

APESB Update

Professional Standards Councils Meeting - 2 September 2022



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Agenda

- APESB's role and mandate
- Global Audit Regulation & Ethics
- APESB's Strategic Plan 2021-25
- Background to NAS & Fees Projects
- Non-assurance Services (NAS) project
- Fees Amending Standard
- Revisions to Quality Management for Firms that provide NAS
- Other APESB Projects
- Further information
- Q & A

APESB's role and mandate

- Established in 2006 as an independent standard setter to develop professional & ethical pronouncements for the three professional accounting bodies
- Previously professional and ethical pronouncements developed by the professional accounting bodies
- Members' compliance and discipline
- APESB's structure is globally unique
- A comprehensive suite of accounting professional pronouncements developed during the first decade of operations

APESB's role and mandate

- Influence international standards setting process:
 - IESBA's National Standards Setters group
 - Representation on the IESBA and IFAC Committees
- To date APESB has released 21 pronouncements consisting of 15 Standards and 6 Guidance Notes
- The critical role ethics plays in maintaining the public trust, reputation and good standing of the profession

Global Audit Regulation & Ethics

UK – Kingman and CMA Reviews, Brydon Report, FRC overhaul and Big 4 operational separation as a result:

- Carillion – KPMG faces £250m Official Receiver’s claim and FRC investigations ongoing
- BHS – PWC fined £6.5m. Auditor fined £325k and banned for 15 years

EU - Wirecard collapse in Germany 2020 – €1.9b fictitious assets, unqualified audit reports and alleged audit failures

USA – US SEC & PCAOB Independence and ethics breaches

- US\$ 100M fine for EY
- US\$ 450K fine for KPMG
 - CA ANZ undertaking review of Professional Conduct Framework

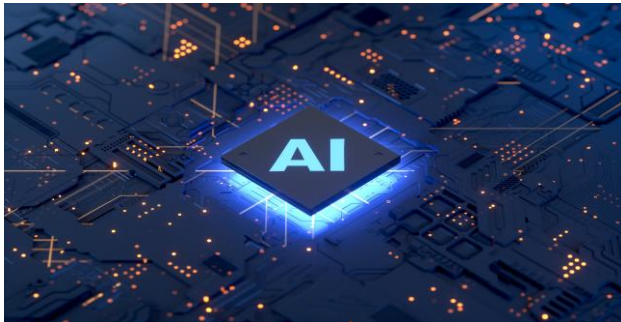


Strategy 2021-25

APESB Strategic Plan 2021-2025

We will promote professionalism and ethical behaviour and maximise the integrity of the accounting profession by

Standards	Engagement	Influence	Ethics Outreach
Issuing professional and ethical standards that are relevant to members of the Professional Accounting Bodies while serving the public interest	Effectively engaging our key stakeholders, including professional accountants, the public, government bodies, regulators and the Professional Accounting Bodies	Influencing and responding to the national and international agenda in relation to professional and ethical standards	Promoting that professionalism and ethical conduct drive the behaviour of accountants and conducting outreach activities in collaboration with key stakeholders



APESB Pronouncements being

readily known,

easily understood

and

***quickly bought into practice with a focus
on the SMP sector***

Applying APESB pronouncements in COVID-19
circumstances (October 2020)

Background to NAS and Fees Projects

- Code provides a strong foundation, but more work was needed to strengthen the Independence Standards for audits of public interest entities (PIEs):
 - Changing public expectations about auditor independence
 - Changes in laws, regulations and firm policies
 - Projects informed by research, public consultation & global outreach
- NAS and Fees projects were a key strategic priority of the IESBA
- NAS and Fees Projects were closely coordinated due to interrelated material/concepts

Non-assurance services project

Global audit quality issues and audit failures have driven strengthened NAS provisions
APESB has undertaken considerable work relative to the Australian environment:

- PJC Inquiry into the Regulation of Auditing
- Benchmarking including NZ developments
- Australian regulators' concerns

APES 110 NAS ED issued 1 July 2022 – comments due **7 October 2022**. Key revisions include:

- General self-review threat prohibition for Public Interest Entity (PIE) audit clients
- Improved communication with TCWG of PIEs
- Clarification on the relevance of materiality and removal of this as a qualifier in many cases
- Several new prohibitions predominantly related to PIEs
- Two options being considered to strengthen tax services

Fees Amending Standard

APESB issued the final Fees pronouncement in July 2022.

Key Revisions (include Aust revisions for PJC recommendations & regulator's request):

- Importance of the Audit fee as a standalone fee
- Fee dependency threshold for an Auditor of a PIE audit client set at 15% & 30% for Non-PIE audit client
- New requirements to assist TCWG and the public understand Firm's independence - may mean the auditor needs to disclose if the client does not disclose
- Requirement to review independence if audit referral source > 30% over a 5-year period
- Strengthening prohibitions on compensation of audit partners

Pronouncement to be effective from 1 January 2023.

Inclusion in the Code of categories of audit & non-audit services delayed to align with AASB project.

Revisions to Quality management for Firms that provide NAS

- Firm-wide quality control has been in place in Australia since 2005
- IAASB's new ISQM 1 issued in Dec 2020 – significant shift in requirements
- AUASB issued Australian equivalent ASQM 1 in Mar 2021 – applicable to assurance practices

APES 320 Quality Management for Firms that provide Non-Assurance Services issued in February 2022 and effective 1 January 2023.

Reissued standard specific for non-assurance services with:

- High-level alignment to ASQM 1 for hybrid firms
- Utilisation of extant requirements to minimise disruption especially for SMPs

What's new in the revised APES 320?

Revised scope to only apply to non-assurance services

Assurance-based terminology and requirements/application material removed

New, amended or removed definitions

1 new element and 5 partially new requirements

Human resources changed to resources

Information and communication

Appendix 2 demonstrates high-level alignment to ASQM 1

Other APESB projects

Project	High-level overview
<i>APES 110 Code of Ethics for Professional Accountants (including Independence Standards)</i>	<ul style="list-style-type: none">• Definitions of Listed Entity and Public Interest Entity Exposure Draft open for public comment by 28 October 2022.• Quality Management Conforming Amendments Amending Standard likely to be approved at the September 2022 APESB meeting.
<i>APES 215 Forensic Accounting Services</i>	<ul style="list-style-type: none">• Project proposal approved at the June 2022 APESB Meeting• Review of standard to ensure reflects current case decisions and current working practices• Draft exposure draft to be considered at the December 2022 Board meeting
<i>Sustainability</i>	<ul style="list-style-type: none">• Monitoring International developments• Working with key Australian stakeholders on approach for Australia

Other APESB domestic projects

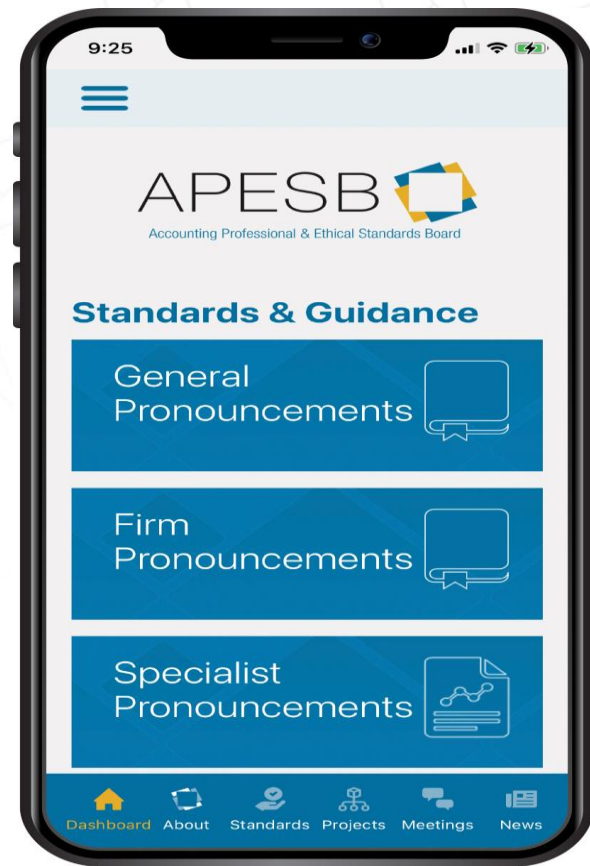
Project	High level overview
<i>Technology (Artificial Intelligence and digital technologies)</i>	<ul style="list-style-type: none">• Project underway to review APESB pronouncements to ensure they address technological developments• Will align with international developments in the Code of Ethics• Revisions are expected to be determined in 2022/23.

Further Information

For more information visit www.apesb.org.au

Follow the APESB [LinkedIn page](#) for timely updates,

To download APESB's mobile app:



Q & A ?