA has progressed its project on Professional Scepticism. At the June 2020 IESBA Board meeting, the IESBA approved the final standard, Promoting the Role and Mindset Expected of Professional Accountants. PIOB approval for the standard is to be sought at the PIOB's September 2020 Board meeting. The IESBA will then issue the final standard.

Matters for Consideration

To maintain alignment with the International Code, Technical Staff are proposing to issue for exposure the revisions to the Code to promote the Role and Mindset of the Professional Accountant.

Technical Staff note that the PIOB has not yet approved the final standard for the Role and Mindset project, but it is not expected that this process will change the content of the standard as finalised by the IESBA.

The proposed key amendments in the exposure draft are summarised below:

- A new requirement for Members to have an inquiring mind when applying the conceptual framework (paragraph R120.5);
- The addition of a description of the term 'Professional judgement' in the Glossary;
- The addition of high-level introductory and application material in Section 100 *Complying with the Code* to clarify the expectation of the role and mindset of Members and the importance of the Code in establishing confidence in the accounting profession (paragraphs 100.1 to 100.4);
- Reinforcing the concept of the public interest, including the inclusion of application material that clarifies the interaction between acting in the public interest and complying with the Code (Paragraph 100.6 A3);
- Enhancements to the fundamental principles of Objectivity and Professional Behaviour (paragraph 110.1 A1) and also the related application material for all fundamental principles apart from confidentiality (Subsections 111, 112, 113 and 115);
- Inclusion of application material in the Conceptual Framework relating to having an inquiring mind and relevant key considerations for Members (Paragraphs 120.5 A1 to 120.5 A3);
- Inclusion of application material on the impact of bias on professional judgement, including application material describing various forms of conscious and unconscious bias (Paragraphs 120.12 A1 to 120.12 A3);
- Inclusion of application material to highlight the importance of organisational cultures that align with the fundamental principles and other provisions of the Code (Paragraphs 120.13 A1 to 120.13 A3); and
- Conforming amendments and editorial amendments, including addressing matters on APESB's Issues Register.

The proposed Role and Mindset ED is presented as a clean version and a marked-up version at agenda paper 3 (a) and 3 (b), respectively.

Recommendation

That the Board approve, the release of the proposed Exposure Draft *Proposed Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to promote the Role and Mindset of the Professional Accountant* for public comment.

Materials Presented

Agenda Item 3 (a) Draft ED Role and Mindset (Marked-up)
Agenda Item 3 (b) Draft ED Role and Mindset (Clean)

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