

Professional Standards update

CPA Australia Reporting Centre of Excellence

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Agenda

- Changing environment for PAIBs
- The IESBA Code
- APESB Standards
- The IESBA's new Technology Standard
- Fee-related provisions
- Non-Assurance Services provisions
- IESBA's Sustainability Projects

Changing Environment for PAIBs

Impact of AI and other disruptive technology

Evolving role of CFOs and senior PAIBs

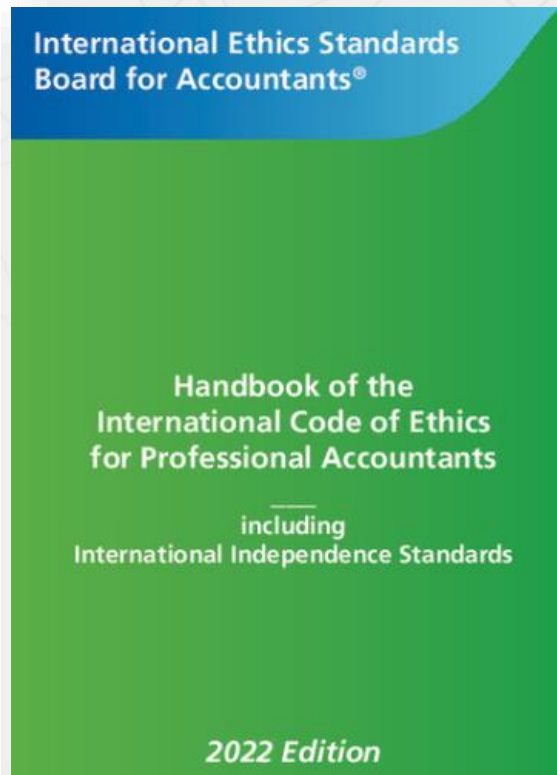
More than ever, professional accountants (PAs) must focus on ethics and their responsibility to act in the public interest

High profile corporate failures

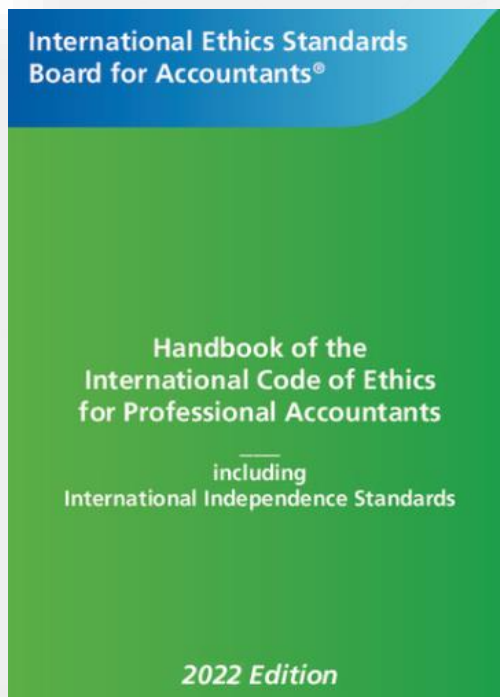
Market demand of sustainability information



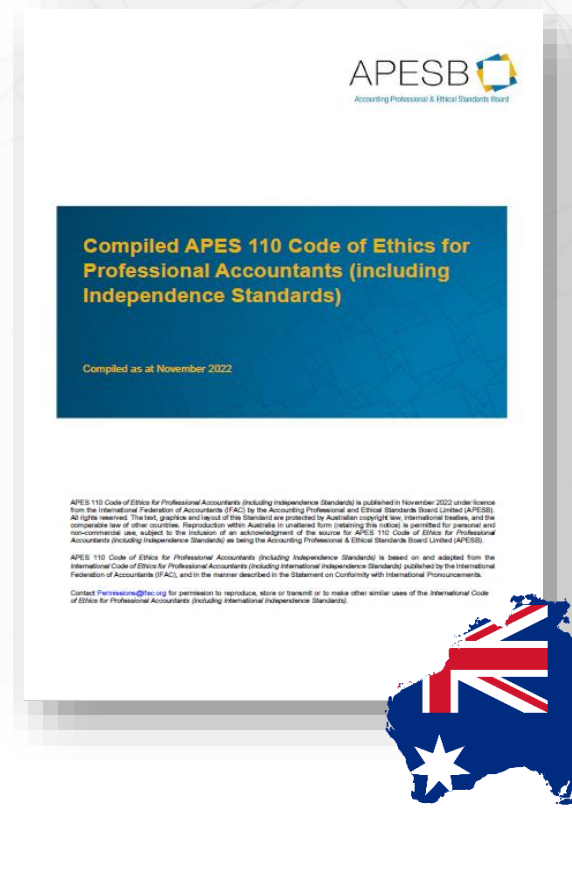
About the IESBA Code



About the IESBA Code



Full adoption of the IESBA Code by APESB in Australia



Building Blocks Architecture

PART 1

Complying with the Code, Fundamental Principles
and Conceptual Framework

(Sections 100 to 199)

(All Professional Accountants)

PART 2

Professional Accountants in
Business (PAIBs)

(Sections 200 to 299)

*(Part 2 is also applicable to
individuals PAPPs when performing
professional activities pursuant to
their relationship with the firm)*

PART 3

Professional Accountants
in Public Practice (PAPPs)

(Sections 300 to 399)

PARTS 4A & 4B

International
Independence
Standards

Part 4A—Independence for Audits & Reviews

(Sections
400 to 899)

Part 4B—Independence for Assurance
Engagements Other than Audit & Review
Engagements

(Sections
900 to 999)

GLOSSARY

(All Professional Accountants)

The IESBA Code

The Fundamental Principles (FPs)

Act with **INTEGRITY** – even when facing pressure to do otherwise

Uphold **OBJECTIVITY** – without being compromised by bias, conflicts of interest or undue influence of others or technology

Maintain **PROFESSIONAL COMPETENCE** required to exercise sound judgments **and DUE CARE**

Respect **CONFIDENTIALITY** of information – but consider circumstances in the light of the public interest

Demonstrate **PROFESSIONAL BEHAVIOR** – the profession's responsibility is to act in the public interest in all professional activities and business relationships

The **FPs** and other provisions in the **IESBA Code** provide relevant principles-based ethics standards for preparers of sustainability information, but there is a need for enhancements in certain areas (e.g., topics in orange)



APESB Standards for MIBs

General Pronouncements

- APES 205 *Conformity with Accounting Standards*
- APES 210 *Conformity with Auditing and Assurance Standards*

Specialist Pronouncements

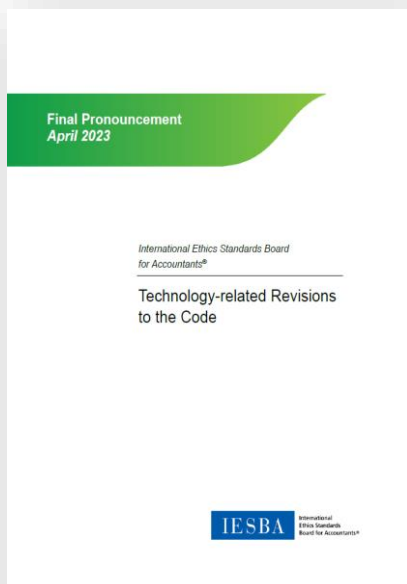
- APES 215 *Forensic Accounting Services*
- APES 220 *Taxation Services*
- APES 225 *Valuation Services*
- APES 230 *Financial Planning Services*

Guidance Notes

- GN 20 *Scope and Extent of Work for Valuation Services*
- GN 21 *Valuation Services for Financial Reporting*
- GN 40 *Ethical Conflicts in the Workplace for MIBs*
- GN 41 *Management Representations*

IESBA Responds to Pervasive Nature of Technology Disruptions

New technology related changes to the Code (April 2023)



- Draws attention to the **competence, confidentiality, & leadership** imperatives of the digital age
- Considers ethical threats from **use of technology & complexity** when exercising professional judgment
- Addresses the ethical dimension of **using output of technology**
- Strengthens **independence** provisions

Technology Working Group Phase 2 report (Nov 2022)



- Data used for AI training
- Transparency & Explainable AI; Data Governance, incl. Custody of Data
- Ethical Leadership & Decision-making
- Communication with TCWG
- Reliance on, or Use of, Experts
- Business Relationships
- Advocacy of the Code and development of non-authoritative guidance.

Complex Circumstances



Managing complexity involves:

Making the firm or employing organization and, if appropriate, relevant stakeholders aware of the inherent uncertainties or difficulties arising from the facts and circumstances.

Being alert to any developments or changes in the facts and circumstances and assessing whether they might impact any judgments the accountant has made.

Analyzing and investigating as relevant, any uncertain elements, the variables and assumptions and how they are connected or interdependent.


Using technology to analyze relevant data to inform the professional accountant's judgment.

Consulting with others, including experts, to ensure appropriate challenge and additional input as part of the evaluation process.

Rationale

- Recognizes the complexity arising from the dynamic technological innovations and increasing geopolitical interconnectedness facilitated by technology.

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the accountant has the ability, or has access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.
- The employing organization's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorizing user access to the technology and overseeing such use.



**Factors to
Consider When
a PA Intends to
Use the Output
of Technology**

Learn more:
*Technology-related
Revisions to the Code*

Technology-related Thought-leadership

Technology thought leadership series under theme [ethical leadership in an era of complexity and digital change](#):

- Paper 1, [Complexity and the Professional Accountant: Practical Guidance for Ethical Decision-Making](#)
- Paper 2, [Technology is a Double-Edged Sword](#)
- Paper 3, [Managing Bias and Mis/Disinformation](#)
- Paper 4, [Mindset and Enabling Skills](#)



- And a follow on publication entitled [Ethical Leadership in a Digital Era: Applying the IESBA Code to Selected Technology-related Scenarios](#).

Fees Revisions – effective 1 January 2023

Address threats created
by fees paid by the audit
client

New provisions re:
level of audit fees

Address issues re
proportion of fees paid
for services other than
audit to audit fees

Enhanced existing
provisions re: fee-
dependency (for all
audit clients)

Promote transparency
of fee-related
information for PIE
audit clients

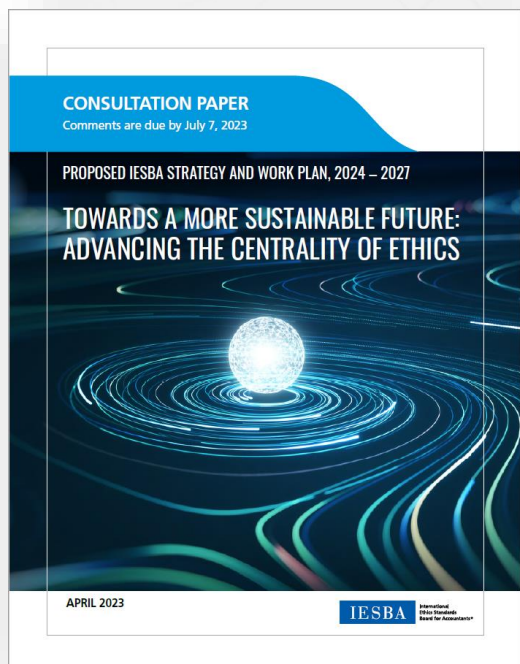
NAS Revisions – effective 1 July 2023

Introduction of **new self-review threat (SRT) prohibition** for PIE audit clients

New requirements for firm communication with those charged with governance (TCWG) for PIE audit clients

More clarifications to assist in the application of the conceptual framework to independence in identifying, evaluating and addressing threats created by providing a NAS to an audit client

IESBA Proposed Strategy and Work Plan 2024-2027



Ongoing and pre-committed

- Sustainability
- Use of experts
- Post-implementation reviews including NOCLAR and 2018 restructured Code

Potential new topics identified include:

- Role of CFOs & other senior PAIBs
 - Evolving roles of CFOs and senior PAIBs, including those in the public sector
 - Whether Parts 1 and 2 remain fit for purpose

Seek views from stakeholders (CP)
IESBA review of work stream status (Q4 2024)
Flexibility and agility (Entire period)

International Sustainability Standards Infrastructure

Sustainability Reporting and Assurance

Standardized approach for **reporting** information



Reliable, comparable and decision useful information

Reporting Standards

Standardized approach for providing independent **assurance**



Credible and trustworthy information

Assurance Standards

Ethical mindset and behaviors to guide judgments and drive actions



Trustworthy information that is factual and not misleading

IESBA – Ethics and Independence Standards

Sustainability Assurance

- IESBA developing ethics and independence standards for sustainability assurance irrespective of:
 - Whether the engagements are carried out by a professional accountant (PA) or other sustainability assurance provider (**profession-agnostic**)
 - The reporting and assurance frameworks used to prepare and assure sustainability information (**framework-neutral**)
- **Key premise:** The new standards to be equivalent to those that apply to audits of financial statements for sustainability assurance engagements of heightened public interest, i.e., where the sustainability information is:
 - Reported in accordance with a general purpose reporting framework
 - Publicly available to support decision-making by investors or other stakeholders, or is required to be provided by law or regulation

Sustainability Reporting

- IESBA also developing ethics standards for sustainability reporting
- Currently no call from the international regulatory community for IESBA to develop ethics standards for reporting that are profession-agnostic

Use of Experts

- Increasing use of experts
 - By organisations for the preparation and presentation of financial and non-financial information, including sustainability reporting
 - In audit and other assurance engagements, including sustainability assurance
- Public interest questions regarding ethics and independence expectations of experts
- IESBA developing ethics and independence standards regarding the use of experts
 - Being closely coordinated with development of ethics and independence standards for sustainability reporting and assurance



Q & A

Further Information

For more information visit www.apesb.org.au

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Purpose & Disclaimers

This set of PowerPoint slides has been developed by APESB Technical Staff and the IESBA Technical Staff on the Code, applicable standards and relevant proposals.

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