

# Proposed Technology-related revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

EXPOSURE DRAFT 05/23

ISSUED XXX 2023

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## Commenting on this Exposure Draft

This Exposure Draft, *Proposed Technology-related revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*, 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 16 October 2023.**

Comments should be addressed to:

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E-mail: [sub@apesb.org.au](mailto:sub@apesb.org.au)

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.

APESB also invites comments regarding these proposed amendments from small and medium-sized firms.

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 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. While APESB prefers formal submissions we also encourage opinions and comments to be sent via email to [sub@apesb.org.au](mailto:sub@apesb.org.au).

## 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 05/23

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).

The revisions strengthen the Code in guiding the mindset and behaviour of professional accountants in both business and public practice when they use technology. The enhanced guidance addresses key concerns related to fundamental principles such as professional competence and due care, confidentiality and complex circumstances arising from digital technology. Additionally, the amendments strengthen and provide greater clarity on independence, specifically in relation to technology-related non-assurance services provided to audit or assurance clients by firms and network firms.

## Key requirements and guidance in Exposure Draft 05/23

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

- Incorporating technology-related considerations into the fundamental principles of Professional Competence and Due Care and Confidentiality;
- New application material within Section 120 *The Conceptual Framework* on how to identify complex circumstances and manage such complexities.
- New requirements for professional accountants to exercise professional judgment when considering the use of output of technology (proposed paragraphs R220.8 and R320.11)
- New examples in Section 200 and Section 300 to assist in identifying and evaluating threats to the fundamental principles when professional accountants use technology;
- New guidance on factors and other considerations to consider when assessing the appropriateness of using the output of technology (proposed paragraphs 220.8 A1, 220.12 A4, 320.11 A1 and 320.12 A1).
- Provision of an extensive description of IT systems services, including design, development, implementation, operation, maintenance, monitoring, updating, upgrading, storing and managing of data (proposed paragraph 606.2 A1);
- Clarifying the prohibition and application material on assuming management responsibility when providing an IT systems service for an audit client (proposed paragraphs R606.3, 400.21 A1, 900.13 A4, 900.13 A5 and 900.14 A1);
- new examples for IT systems services that might create a self-review threat (proposed paragraph 606.4 A3).
- New examples of close business relationships arising from licensing arrangements of products and solutions (proposed paragraphs 520.3 A3 and 920.3 A3);
- Clarification that the NAS provisions in Section 600 apply when firms or network firms provide, sell, resell or license technology to audit clients (proposed paragraphs 600.6 and 520.7 A1);
- Additional guidance included to assist in identifying and evaluating threats created by providing NAS to an audit client (proposed paragraph 600.10 A2);
- Clarifications to application material on manual or automated accounting and bookkeeping services (proposed paragraphs 601.5 A2 and 601.5 A3); and
- Consequential amendments to internal paragraph references.

Stakeholders should not rely on this summary in the Exposure Draft to determine what changes, if any, are required to their current practices, policies or methodologies. Stakeholders should read the entire Exposure Draft to determine the significance of its proposals.

A marked-up version of ED 05/23 compared to the extant provisions in the Code can be found on APESB's website at: [\[Link to be included when ED is approved and released\]](#).

For further details in relation to the proposed amendments in this Exposure Draft, refer to the IESBA's Basis for Conclusions available on the IESBA's website: [www.ethicsboard.org](http://www.ethicsboard.org).

### **Proposed Operative Date**

It is proposed that the proposed revisions will be effective for engagements commencing on or after 1 January 2025. Early adoption of the revised Standard will be permitted.

# Technology-related revisions to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*

XXX 2023

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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, the role and mindset expected of **Members**, the objectivity of **Engagement Quality Reviewers** and other appropriate reviewers, the fee-related provisions, the quality management-related conforming amendments, the non-assurance services provisions, the revisions to the definition of **Engagement Team** and **Group Audit**, definitions of listed entity, ~~and~~ **Publicly Traded Entity** and **Public Interest Entity** and technology-related revisions apply as specified in the respective transitional provisions on page 66.

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

# GLOSSARY

**Confidential Information** Any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.

*Fundamental principles* *This term is described in paragraph 110.1 A1. Each of the fundamental principles is, in turn, described in the following paragraphs:*

- Integrity* R111.1
- Objectivity* R112.1
- Professional competence and due care* R113.1
- Confidentiality* R114.1 to R114.3
- Professional behaviour* R115.1

*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.*

*These terms are described in paragraph 120.5 A96.*

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



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

## SECTION 110

### THE FUNDAMENTAL PRINCIPLES

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#### General

*[Paragraphs 110.1 A1 to 110.2 A3 of extant Section 110 remain unchanged.]*

#### SUBSECTION 111 – INTEGRITY

*[Paragraphs R111.1 to R111.3 of extant Subsection 111 remain unchanged.]*

#### SUBSECTION 112 – OBJECTIVITY

*[Paragraphs R112.1 to R112.2 of extant Subsection 112 remain unchanged.]*

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

R113.1 A **Member** shall comply with the principle of professional competence and due care, which requires a **Member** to:

- (a) Attain and maintain professional knowledge and skills 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
- (b) Act diligently and in accordance with applicable technical and professional standards.

113.1 A1 Serving clients and employing organisations with professional competence ~~involves~~**requires** the exercise of sound judgement in applying professional knowledge and skills when undertaking **Professional Activities**.

113.1 A2 The knowledge and skills necessary for a Professional Activity vary depending on the nature of the activity being undertaken. For example, in addition to the application of any technical knowledge relevant to the Professional Activity, interpersonal, communication and organisational skills facilitate the Member's interaction with entities and individuals with whom the Member interacts.

113.1 A~~3~~**2** Maintaining professional competence requires a Member to have a continuing awareness and ~~an~~ understanding of ~~relevant~~ technical, professional, business and technology-related developments relevant to the Professional Activities undertaken by the Member. Continuing professional development enables a **Member** to develop and maintain the capabilities to perform competently within the professional environment.

113.1 A~~4~~<sup>3</sup> Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

R113.2 In complying with the principle of professional competence and due care, a Member shall take reasonable steps to ensure that those working in a professional capacity under the Member's authority have appropriate training and supervision.

R113.3 Where appropriate, a Member shall make clients, the employing organisation, or other users of the Member's Professional ~~Services or Activities~~, aware of the limitations inherent in the Professional ~~Services or Activities~~ and explain the implications of those limitations.

## SUBSECTION 114 – CONFIDENTIALITY

R114.1 A Member shall comply with the principle of confidentiality, which requires a Member to respect the confidentiality of information acquired in the course as a result of professional and business relationships. A Member shall:

- (a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an Immediate or a Close Family member;
- (b) Maintain confidentiality of information within the Firm or employing organisation;
- (c) Maintain confidentiality of information disclosed by a prospective client or employing organisation; and
- ~~(d) Not disclose confidential information acquired as a result of professional and business relationships outside the Firm or employing organisation without proper and specific authority, unless there is a legal or professional duty or right to disclose;~~
- ~~(e) Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the Member or for the advantage of a third party;~~
- ~~(f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after that relationship has ended; and~~
- ~~(g)~~(d) Take reasonable steps to ensure that personnel under the Member's control, and individuals from whom advice and assistance are obtained, comply with~~respect~~ the Member's duty of confidentiality.

114.1 A1 Maintaining the confidentiality of information acquired in the course of professional and business relationships involves the Member taking appropriate action to protect the confidentiality of such information in the course of its collection, use, transfer, storage or retention, dissemination and lawful destruction.

R114.2 Subject to paragraph R114.3, a Member shall not:

- ~~(a)~~ (d) ~~Not disclose~~ Confidential information acquired as a resultin the course of professional and business relationships ~~outside the Firm or employing organisation without proper and specific authority, unless there is a legal or professional duty or right to disclose;~~
- ~~(b)~~ (e) ~~Not u~~se Confidential information acquired in the course~~as a result~~ of professional and business relationships for the ~~personal~~ advantage of the

Member, the Firm, the employing organisation or ~~for the advantage of~~ a third party;

~~(c)~~ ~~Use or disclose any eConfidential iInformation~~, either acquired or received ~~in the course as a result~~ of a professional or business relationship, after that relationship has ended; and

~~(d)~~ Use or disclose information in respect of which the duty of confidentiality applies notwithstanding that that information has become publicly available, whether properly or improperly.

R114.3 As an exception to paragraph R114.2, a Member may disclose or use Confidential Information where:

(a) There is a legal or professional duty or right to do so; or

~~(h)~~(b) This is authorised by the client or any person with the authority to permit disclosure or use of the Confidential Information and this is not prohibited by law or regulation.

114.34 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the Member's client or employing organisation to the Member in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances where Members ~~are or~~ might be required or have the duty or right to disclose ~~eConfidential iInformation or when such disclosure might be appropriate:~~

(a) Disclosure is required by law or regulation, for example:

- (i) Production of documents or other provision of evidence in the course of legal proceedings; or
- (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and

~~(b) Disclosure is permitted by law and is authorised by the client or the employing organisation; and~~

~~(e)~~(b) There is a professional duty or right to disclose or use, when not prohibited by law or regulation:

- (i) To comply with the quality review of a Professional Body;
- (ii) To respond to an inquiry or investigation by a professional or regulatory body;
- (iii) To protect the professional interests of a Member in legal proceedings; or
- (iv) To comply with technical and professional standards, including ethics requirements.

AUST 114.34 A1.1 The circumstances described in paragraph 114.34 A1 do not take into account Australian legal and regulatory requirements. A Member considering disclosing ~~eConfidential iInformation~~ about a client or employer without their consent is advised to first obtain legal advice.

114.34 A2 In deciding whether to disclose or use ~~eConfidential iInformation~~, factors to consider, depending on the circumstances, include:

- Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the client or employing organisation ~~authorises~~consents ~~to~~ the disclosure or use of information by the Member.
- Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose or use, the information, include:

- Unsubstantiated facts.
- Incomplete information.
- Unsubstantiated conclusions.
- The proposed means~~type~~ of communication, the information~~and to whom it is addressed~~.
- Whether the parties to whom the information~~communication~~ is to be provided or access is to be granted~~addressed~~ are appropriate recipients.
- Any applicable law or regulation (including those governing privacy) in a jurisdiction where disclosure might take place and, if different, the jurisdiction where the Confidential Information originates.

114.3 A3 The circumstances in which a Firm or employing organisation seeks authorisation to use or disclose Confidential Information, include where the information is to be used for training purposes, in the development of products or technology, in research or as source material for industry or other benchmarking data or studies. Such authorisation might be general in its application (for example, in relation to use of the information for internal training purposes or quality enhancement initiatives). When obtaining the authorisation of the individual or entity that provided such information for use in specific circumstances, relevant considerations to be communicated (preferably in writing) might include:

- The nature of the information to be used or disclosed.
- The purpose for which the information is to be used or disclosed (for example, technology development, research or benchmarking data or studies).
- The individual or entity who will undertake the activity for which the information is to be used or disclosed.
- Whether the identity of the individual or entity that provided such information or any individuals or entities to which such information relates will be identifiable from the output of the activity for which the information is to be used or disclosed.

**R114.42** A Member shall continue to comply with the principle of confidentiality even after the end of the relationship between the Member and a client or employing organisation. When changing employment or acquiring a new client, the Member is entitled to use prior experience but shall not use or disclose any ~~e~~Confidential ~~i~~nformation acquired or received in the course~~as a result~~ of a professional or business relationship.

## SUBSECTION 115 – PROFESSIONAL BEHAVIOUR

*[Paragraphs R115.1 to 115.2 A1 of extant Subsection 115 remain unchanged.]*

## SECTION 120

### THE CONCEPTUAL FRAMEWORK

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#### 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 A96.

##### *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.

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.

120.5 A6 The circumstances in which Members carry out Professional Activities and the factors involved vary considerably in their range and complexity. The professional judgement exercised by Members might need to take into account the complexity arising from the compounding effect of the interaction between, and changes in, elements of the facts and circumstances that are uncertain and variables and assumptions that are interconnected or interdependent.

120.5 A7 Managing complexity involves:

- Making the Firm or employing organisation and, if appropriate, relevant stakeholders aware of the inherent uncertainties or difficulties arising from the facts and circumstances. (Ref: Para. R113.3)
- Being alert to any developments or changes in the facts and circumstances and assessing whether they might impact any judgements the Member has made. (Ref: Para. R120.5 to 120.5 A3, and R120.9 to 120.9 A2)

120.5 A8 Managing complexity might also involve:

- Analysing and investigating as relevant, any uncertain elements, the variables and assumptions and how they are connected or interdependent.
- Using technology to analyse relevant data to inform the Member's judgement.
- Consulting with others, including experts, to ensure appropriate challenge and additional input as part of the evaluation process.

### *Reasonable and Informed Third Party*

120.5 A96 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 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.

## Identifying Threats

*[Paragraphs R120.6 to 120.6 A4 of extant Section 120 remain unchanged.]*

## Evaluating Threats

*[Paragraphs R120.7 to 120.9 A2 of extant Section 120 remain unchanged.]*

## Addressing Threats

*[Paragraphs R120.10 to R120.11 of extant Section 120 remain 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:

- (a) ~~E~~ncourage and promote an ethics-based culture in their organisation, taking into account their position and seniority; and
- (b) Exhibit ethical behaviour in dealings with individuals with whom, and entities with which, the Members, the Firm or the employing organisation has a professional or business relationship.

*[Paragraph AUST 120.14 A1 of extant Section 120 remains unchanged.]*

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

*[Paragraphs 120.15 A1 to 120.16 A2 of extant Section 120 remain unchanged.]*



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

## SECTION 200

### APPLYING THE CONCEPTUAL FRAMEWORK – MEMBERS IN BUSINESS

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#### Introduction

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

#### Requirements and Application Material

##### General

**R200.5** A **Member** shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.

200.5 A1 A **Member** has a responsibility to further the legitimate objectives of the **Member's** employing organisation. The **Code** does not seek to hinder **Members** from fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles might be compromised.

200.5 A2 **Members** may promote the position of the employing organisation when furthering the legitimate goals and objectives of their employing organisation, provided that any statements made are neither false nor misleading. Such actions usually would not create an advocacy threat.

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 and exhibit ethical behaviour in dealings with individuals with whom, and entities with which, the Member or the employing organisation has a professional or business relationship 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”).

## Identifying Threats

200.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories that might create threats for a **Member** when undertaking a **Professional Activity**:

(a) Self-interest Threats:

- A **Member** holding a **Financial Interest** in, or receiving a loan or guarantee from, the employing organisation.
- A **Member** participating in incentive compensation arrangements offered by the employing organisation.
- A **Member** having access to corporate assets for personal use.
- A **Member** being offered a gift or special treatment from a supplier of the employing organisation.

(b) Self-review Threats:

- A **Member** determining the appropriate accounting treatment for a business combination after performing the feasibility study supporting the purchase decision.

(c) Advocacy Threats:

- A **Member** having the opportunity to manipulate information in a prospectus in order to obtain favourable financing.

(d) Familiarity Threats:

- A **Member** being responsible for the financial reporting of the employing organisation when an **Immediate** or **Close Family** member employed by the organisation makes decisions that affect the financial reporting of the organisation.
- A **Member** having a long association with individuals influencing business decisions.

(e) Intimidation Threats:

- A **Member** or **Immediate** or **Close Family** member facing the threat of dismissal or replacement over a disagreement about:
  - The application of an accounting principle.
  - The way in which financial information is to be reported.
- An individual attempting to influence the decision-making process of the **Member**, for example with regard to the awarding of contracts or the application of an accounting principle.

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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.

## Identifying Threats Associated with the Use of Technology

200.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a Member when undertaking a Professional Activity:

- Self-interest Threats

- The data available might not be sufficient for the effective use of the technology.
- The technology might not be appropriate for the purpose for which it is to be used.
- The Member might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

(Ref: Para. 230.2).

- Self-review Threats

- The technology was designed or developed using the knowledge, expertise or judgement of the Member or employing organisation.

## **Evaluating Threats**

200.7 A1 The conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an **Acceptable Level**.

200.7 A2 The **Member's** evaluation of the level of a threat is also impacted by the nature and scope of the **Professional Activity**.

200.7 A3 The **Member's** evaluation of the level of a threat might be impacted by the work environment within the employing organisation and its operating environment. For example:

- Leadership that stresses the importance of ethical behaviour and the expectation that employees will act in an ethical manner.
- Policies and procedures to empower and encourage employees to communicate ethics issues that concern them to senior levels of management without fear of retribution.
- Policies and procedures to implement and monitor the quality of employee performance.
- Systems of corporate oversight or other oversight structures and strong internal controls.
- Recruitment procedures emphasising the importance of employing high calibre competent personnel.
- Timely communication of policies and procedures, including any changes to them, to all employees, and appropriate training and education on such policies and procedures.
- Ethics and code of conduct policies.

200.7 A4 The Member's evaluation of the level of a threat associated with the use of technology might also be impacted by the work environment within the employing organisation and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.

- [Assessments of the quality and functionality of technology that are undertaken by a third-party.](#)
- [Training that is provided regularly to all relevant employees so they obtain and maintain the professional competence to sufficiently understand, use and explain the technology and its appropriateness for the purpose intended.](#)

*[Paragraph 200.7 A4 of extant Section 200 remains unchanged but is renumbered as paragraph 200.7 A5.]*

### **Addressing Threats**

*[Paragraphs 200.8 A1 to 200.8 A2 of extant Section 200 remain unchanged.]*

### **Communicating with Those Charged with Governance**

*[Paragraphs R200.9 to 200.10 A1 of extant Section 200 remain unchanged.]*

# SECTION 210

## CONFLICTS OF INTEREST

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### Introduction

*[Paragraphs 210.1 to 210.3 of extant Section 210 remain unchanged.]*

### Requirements and Application Material

#### General

*[Paragraph 210.4 of extant Section 210 remains unchanged.]*

210.4 A1 Examples of circumstances that might create a conflict of interest include:

- Serving in a management or governance position for two employing organisations and acquiring **eConfidential Information** from one organisation that might be used by the **Member** to the advantage or disadvantage of the other organisation.
- Undertaking a **Professional Activity** for each of two parties in a partnership, where both parties are employing the **Member** to assist them to dissolve their partnership.
- Preparing financial information for certain members of management of the **Member's** employing organisation who are seeking to undertake a management buy-out.
- Being responsible for selecting a vendor for the employing organisation when an **Immediate Family** member of the **Member** might benefit financially from the transaction.
- Serving in a governance capacity in an employing organisation that is approving certain investments for the company where one of those investments will increase the value of the investment portfolio of the **Member** or an **Immediate Family** member.

*[Paragraphs R210.5 to 210.9 A1 of extant Section 210 remain unchanged.]*

## SECTION 220

### PREPARATION AND PRESENTATION OF INFORMATION

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#### Introduction

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

#### Requirements and Application Material

##### General

*[Paragraphs 220.3 A1 to 220.4 A1 of extant Section 220 remain unchanged.]*

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

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

##### Using~~Relying on~~ the Work of Others

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

220.7 A1 Factors to consider when a Member intends to use~~in determining whether reliance on the work of~~ others ~~is reasonable~~ include:

- The reputation and expertise of, and resources available to, the other individual or organisation.
- Whether the other individual is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the other individual or organisation.

##### Using the Output of Technology

**R220.8** A Member who intends to use the output of technology, whether that technology was developed internally or provided by third parties, shall exercise professional judgement to determine the appropriate steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.

220.8 A1 Factors to consider when a Member intends to use the output of technology include:

- 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 Member 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 organisation'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 authorising user access to the technology and overseeing such use.
- The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.

### **Addressing Information that Is or Might be Misleading**

*[Paragraphs R220.8 to 220.9 A1 of extant Section 220 remain unchanged but are renumbered as paragraphs R220.9 to 220.10 A1.]*

### **Documentation**

*[Paragraph 220.10 A1 of extant Section 220 remains unchanged but is renumbered as paragraph 220.11 A1.]*

### **Other Considerations**

220.12~~4~~ A1 Where threats to compliance with the fundamental principles relating to the preparation or presentation of information arise from a **Financial Interest**, including compensation and incentives linked to financial reporting and decision making, the requirements and application material set out in Section 240 apply.

220.12~~4~~ A2 Where the misleading information might involve non-compliance with laws and regulations ("NOCLAR"), the requirements and application material set out in Section 260 apply.

220.12~~4~~ A3 Where threats to compliance with the fundamental principles relating to the preparation or presentation of information arise from pressure, the requirements and application material set out in Section 270 apply.

220.12 A4 When a Member is considering using the work of others or the output of technology, a consideration is whether the Member is in a position within the employing organisation to obtain information in relation to the factors necessary to determine whether such use is appropriate.

# SECTION 240

## FINANCIAL INTERESTS, COMPENSATION AND INCENTIVES LINKED TO FINANCIAL REPORTING AND DECISION MAKING

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### Introduction

*[Paragraphs 240.1 to 240.2 of extant Section 240 remain unchanged.]*

### Requirements and Application Material

#### General

**R240.3** A **Member** shall not manipulate information or use **eConfidential Information** for personal gain or for the financial gain of others.

*[Paragraphs 240.3 A1 to 240.3 A4 of extant Section 240 remain unchanged.]*



# SECTION 260

## RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

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### Introduction

*[Paragraphs 260.1 to 260.3 of extant Section 260 remain unchanged.]*

### Objectives of the Member in Relation to NOCLAR

*[Paragraph 260.4 of extant Section 260 remains 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

*[Paragraphs R260.9 to R260.10 of extant Section 260 remain unchanged.]*

#### Responsibilities of Senior Members in Business

*[Paragraphs 260.11 A1 to 260.19 A1 of extant Section 260 remain unchanged.]*

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

*[Paragraphs 260.20 A1 to 260.20 A3 of extant Section 260 remain unchanged.]*

**R260.21** If the senior **Member in Business** determines that disclosure of the matter to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.31(d) of the Code. When making such disclosure, the **Member** shall act in good faith and exercise caution when making statements and assertions.

#### *Imminent Breach*

**R260.22** In exceptional circumstances, the senior **Member in Business** might become aware of actual or intended conduct that the **Member** has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or **Those Charged with Governance** of the employing organisation, the **Member** shall exercise professional judgement and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such

imminent breach. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.31(d) of the Code.

*[Paragraph 260.23 A1 of extant Section 260 remains unchanged.]*

#### **Responsibilities of Members Other than Senior Members in Business**

*[Paragraphs R260.24 to R260.25 of extant Section 260 remain unchanged.]*

**R260.26** In exceptional circumstances, the Member may determine that disclosure of the matter to an appropriate authority is an appropriate course of action. If the Member does so pursuant to paragraphs 260.20 A2 and A3, that disclosure is permitted pursuant to paragraph R114.31(d) of the Code. When making such disclosure, the Member shall act in good faith and exercise caution when making statements and assertions.

#### **Documentation**

*[Paragraph 260.27 A1 of extant Section 260 remains unchanged.]*

# PART 3 – MEMBERS IN PUBLIC PRACTICE

## SECTION 300

### APPLYING THE CONCEPTUAL FRAMEWORK – MEMBERS IN PUBLIC PRACTICE

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#### Introduction

*[Paragraphs 300.1 to 300.3 of extant Section 300 remain unchanged.]*

#### Requirements and Application Material

##### General

**R300.4** A **Member in Public Practice** shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.

**R300.5** When dealing with an ethics issue, the **Member in Public Practice** shall consider the context in which the issue has arisen or might arise. Where an individual who is a **Member in Public Practice** is performing **Professional Activities** pursuant to the **Member’s** relationship with the **Firm**, whether as a contractor, employee or owner, the individual shall comply with the provisions in Part 2 that apply to these circumstances.

300.5 A1 Examples of situations in which the provisions in Part 2 apply to a **Member in Public Practice** include:

- Facing a conflict of interest when being responsible for selecting a vendor for the **Firm** when an **Immediate Family** member of the **Member** might benefit financially from the contract. The requirements and application material set out in Section 210 apply in these circumstances.
- Preparing or presenting financial information for the **Member’s** client or **Firm**. The requirements and application material set out in Section 220 apply in these circumstances.
- Being offered an **Inducement** such as being regularly offered complimentary tickets to attend sporting events by a supplier of the **Firm**. The requirements and application material set out in Section 250 apply in these circumstances.
- Facing pressure from an **Engagement Partner** to report chargeable hours inaccurately for a client engagement. The requirements and application material set out in Section 270 apply in these circumstances.

300.5 A2 The more senior the position of a Member in Public Practice, 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 Firm. To the extent that they are able to do so, taking into account their position and seniority in the Firm, Members are expected to encourage and promote an ethics-based culture in the Firm and exhibit ethical behaviour in dealings with individuals with whom, and entities with which, the Member or the Firm has a

[professional or business relationship 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.](#)
- [Firm processes and performance evaluation and reward criteria that promote an ethical culture.](#)
- [Ethics and whistleblowing policies.](#)
- [Policies and procedures designed to prevent non-compliance with laws and regulations \(“NOCLAR”\).](#)

## Identifying Threats

300.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories of threats that might create threats for a [Member in Public Practice](#) when undertaking a [Professional Service](#):

(a) Self-interest Threats:

- A [Member](#) having a [Direct Financial Interest](#) in a client.
- A [Member](#) quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the [Professional Service](#) in accordance with applicable technical and professional standards for that price.
- A [Member](#) having a close business relationship with a client.
- A [Member](#) having access to [eConfidential iInformation](#) that might be used for personal gain.
- A [Member](#) discovering a significant error when evaluating the results of a previous [Professional Service](#) performed by a member of the [Member’s Firm](#).

(b) Self-review Threats:

- A [Member](#) issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems.
- A [Member](#) having prepared the original data used to generate records that are the subject matter of the [Assurance Engagement](#).

(c) Advocacy Threats:

- A [Member](#) promoting the interests of, or shares in, a client.
- A [Member](#) acting as an advocate on behalf of a client in litigation or disputes with third parties.
- A [Member](#) lobbying in favour of legislation on behalf of a client.

(d) Familiarity Threats:

- A [Member](#) having a [Close or Immediate Family](#) member who is a [Director](#) or [Officer](#) of the client.
- A [Director](#) or [Officer](#) of the client, or an employee in a position to exert significant influence over the subject matter of the engagement, having recently served as the [Engagement Partner](#).
- An [Audit Team](#) member having a long association with the [Audit Client](#).

- An individual who is being considered to serve as an appropriate reviewer, as a safeguard to address a threat, having a close relationship with an individual who performed the work.
- (e) Intimidation Threats:
- A **Member** being threatened with dismissal from a client engagement or the **Firm** because of a disagreement about a professional matter.
  - A **Member** feeling pressured to agree with the judgement of a client because the client has more expertise on the matter in question.
  - A **Member** being informed that a planned promotion will not occur unless the **Member** agrees with an inappropriate accounting treatment.
  - A **Member** having accepted a significant gift from a client and being threatened that acceptance of this gift will be made public.

### Identifying Threats Associated with the Use of Technology

300.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a Member in Public Practice when undertaking a Professional Activity:

- Self-interest Threats

- The data available might not be sufficient for the effective use of the technology.
- The technology might not be appropriate for the purpose for which it is to be used.
- The Member might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

(Ref: Para. 230.2).

- Self-review Threats

- The technology was designed or developed using the knowledge, expertise or judgement of the Member or the Firm.

### **Evaluating Threats**

300.7 A1 The conditions, policies and procedures described in paragraph 120.6 A1 and 120.8 A2 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an **Acceptable Level**. Such conditions, policies and procedures might relate to:

- (a) The client and its operating environment; and
- (b) The **Firm** and its operating environment.

300.7 A2 The **Member in Public Practice's** evaluation of the level of a threat is also impacted by the nature and scope of the **Professional Service**.

#### *The Client and its Operating Environment*

300.7 A3 The **Member in Public Practice's** evaluation of the level of a threat might be impacted by whether the client is:

- (a) An **Audit Client** and whether the **Audit Client** is a **Public Interest Entity**;

- (b) An Assurance Client that is not an Audit Client; or
- (c) A non-assurance client.

For example, providing a non-assurance service to an Audit Client that is a Public Interest Entity might be perceived to result in a higher level of threat to compliance with the principle of objectivity with respect to the audit.

300.7 A4 The corporate governance structure, including the leadership of a client might promote compliance with the fundamental principles. Accordingly, a Member in Public Practice's evaluation of the level of a threat might also be impacted by a client's operating environment. For example:

- The client requires appropriate individuals other than management to ratify or approve the appointment of a Firm to perform an engagement.
- The client has competent employees with experience and seniority to make managerial decisions.
- The client has implemented internal procedures that facilitate objective choices in tendering non-assurance engagements.
- The client has a corporate governance structure that provides appropriate oversight and communications regarding the Firm's services.

#### *The Firm and its Operating Environment*

300.7 A5 A Member in Public Practice's evaluation of the level of a threat might be impacted by the work environment within the Member's Firm and its operating environment. For example:

- Leadership of the Firm that promotes compliance with the fundamental principles and establishes the expectation that Assurance Team members will act in the public interest.
- Policies or procedures for establishing and monitoring compliance with the fundamental principles by all personnel.
- Compensation, performance appraisal and disciplinary policies and procedures that promote compliance with the fundamental principles.
- Management of the reliance on revenue received from a single client.
- The Engagement Partner having authority within the Firm for decisions concerning compliance with the fundamental principles, including any decisions about accepting or providing services to a client.
- Educational, training and experience requirements.
- Processes to facilitate and address internal and external concerns or complaints.

300.7 A6 The Member in Public Practice's evaluation of the level of a threat associated with the use of technology might also be impacted by the work environment within the Member's Firm and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.
- Assessments of the quality and functionality of technology that are undertaken by a third-party.
- Training that is provided regularly to all relevant employees so they obtain and maintain the professional competence to sufficiently understand, use and explain the technology and its appropriateness for the purpose intended.

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

300.7 A76 New information or changes in facts and circumstances might:

- (a) Impact the level of a threat; or
- (b) Affect the **Member in Public Practice's** conclusions about whether safeguards applied continue to address identified threats as intended.

In these situations, actions that were already implemented as safeguards might no longer be effective in addressing threats. Accordingly, the application of the conceptual framework requires that the **Member** re-evaluate and address the threats accordingly. (Ref: Paras. R120.9 and R120.10).

300.7 A87 Examples of new information or changes in facts and circumstances that might impact the level of a threat include:

- When the scope of a **Professional Service** is expanded.
- When the client becomes a **Publicly Traded Entity** or acquires another business unit.
- When the **Firm** merges with another **Firm**.
- When the **Member in Public Practice** is jointly engaged by two clients and a dispute emerges between the two clients.
- When there is a change in the **Member in Public Practice's** personal or **Immediate Family** relationships.

*[Paragraphs 300.8 A1 to 300.10 A1 of extant Section 300 remain unchanged.]*

## SECTION 310

### CONFLICTS OF INTEREST

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#### Introduction

*[Paragraphs 310.1 to 310.3 of extant Section 310 remain unchanged.]*

#### Requirements and Application Material

##### General

*[Paragraph R310.4 of extant Section 310 remains unchanged.]*

310.4 A1 Examples of circumstances that might create a conflict of interest include:

- Providing a transaction advisory service to a client seeking to acquire an **Audit Client**, where the **Firm** has obtained **Confidential Information** during the course of the audit that might be relevant to the transaction.
- Providing advice to two clients at the same time where the clients are competing to acquire the same company and the advice might be relevant to the parties' competitive positions.
- Providing services to a seller and a buyer in relation to the same transaction.
- Preparing valuations of assets for two parties who are in an adversarial position with respect to the assets.
- Representing two clients in the same matter who are in a legal dispute with each other, such as during divorce proceedings, or the dissolution of a partnership.
- In relation to a license agreement, providing an assurance report for a licensor on the royalties due while advising the licensee on the amounts payable.
- Advising a client to invest in a business in which, for example, the spouse of the **Member in Public Practice** has a **Financial Interest**.
- Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a major competitor of the client.
- Advising a client on acquiring a business which the **Firm** is also interested in acquiring.
- Advising a client on buying a product or service while having a royalty or commission agreement with a potential seller of that product or service.

##### Conflict Identification

###### General

*[Paragraphs R310.5 to 310.5 A3 of extant Section 310 remain unchanged.]*

###### Changes in Circumstances

*[Paragraphs R310.6 to 310.6 A1 of extant Section 310 remain unchanged.]*



## Network Firms

*[Paragraphs R310.7 to 310.7 A1 of extant Section 310 remain unchanged.]*

### Threats Created by Conflicts of Interest

*[Paragraph 310.8 A1 of extant Section 310 remains unchanged.]*

310.8 A2 Factors that are relevant in evaluating the level of a threat created by a conflict of interest include measures that prevent unauthorised disclosure of eConfidential Information when performing Professional Services related to a particular matter for two or more clients whose interests with respect to that matter are in conflict. These measures include:

- The existence of separate practice areas for specialty functions within the Firm, which might act as a barrier to the passing of confidential client information between practice areas.
- Policies and procedures to limit access to client files.
- Confidentiality agreements signed by personnel and partners of the Firm.
- Separation of eConfidential Information physically and electronically.
- Specific and dedicated training and communication.

*[Paragraph 310.8 A3 of extant Section 310 remains unchanged.]*

### Disclosure and Consent

#### General

*[Paragraphs R310.9 to 310.9 A4 of extant Section 310 remain unchanged.]*

#### When Explicit Consent is Refused

*[Paragraph R310.10 of extant Section 310 remains unchanged.]*

### Confidentiality

#### General

*[Paragraphs R310.11 to 310.11 A1 of extant Section 310 remain unchanged.]*

#### When Disclosure to Obtain Consent would Breach Confidentiality

**R310.12 When making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality, and such consent cannot therefore be obtained, the Firm shall only accept or continue an engagement if:**

- (a) The Firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter;
- (b) Specific measures are in place to prevent disclosure of eConfidential Information between the Engagement Teams serving the two clients; and
- (c) The Firm is satisfied that a reasonable and informed third party would be likely to conclude that it is appropriate for the Firm to accept or continue the engagement because a restriction on the Firm's ability to provide the Professional Service would produce a disproportionate adverse outcome for the clients or other relevant third parties.

310.12 A1 A breach of confidentiality might arise, for example, when seeking consent to perform:

- A transaction-related service for a client in a hostile takeover of another client of the Firm.
- A forensic investigation for a client regarding a suspected fraud, where the Firm has ~~Confidential~~ information from its work for another client who might be involved in the fraud.

*[Paragraph R310.13 of extant Section 310 remains unchanged.]*

# SECTION 320

## PROFESSIONAL APPOINTMENTS

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### Introduction

*[Paragraphs 320.1 to AUST 320.2.1 of extant Section 320 remain unchanged.]*

### Requirements and Application Material

#### Client and Engagement Acceptance

*[Paragraphs 320.3 A1 to 320.3 A5 of extant Section 320 remain unchanged.]*

#### Changes in a Professional Appointment

*[Paragraphs R320.4 to 320.7 A1 of extant Section 320 remain unchanged.]*

320.7 A2 Circumstances where a **Member in Public Practice** is or might be required to disclose **Confidential Information**, or when disclosure might be appropriate, are set out in paragraph 114.34 A1 of the Code.

*[Paragraph R320.8 of extant Section 320 remains unchanged.]*

#### Client and Engagement Continuance

*[Paragraphs R320.9 to 320.9 A1 of extant Section 320 remain unchanged.]*

#### Using the Work of an Expert

**R320.10** When a **Member in Public Practice** intends to use the work of an expert in the course of undertaking a Professional Activity, the **Member** shall determine whether the use is appropriate for the intended purpose ~~warranted~~.

320.10 A1 Factors to consider when a **Member in Public Practice** intends to use the work of an expert include:

- ~~The reputation and expertise of the expert, and~~ the resources available to the expert, ~~and~~
- Whether the expert is subject to applicable professional and ethics standards, ~~applicable to the expert.~~

~~Such~~This information might be gained from prior association with ~~the expert~~ or from consulting others about, the expert.

#### Using the Output of Technology

**R320.11** When a Member in Public Practice intends to use the output of technology in the course of undertaking a Professional Activity, the Member shall determine whether the use is appropriate for the intended purpose.

320.11 A1 Factors to consider when a Member in Public Practice intends to use the output of technology include:

- 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 Member has the ability, or 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 Firm'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 authorising user access to the technology and overseeing such use.
- The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.

#### **Other Considerations**

320.12 A1 When a Member in Public Practice is considering using the work of experts or the output of technology, a consideration is whether the Member is in a position within the Firm to obtain information in relation to the factors necessary to determine whether such use is appropriate.

# SECTION 360

## RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

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### Introduction

*[Paragraphs 360.1 to 360.3 of extant Section 360 remain unchanged.]*

### Objectives of the Member in Public Practice in Relation to NOCLAR

*[Paragraph 360.4 of extant Section 360 remains 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 remains unchanged.]*

#### Audits of Financial Statements

*[Paragraphs R360.10 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 A3 of extant Section 360 remain unchanged.]*

**R360.26** If the **Member in Public Practice** determines that disclosure of the NOCLAR or suspected NOCLAR to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.31(d) of the **Code**. When making such disclosure, the **Member** shall act in good faith and exercise caution when making statements and assertions. The **Member** shall also consider whether it is appropriate to inform the client of the **Member's** intentions before disclosing the matter.

#### *Imminent Breach*

**R360.27** In exceptional circumstances, the **Member in Public Practice** might become aware of actual or intended conduct that the **Member** has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or **Those Charged with Governance** of the entity, the **Member** shall exercise professional judgement and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such

imminent breach. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.31(d) of the Code.

*[Paragraphs R360.28 to 360.28 A1 of extant Section 360 remain unchanged.]*

#### **Professional Services Other than Audits of Financial Statements**

*[Paragraphs R360.29 to 360.35 A1 of extant Section 360 remain unchanged.]*

*Considering Whether Further Action Is Needed*

*[Paragraphs R360.36 to 360.36 A3 of extant Section 360 remain unchanged.]*

**R360.37** If the **Member in Public Practice** determines that disclosure of the NOCLAR or suspected NOCLAR to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.31(d) of the Code. When making such disclosure, the **Member** shall act in good faith and exercise caution when making statements and assertions. The **Member** shall also consider whether it is appropriate to inform the client of the **Member's** intentions before disclosing the matter.

*Imminent Breach*

**R360.38** In exceptional circumstances, the **Member in Public Practice** might become aware of actual or intended conduct that the **Member** has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or **Those Charged with Governance** of the entity, the **Member** shall exercise professional judgement and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.31(d) of the Code.

*[Paragraphs 360.39 A1 to 360.40 A1 of extant Section 360 remain unchanged.]*

# PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

## SECTION 400

### APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

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#### Introduction

##### General

*[Paragraphs 400.1 to 400.7 of extant Section 400 remain unchanged.]*

##### Engagement Team and Audit Team

*[Paragraphs 400.8 to 400.12 of extant Section 400 remain unchanged.]*

##### Public Interest Entities

*[Paragraphs 400.13 to 400.15 of extant Section 400 remain unchanged.]*

##### Reports that Include a Restriction on Use and Distribution

*[Paragraph 400.16 of extant Section 400 remains unchanged.]*

##### Assurance Engagements Other than Audit and Review Engagements

*[Paragraph 400.17 of extant Section 400 remains unchanged.]*

#### Requirements and Application Material

##### General

*[Paragraphs R400.18 to AUST R400.19.1 of extant Section 400 remain unchanged.]*

##### Prohibition on Assuming Management Responsibilities

**R400.2013** A Firm or a Network Firm shall not assume a management responsibility for an Audit Client.

400.2013 A1 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

400.2013 A2 When a Firm or a Network Firm assumes a management responsibility for an Audit Client, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might also create an advocacy threat because the Firm or Network Firm becomes too closely aligned with the views and interests of management.

400.20~~13~~ A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgement. Examples of activities that would be considered a management responsibility include:

- Setting policies and strategic direction.
- Hiring or dismissing employees.
- Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
- Authorising transactions.
- Controlling or managing bank accounts or investments.
- Deciding which recommendations of the Firm or Network Firm or other third parties to implement.
- Reporting to Those Charged with Governance on behalf of management.
- Taking responsibility for:
  - The preparation and fair presentation of the Financial Statements in accordance with the applicable financial reporting framework.
  - Designing, implementing, monitoring or maintaining internal control.

400.20~~13~~ A4 Subject to compliance with paragraph R400.21~~14~~, providing advice and recommendations to assist the management of an Audit Client in discharging its responsibilities is not assuming a management responsibility. The provision of advice and recommendations to an Audit Client might create a self-review threat and is addressed in Section 600.

**R400.21~~14~~** When performing a Professional Activity for an Audit Client, the Firm shall be satisfied that client management makes all judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:
  - (i) The objectives, nature and results of the activities; and
  - (ii) The respective client and Firm or Network Firm responsibilities.However, the individual is not required to possess the expertise to perform or re-perform the activities.
- (b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client's purpose.
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

[400.21 A1 When technology is used in performing a Professional Activity for an Audit Client, the requirements in paragraphs R400.20 and R400.21 apply regardless of the nature or extent of such use of the technology.](#)

## Public Interest Entities

*[Paragraphs R400.22 to R400.26 of extant Section 400 remain unchanged.]*



**Related Entities**

*[Paragraph R400.27 of extant Section 400 remains unchanged.]*

*[Paragraphs R400.28 to 400.29 are intentionally left blank.]*

*[Paragraphs R400.30 to R400.89 of extant Section 400 remain unchanged.]*

## SECTION 520

### BUSINESS RELATIONSHIPS

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#### Introduction

*[Paragraphs 520.1 to 520.2 of extant Section 520 remain unchanged.]*

#### Requirements and Application Material

##### General

520.3 A1 This section contains references to the “materiality” of a [Financial Interest](#) and the “significance” of a business relationship. In determining whether such a [Financial Interest](#) is material to an individual, the combined net worth of the individual and the individual’s [Immediate Family](#) members may be taken into account.

520.3 A2 Examples of a close business relationship arising from a commercial relationship or common [Financial Interest](#) include:

- Having a [Financial Interest](#) in a joint venture with either the client or a controlling owner, [Director](#) or [Officer](#) or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the [Firm](#) or a [Network Firm](#) with one or more services or products of the client and to market the package with reference to both parties.
- ~~Distribution or marketing a~~ [Arrangements under which the Firm or a Network Firm sells, resells, distributes or markets the client’s products or services, or the client sells, resells, distributes or markets the Firm’s or a Network Firm’s products or services.](#)
- [Arrangements under which the Firm or a Network Firm develops jointly with the client, products or solutions which one or both parties sell or license to third parties.](#)

[520.3 A3 An example that might create a close business relationship, depending on the facts and circumstances, is an arrangement under which the Firm or a Network Firm licenses products or solutions to or from a client.](#)

##### Firm, Network Firm, Audit Team Member or Immediate Family Business Relationships

*[Paragraphs R520.4 to 520.4 A1 of extant Section 520 remain unchanged.]*

##### Common Interests in Closely-Held Entities

*[Paragraph R520.5 of extant Section 520 remains unchanged.]*

##### Buying Goods or Services

520.6 A1 The purchase of goods and services, [including the licensing of technology](#) from an [Audit Client](#) by a [Firm](#), a [Network Firm](#), an [Audit Team](#) member, or any of that individual’s [Immediate Family](#) does not usually create a threat to [Independence](#) if the transaction is in the normal course of business and at arm’s length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.

520.6 A2 Examples of actions that might eliminate such a self-interest threat include:

- Eliminating or reducing the magnitude of the transaction.
- Removing the individual from the [Audit Team](#).

**Providing, Selling, Reselling or Licensing Technology**

520.7 A1 Where a Firm or a Network Firm provides, sells, resells or licenses technology:

(a) To an Audit Client; or

(b) To an entity that provides services using such technology to Audit Clients of the Firm or Network Firm.

depending on the facts and circumstances, the requirements and application material in Section 600 apply.

## SECTION 600

### PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

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#### Introduction

- 600.1 [Firms](#) are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to [Independence](#).
- 600.2 [Firms](#) and [Network Firms](#) might provide a range of non-assurance services to their [Audit Clients](#), consistent with their skills and expertise. Providing non-assurance services to [Audit Clients](#) might create threats to compliance with the fundamental principles and threats to [Independence](#).
- 600.3 This section sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to [Independence](#) when providing non-assurance services to [Audit Clients](#). The subsections that follow set out specific requirements and application material that are relevant when a [Firm](#) or a [Network Firm](#) provides certain types of non-assurance services to [Audit Clients](#) and indicate the types of threats that might be created as a result.
- 600.4 Some subsections include requirements that expressly prohibit a [Firm](#) or a [Network Firm](#) from providing certain services to an [Audit Client](#) because the threats created cannot be eliminated and safeguards are not capable of being applied to reduce the threats to an [Acceptable Level](#).
- 600.5 New business practices, the evolution of financial markets and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that [Firms](#) and [Network Firms](#) might provide to an [Audit Client](#). The conceptual framework and the general provisions in this section apply when a [Firm](#) proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.
- [600.6 The requirements and application material in this section apply where a Firm or a Network Firm:](#)
- [\(a\) Uses technology to provide a non-assurance service to an Audit Client; or](#)
  - [\(b\) Provides, sells, resells or licenses technology resulting in the provision of a non-assurance service by the Firm or a Network Firm:](#)
    - [\(i\) To an Audit Client; or](#)
    - [\(ii\) To an entity that provides services using such technology to Audit Clients of the Firm or Network Firm.](#)

#### Requirements and Application Material

##### General

*Non-Assurance Services Provisions in Laws or Regulations*

*[Paragraph 600.6 A1 of extant Section 600 remain unchanged but are renumbered as paragraphs 600.7 A1.]*

### *Risk of Assuming Management Responsibilities when Providing a Non-Assurance Service*

600.87 A1 When a Firm or a Network Firm provides a non-assurance service to an Audit Client, there is a risk that the Firm or Network Firm will assume a management responsibility unless the Firm or Network Firm is satisfied that the requirements in paragraph R400.2144 have been complied with.

### *Accepting an Engagement to Provide a Non-Assurance Service*

*[Paragraph R600.8 of extant Section 600 remain unchanged but are renumbered as paragraphs R600.9.]*

### *Identifying and Evaluating Threats*

#### All Audit Clients

600.109 A1 A description of the categories of threats that might arise when a Firm or a Network Firm provides a non-assurance service to an Audit Client is set out in paragraph 120.6 A3.

600.109 A2 Factors that are relevant in identifying the different threats that might be created by providing a non-assurance service to an Audit Client, and evaluating the level of such threats include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a Public Interest Entity.
- The level of expertise of the client's management and employees with respect to the type of service provided.
- The extent to which the client determines significant matters of judgement. (Ref: Para. R400.2043 to R400.2144).
- Whether the outcome of the service will affect the accounting records or matters reflected in the Financial Statements on which the Firm will express an Opinion, and, if so:
  - The extent to which the outcome of the service will have a material effect on the Financial Statements.
  - The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the Financial Statements.
- The nature and extent of the impact of the service, if any, on the systems that generate information that forms a significant part of the client's:
  - Accounting records or Financial Statements on which the Firm will express an Opinion.
  - Internal controls over financial reporting.
- The degree of reliance that will be placed on the outcome of the service as part of the audit.
- The fee relating to the provision of the non-assurance service.

600.109 A3 Subsections 601 to 610 include examples of additional factors that are relevant in identifying threats to **Independence** created by providing certain non-assurance services, and evaluating the level of such threats.

*[Paragraphs 600.10 A1 to 600.10 A2 of extant Section 600 remain unchanged but are renumbered as paragraphs 600.11 A1 to 600.11 A2.]*

Providing advice and recommendations

600.124 A1 Providing advice and recommendations might create a self-review threat. Whether providing advice and recommendations creates a self-review threat involves making the determination set out in paragraph R600.154. Where the **Audit Client** is not a **Public Interest Entity** and a self-review threat is identified, the **Firm** is required to apply the conceptual framework to evaluate and address the threat. If the **Audit Client** is a **Public Interest Entity**, paragraphs R600.176 and R600.187 apply.

Multiple non-assurance services provided to the same audit client

**R600.132** When a **Firm** or a **Network Firm** provides multiple non-assurance services to an **Audit Client**, the **Firm** shall consider whether, in addition to the threats created by each service individually, the combined effect of such services creates or impacts threats to **Independence**.

600.132 A1 In addition to paragraph 600.109 A2, factors that are relevant in a **Firm's** evaluation of the level of threats to **Independence** created where multiple non-assurance services are provided to an **Audit Client** might include whether:

- The combined effect of providing multiple services increases the level of threat created by each service assessed individually.
- The combined effect of providing multiple services increases the level of any threat arising from the overall relationship with the **Audit Client**.

Self-review threats

600.143 A1 When a **Firm** or a **Network Firm** provides a non-assurance service to an **Audit Client**, there might be a risk of the **Firm** auditing its own or the **Network Firm's** work, thereby giving rise to a self-review threat. A self-review threat is the threat that a **Firm** or a **Network Firm** will not appropriately evaluate the results of a previous judgement made or an activity performed by an individual within the **Firm** or **Network Firm** as part of a non-assurance service on which the **Audit Team** will rely when forming a judgement as part of an audit.

**R600.154** Before providing a non-assurance service to an **Audit Client**, a **Firm** or a **Network Firm** shall determine whether the provision of that service might create a self-review threat by evaluating whether there is a risk that:

- (a) The results of the service will form part of or affect the accounting records, the internal controls over financial reporting, or the **Financial Statements on which the Firm will express an Opinion**; and
- (b) In the course of the audit of those **Financial Statements on which the Firm will express an Opinion**, the **Audit Team** will evaluate or rely on any judgements made or activities performed by the **Firm** or **Network Firm** when providing the service.

Audit Clients that are Public Interest Entities

600.165 A1 When the **Audit Client** is a **Public Interest Entity**, stakeholders have heightened expectations regarding the **Firm's Independence**. These heightened expectations are relevant to the

reasonable and informed third party test used to evaluate a self-review threat created by providing a non-assurance service to an **Audit Client** that is a **Public Interest Entity**.

600.165 A2 Where the provision of a non-assurance service to an **Audit Client** that is a **Public Interest Entity** creates a self-review threat, that threat cannot be eliminated, and safeguards are not capable of being applied to reduce that threat to an **Acceptable Level**.

Self-review threats

**R600.176** A **Firm** or a **Network Firm** shall not provide a non-assurance service to an **Audit Client** that is a **Public Interest Entity** if the provision of that service might create a self-review threat in relation to the audit of the **Financial Statements on which the Firm will express an Opinion**. (Ref: Para. 600.143 A1 and R600.154).

Providing advice and recommendations

**R600.187** As an exception to paragraph R600.176, a **Firm** or a **Network Firm** may provide advice and recommendations to an **Audit Client** that is a **Public Interest Entity** in relation to information or matters arising in the course of an audit provided that the **Firm**:

- (a) Does not assume a management responsibility (Ref: Para. R400.2013 and R400.2144); and
- (b) Applies the conceptual framework to identify, evaluate and address threats, other than self-review threats, to **Independence** that might be created by the provision of that advice.

*[Paragraphs 600.17 A1 to 600.19 A1 of extant Section 600 remain unchanged but are renumbered as paragraphs 600.18 A1 to 600.20 A1.]*

Audit Clients that are Public Interest Entities

600.210 A1 Paragraphs R600.224 to R600.243 require a **Firm** to communicate with **Those Charged with Governance** of a **Public Interest Entity** before the **Firm** or **Network Firm** provides non-assurance services to entities within the corporate structure of which the **Public Interest Entity** forms part that might create threats to the **Firm's Independence** from the **Public Interest Entity**. The purpose of the communication is to enable **Those Charged with Governance** of the **Public Interest Entity** to have effective oversight of the **Independence** of the **Firm** that audits the **Financial Statements** of that **Public Interest Entity**.

600.210 A2 To facilitate compliance with such requirements, a **Firm** might agree with **Those Charged with Governance** of the **Public Interest Entity** a process that addresses when and with whom the **Firm** is to communicate. Such a process might:

- Establish the procedure for the provision of information about a proposed non-assurance service which might be on an individual engagement basis, under a general policy, or on any other agreed basis.
- Identify the entities to which the process would apply, which might include other **Public Interest Entities** within the corporate structure.
- Identify any services that can be provided to the entities identified in paragraph R600.224 without specific approval of **Those Charged with Governance** if they agree as a general policy that these services are not prohibited under this section and would not create threats to the **Firm's Independence** or, if any such threats are created, they would be at an **Acceptable Level**.
- Establish how **Those Charged with Governance** of multiple **Public Interest Entities** within the same corporate structure have determined that authority for approving services is to be allocated.

- Establish a procedure to be followed where the provision of information necessary for **Those Charged with Governance** to evaluate whether a proposed service might create a threat to the **Firm's Independence** is prohibited or limited by professional standards, laws or regulations, or might result in the disclosure of sensitive or **Confidential Information**.
- Specify how any issues not covered by the process might be resolved.

*[Paragraphs R600.21 to 600.21 A1 of extant Section 600 remain unchanged but are renumbered as paragraphs R600.22 to 600.22 A1.]*

**R600.232** A **Firm** or a **Network Firm** shall not provide a non-assurance service to any of the entities referred to in paragraph R600.224 unless **Those Charged with Governance** of the **Public Interest Entity** have concurred either under a process agreed with **Those Charged with Governance** or in relation to a specific service with:

- The **Firm's** conclusion that the provision of the service will not create a threat to the **Firm's Independence** as auditor of the **Public Interest Entity**, or that any identified threat is at an **Acceptable Level** or, if not, will be eliminated, or reduced to an **Acceptable Level**; and
- The provision of that service.

**R600.243** As an exception to paragraphs R600.224 and R600.232, where a **Firm** is prohibited by applicable professional standards, laws or regulations from providing information about the proposed non-assurance service to **Those Charged with Governance** of the **Public Interest Entity**, or where the provision of such information would result in disclosure of sensitive or **Confidential Information**, the **Firm** may provide the proposed service provided that:

- The **Firm** provides such information as it is able without breaching its legal or professional obligations;
- The **Firm** informs **Those Charged with Governance** of the **Public Interest Entity** that the provision of the service will not create a threat to the **Firm's Independence** from the **Public Interest Entity**, or that any identified threat is at an **Acceptable Level** or, if not, will be eliminated or reduced to an **Acceptable Level**; and
- Those Charged with Governance** do not disagree with the **Firm's** conclusion in (b).

**R600.254** The **Firm** or the **Network Firm**, having taken into account any matters raised by **Those Charged with Governance** of the **Audit Client** that is a **Public Interest Entity** or by the entity referred to in paragraph R600.224 that is the recipient of the proposed service, shall decline the non-assurance service or the **Firm** shall end the **Audit Engagement** if:

- The **Firm** or the **Network Firm** is not permitted to provide any information to **Those Charged with Governance** of the **Audit Client** that is a **Public Interest Entity**, unless such a situation is addressed in a process agreed in advance with **Those Charged with Governance**; or
- Those Charged with Governance** of an **Audit Client** that is a **Public Interest Entity** disagree with the **Firm's** conclusion that the provision of the service will not create a threat to the **Firm's Independence** from the client or that any identified threat is at an **Acceptable Level** or, if not, will be eliminated or reduced to an **Acceptable Level**.



## Accepting an Engagement to Provide a Non-Assurance Service

[Paragraphs R600.25 to 600.25 A1 of extant Section 600 remain unchanged but are renumbered as paragraphs R600.26 to 600.26 A1.]

### Considerations for Certain Related Entities

**R600.27~~6~~** This section includes requirements that prohibit **Firms** and **Network Firms** from providing certain non-assurance services to **Audit Clients**. As an exception to those requirements and the requirement in paragraph R400.20~~13~~, a **Firm** or a **Network Firm** may assume management responsibilities or provide certain non-assurance services that would otherwise be prohibited to the following **Related Entities** of the client on whose **Financial Statements** the **Firm** will express an opinion:

- (a) An entity that has direct or indirect control over the client;
- (b) An entity with a **Direct Financial Interest** in the client if that entity has significant influence over the client and the interest in the client is material to such entity; or
- (c) An entity which is under common control with the client,

provided that all of the following conditions are met:

- (i) The **Firm** or a **Network Firm** does not express an opinion on the **Financial Statements of the Related Entity**;
- (ii) The **Firm** or a **Network Firm** does not assume a management responsibility, directly or indirectly, for the entity on whose **Financial Statements** the **Firm** will express an opinion;
- (iii) The services do not create a self-review threat; and
- (iv) The **Firm** addresses other threats created by providing such services that are not at an **Acceptable Level**.

[Paragraph 600.27 A1 of extant Section 600 remains unchanged but is renumbered as paragraph 600.28 A1.]

## SUBSECTION 601 – ACCOUNTING AND BOOKKEEPING SERVICES

### Introduction

601.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.28~~7~~ A1 are relevant to applying the conceptual framework when providing accounting and bookkeeping services to an **Audit Client**.

### Requirements and Application Material

#### General

[Paragraph 601.2 A1 of extant Subsection 601 remains unchanged.]

#### Description of Service

[Paragraph 601.3 A1 of extant Subsection 601 remains unchanged.]

## Potential Threats Arising from the Provision of Accounting and Bookkeeping Services

All Audit Clients

[Paragraph 601.4 A1 of extant Subsection 601 remains unchanged.]

Audit Clients that are Not Public Interest Entities

**R601.5** A Firm or a Network Firm shall not provide to an Audit Client that is not a Public Interest Entity accounting and bookkeeping services, including preparing Financial Statements on which the Firm will express an Opinion or financial information which forms the basis of such Financial Statements, unless:

- (a) The services are of a routine or mechanical nature; and
- (b) The Firm addresses any threats that are not at an Acceptable Level.

601.5 A1 Accounting and bookkeeping services that are routine or mechanical:

- (a) Involve information, data or material in relation to which the client has made any judgements or decisions that might be necessary; and
- (b) Require little or no professional judgement.

601.5 A2 Accounting and bookkeeping services can either be manual or automated. In determining whether an automated service is routine or mechanical, factors to be considered include the activities performed by, and the output of, the technology, and whether the technology provides an automated service that is based on or requires the expertise or judgement of the Firm or Network Firm.

601.5 A3~~2~~ Examples of services, whether manual or automated, that might be regarded as routine or mechanical include:

- Preparing payroll calculations or reports based on client-originated data for approval and payment by the client.
- Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification.
- Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.
- Posting transactions coded by the client to the general ledger.
- Posting client-approved entries to the trial balance.
- Preparing Financial Statements based on information in the client-approved trial balance and preparing related notes based on client-approved records.

The Firm or a Network Firm may provide such services to Audit Clients that are not Public Interest Entities provided that the Firm or Network Firm complies with the requirements of paragraph R400.214 to ensure that it does not assume a management responsibility in connection with the service and with the requirement in subparagraph R601.5 (b).

601.5 A4~~3~~ Examples of actions that might be safeguards to address a self-review threat created when providing accounting and bookkeeping services of a routine or mechanical nature to an Audit Client that is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.

*[Paragraphs R601.6 to R601.7 of extant Subsection 601 remain unchanged.]*

## **SUBSECTION 602 – ADMINISTRATIVE SERVICES**

### **Introduction**

602.1 In addition to the specific application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.287 A1 are relevant to applying the conceptual framework when providing administrative services.

*[Paragraphs 602.2 A1 to 602.3 A1 of extant Subsection 602 remain unchanged.]*

## **SUBSECTION 603 – VALUATION SERVICES**

### **Introduction**

603.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.287 A1 are relevant to applying the conceptual framework when providing valuation services to an **Audit Client**.

### **Requirements and Application Material**

#### **Description of Service**

*[Paragraphs 603.2 A1 to 603.2 A2 of extant Subsection 603 remain unchanged.]*

#### **Potential Threats Arising from the Provision of Valuation Services**

*All Audit Clients*

*[Paragraphs 603.3 A1 to 603.3 A2 of extant Subsection 603 remain unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraphs 603.3 A3 to 603.4 A1 of extant Subsection 603 remain unchanged.]*

*Audit Clients that are Public Interest Entities*

Self-review Threats

**R603.5** A **Firm** or a **Network Firm** shall not provide a valuation service to an **Audit Client** that is a **Public Interest Entity** if the provision of such a valuation service might create a self-review threat. (Ref: Para. R600.154 and R600.176).

*[Paragraph 603.5 A1 Subsection 603 remains unchanged.]*

## **SUBSECTION 604 – TAX SERVICES**

### **Introduction**

604.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.287 A1 are relevant to applying the conceptual framework when providing tax services to an [Audit Client](#).

### **Requirements and Application Material**

#### **Description of Service**

*[Paragraphs 604.2 A1 to 604.6 A1 of extant Subsection 604 remain unchanged.]*

#### **Potential Threats Arising from the Provision of Tax Services**

*[Paragraphs 604.3 A1 to 604.3 A2 of extant Subsection 604 remain unchanged.]*

*All Audit Clients*

*[Paragraphs AUST R604.4 to AUST 604.4.1 of extant Subsection 604 remain unchanged.]*

### **A. Tax Return Preparation**

#### **Description of Service**

*[Paragraph 604.5 A1 of extant Subsection 604 remains unchanged.]*

#### **Potential Threats Arising from the Provision of Tax Return Preparation Services**

*All Audit Clients*

*[Paragraph 604.6 A1 of extant Subsection 604 remains unchanged.]*

### **B. Tax Calculations for the Purpose of Preparing Accounting Entries**

#### **Description of Service**

*[Paragraph 604.7 A1 of extant Subsection 604 remains unchanged.]*

#### **Potential Threats Arising from the Provision of Tax Calculation Services**

*All Audit Clients*

*[Paragraph 604.8 A1 of extant Subsection 604 remains unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraphs 604.9 A1 to 604.9 A2 of extant Subsection 604 remain unchanged.]*

*Audit Clients that are Public Interest Entities*

**R604.10** A Firm or a Network Firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an Audit Client that is a Public Interest Entity. (Ref: Para. R600.154 and R600.176).

## **C. Tax Advisory and Tax Planning Services**

### **Description of Service**

*[Paragraph 604.11 A1 of extant Subsection 604 remains unchanged.]*

### **Potential Threats Arising from the Provision of Tax Advisory and Tax Planning Services**

*All Audit Clients*

*[Paragraphs 604.12 A1 to 604.12 A3 of extant Subsection 604 remain unchanged.]*

When Effectiveness of Tax Advice is Dependent on a Particular Accounting Treatment or Presentation

*[Paragraph R604.13 of extant Subsection 604 remains unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraph 604.14 A1 of extant Subsection 604 remains unchanged.]*

*Audit Clients that are Public Interest Entities*

Self-review Threats

**R604.15** A Firm or a Network Firm shall not provide tax advisory and tax planning services to an Audit Client that is a Public Interest Entity if the provision of such services might create a self-review threat. (Ref: Para. R600.154, R600.176, 604.12 A2).

Advocacy Threats

*[Paragraph 604.15 A1 of extant Subsection 604 remains unchanged.]*

## **D. Tax Services Involving Valuations**

### **Description of Service**

*[Paragraph 604.16 A1 of extant Subsection 604 remains unchanged.]*

### **Potential Threats Arising from the Provision of Tax Services involving Valuations**

*All Audit Clients*

*[Paragraphs 604.17 A1 to 604.17 A3 of extant Subsection 604 remain unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraphs 604.18 A1 to 604.18 A3 of extant Subsection 604 remain unchanged.]*

*Audit Clients that are Public Interest Entities*

Self-review Threats

**R604.19** A Firm or a Network Firm shall not perform a valuation for tax purposes for an Audit Client that is a Public Interest Entity if the provision of that service might create a self-review threat. (Ref: Para. R600.154, R600.176, 604.17 A3).

Advocacy Threats

*[Paragraph 604.19 A1 of extant Subsection 604 remains unchanged.]*

## **E. Assistance in the Resolution of Tax Disputes**

**Description of Service**

*[Paragraph 604.20 A1 of extant Subsection 604 remains unchanged.]*

**Potential Threats Arising from the Provision of Assistance in the Resolution of Tax Disputes**

*All Audit Clients*

*[Paragraphs 604.21 A1 to 604.22 A1 of extant Subsection 604 remain unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraph 604.23 A1 of extant Subsection 604 remains unchanged.]*

*Audit Clients that are Public Interest Entities*

Self-review Threats

**R604.24** A Firm or a Network Firm shall not provide assistance in the resolution of tax disputes to an Audit Client that is a Public Interest Entity if the provision of that assistance might create a self-review threat. (Ref: Para. R600.154 and R600.176).

*[Paragraphs 604.24 A1 to 604.27 A2 of extant Subsection 604 remain unchanged.]*

## **SUBSECTION 605 – INTERNAL AUDIT SERVICES**

**Introduction**

605.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.287 A1 are relevant to applying the conceptual framework when providing an internal audit service to an Audit Client.

**Requirements and Application Material**

**Description of Service**

*[Paragraphs 605.2 A1 to 605.2 A2 of extant Subsection 605 remain unchanged.]*

## Risk of Assuming Management Responsibility When Providing an Internal Audit Service

**R605.3** Paragraph R400.2013 precludes a Firm or a Network Firm from assuming a management responsibility. When providing an internal audit service to an Audit Client, the Firm shall be satisfied that:

- (a) The client designates an appropriate and competent resource, who reports to Those Charged with Governance to:
  - (i) Be responsible at all times for internal audit activities; and
  - (ii) Acknowledge responsibility for designing, implementing, monitoring and maintaining internal control;
- (b) The client reviews, assesses and approves the scope, risk and frequency of the internal audit services;
- (c) The client evaluates the adequacy of the internal audit services and the findings resulting from their performance;
- (d) The client evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and
- (e) The client reports to Those Charged with Governance the significant findings and recommendations resulting from the internal audit services.

*[Paragraphs 605.3 A1 to 605.3 A2 of extant Subsection 605 remain unchanged.]*

## Potential Threats Arising from the Provision of Internal Audit Services

*All Audit Clients*

*[Paragraphs 605.4 A1 to 605.4 A3 of extant Subsection 605 remain unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraph 605.5 A1 of extant Subsection 605 remains unchanged.]*

*Audit Clients that are Public Interest Entities*

**R605.6** A Firm or a Network Firm shall not provide internal audit services to an Audit Client that is a Public Interest Entity if the provision of such services might create a self-review threat. (Ref: Para. R600.154 and R600.176).

*[Paragraph 605.6 A1 of extant Subsection 605 remains unchanged.]*

## SUBSECTION 606 – INFORMATION TECHNOLOGY SYSTEMS SERVICES

### Introduction

606.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.287 A1 are relevant to applying the conceptual framework when providing an information technology (IT) systems service to an Audit Client.

## Requirements and Application Material

### Description of Service

606.2 A1 IT systems services comprise a broad range of services including:

- Designing or developing hardware or software IT systems.
- Implementing IT systems, including installation, configuration, interfacing, or customisation.
- Operating, maintaining, monitoring, updating or upgrading IT systems.
- Collecting or storing data or managing (directly or indirectly) the hosting of data.

606.2 A~~2~~<sup>4</sup> ~~Services related to IT systems include the design or implementation of hardware or software systems.~~ The IT systems might:

- (a) Aggregate source data;
- (b) Form part of the internal control over financial reporting; or
- (c) Generate information that affects the accounting records or **Financial Statements**, including related disclosures.

However, the IT systems might also involve matters that are unrelated to the **Audit Client's** accounting records or the internal control over financial reporting or **Financial Statements**.

### Risk of Assuming Management Responsibility When Providing an IT Systems Service

R606.3 Paragraph R400.~~2013~~ precludes a **Firm** or a **Network Firm** from assuming a management responsibility. When providing IT systems services to an **Audit Client**, the **Firm** or **Network Firm** shall be satisfied that:

- (a) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- ~~(b) — The client assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;~~
- ~~(e)(b)~~ The client, through a competent individual (or individuals), preferably within senior management, makes all management decisions that are the proper responsibility of management with respect to the design, development, and implementation, operation, maintenance, monitoring, updating or upgrading of the IT systems process;
- ~~(d)(c)~~ The client evaluates the adequacy and results of the design, development, and implementation, operation, maintenance, monitoring, updating or upgrading of the IT system; and
- ~~(e)(d)~~ The client is responsible for operating the IT system (hardware or software) and for the data it generates and uses or generates.

606.3 A1 Examples of IT systems services that result in the assumption of a management responsibility include where a **Firm** or a **Network Firm**:

- Stores data or manages (directly or indirectly) the hosting of data on behalf of the Audit Client. Such services include:
  - Acting as the only access to a financial or non-financial information system of the Audit Client.



- Taking custody of or storing the Audit Client's data or records such that the Audit Client's data or records are otherwise incomplete.
- Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the Audit Client's data or records.
- Operates, maintains, or monitors the Audit Client's IT systems, network or website.

606.3 A2 The collection, receipt, transmission and retention of data provided by an Audit Client in the course of an audit or to enable the provision of a permissible service to that client does not result in an assumption of management responsibility.

## **Potential Threats Arising from the Provision of IT Systems Services**

### *All Audit Clients*

606.4 A1 Providing IT systems services to an **Audit Client** might create a self-review threat when there is a risk that the results of the services will affect the audit of the **Financial Statements** on which the Firm will express an Opinion.

~~606.4 A2 Providing the following IT systems services to an Audit Client does not usually create a threat as long as individuals within the Firm or Network Firm do not assume a management responsibility:~~

- ~~(a) Designing or implementing IT systems that are unrelated to internal control over financial reporting;~~
- ~~(b) Designing or implementing IT systems that do not generate information forming part of the accounting records or Financial Statements; and~~
- ~~(c) Implementing "off-the-shelf" accounting or financial information reporting software that was not developed by the Firm or Network Firm, if the customisation required to meet the client's needs is not significant.~~

606.4 A2<sup>3</sup> Factors that are relevant in identifying a self-review threat created by providing an IT systems service to an **Audit Client**, and evaluating the level of such a threat include:

- The nature of the service.
- The nature of the client's IT systems and the extent to which the IT systems service impacts or interacts with the client's accounting records, internal controls over financial reporting or **Financial Statements**.
- The degree of reliance that will be placed on the particular IT systems as part of the audit.

When a self-review threat for an **Audit Client** that is a **Public Interest Entity** has been identified, paragraph R606.6 applies.

606.4 A3 Examples of IT systems services that create a self-review threat when they form part of or affect an Audit Client's accounting records or system of internal control over financial reporting include:

- Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems, including those related to cybersecurity.
- Supporting an Audit Client's IT systems, including network and software applications.
- Implementing accounting or financial information reporting software, whether or not it was developed by the Firm or a Network Firm.

#### *Audit Clients that are Not Public Interest Entities*

606.5 A1 An example of an action that might be a safeguard to address a self-review threat created by the provision of an IT systems service to an **Audit Client** that is not a **Public Interest Entity** is using professionals who are not **Audit Team** members to perform the service.

#### *Audit Clients that are Public Interest Entities*

**R606.6** A **Firm** or a **Network Firm** shall not provide IT systems services to an **Audit Client** that is a **Public Interest Entity** if the provision of such services might create a self-review threat. (Ref: Para. R600.154 and R600.176).

~~606.6 A1—Examples of services that are prohibited because they give rise to a self-review threat include those involving designing or implementing IT systems that:~~

~~(a)—Form part of the internal control over financial reporting; or~~

~~(b)—Generate information for the client's accounting records or Financial Statements on which the Firm will express an Opinion.~~

## **SUBSECTION 607 – LITIGATION SUPPORT SERVICES**

### **Introduction**

607.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to [600.287 A1](#) are relevant to applying the conceptual framework when providing a litigation support service to an **Audit Client**.

### **Requirements and Application Material**

#### **Description of Service**

*[Paragraph 607.2 A1 of extant Subsection 607 remains unchanged.]*

#### **Potential Threats Arising from the Provision of Litigation Support Services**

*All Audit Clients*

*[Paragraphs 607.3 A1 to 607.4 A2 of extant Subsection 607 remain unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraph 607.5 A1 of extant Subsection 607 remains unchanged.]*

*Audit Clients that are Public Interest Entities*

#### **Self-review Threats**

**R607.6** A **Firm** or a **Network Firm** shall not provide litigation support services to an **Audit Client** that is a **Public Interest Entity** if the provision of such services might create a self-review threat. (Ref: Para. R600.154 and R600.176).

*[Paragraphs 607.6 A1 to R607.9 of extant Subsection 607 remain unchanged.]*

**SUBSECTION 608 – LEGAL SERVICES**

**Introduction**

608.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to [600.287 A1](#) are relevant to applying the conceptual framework when providing a legal service to an [Audit Client](#).

**Requirements and Application Material**

**Description of Service**

*[Paragraphs 608.2 A1 to 608.2 A2 of extant Subsection 608 remain unchanged.]*

**Potential Threats Arising from Providing Legal Services**

*[Paragraph 608.3 A1 of extant Subsection 608 remains unchanged.]*

**A. Providing Legal Advice**

**Description of Service**

*[Paragraph 608.4 A1 of extant Subsection 608 remains unchanged.]*

**Potential Threats Arising from Providing Legal Advice**

*All Audit Clients*

*[Paragraphs 608.5 A1 to 608.5 A3 of extant Subsection 608 remain unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraph 608.6 A1 of extant Subsection 608 remains unchanged.]*

*Audit Clients that are Public Interest Entities*

Self-review Threats

**R608.7** A [Firm](#) or a [Network Firm](#) shall not provide legal advice to an [Audit Client](#) that is a [Public Interest Entity](#) if the provision of such a service might create a self-review threat. (Ref: Para. [R600.154](#) and [R600.176](#)).

*[Paragraphs 608.8 A1 to R608.11 of extant Subsection 608 remain unchanged.]*

**SUBSECTION 609 – RECRUITING SERVICES**

**Introduction**

609.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to [600.287 A1](#) are relevant to applying the conceptual framework when providing a recruiting service to an [Audit Client](#).

## Requirements and Application Material

### Description of Service

*[Paragraph 609.2 A1 of extant Subsection 609 remains unchanged.]*

### Risk of Assuming Management Responsibility When Providing a Recruiting Service

**R609.3** Paragraph R400.2013 precludes a Firm or a Network Firm from assuming a management responsibility. When providing a recruiting service to an Audit Client, the Firm shall be satisfied that:

- (a) The client assigns the responsibility to make all management decisions with respect to hiring the candidate for the position to a competent employee, preferably within senior management; and
- (b) The client makes all management decisions with respect to the hiring process, including:
  - Determining the suitability of prospective candidates and selecting suitable candidates for the position.
  - Determining employment terms and negotiating details, such as salary, hours and other compensation.

*[Paragraphs 609.4 A1 to R609.6 of extant Subsection 609 remain unchanged.]*

## SUBSECTION 610 – CORPORATE FINANCE SERVICES

### Introduction

610.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.287 A1 are relevant to applying the conceptual framework when providing a corporate finance service to an Audit Client.

## Requirements and Application Material

### Description of Service

*[Paragraph 610.2 A1 of extant Subsection 610 remains unchanged.]*

### Potential Threats Arising from the Provision of Corporate Finance Services

*All Audit Clients*

*[Paragraphs 610.3 A1 to 610.4 A1 of extant Subsection 610 remain unchanged.]*

Corporate Finance Services that are Prohibited

*[Paragraphs R610.5 to R610.6 of extant Subsection 610 remain unchanged.]*

*Audit Clients that are Not Public Interest Entities*

*[Paragraph 610.7 A1 of extant Subsection 610 remains unchanged.]*

*Audit Clients that are Public Interest Entities*

Self-review Threats

**R610.8** A **Firm** or a **Network Firm** shall not provide corporate finance services to an **Audit Client** that is a **Public Interest Entity** if the provision of such services might create a self-review threat. (Ref: Para. R600.154 and R600.176).

*[Paragraph 610.8 A1 of extant Subsection 608 remain unchanged.]*

# PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

## SECTION 900

### APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

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#### Introduction

##### General

900.1 This Part applies to [Assurance Engagements](#) other than [Audit Engagements](#) and [Review Engagements](#). Examples of such engagements include:

- Assurance on an entity's key performance indicators.
- Assurance on an entity's compliance with law or regulation.
- Assurance on performance [Criteria](#), such as value for money, achieved by a public sector body.
- Assurance on the effectiveness of an entity's system of internal control.
- Assurance on an entity's [non-financial information, for example, environmental, social and governance disclosures, including](#) greenhouse gas statements.
- An audit of specific elements, accounts or items of a [Financial Statement](#).

*[Paragraphs 900.2 to 900.6 of extant Section 900 remain unchanged.]*

##### Description of Assurance Engagements

*[Paragraphs 900.7 to AUST 900.8.1 of extant Section 900 remain unchanged.]*

##### Reports that Include a Restriction on Use and Distribution

*[Paragraph 900.9 of extant Section 900 remains unchanged.]*

##### Audit and Review Engagements

*[Paragraph 900.10 of extant Section 900 remains unchanged.]*

#### Requirements and Application Material

##### General

*[Paragraphs R900.11 to AUST R900.12.1 of extant Section 900 remain unchanged.]*

## Prohibition on Assuming Management Responsibilities

**R900.13** A Firm shall not assume a management responsibility related to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of an Assurance Engagement provided by the Firm. If the Firm assumes a management responsibility as part of any other service provided to the Assurance Client, the Firm shall ensure that the responsibility is not related to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of the Assurance Engagement provided by the Firm.

900.13 A1 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

900.13 A2 When a Firm assumes a management responsibility related to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of an Assurance Engagement, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might create an advocacy threat because the Firm becomes too closely aligned with the views and interests of management.

900.13 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgement. Examples of activities that would be considered a management responsibility include:

- Setting policies and strategic direction.
- Hiring or dismissing employees.
- Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
- Authorising transactions.
- Controlling or managing bank accounts or investments.
- Deciding which recommendations of the Firm or other third parties to implement.
- Reporting to Those Charged with Governance on behalf of management.
- Taking responsibility for designing, implementing, monitoring and maintaining internal control.

900.13 A4 Examples of IT systems services that result in the assumption of a management responsibility in relation to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of an Assurance Engagement, include where a Firm:

- Stores data or manages (directly or indirectly) the hosting of data related to the Underlying Subject Matter or Subject Matter Information. Such services include:
  - Acting as the only access to the data or records related to the Underlying Subject Matter or Subject Matter Information.
  - Taking custody of or storing the data or records related to the Underlying Subject Matter or Subject Matter Information such that the Assurance Client's data or records are otherwise incomplete.
  - Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the Assurance Client's data or records related to the Underlying Subject Matter or Subject Matter Information.
- Operates, maintains, or monitors an Assurance Client's IT systems, network or website related to the Underlying Subject Matter or Subject Matter Information.

[900.13 A5](#) The collection, receipt, transmission and retention of data provided by an Assurance Client in the course of an Assurance Engagement or to enable the provision of a permissible non-assurance service to the Assurance Client does not result in an assumption of management responsibility.

900.13 A6<sup>4</sup> Subject to compliance with paragraph R900.14, providing advice and recommendations to assist the management of an Assurance Client in discharging its responsibilities is not assuming a management responsibility.

**R900.14** When performing a **Professional Activity** for an **Assurance Client** that is related to the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of the **Assurance Engagement**, the **Firm** shall be satisfied that client management makes all related judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:
  - (i) The objectives, nature and results of the activities; and
  - (ii) The respective client and Firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the activities.

- (b) Provides oversight of the activities and evaluates the adequacy of the results of the activity performed for the client's purpose; and
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

[900.14 A1](#) When technology is used in performing a Professional Activity for an Assurance Client, the requirements in paragraphs R900.13 and R900.14 apply regardless of the nature or extent of such use of the technology.

*[Paragraphs 900.15 A1 to R900.55 of extant Section 900 remain unchanged.]*



# SECTION 920

## BUSINESS RELATIONSHIPS

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### Introduction

[Paragraphs 920.1 to 920.2 of extant Section 920 remain unchanged.]

### Requirements and Application Material

#### General

920.3 A1 This section contains references to the “materiality” of a **Financial Interest** and the “significance” of a business relationship. In determining whether such a **Financial Interest** is material to an individual, the combined net worth of the individual and the individual’s **Immediate Family** members may be taken into account.

920.3 A2 Examples of a close business relationship arising from a commercial relationship or common **Financial Interest** include:

- Having a **Financial Interest** in a joint venture with either the **Assurance Client** or a controlling owner, **Director** or **Officer** or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the **Firm** with one or more services or products of the client and to market the package with reference to both parties.
- ~~Distribution or marketing a~~Arrangements under which the **Firm** sells, resells, distributes or markets the client’s products or services, or the client sells, resells, distributes or markets the **Firm’s** products or services.
- Arrangements under which a **Firm** develops jointly with the client, products or solutions which one or both parties sell or license to third parties.

920.3 A3 An example that might create a close business relationship, depending on the facts and circumstances, is an arrangement under which the **Firm** licenses products or solutions to or from the **Assurance Client**.

#### Firm, Assurance Team Member or Immediate Family Business Relationships

[Paragraphs R920.4 to 920.4 A1 of extant Section 920 remain unchanged.]

#### Buying Goods or Services

920.5 A1 The purchase of goods and services, including the licensing of technology from an **Assurance Client** by a **Firm**, or an **Assurance Team** member, or any of that individual’s **Immediate Family** does not usually create a threat to **Independence** if the transaction is in the normal course of business and at arm’s length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.

920.5 A2 Examples of actions that might eliminate such a self-interest threat include:

- Eliminating or reducing the magnitude of the transaction.
- Removing the individual from the **Assurance Team**.

**Providing, Selling, Reselling or Licensing Technology**

920.6 A1 Where a Firm provides, sells, resells or licenses technology:

(a) To an Assurance Client; or

(b) To an entity that provides services using such technology to Assurance Clients of the Firm.

depending on the facts and circumstances, the requirements and application material in Section 950 apply.

## SECTION 950

### PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS

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#### Introduction

- 950.1 [Firms](#) are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to [Independence](#).
- 950.2 [Firms](#) might provide a range of non-assurance services to their [Assurance Clients](#), consistent with their skills and expertise. Providing certain non-assurance services to [Assurance Clients](#) might create threats to compliance with the fundamental principles and threats to [Independence](#).
- 950.3 This section sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to [Independence](#) when providing non-assurance services to [Assurance Clients](#).
- 950.4 New business practices, the evolution of financial markets and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that [Firms](#) might provide to an [Assurance Client](#). The conceptual framework and the general provisions in this section apply when a [Firm](#) proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.

[950.5](#) The requirements and application material in this section apply where a Firm:

- [\(a\)](#) Uses technology to provide a non-assurance service to an Assurance Client; or
- [\(b\)](#) Provides, sells, resells or licenses technology resulting in the provision of a non-assurance service by the Firm:
- [\(i\)](#) To an Assurance Client; or
- [\(ii\)](#) To an entity that provides services using such technology to Assurance Clients of the Firm.

#### Requirements and Application Material

##### General

*[Paragraphs 950.5 A1 to R950.6 of extant Section 950 remain unchanged but are renumbered as paragraphs 950.6 A1 to R950.7.]*

##### *Identifying and Evaluating Threats*

- 950.~~87~~ A1 A description of the categories of threats that might arise when a [Firm](#) provides a non-assurance service to an [Assurance Client](#) is set out in paragraph 120.6 A3.
- 950.~~87~~ A2 Factors that are relevant in identifying and evaluating the different threats that might be created by providing a non-assurance service to an [Assurance Client](#) include:
- The nature, scope, intended use and purpose of the service.

- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a **Public Interest Entity**.
- The level of expertise of the client's management and employees with respect to the type of service provided.
- Whether the outcome of the service will affect the **Underlying Subject Matter** and, in an **Attestation Engagement**, matters reflected in the **Subject Matter Information** of the **Assurance Engagement**, and, if so:
  - The extent to which the outcome of the service will have a material effect on the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of the **Assurance Engagement**.
  - The extent to which the **Assurance Client** determines significant matters of judgement. (Ref: Para. R900.13 to R900.14).
- The degree of reliance that will be placed on the outcome of the service as part of the **Assurance Engagement**.
- The fee relating to the provision of the non-assurance service.

*[Paragraphs 950.8 A1 to 950.9 A1 of extant Section 950 remain unchanged but are renumbered as paragraphs 950.9 A1 to 950.10 A1.]*

#### Self-Review Threats

950.11~~0~~ A1 A self-review threat might be created if, in an **Attestation Engagement**, the **Firm** is involved in the preparation of **Subject Matter Information** which subsequently becomes the **Subject Matter Information** of an **Assurance Engagement**. Examples of non-assurance services that might create such self-review threats when providing services related to the **Subject Matter Information** of an **Assurance Engagement** include:

- (a) Developing and preparing prospective information and subsequently issuing an assurance report on this information.
- (b) Performing a valuation that is related to or forms part of the **Subject Matter Information** of an **Assurance Engagement**.
- (c) Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems or IT controls and subsequently undertaking an Assurance Engagement on a statement or report prepared about the IT systems or IT controls.
- (d) Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems and subsequently issuing an assurance report on Subject Matter Information, such as elements of non-financial information, that is prepared from information generated by such IT systems.

#### Assurance Clients that are Public Interest Entities

950.12~~4~~ A1 Expectations about a **Firm's Independence** are heightened when an **Assurance Engagement** is undertaken by a **Firm** for a **Public Interest Entity** and the results of that engagement will be:

- (a) Made available publicly, including to shareholders and other stakeholders; or

- (b) Provided to an entity or organisation established by law or regulation to oversee the operation of a business sector or activity.

Consideration of these expectations forms part of the reasonable and informed third party test applied when determining whether to provide a non-assurance service to an **Assurance Client**.

950.12~~4~~ A2 If a self-review threat exists in relation to an engagement undertaken in the circumstances described in paragraph 950.12~~4~~ A1 (b), the **Firm** is encouraged to disclose the existence of that self-review threat and the steps taken to address it to the party engaging the **Firm** or **Those Charged with Governance** of the **Assurance Client** and to the entity or organisation established by law or regulation to oversee the operation of a business sector or activity to which the results of the engagement will be provided.

*[Paragraphs 950.12 A1 to 950.12 A4 of extant Section 950 remain unchanged but are renumbered as paragraphs 950.13 A1 to 950.13 A4.]*

## TRANSITIONAL PROVISIONS

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*[Paragraphs 1 to 9 of the transitional provisions in the extant Code and amending standards remain unchanged.]*

Technology-related Revisions to the Code.

10. Technology-related Revisions to the Code have effective dates as set out below.
- Revisions to Parts 1 to 3 will be effective as of 1 January 2025.
  - Revisions to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after 1 January 2025.
  - The conforming and consequential amendments to Part 4B in relation to assurance engagements with respect to underlying subject matters covering periods of time will be effective for periods beginning on or after 1 January 2025; otherwise, these amendments will be effective as of 1 January 2025.

Early adoption will be permitted.

## CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS

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### **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 June 2023.

### **Compliance with the IESBA Code**

[All items on the extant list of compliance with the *IESBA Code* in the extant Code and Amending Standards remain unchanged.]