

# Proposed Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to Promote the Role and Mindset Expected of Professional Accountants

Prepared and issued by  
Accounting Professional & Ethical Standards Board Limited

**EXPOSURE DRAFT**      **03/20**  
ISSUED:                      October 2020

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## Commenting on this Exposure Draft

This Exposure Draft, *Proposed Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to Promote the Role and Mindset Expected of Professional Accountants*, was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 1 February 2021.**

Comments should be addressed to:

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APESB would prefer that respondents express a clear overall opinion on whether the proposed amendments, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed amendments.

Respondents are asked to submit their comments electronically through the APESB website, using the link <https://apesb.org.au/current-projects/>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the APESB website, [www.apesb.org.au](http://www.apesb.org.au).

APESB prefers that comments are submitted via its website. However, if there are practical difficulties, comments can also be sent to [sub@apesb.org.au](mailto:sub@apesb.org.au) or mailed to the address noted above.

## Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: [www.apesb.org.au](http://www.apesb.org.au).

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## **Reasons for issuing Exposure Draft 03/20**

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to amend APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to incorporate changes made by the International Ethics Standards Board for Accountants (IESBA) to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code). These changes are aimed to reflect the role and mindset of the professional accountant and the expectations on Members to perform their duties in an ethical manner.

## **Key requirements and guidance in Exposure Draft 03/20**

This Exposure Draft sets out proposed amendments to the current version of the Code. The proposed key changes are summarised below:

- Amendments to the fundamental principles of Integrity, Objectivity and Professional Behaviour to highlight the public interest and to clarify the factors that may cause undue influence;
- Inclusion of a new requirement for Members to have an inquiring mind when applying the conceptual framework;
- Additional application material to clarify the term 'professional judgement' and what is an inquiring mind, including related key considerations for Members;
- Additional application material on matters such as bias, organisational culture and firm culture which should be considered when applying the conceptual framework; and
- Conforming and editorial amendments.

## **Proposed operative date**

It is intended that the operative date for the proposed amendments will be effective on or after 1 January 2022.

Earlier adoption of these provisions will be permitted.

# Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to Promote the Role and Mindset Expected of Professional Accountants

[DATE]

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# CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS (INCLUDING INDEPENDENCE STANDARDS)

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## SCOPE AND APPLICATION

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (**this Code**). This **Code** is operative from 1 January 2020 and supersedes APES 110 *Code of Ethics for Professional Accountants* (issued in December 2010 and subsequently amended in December 2011, May 2013, November 2013, May 2017 and April 2018). Earlier adoption of this **Code** is permitted. Transitional provisions relating to **Key Audit Partner** rotation, revisions to Part 4B and the role and mindset expected of **Members** shall apply as specified in the respective transitional provisions on page 21.

*[Paragraphs R1.2 to 1.8 of the extant Code's Scope and Application remain unchanged.]*

## GLOSSARY

*Professional judgement* *Professional judgement involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, taking into account the nature and scope of the particular **Professional Activities**, and the interests and relationships involved.*

*This term is described in paragraph 120.5 A4.*

*Reasonable and informed third party* *The reasonable and informed third party test is a consideration by the **Member** about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the **Member** knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be a **Member**, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the **Member's** conclusions in an impartial manner.*

*Reasonable and informed third party test*

*These terms are described in paragraph 120.5 A6.*

*[All other terms in the Glossary of the extant Code remain unchanged.]*

# PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK

## SECTION 100

### COMPLYING WITH THE CODE

#### Introduction

100.1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.

100.2 Confidence in the accountancy profession is a reason why businesses, governments and other organisations involve **Members** in a broad range of areas including financial and corporate reporting, assurance and other **Professional Activities**. **Members** understand and acknowledge that such confidence is based on the skills and values that **Members** bring to the **Professional Activities** they undertake, including:

- (a) Adherence to ethical principles and professional standards;
- (b) Use of business acumen;
- (c) Application of expertise on technical and other matters; and
- (d) Exercise of professional judgement.

The application of these skills and values enables **Members** to provide advice or other output that meets the purpose for which it was provided, and which can be relied upon by the intended users of such output.

100.3 The *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) sets out high quality standards of ethical behaviour expected of professional accountants for adoption by professional accountancy organisations which are members of the International Federation of Accountants (IFAC), or for use by such members as a basis for their codes of ethics. APESB adopts the IESBA Code in the development of this **Code**, which applies to all **Members** (including **Firms**).

100.4 The **Code** establishes five fundamental principles to be complied with by all **Members**. It also includes a conceptual framework that sets out the approach to be taken to identify, evaluate and address threats to compliance with those fundamental principles and, for audits and other **Assurance Engagements**, threats to **Independence**. The **Code** also applies the fundamental principles and the conceptual framework to a range of facts and circumstances that **Members** might encounter, whether in business or in public practice.

#### Requirements and Application Material

100.5 A1 The requirements in the **Code**, designated with the letter "R" and denoted in **bold-type**, impose obligations.

*[Paragraph 100.2 A2 of extant Section 100 remains unchanged but renumbered as paragraph 100.5 A2.]*

**R100.6 A Member shall comply with the Code.**

100.6 A1 Upholding the fundamental principles and compliance with the specific requirements of the **Code** enable **Members** to meet their responsibility to act in the public interest.

- 100.6 A2 Complying with the **Code** includes giving appropriate regard to the aim and intent of the specific requirements.
- 100.6 A3 Compliance with the requirements of the **Code** does not mean that **Members** will have always met their responsibility to act in the public interest. There might be unusual or exceptional circumstances in which a **Member** believes that complying with a requirement or requirements of the **Code** might not be in the public interest or would lead to a disproportionate outcome. In those circumstances, the **Member** is encouraged to consult with an appropriate body such as a professional or regulatory body.
- 100.6 A4 In acting in the public interest, a **Member** considers not only the preferences or requirements of an individual client or employing organisation, but also the interests of other stakeholders when performing **Professional Activities**.
- R100.7 If there are circumstances where laws or regulations preclude a **Member** from complying with certain parts of the **Code**, those laws and regulations prevail, and the **Member** shall comply with all other parts of the **Code**.**

*[Paragraph 100.3 A1 of extant Section 100 remains unchanged but has been renumbered as paragraph 100.7 A1.]*

*[Paragraph 100.3 A2 of extant Section 100 is deleted as content incorporated into paragraph 100.6 A3.]*

#### **Breaches of the Code**

*[Paragraphs R100.4 to 100.4 A1 of extant Section 100 remain unchanged but renumbered as paragraphs R100.8 to 100.8 A1.]*



## SECTION 110

### THE FUNDAMENTAL PRINCIPLES

#### General

110.1 A1 There are five fundamental principles of ethics for **Members**:

- (a) Integrity – to be straightforward and honest in all professional and business relationships.
- (b) Objectivity – to exercise professional or business judgement without being compromised by:
  - (i) Bias;
  - (ii) Conflict of interest; or
  - (iii) Undue influence of, or undue reliance on, individuals, organisations, technology or other factors.
- (c) Professional Competence and Due Care – to:
  - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent **Professional Activities**, based on current technical and professional standards and relevant legislation; and
  - (ii) Act diligently and in accordance with applicable technical and professional standards.
- (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.
- (e) Professional Behaviour – to:
  - (i) Comply with relevant laws and regulations;
  - (ii) Behave in a manner consistent with the profession's responsibility to act in the public interest in all **Professional Activities** and business relationships; and
  - (iii) Avoid any conduct that the **Member** knows or should know might discredit the profession.

*[Paragraph R110.2 of extant Section 110 remains unchanged.]*

110.2 A1 The fundamental principles of ethics establish the standard of behaviour expected of a **Member**. The conceptual framework establishes the approach which a **Member** is required to apply in complying with those fundamental principles. Subsections 111 to 115 set out requirements and application material related to each of the fundamental principles.

*[Paragraphs 110.2 A2 to 110.2 A3 of extant Section 110 remain unchanged.]*

#### SUBSECTION 111 – INTEGRITY

*[Paragraph R111.1 of extant Subsection 111 remains unchanged.]*

111.1 A1 Integrity involves fair dealing, truthfulness and having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organisational consequences.

- 111.1 A2 Acting appropriately involves:
- (a) Standing one's ground when confronted by dilemmas and difficult situations; or
  - (b) Challenging others as and when circumstances warrant, in a manner appropriate to the circumstances.

*[Paragraphs R111.2 to R111.3 of extant Subsection 111 remain unchanged.]*

## **SUBSECTION 112 – OBJECTIVITY**

**R112.1** A **Member** shall comply with the principle of objectivity, which requires a **Member** to exercise professional or business judgement without being compromised by:

- (a) **Bias;**
- (b) **Conflict of interest; or**
- (c) **Undue influence of, or undue reliance on, individuals, organisations, technology or other factors.**

*[Paragraph R112.2 of extant Subsection 112 remains unchanged.]*

## **SUBSECTION 113 – PROFESSIONAL COMPETENCE AND DUE CARE**

*[Paragraphs R113.1 to 113.1 A1 of extant Subsection 113 remain unchanged.]*

113.1 A2 Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional, business and technology-related developments. Continuing professional development enables a **Member** to develop and maintain the capabilities to perform competently within the professional environment.

*[Paragraphs 113.1 A3 to R113.3 of extant Subsection 113 remain unchanged.]*

## **SUBSECTION 114 – CONFIDENTIALITY**

*[Paragraphs R114.1 to R114.2 of extant Subsection 114 remain unchanged.]*

## **SUBSECTION 115 – PROFESSIONAL BEHAVIOUR**

**R115.1** A **Member** shall comply with the principle of professional behaviour, which requires a **Member** to:

- (a) **Comply with relevant laws and regulations;**
- (b) **Behave in a manner consistent with the profession's responsibility to act in the public interest in all **Professional Activities** and business relationships; and**
- (c) **Avoid any conduct that the **Member** knows or should know might discredit the profession.**

**A **Member** shall not knowingly engage in any business, occupation or activity that impairs or might impair the integrity, objectivity or good reputation of the profession, and as a result would be incompatible with the fundamental principles.**

*[Paragraphs 115.1 A1 to 115.2 A1 of extant Subsection 115 remain unchanged.]*

## SECTION 120

### THE CONCEPTUAL FRAMEWORK

#### Introduction

*[Paragraphs 120.1 to 120.2 of extant Section 120 remain unchanged.]*

#### Requirements and Application Material

##### General

*[Paragraphs R120.3 to R120.4 of extant Section 120 remain unchanged.]*

**R120.5** When applying the conceptual framework, the **Member** shall:

- (a) Have an inquiring mind;
- (b) Exercise professional judgement; and
- (c) Use the reasonable and informed third party test described in paragraph 120.5 A6.

##### *Having an Inquiring Mind*

120.5 A1 An inquiring mind is a prerequisite to obtaining an understanding of known facts and circumstances necessary for the proper application of the conceptual framework. Having an inquiring mind involves:

- (a) Considering the source, relevance and sufficiency of information obtained, taking into account the nature, scope and outputs of the **Professional Activity** being undertaken; and
- (b) Being open and alert to a need for further investigation or other action.

120.5 A2 When considering the source, relevance and sufficiency of information obtained, the **Member** might consider, among other matters, whether:

- New information has emerged or there have been changes in facts and circumstances.
- The information or its source might be influenced by bias or self-interest.
- There is reason to be concerned that potentially relevant information might be missing from the facts and circumstances known to the **Member**.
- There is an inconsistency between the known facts and circumstances and the **Member's** expectations.
- The information provides a reasonable basis on which to reach a conclusion.
- There might be other reasonable conclusions that could be reached from the information obtained.

120.5 A3 Paragraph R120.5 requires all **Members** to have an inquiring mind when identifying, evaluating and addressing threats to the fundamental principles. This prerequisite for applying the conceptual framework applies to all **Members** regardless of the **Professional Activity** undertaken. Under **Auditing and Assurance Standards**, including those issued by

the AUASB, Members are also required to exercise professional scepticism, which includes a critical assessment of evidence.

#### *Exercising Professional Judgement*

120.5 A4 Professional judgement involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, taking into account the nature and scope of the particular Professional Activities, and the interests and relationships involved.

*[Paragraph 120.5 A2 of extant Section 120 is deleted.]*

120.5 A5 Professional judgement is required when the Member applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances. In making this determination, the Member might consider matters such as whether:

- The Member's expertise and experience are sufficient to reach a conclusion.
- There is a need to consult with others with relevant expertise or experience.
- The Member's own preconception or bias might be affecting the Member's exercise of professional judgement.

#### *Reasonable and Informed Third Party*

*[Paragraph 120.5 A4 of extant Section 120 remains unchanged but renumbered as paragraph 120.5 A6.]*

#### **Identifying Threats**

*[Paragraphs R120.6 to 120.6 A2 of extant Section 120 remain unchanged.]*

120.6 A3 Threats to compliance with the fundamental principles fall into one or more of the following categories:

- (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence a Member's judgement or behaviour;
- (b) Self-review threat – the threat that a Member will not appropriately evaluate the results of a previous judgement made, or an activity performed by the Member or by another individual within the Member's Firm or employing organisation, on which the Member will rely when forming a judgement as part of performing a current activity;
- (c) Advocacy threat – the threat that a Member will promote a client's or employing organisation's position to the point that the Member's objectivity is compromised;
- (d) Familiarity threat – the threat that due to a long or close relationship with a client, or employing organisation, a Member will be too sympathetic to their interests or too accepting of their work; and
- (e) Intimidation threat – the threat that a Member will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the Member.

*[Paragraph 120.6 A4 of extant Section 120 remains unchanged.]*

## **Evaluating Threats**

*[Paragraph R120.7 of extant Section 120 remains unchanged.]*

### *Acceptable Level*

*[Paragraph 120.7 A1 of extant Section 120 remains unchanged.]*

### *Factors Relevant in Evaluating the Level of Threats*

*[Paragraph 120.8 A1 of extant Section 120 remains unchanged.]*

120.8 A2 The existence of conditions, policies and procedures described in paragraph 120.6 A1 might also be factors that are relevant in evaluating the level of threats to compliance with the fundamental principles. Examples of such conditions, policies and procedures include:

- Corporate governance requirements.
- Educational, training and experience requirements for the profession.
- Effective complaint systems which enable the **Member** and the general public to draw attention to unethical behaviour.
- An explicitly stated duty to report breaches of ethics requirements.
- Professional or regulatory monitoring and disciplinary procedures.

### *Consideration of New Information or Changes in Facts and Circumstances*

*[Paragraphs R120.9 to R120.9 A2 of extant Section 120 remain unchanged.]*

## **Addressing Threats**

*[Paragraph R120.10 of extant Section 120 remains unchanged.]*

### *Actions to Eliminate Threats*

*[Paragraph 120.10 A1 of extant Section 120 remains unchanged.]*

### *Safeguards*

*[Paragraph 120.10 A2 of extant Section 120 remains unchanged.]*

### *Consideration of Significant Judgements Made and Overall Conclusions Reached*

*[Paragraph R120.11 of extant Section 120 remains unchanged.]*

## **Other Considerations when Applying the Conceptual Framework**

### *Bias*

120.12 A1 Conscious or unconscious bias affects the exercise of professional judgement when identifying, evaluating and addressing threats to compliance with the fundamental principles.

120.12 A2 Examples of potential bias to be aware of when exercising professional judgement include:

- Anchoring bias, which is a tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed.
- Automation bias, which is a tendency to favour output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose.
- Availability bias, which is a tendency to place more weight on events or experiences that immediately come to mind or are readily available than on those that are not.
- Confirmation bias, which is a tendency to place more weight on information that corroborates an existing belief than information that contradicts or casts doubt on that belief.
- Groupthink, which is a tendency for a group of individuals to discourage individual creativity and responsibility and as a result reach a decision without critical reasoning or consideration of alternatives.
- Overconfidence bias, which is a tendency to overestimate one's own ability to make accurate assessments of risk or other judgements or decisions.
- Representation bias, which is a tendency to base an understanding on a pattern of experiences, events or beliefs that is assumed to be representative.
- Selective perception, which is a tendency for a person's expectations to influence how the person views a particular matter or person.

120.12 A3 Actions that might mitigate the effect of bias include:

- Seeking advice from experts to obtain additional input.
- Consulting with others to ensure appropriate challenge as part of the evaluation process.
- Receiving training related to the identification of bias as part of professional development.

### *Organisational Culture*

120.13 A1 The effective application of the conceptual framework by a **Member** is enhanced when the importance of ethical values that align with the fundamental principles and other provisions set out in the **Code** is promoted through the internal culture of the **Member's** organisation.

120.13 A2 The promotion of an ethical culture within an organisation is most effective when:

- (a) Leaders and those in managerial roles promote the importance of, and hold themselves and others accountable for demonstrating, the ethical values of the organisation;
- (b) Appropriate education and training programs, management processes, and performance evaluation and reward criteria that promote an ethical culture are in place;
- (c) Effective policies and procedures are in place to encourage and protect those who report actual or suspected illegal or unethical behaviour, including whistleblowers; and
- (d) The organisation adheres to ethical values in its dealings with third parties.

120.13 A3 **Members** are expected to encourage and promote an ethics-based culture in their organisation, taking into account their position and seniority.

## **Considerations for Audits, Reviews, Other Assurance and Related Services Engagements**

### *Firm Culture*

120.14 A1 APES 320 *Quality Control for Firms* sets out requirements and application material relating to **Firm** culture in the context of a **Firm's** responsibilities to design, implement and operate a system of quality management for audits or reviews of **Financial Statements**, or other assurance or related services engagements.

### *Independence*

*[Paragraphs 120.12 A1 to 120.13 A1 of extant Section 120 remain unchanged but renumbered as paragraphs 120.15 A1 to 120.15 A2.]*

### *Professional Scepticism*

*[Paragraph 120.12 A2 of extant Section 120 remains unchanged but renumbered as paragraph 120.16 A1.]*

120.16 A2 In an audit of **Financial Statements**, compliance with the fundamental principles, individually and collectively, supports the exercise of professional scepticism, as shown in the following examples:

- ***Integrity*** requires the **Member in Public Practice** to be straightforward and honest. For example, the **Member** complies with the principle of integrity by:
  - Being straightforward and honest when raising concerns about a position taken by a client.
  - Pursuing inquiries about inconsistent information and seeking further audit evidence to address concerns about statements that might be materially false or misleading in order to make informed decisions about the appropriate course of action in the circumstances.
  - Having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organisational consequences. Acting appropriately involves:
    - (a) Standing one's ground when confronted by dilemmas and difficult situations; or
    - (b) Challenging others as and when circumstances warrant, in a manner appropriate to the circumstances.

In doing so, the **Member** demonstrates the critical assessment of audit evidence that contributes to the exercise of professional scepticism.

- ***Objectivity*** requires the **Member in Public Practice** to exercise professional or business judgement without being compromised by:
  - (a) Bias;
  - (b) Conflict of interest; or
  - (c) Undue influence of, or undue reliance on, individuals, organisations, technology or other factors.

For example, the **Member** complies with the principle of objectivity by:

- (a) Recognising circumstances or relationships such as familiarity with the client, that might compromise the **Member's** professional or business judgement; and
- (b) Considering the impact of such circumstances and relationships on the **Member's** judgement when evaluating the sufficiency and appropriateness of audit evidence related to a matter material to the client's **Financial Statements**.

In doing so, the **Member** behaves in a manner that contributes to the exercise of professional scepticism.

- *Professional competence and due care* requires the **Member in Public Practice** to have professional knowledge and skill at the level required to ensure the provision of competent **Professional Service**, and to act diligently in accordance with applicable standards, laws and regulations. For example, the **Member** complies with the principle of professional competence and due care by:
  - (a) Applying knowledge that is relevant to a particular client's industry and business activities in order to properly identify risks of material misstatement;
  - (b) Designing and performing appropriate audit procedures; and
  - (c) Applying relevant knowledge when critically assessing whether audit evidence is sufficient and appropriate in the circumstances.

In doing so, the **Member** behaves in a manner that contributes to the exercise of professional scepticism.



## PART 2 – MEMBERS IN BUSINESS (INCLUDING EMPLOYMENT RELATIONSHIPS OF MEMBERS IN PUBLIC PRACTICE)

### SECTION 200

#### APPLYING THE CONCEPTUAL FRAMEWORK – MEMBERS IN BUSINESS

##### Introduction

*[Paragraphs 200.1 to 200.4 of extant Section 200 remain unchanged.]*

##### Requirements and Application Material

###### General

*[Paragraphs R200.5 to 200.5 A2 of extant Section 200 remain unchanged.]*

200.5 A3 The more senior the position of a **Member**, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organisation. To the extent that they are able to do so, taking into account their position and seniority in the organisation, **Members** are expected to encourage and promote an ethics-based culture in the organisation in accordance with paragraph 120.13 A3. Examples of actions that might be taken include the introduction, implementation and oversight of:

- Ethics education and training programs.
- Management processes and performance evaluation and reward criteria that promote an ethical culture.
- Ethics and whistleblowing policies.<sup>1</sup>
- Policies and procedures designed to prevent non-compliance with laws and regulations (“NOCLAR”).

*[Paragraphs 200.6 A1 to 200.10 A1 of extant Section 200 remain unchanged.]*

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<sup>1</sup> In Australia, whistleblower protection is addressed in the *Corporations Act 2001* and the *Taxation Administration Act 1953* (for the private sector) and in other legislation in place federally and in states and territories (for the public sector). All public companies, large proprietary companies, and public companies and proprietary companies that are trustees of registrable superannuation entities are required under legislation to have a whistleblower policy. Charities or not-for-profits structured as public companies limited by guarantee with annual (consolidated) revenue of \$1 million or more are also required to have a whistleblower policy.

## SECTION 220

### PREPARATION AND PRESENTATION OF INFORMATION

#### Introduction

*[Paragraphs 220.1 to 220.2 of extant Section 220 remain unchanged.]*

#### Requirements and Application Material

##### General

*[Paragraphs 220.3 A1 to 220.3 A3 of extant Section 220 remain unchanged.]*

**R220.4** When preparing or presenting information, a **Member** shall:

- (a) Prepare or present the information in accordance with a relevant reporting framework, where applicable;
- (b) Prepare or present the information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately;
- (c) Exercise professional judgement to:
  - (i) Represent the facts accurately and completely in all material respects;
  - (ii) Describe clearly the true nature of business transactions or activities; and
  - (iii) Classify and record information in a timely and proper manner;
- (d) Not omit anything with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately;
- (e) Avoid undue influence of, or undue reliance on, individuals, organisations or technology; and
- (f) Be aware of the risk of bias.

*[Paragraph 220.4 A1 of extant Section 220 remains unchanged.]*

##### Use of Discretion in Preparing or Presenting Information

*[Paragraphs R220.5 to 220.6 A2 of extant Section 220 remain unchanged.]*

##### Relying on the Work of Others

**R220.7** A **Member** who intends to rely on the work of other individuals, either internal or external to the employing organisation, or other organisations shall exercise professional judgement to determine what steps to take, if any, in order to fulfil the responsibilities set out in paragraph R220.4.

*[Paragraphs 220.7 A1 to 220.11 A3 of extant Section 220 remain unchanged.]*

# OTHER CONFORMING AND EDITORIAL AMENDMENTS

## GLOSSARY

**[AUST] Administration** An appointment under either the *Bankruptcy Act 1966*, the *Corporations Act 2001* or any other legislation. Where appropriate, the term Administration applies to a solvent administration under Chapter 5 of the *Corporations Act 2001*.

**Firm**

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties, through ownership, management or other means;
- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

*Paragraphs 400.4 and 900.3 explain how the word "Firm" is used to address the responsibility of [Members](#) and [Firms](#) for compliance with [Parts 4A and 4B](#), respectively.*

**Independence** Independence comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a [Firm's](#), or an [Audit](#) or [Assurance Team](#) member's, integrity, objectivity or professional scepticism has been compromised.

*As set out in paragraphs 400.5 and 900.4, references to an individual or [Firm](#) being "independent" mean that the individual or [Firm](#) has complied with [Parts 4A and 4B](#), as applicable.*

**[AUST] Professional Standards** All standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable [Professional Body](#).

*[All other terms in the Glossary of the extant Code remain unchanged.]*

## **SECTION 260**

### **RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS**

#### **Introduction**

*[Paragraphs 260.1 to 260.4 of extant Section 260 remain unchanged.]*

#### **Requirements and Application Material**

##### **General**

*[Paragraphs 260.5 A1 to 260.7 A3 of extant Section 260 remain unchanged.]*

##### **Responsibilities of the Employing Organisation's Management and Those Charged with Governance**

*[Paragraph 260.8 A1 of extant Section 260 remains unchanged.]*

##### **Responsibilities of All Members**

*[Paragraph R260.9 of extant Section 260 remains unchanged.]*

260.9 A1 Many employing organisations have established protocols and procedures regarding how to raise NOCLAR or suspected NOCLAR internally. These protocols and procedures include, for example, an ethics policy or internal whistleblowing mechanism.<sup>2</sup> Such protocols and procedures might allow matters to be reported anonymously through designated channels.

*[Paragraphs R260.10 to 260.27 A1 of extant Section 260 remain unchanged.]*

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<sup>2</sup> In Australia, whistleblower protection is addressed in the *Corporations Act 2001* and the *Taxation Administration Act 1953* (for the private sector) and in other legislation in place federally and in states and territories (for the public sector). All public companies, large proprietary companies, and public companies and proprietary companies that are trustees of registrable superannuation entities are required under legislation to have a whistleblower policy. Charities or not-for-profits structured as public companies limited by guarantee with annual (consolidated) revenue of \$1 million or more are also required to have a whistleblower policy.

## SECTION 330

### FEES AND OTHER TYPES OF REMUNERATION

#### Introduction

*[Paragraphs 330.1 to 330.2 of extant Section 330 remain unchanged.]*

#### Application Material

##### Level of Fees

*[Paragraphs 330.3 A1 to 330.3 A4 of extant Section 330 remain unchanged.]*

##### Contingent Fees

*[Paragraphs 330.4 A1 to 330.4 A3 of extant Section 330 remain unchanged.]*

**AUST R330.4.1** A **Member in Public Practice** shall not enter into a **Contingent Fee** arrangement or receive a **Contingent Fee** in specific engagement circumstances as prohibited in:

- **APES 215 Forensic Accounting Services;**
- **APES 225 Valuation Services;**
- **APES 330 Insolvency Services;**
- **APES 345 Reporting on Prospective Financial Information Prepared in connection with a Public Document; and**
- **APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document.**

*[Paragraphs 330.4 A4 to 330.6 A1 of extant Section 330 remain unchanged.]*

## **SECTION 360**

### **RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS**

#### **Introduction**

*[Paragraphs 360.1 to 360.4 of extant Section 360 remain unchanged.]*

#### **Requirements and Application Material**

##### **General**

*[Paragraphs 360.5 A1 to 360.7 A3 of extant Section 360 remain unchanged.]*

##### **Responsibilities of Management and Those Charged with Governance**

*[Paragraph 360.8 A1 of extant Section 360 remains unchanged.]*

##### **Responsibilities of All Members in Public Practice**

*[Paragraph R360.9 of extant Section 360 remain unchanged.]*

##### **Audits of Financial Statements**

###### *Obtaining an Understanding of the Matter*

*[Paragraphs R360.10 to R360.12 of extant Section 360 remain unchanged.]*

###### *Addressing the Matter*

*[Paragraphs R360.13 to 360.18 A1 of extant Section 360 remain unchanged.]*

###### *Determining Whether Further Action is Needed*

*[Paragraphs R360.19 to 360.24 A1 of extant Section 360 remain unchanged.]*

###### *Determining Whether to Disclose the Matter to an Appropriate Authority*

*[Paragraphs 360.25 A1 to 360.25 A2 of extant Section 360 remain unchanged.]*

360.25 A3 The determination of whether to make such a disclosure will also depend on external factors such as:

- Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend on the nature of the matter. For example, the appropriate authority would be a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach of environmental laws and regulations.

- Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation afforded by legislation or regulation, such as under whistle-blowing legislation or regulation.<sup>3</sup>
- Whether there are actual or potential threats to the physical safety of the [Member in Public Practice](#) or other individuals.

*[Paragraphs R360.26 to 360.40 A1 of extant Section 360 remain unchanged.]*

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<sup>3</sup> In Australia, whistleblower protection is addressed in the *Corporations Act 2001* and the *Taxation Administration Act 1953* (for the private sector) and in other legislation in place federally and in states and territories (for the public sector). All public companies, large proprietary companies, and public companies and proprietary companies that are trustees of registrable superannuation entities are required under legislation to have a whistleblower policy. Charities or not-for-profits structured as public companies limited by guarantee with annual (consolidated) revenue of \$1 million or more are also required to have a whistleblower policy

## **TRANSITIONAL PROVISIONS**

*[Paragraphs 1 and 2 of the transitional provisions in the extant Code remain unchanged.]*

*Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants*

3. Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants will be effective as of 1 January 2022. Early adoption will be permitted.

## **CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS**

### ***APES 110 and the IESBA Code***

APES 110 incorporates the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants (IESBA) in April 2018 and incorporating amendments up to October 2020.

*[The list of compliance with the IESBA Code in the extant Code remains unchanged.]*