

Extract of FPAR’s Committee Inquiry Report relating to APESB’s evidence

Introduction

On 12 June 2024, the FPAR Committee issued a [Report](#) for its inquiry into management and assurance of integrity by consulting services.

Below is a table depicting extracts of the Report in which APESB or its representatives are mentioned, listed by their corresponding page and paragraph numbers in the Report.

Page no.	Para no.	References to APESB or its representatives in the Report	Technical Staff Comments
List of recommendations			
ix	7.38	<p>Recommendation 5</p> <p>The committee recommends that the Department of Finance amend the Supplier Code of Conduct to include a requirement for service providers to:</p> <ul style="list-style-type: none"> • act in the public interest; and • incorporate elements from the professional standard APES 110 that align with public sector values. <p>The Department of Finance should also publish guidance to illustrate examples of conduct that are consistent with these values.</p>	<p>The committee acknowledges that APES 110 could provide an appropriate framework to manage conflicts of interest and address the requirement for service providers to the public sector to act in the public interest.</p>
x	7.60	<p>Recommendation 9</p> <p>The committee recommends that the government commissions the Australian Law Reform Commission, or other appropriate body, to undertake a review of the legislative frameworks and structures of partnerships in Australia with particular focus on partnerships in excess of 100 partners. The review should make recommendations to provide for appropriate regulatory governance and oversight of structures of this scale.</p>	<p>APESB Technical Staff will be alert to future consultations regarding the review of the legislative framework of Australian partnerships, regulatory governance and oversight of its structure developments and prepare submissions within the APESB mandate.</p>

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Chapter 2 – Australian Government Procurement Framework			
9	2.26	<p>The draft Supplier Code does not explicitly require Commonwealth suppliers to act in the public interest, explicitly comply with the APS Values or other existing standards like the APES 110 (the ethical standard for accountants). Given a Commonwealth supplier, including a consultant, is contracted to assist the Commonwealth fulfil its fundamental obligations to the Australian community, it is unclear why existing ethical frameworks have been omitted from the draft code. A more integrated system could be achieved if consideration were to be given to these existing frameworks when drafting the code.</p>	<p>The committee acknowledges that APES 110 could provide an appropriate framework to manage conflicts of interest and address the requirement for service providers to the public sector to act in the public interest.</p>
Chapter 5 – Culture in the Big 4 consulting firms			
46	5.7	<p>While there is not a universal and clearly articulated set of standards that apply to consulting firms in the way that there is for the APS, some staff in consulting firms are bound by the standards set by the Accounting Professional & Ethical Standards Board Limited (APESB).⁸ The aim of APES 110 is to require compliance with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. APES 110 states that ‘a distinguishing mark of the accountancy profession is its acceptance of responsibility to act in the public interest’.⁹ In doing so, the member must not just consider the needs of the individual client or employer, but also the interests of other stakeholders.¹⁰ In at least one consulting firm all the partners are bound by APES: KPMG told the committee that all its partners are required to comply with APES 110.¹¹ Regulation of consulting firms and their employees is considered in the next chapter.</p> <p>⁸ See generally: Accounting Professional & Ethical Standards Board Limited (APESB), Submission 17.</p> <p>⁹ APES 110 Code of Ethics for Professional Accountants, s 100.</p> <p>¹⁰ APES 110 Code of Ethics for Professional Accountants, s 100.6. A4.</p>	<p>The committee acknowledges that the APESB standards apply only to members of accounting bodies. It also recognises the accounting profession’s responsibility to act in the public interest.</p> <p>Refers to Andrew Yates’s statement about KPMG’s consulting partners’ obligations to be bound by APES 110.</p>

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		<p>¹¹ Mr Andrew Yates, Chief Executive Officer, KPMG Official Committee Hansard, 27 September 2023, p. 46.</p>	
56	5.55	<p>The approach to managing conflicts of interest varies across consulting firms. Some employees and partners in consulting firms who are professional accountants are required to comply with the APES 110, which sets out specific requirements for the management of conflicts of interest. The APESB explained that:</p> <p style="padding-left: 40px;">Before professional accountants in public practice accept a new client relationship, engagement or business relationship, APES 110 requires them to take reasonable steps to identify circumstances that might create a conflict of interest and, therefore, a threat to compliance with one or more of the fundamental principles (paragraphs R310.5 to 310.5 A3).</p> <p style="padding-left: 40px;">Professional accountants must also remain alert to changes in the nature of activities or services, interests and relationships that might create a conflict of interest while performing professional activities or engagements (paragraph R310.6 of APES 110).⁶¹</p> <p>⁶¹ APESB, Submission 17, p. 6.</p>	<p>The committee referred to Section 310 of APES 110, which covers the identification and management of potential and perceived conflicts of interest for members of professional accounting bodies.</p>
56	5.56	<p>APES 110 provides additional guidance, including the management of conflicts when sharing information within the firm.⁶²</p> <p>⁶² APESB, Submission 17, p. 6.</p>	<p>The committee acknowledges the requirements and guidance in APES 110 in managing conflicts of interest.</p>
Chapter 6 – Regulation of the consulting industry			
66	6.8	<p>The Accounting Professional & Ethical Standards Board Limited (APESB) was created as an independent body in 2006 by the Australian professional accounting bodies with a primary purpose to develop, issue and maintain high quality professional and ethical pronouncements for the Australian accounting profession (including firms) in an independent manner with a public interest focus.⁸</p>	<p>The report notes APESB’s mandate as the independent National Standards Setter of the accounting profession.</p>

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		<p>⁸ Accounting Professional & Ethical Standards Board Limited (APESB), Submission 17, p. 1.</p>	
66	6.9	<p>The committee received evidence that some consultants, who are also members of other professional organisations such as Chartered Accountants Australia and New Zealand (CA ANZ), are required to comply with APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (APES 110) and APES 320 Quality Management for Firms (APES 320) that provide Non-Assurance Services.⁹</p> <p>⁹ Chartered Accountants Australia & New Zealand (CA ANZ), Submission 20, p. 6.</p>	<p>Reference was made to the CA ANZ's submission and CA ANZ Members' obligations to be bound by APES 110 and APES 320.</p>
66 67	6.10	<p>While APES 110 does not apply to all consultants, it appears to provide a comprehensive code of ethics for the consultants who are required to comply with it. APES 110 has been described as a 'robust, comprehensive suite of Australian professional and ethical standards which are benchmarked to global standards issued by the International Ethics Standards Board of Accountants (IESBA) and the International Auditing and Assurance Standards Board, and which codify global best practice'.¹⁰ Further, it is based on the Code of Ethics for Professional Accountants (including Independence Standards) issued by IESBA.¹¹</p> <p>¹⁰ Ms Nancy Milne OAM, Chairman, Accounting Professional and Ethical Standards Board, Committee Hansard, 23 February 2024, p. 21.</p> <p>¹¹ Accounting Professional and Ethical Standards Board, Code of Ethics APES 110, June 2023 (accessed 29 April 2024).</p>	<p>The committee acknowledges that the APESB standards are applicable only to members of the accounting bodies and the gap that APES 110 is not applicable to a large number of consultants who are not members of the professional bodies.</p> <p>The committee identifies that APES 110 is based on a global standard issued by the IESBA and codifies it as a global best practice.</p> <p>The committee notes APESB's suggestion to develop an appropriate framework for consultants without a professional code of conduct to manage conflicts of interest.</p>
67	6.11	<p>The aim of APES 110 is to require compliance with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. This also includes the requirement to act in the public interest. It is intended to be complied with in addition to all legal and regulatory requirements. These requirements are set out in considerable detail and include practical strategies and examples to assist members to comply with requirements. It discusses nuances that could impact on compliance, including,</p>	<p>Identifies the five fundamental principles of APES 110 and its responsibility to act in the public interest.</p>

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		for example, the factors to consider when certain requirements clash with others, and what steps to take when responsibilities under the Code conflict with legal or regulatory requirements.	
67	6.12	<p>As discussed earlier, APES 110 provides additional guidance, including the specific requirements for the management of conflicts.¹² The APESB explained that:</p> <p style="padding-left: 40px;">Before professional accountants in public practice accept a new client relationship, engagement or business relationship, APES 110 requires them to take reasonable steps to identify circumstances that might create a conflict of interest and, therefore, a threat to compliance with one or more of the fundamental principles (paragraphs R310.5 to 310.5 A3).</p> <p style="padding-left: 40px;">Professional accountants must also remain alert to changes in the nature of activities or services, interests and relationships that might create a conflict of interest while performing professional activities or engagements (paragraph R310.6 of APES 110).¹³</p> <p>¹² APESB, Submission 17, p.6. ¹³ APESB, Submission 17, p.6.</p>	The committee referred to Section 310 of APES 110, which covers the identification and management of potential and perceived conflicts of interest for members of professional bodies.
67 68	6.13	<p>In his evidence to the committee, Mr Channa Wijesinghe, CEO of the APESB advised:</p> <p style="padding-left: 40px;">On average, 80 per cent of the big four firms' revenue in Australia comes from consulting clients, as opposed to audit clients, where detailed audit independence standards and prohibitions are in place. The Australian Code APES 110 applies equally to work performed for consulting clients as they do to audit clients of these firms. Accordingly, we encourage the inquiry to consider the opportunity to establish a rigorous code of ethical behaviour based on APES 110 that would be applicable to all consultants that contract with, and provide any form of professional services to, the government.¹⁴</p>	<p>Refers to APESB CEO's statement about the composition of the Big Four Firms revenue in Australia.</p> <p>The committee notes APESB's suggestion to develop an appropriate framework for consultants who currently lack a professional code of conduct.</p>

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		<p>¹⁴ Mr Channa Wijesinghe, CEO, Accounting Professional and Ethical Standards Board, Committee Hansard, 23 February 2024, p. 21.</p>	
68	6.14	<p>At least one consulting firm is bound by APES 110, KPMG told the committee that all its partners are required to comply with APES 110.¹⁵</p> <p>¹⁵ Mr Andrew Yates, Chief Executive Officer, KPMG, Committee Hansard, 27 September 2023, p. 46.</p>	<p>Refer to Andrew Yates’s statement about KPMG’s consulting partners’ obligations to be bound by APES 110.</p>
68	6.15	<p>APES 320 requires firms to establish and maintain a system of quality management for non-assurance services designed to provide it with reasonable confidence that the firm and its personnel are complying with Professional Standards and applicable legal and regulatory requirements.¹⁶ This system of quality management is intended to assist members to prevent conflicts of interest, breach of contract and other unethical behaviours.¹⁷</p> <p>¹⁶ Chartered Accountants Australia & New Zealand (CA ANZ), Submission 20, p. 6.</p> <p>¹⁷ Chartered Accountants Australia & New Zealand (CA ANZ), Submission 20, p. 7.</p>	<p>Identifies APES 320 and the firms’ responsibility to establish a quality management system designed to ensure compliance with applicable professional and ethical standards.</p>
68	6.16	<p>The committee notes that some submitters have said that while APESB sets standards, its mandate does not include monitoring or effective enforcement mechanisms.¹⁸ However, it is still a comprehensive code that is a sound starting point for consultants who are currently not subject to any industry codes.</p> <p>¹⁸ See for example, Accounting Professional & Ethical Standards Board Limited (APESB), Submission 17, p. 2 and The Centre for Public Integrity, Submission 58, pp. 69–70.</p>	<p>Based on the APESB’s submission, it is identified that the Board’s mandate does not include monitoring and enforcement.</p>
75	6.54	<p>Earlier in this Chapter, the APES 110 Code of Ethics was discussed, as this applies to some consultants. The committee also considered the advice from Department of Finance (Finance) that it is progressing a Supplier Code of Conduct which can be used in future contracts with consultants.</p>	<p>Recognises the gap that APES 110 is not applicable to a large number of consultants who are not members of the professional bodies.</p>
77	6.61	<p>While the committee was unable to ascertain the views of government departments, including Finance,⁶¹ on larger reforms and regulations regarding</p>	<p>APESB is aware of the Treasury consultation paper on regulation of accounting, auditing</p>

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		<p>consultants, it notes that in May 2024, Treasury published a consultation paper considering some of these issues. The Treasury paper seeks stakeholder feedback and views on issues for government consideration in relation to the regulation of accounting, auditing and consulting firms.</p> <p>⁶¹Department of Finance, answers to written questions on notice from Senator Richard Colbeck, 12 April 2024 (received 24 April 2024)</p>	<p>and consulting and is in the process of preparing a submission.</p>
Chapter 7 – Committee view and Recommendations			
84 85	7.14	<p>Consulting firms in Australia owe a primary obligation either to their shareholders, or to their partners, depending on their legal status. Some partners and employees in consulting firms must adhere to additional standards, for example the APES 110. Officers in the APS are bound by the APS values and code of conduct and must work to achieve the best results for the Australian community and government. Both consultants and APS employees must operate within the law and other professional codes as applicable.</p>	<p>The committee acknowledges that the APESB standards are applicable only to members of the accounting bodies.</p>
85	7.17	<p>The committee notes that the ethical standard that applies to accounting practices, APES 110 (which many consultancy firms claim to be bound by or operate under) has a requirement that professional accountants operate in the public interest.</p>	<p>Recognises the responsibility of the accounting profession to act in the public interest under APES 110.</p>
88	7.37	<p>Many partners of the Big 4 are subject to APES 110 as they are accountants. The aim of APES 110 is to require compliance with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. The committee considers this might provide a starting point for development of a professional code for consultants. The committee reiterates that professional standard APES 110, which many consultancy firms claim to be bound by or operate under, has a principal which requires its adherents to 'operate in the public interest'.</p>	<p>The committee acknowledges that the APESB standards are applicable only to members of the accounting bodies and the gap that APES 110 is not applicable to a large number of consultants who are not members of the professional bodies.</p>

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			<p>The committee notes the five fundamental principles of APES 110 and APES standards could address the public sector.</p> <p>The committee notes APESB's suggestion to develop an appropriate framework for consultants without a professional code of conduct to manage conflicts of interest.</p>
88	7.38	<p>Recommendation 5</p> <p>The committee recommends that the Department of Finance amend the Supplier Code of Conduct to include a requirement for service providers to:</p> <ul style="list-style-type: none"> • act in the public interest; and • incorporate elements from the professional standard APES 110 that align with public sector values. <p>The Department of Finance should also publish guidance to illustrate examples of conduct that are consistent with these values.</p>	<p>The committee acknowledges that APES 110 could provide an appropriate framework to manage conflicts of interest and address the requirement for service providers to the public sector to act in the public interest.</p>
91	7.60	<p>Recommendation 9</p> <p>The committee recommends that the government commissions the Australian Law Reform Commission, or other appropriate body, to undertake a review of the legislative frameworks and structures of partnerships in Australia with particular focus on partnerships in excess of 100 partners. The review should make recommendations to provide for appropriate regulatory governance and oversight of structures of this scale.</p>	<p>APESB Technical Staff will be alert to future consultations regarding the review of the legislative framework of Australian partnerships, regulatory governance and oversight of its structure developments and prepare submissions within the APESB mandate.</p>

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Australian Greens Additional Comments			
135	1.216	<p>The big accounting firms were originally established to provide audit and accounting services. Since then, their provision of services has expanded to include consulting, tax, financial and legal services. Many of these are far more lucrative than audit. ¹⁰³ Currently, on average, 80 per cent of the big four firms' revenue in Australia comes from consulting clients, as opposed to audit clients.¹⁰⁴</p> <p>¹⁰³ Edmund Tadros and Hannah Wootton, 'Big four consulting firm data tracker', AFR Online, 16 March 2022 (accessed 11 June 2024).</p> <p>¹⁰⁴ Mr Channa Wijesinghe, CEO, Accounting Professional and Ethical Standards Board, Committee Hansard, 23 February 2024, p. 21.</p>	Refers to APESB CEO's statement about the composition of the Big Four Firms revenue in Australia.
Appendix 2 – Public hearings and witnesses			
169	n/a	<p>Friday, 23 February 2024</p> <p>Senate Committee Room 2S3</p> <p>Parliament House</p> <p>Canberra</p> <p><i>Accounting Professional and Ethical Standards Board</i></p> <ul style="list-style-type: none"> • Ms Nancy Milne OAM, Chairman • Mr Channa Wijesinghe, Chief Executive Officer 	The Chairman and CEO were listed as witnesses of the hearing on 23 February 2024.