



Welcome to *Professionalism*

Issue 34

*In this issue we provide updates on our activities
and technical projects for April - June 2022*

Amendments to the Fee-related provisions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*

APESB has issued an Amending Standard *Amendments to the Fee-related provisions in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*. The amendments are to align with the International Ethics Standards Board for Accountants' (IESBA's) revisions to the fee-related provisions in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) as well as incorporating recommendations

from the regulators and the Parliamentary Joint Committee (PJC) Inquiry on the Regulation of Auditing in Australia.

The key amendments include:

- provisions and safeguards to address the threats to independence arising from fees paid by the audit or assurance client;
- enhancements to fee dependency on an audit client provisions for both Public Interest Entities (PIE) and non-PIE audit clients;
- strengthened provisions and guidance on fee dependency on a referral source that refers multiple audit clients to a firm, an office within the accounting firm, or an individual partner, whereby a pre-issuance review is required to be performed if a 30% revenue threshold and a five-year cumulative time period are met;
- improved transparency on fees information for PIE audit clients to assist those charged with governance and the public in forming their views on the firm's Independence; and
- a stricter prohibition imposed on the incentivisation of audit partners for selling non-assurance services, either directly or indirectly, to all audit clients of the firm.

The amendments are effective from 1 January 2023, with early adoption permitted.

Read the [Media Release](#).

Read the [Amending Standard](#).

Read the [Basis for Conclusions](#).

Exposure Drafts Open for Comment

APESB is seeking feedback on three exposure drafts currently open for comment.

Proposed amendments to enhance the Non-Assurance Services provisions of the Code

Exposure Draft 04/22 *Proposed Amendments to the Non-Assurance Services provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* proposes revisions to APES 110 to prohibit the provision of Non-Assurance Services (NAS) to a PIE audit client if those services might create a self-review threat. There are also new proposed prohibitions relating to certain tax services, legal advice and corporate finance services. The proposed amendments incorporate revisions made by the IESBA to the IESBA Code, and are proposed to be effective from 1 July 2023.

Respondents' specific comments are sought on two proposed options to strengthen the tax services provisions for the Australian context.

Comments on the proposed revisions are due by **7 October 2022**.

Read the [Media Release](#).

Read the [Exposure Draft 04/22](#).

Proposed revisions to APES 205 *Conformity with Accounting Standards*

APESB has issued exposure draft ED 03/22 which proposes revisions to APES 205 *Conformity with Accounting Standards* (APES 205) to address changes the Australian Accounting Standards Board (AASB) have made to its pronouncements. The proposals highlight that the 'reporting entity' concept no longer applies to certain entities and to scope-out those entities required to comply with the AASB special purpose financial statements (SPFS) requirements. The amendments are proposed to be effective from 1 January 2023.

APESB is seeking specific comments on the proposed approach to not align the terminology in APES 205 on SPFS disclosures to the AASB's terminology and whether any other entity types should be scoped-out of the SPFS disclosure requirements in APES 205.

Comments on the proposed revisions are due by **15 August 2022**.

Read the [Technical Alert](#).

Read the [Exposure Draft 03/22](#).

Proposed Quality Management-related Conforming Amendments to the Code of Ethics

APESB has issued exposure draft 02/22 seeking feedback on proposed quality management-related conforming amendments to the Code. The proposed amendments align to the revisions made by the IESBA in April 2022 to the IESBA Code. The proposals also make conforming and consequential amendments to the Code for terminology, concepts and principles used in the reissued APES 320 *Quality Management for Firms that provide Non-Assurance Services* and the AUASB Quality Management Standards. The revisions are proposed to be effective as of 1 January 2023.

Comments are requested by **29 July 2022**.

Read the [Technical Alert](#).

Read the [Exposure Draft 02/22](#).

Upcoming Exposure Draft - Proposed Amending Standard on Definitions of Listed Entity and Public Interest Entity in the Code of Ethics

At their June 2022 Board Meeting, the APESB approved the release of an exposure draft which proposes revisions to the definitions of listed entity and public interest entity (PIE) in the Code. The exposure draft will propose to maintain the existing Australian requirement and application material in determining PIEs, with a request for specific comments as to whether additional categories of entities should be included as a PIE within

the Australian specific provisions. It is proposed that the amendments will be effective from 1 January 2025.

The exposure draft is expected to be released on the [APESB website](#) shortly, with a comment period ending **28 October 2022**.

Call for nominations of APES 215 *Forensic Accounting Services* Taskforce Members

Invitations are now open for membership of the APES 215 *Forensic Accounting Services* (APES 215) Taskforce. The Taskforce is a temporary working group established by APESB to assist in reviewing APES 215 and where industry specific expertise is required.

There are **two positions vacant** on the Taskforce, and APESB is seeking members with demonstrated interest and experience in forensic accounting to join the Taskforce.

Nominations are due by **20 July 2022** and interested individuals should follow the process set out in the Framework for Appointment to Taskforce below.

Read the [Framework for Appointment to the Taskforce](#).

Read the [Taskforce Terms of Reference](#).

Complete the [Curriculum Vitae Summary Form](#).

APESB June Board Meeting

APESB held a quarterly board meeting on 3 June 2022. The Board considered the amending standard to the Code for fees and exposure drafts on proposed revisions to APES 205 and the Code (relating to Non-Assurance Services, the definitions of Listed Entity and Public Interest Entity, and quality management-related

conforming amendments), which are discussed above. The Board also received updates on:

- International and other activities;
- Developments in Sustainability;
- The Technology project;
- APES 215 *Forensic Accounting Services* project; and
- APES 220 *Taxation Services* project;

Further details are available in the [highlights](#) of the meeting.

At the June Board Meeting, APESB was pleased to welcome Mr Robert Buchanan, the Chair of the New Zealand Auditing and Assurance Standards Board (NZAuASB) and thank him for his collaboration with the APESB during his tenure as Chair over the past six years. Mr Buchanan's term finished on 30 June 2022 and APESB wishes him well for his future endeavours.



APESB submissions on International Developments

In June 2022, APESB made two submissions to the IESBA on exposure drafts proposing revisions to the IESBA Code.

To inform APESB's submissions, a roundtable was held on 9 May 2022.

The roundtable was led by APESB CEO, Mr Channa Wijesinghe, IESBA Deputy Chair Ms Caroline Lee and APESB Senior Technical Manager, Mr Jon Reid. APESB Chair Nancy Milne and IESBA Principal, Ms Carla Vijian, were also in attendance. The stakeholders who attended the roundtables included standard setters, regulators, professional accounting bodies and accounting firms. The [slides](#) from the roundtable are available on APESB's website.

Submission on Engagement Team and Group Audits Exposure Draft

In APESB's submission on the IESBA's Engagement Team and Group Audits exposure draft, APESB supported the IESBA's project to revise the definition of engagement team and address independence consideration for group audits in the IESBA Code. In particular, the clarification that consistent independence provisions apply to all members involved in a group audit engagement, which APESB believes reflects the public's expectations of an auditor's independence concerning group financial statements. However, APESB recommended the definition of engagement team be developed so it can be applied to both assurance and non-assurance services and that additional guidance material is needed to explain the importance of distinguishing whether an individual is part of the audit team or engagement team.

Read the [submission](#).

Submission on Technology-related Exposure Draft

In its submission, APESB expressed support for the IESBA's amendments to ensure the Code remains relevant and fit for purpose in response to the transformative effects of technology on the work of professional accountants. APESB has encouraged the IESBA to provide additional guidance in relation to the level of technological competence required by

accountants and how technology creates complex circumstances.

Read the [submission](#).



International Developments

IESBA releases benchmarking report comparing the international independence standards with US SEC and PCAOB Independence Rules

The IESBA have released the report *Benchmarking International Independence Standards Phase 1 Report: Comparison of IESBA and US SEC/PCAOB Frameworks*. The publication details the findings of comparing the independence requirements applicable to audits of financial statements of PIEs in the IESBA Code with the relevant rules of the US Securities and Exchange Commission (SEC) and the US Public Company Accounting Oversight Board (PCAOB).

The benchmarking study promotes awareness of the IESBA Code and highlights the similarities and key differences between the IESBA Code and the US SEC and PCAOB rules. It also further examines the permissibility of non-assurance services to audit clients, fees, long association with an audit client and business and financial relationships.

Read the [report](#).

IESBA releases report summarising its achievements for 2020-2021

On 4 May 2022, the IESBA released the Report, [*Elevating Ethics and Independence Standards for a Complex World*](#), summarising the Board's accomplishments for 2020 and 2021.

The report showcases the progress the IESBA made on behalf of the public interest during a time of great uncertainty and provides an overview of the IESBA's extensive stakeholder outreach efforts. More details can be found in the IESBA's [media release](#).



Sustainability related Developments

International Sustainability Standards Board (ISSB)

ISSB released two proposed standards for consultation

In March 2022, the ISSB launched a consultation on its first two proposed standards. One standard sets out general sustainability-related disclosure requirements and the other specifies climate-related disclosure requirements.

- [Exposure Draft Proposed IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#)
- [Exposure Draft Proposed IFRS S2 Climate-related Disclosures](#)

The ISSB held two live webinars on 28 April 2022 for all stakeholders on the two proposed standards. They have released the [recordings of both webinars](#) and the [PowerPoint slides](#).

The ISSB is seeking feedback on the proposals, with the consultation period closing for both proposed standards on **29 July 2022**.

Further information can be found in the IFRS Foundation's [website](#).

IESBA Webinar on Sustainability and Ethics

On 18 May 2022, the IESBA held a webinar which discussed the importance of complying with ethical standards in preparing sustainability information and the provision of assurance.

Click [here](#) to watch a recording of the webinar.

SMP News

APESB Webinar on the reissued APES 320

APESB hosted a webinar on the reissued APES 320 *Quality Management for Firms that provided Non-Assurance Services* on 3 May 2022. This standard will replace the extant APES 320 *Quality Control for Firms* from 1 January 2023.

The Webinar was presented by Channa Wijesinghe, APESB's CEO, Jon Reid, APESB's Senior Technical Manager, and Matthew Zappulla, Technical Director of the AUASB, and it covered:

- the background to the reissue of APES 320 and the AUASB's new ASQM1;
- an overview of key revisions to APES 320, including considerations for SMPs;
- the types of services covered by APES 320 and ASQM 1; and

- planning considerations for 'hybrid' firms that provide assurance and non-assurance services.

Click [here](#) to watch the recording (passcode: z58\$bvEs) or [review the slides](#).

We favourably note that the majority of participants at the webinar were SMP practitioners.



International News

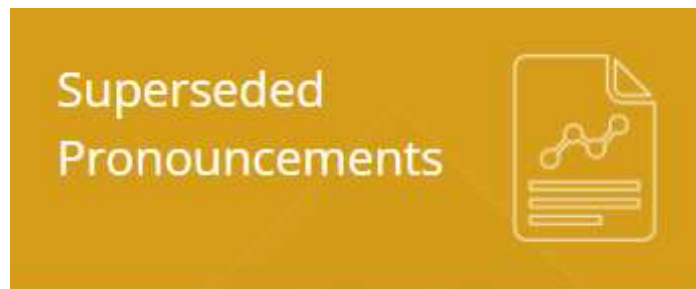
IESBA Board Meetings

The most recent IESBA Board Meeting was held in person and via video conference between 6-8 June 2022, and covered the following topics:

- Sustainability Initiative
- PIE Rollout
- IFAC Panel on Accounting Education
- Tax Planning and Related Services
- Emerging Issues and Outreach Committee Update
- IAASB-IESBA Coordination
- Technology Fact-Finding and Thought Leadership
- Engagement Team Group Audit Independence

Click here for the [Board Meeting Papers](#).

APESB CEO Channa Wijesinghe (pictured below) attended the meeting in his role in his capacity as an IESBA Board Member, ably supported by his Technical Advisor, Ms Kristen Wydell, General Manager Professional Standards at CA ANZ.



Did you know that all APESB's superseded pronouncements are available on the [APESB website](#).

Either click the yellow button on the [home page](#) or find them on the [Standards & Guidance page](#).

Register to attend the next APESB Meeting

23 September 2022
(Hybrid meeting - Adelaide/Zoom)



APESB is governed by an independent board of directors whose primary objective is to develop and issue, in the public interest, high-quality professional and ethical pronouncements. These pronouncements apply to the membership of the three major Australian professional accounting bodies (CPA Australia, CA ANZ and the IPA).

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