

AGENDA PAPER

Item Number: 9
Date of Meeting: 3 September 2024
Subject: Proposed compilation of the Code of Ethics

Action required **For discussion** **For noting** **For information**

Purpose

To seek the Board's approval:

- (a) to include editorial amendments to update cross-references in the proposed Compiled Code; and
- (b) subject to feedback and comments, to issue a Compiled APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Compiled Code).

Background

To enhance the accessibility and usability of the Code, periodically, APESB issues a Compiled Code, which compiles all amending standards with the original Code.

APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) was released in November 2018. Since 2018, the Board has issued several amending standards to the Code.

In December 2023, APESB issued a [compiled Code](#) which incorporated the Code and the following amending standards issued up until June 2023:

- [Amendment to Part 4B of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) (September 2020);
- [Amendments to APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) to Promote the Role and Mindset Expected of Professional Accountants](#) (March 2021);
- [Amendments to APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers](#) (February 2022);
- [Amendments to the Fee-related provisions of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) (July 2022);
- [Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) (November 2022);

- [Amendments to the Non-Assurance Services provisions of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) (December 2022); and
- [Revisions to APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) Relating to the Definition of Engagement Team and Group Audits](#) (June 2023).

Since the issue of the compiled Code incorporating amending standards up until May 2023, APESB has issued the following amending standards:

- [Revisions to the Definitions of Listed Entity and Public Interest Entity in APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) (the PIE Amending Standard) issued November 2023 with an effective date of 1 January 2025; and
- [Technology-related revisions to APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) (the Technology Amending Standard) issued June 2024 with an effective date of 1 January 2025.

Key Considerations

The key changes in the PIE Amending Standard and the Technology Amending Standard include:

PIE Amending Standard

- Expanded the definition of 'Public Interest Entity.'
- The definition of 'listed entity' has been replaced with 'Publicly Traded Entity.'
- A new requirement for firms to disclose if an audit client has been treated as a PIE.
- Updated guidance, including new factors to consider when determining the level of public interest in the financial condition of an entity.
- the extant Australian guidance paragraph on determining whether additional entities should be considered PIEs in the Australian environment has been elevated to a requirement to be consistent with the IESBA provisions.

Technology Amending Standard

- Clarifications provided on the expected mindset and behaviours of members when using technology. Application material on the fundamental principles of Professional Competence and Due Care, and Confidentiality has been enhanced, with new application material added on identifying and managing complex circumstances and addressing technology-related issues.
- New requirements emphasise the need for professional accountants to exercise professional judgement when using the output of technology.
- Clarified the prohibition and application material on assuming management responsibility when providing IT systems services to audit clients. New examples are provided, highlighting potential self-review threats and business relationships arising from technology-related arrangements.
- Clarifications provided on the independence requirements for firms and network firms as to whether technology-related non-assurance services can be provided to an audit or assurance client.

Due to these substantive changes, which include new requirements and changes to several existing provisions, Technical Staff believe that a new version of the Compiled Code should be issued for the benefit of stakeholders.

Technical Staff have prepared an updated Compiled Code (refer to Agenda Item 9(a)) that incorporates the approved PIE and the Technology Amending Standards into the June 2023 Compiled Code. Both the PIE and the Technology Amending Standards will come into effect from 1 January 2025.

The details of the compilation and the complete list of all paragraphs affected by amending standards are set out on pages 3 – 29 of Agenda Item 9(a) Draft Compiled Code June 2024.

Editorial Amendments

In preparing the compilation, Technical Staff undertook a detailed review of the draft compiled Code. Technical Staff noted the following editorial matters which require correction:

Page No.	Section/Paragraph number	Change required
44	Definition of Engagement Team (including footnote 1)	Updated the reference to ASA 610 to refer to the latest version <i>Compiled</i> (April 2022).
123	Heading within Section 330	There is an extant heading for 'Application Material'; however, as there are Australian requirements in this section, the heading should be 'Requirements and Application Material.'
159	R400.74(b)	In this sub-paragraph, the reference to R400.73 (a) should be to R400.73(b). This change ensures consistency with the IESBA Code.
164	405.4 A1	Updated to include the title of the AUASB standard ASA 220 <i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i>
227	Footnote 40	Updated the reference to ASA 610 to refer to the latest version <i>Compiled</i> (April 2022).
283	Conformity with International Pronouncements	Updated the reference to ASA 610 to refer to the latest version (April 2022).

APESB Technical Staff are of the view that these editorial amendments should be made to the June 2024 version of the Compiled Code.

APESB Technical Staff seek the Board's approval to include the editorial amendments noted above and to issue the June 2024 version of the Compiled Code. Technical Staff will incorporate interactive features into the PDF of the Compiled Code before it is released.

Way forward

In preparing the previous compilation of the Code, Technical Staff compared a draft to the 2023 version of the [IESBA Handbook](#) released by the IESBA on 21 September 2023. Technical Staff propose to conduct a comparison of the latest draft of the compiled Code to the 2024 version of the IESBA Handbook (which is due for release in September 2024).

If any significant differences are noted, they will be raised with the Board at the December 2024 Board Meeting. Note that when the review was performed in 2023, no significant differences were noted between the content of the compiled Code and the IESBA handbook.

The interactive PDF version of the Compiled Code will be released in quarter 4 of 2024.

Staff Recommendation

That the Board approve:

- (a) The inclusion of the editorial amendments noted in this paper to update the draft Compiled Code; and
- (b) Subject to the Board's feedback and comments, the issue of the Compiled APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (June 2024).

Material Presented

Agenda Item 9 (a) Draft Compiled Code of Ethics (June 2024) – Marked-up

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Date: 20 August 2024