

Technical Alert

21 March 2023

APESB announces proposals to strengthen independence for Group Audits

The Accounting Professional and Ethical Standards Board (APESB) is seeking feedback on proposals to strengthen and clarify the independence requirements relating to the audits of group financial statements in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), including the independence requirements for component auditors, whether they are part of, or external to the group audit firm's network.

The proposed amendments to the Code are in response to changes made by the International Ethics Standards Board for Accountants (IESBA) to the IESBA Code. The changes also address different and evolving engagement team structures to clarify to whom independence requirements apply.

The key revisions in the exposure draft:

- Strengthen and clarify the independence principles that apply to individuals and firms in a group audit, including those that audit components and those outside the group auditor's firm network.
- Specify the communication required on independence matters between firms participating in the group audit.
- Outlines a process for breaches of an independence provision at a component auditor firm, which includes appropriate communication with those charged with governance of the group audit client.
- Amend the definitions of "engagement team" and "audit team" in the Code.
- Provide guidance to facilitate the determination of who is included in an engagement team or an audit team.
- Revise the definitions of several existing terms and establish newly defined terms for independence in a group audit context.

The Exposure Draft provides details of the proposed revisions and is available on the APESB website: www.apesb.org.au. Feedback on the proposed changes should be received by the APESB no later than **19 May 2023**.

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Technical Enquiries:

Mr Channa Wijesinghe
Chief Executive Officer
Email: channa.wijesinghe@apesb.org.au
Phone: 03 9642 4372