



Comparison of APESB Submission to the Parliamentary Joint Committee (PJC) with the recommendations in final PJC report

On 7 November 2024, the PJC issued a final [Report](#) for its Parliamentary Joint Committee on *Corporations and Financial Services Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry*. The table below outlines the interaction between the relevant PJC report recommendations and the corresponding measures and actions outlined by APESB in its [submission](#) to the PJC in August 2023.

APESB Measure / Action	Captured in PJC Recommendations?	Relevant PJC Report Recommendation	Technical Staff Comments
Enhancements to the current regulatory framework			
<p>APESB consider the development of a standard (based on the UK FRC's Audit Firm Governance Code) that focuses on the culture and governance of large professional services firms in the Australian environment.</p>		<p>Recommendation 5</p> <p>The committee recommends that the audit, accounting, and consulting partnerships of firms with greater than 3000 staff be required to implement the <i>Corporations Act 2001</i> requirements for governance and accountability, if appropriate through the adoption of the Australian Securities Exchange Corporate Governance principles. This should include the requirement for multidisciplinary partnerships to prepare their own general purpose financial reports, including remuneration disclosures and other obligations which may be applicable to partnerships. The government should review the operation of this measure within 3 years, with a view to extending its scope to mid-size partnerships.</p> <hr/> <p>Recommendation 6</p> <p>The committee recommends that the Australian Government enhance the transparency of large professional service firms by designating them as Public Interest Entities and requiring them to:</p> <ul style="list-style-type: none"> subject them to audit if they are not already subject to these requirements, which would be 	<p>Recommendation 5</p> <ul style="list-style-type: none"> aligns with APESB's suggestion to enhance the governance of large professional services firms but refers to the Australian-specific context by referencing the <i>Corporations Act 2001</i> and ASX Corporate Governance Principles rather than the UK FRC's Audit Firm Governance Code. aligns with the APESB scope of focusing on large professional services firms, as currently only the four largest firms have staff levels greater than 3000.¹ suggests extending the measures to mid-sized partnerships upon review, making it potentially more expansive than the APESB suggestion. <hr/> <p>Recommendation 6</p> <ul style="list-style-type: none"> aligns with the APESB's suggestion to implement cultural and governance standards. Broadly consistent with the APESB submission, the Public Interest Firm Code referenced in recommendation 6 is suggested to be an expansion on overseas experience, such as the Audit Firm



¹ The Big 4 firms all have staff numbers in Australia ranging between 6,000 – 13,000 with firms like Findex and BDO reporting staff numbers ranging from 2,000 – 2,700 (as noted on the firms' websites and transparency reports and industry report websites – [PwC](#), [Deloitte](#), [KPMG](#), [EY](#), [BDO](#) and [Findex](#)).

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		<p>filed with ASIC and be available for public inspection; and</p> <ul style="list-style-type: none"> potentially be required to implement the Global Reporting Initiative Standards² or the Public Interest Firm Code. 	<p>Governance Code implemented in the United Kingdom (PJC report paragraph 3.46).</p> <ul style="list-style-type: none"> the recommendation to designate large professional service firms as PIEs is consistent with comments in APESB's submission in which APESB suggested changing the treatment of large firms to be similar to how PIEs are treated for financial reporting purposes. The recommendation to have audits performed is consistent with the APESB suggestion for the firms to prepare general purpose financial reports and have them audited. the reference to the possibility of implementing Global Reporting Initiative (GRI) Standards expands beyond the suggestions in APESB's submission.
<p>APESB consider the development of a specific standard on management consulting services, which include requirements relating to confidentiality, conflicts of interest, financial interests, and business relationships, and would apply to all professional services firms.</p>		<p>Recommendation 29</p> <p>The committee recommends that the Australian Government consult with industry with a view to creating a consultancy code and associated consultancy code compliance body (with sufficient powers to ensure compliance with the code) within government that will register individual consultants and have graduated registration requirements for firms based on firm size. Government entities, including Corporate Commonwealth Entities, should be required to only engage consultancies who are members of this body. At a minimum, the body should apply to persons providing consultancy services not</p>	<p>Recommendation 29</p> <ul style="list-style-type: none"> does not specify who would develop the consultancy code but implies it would be a government-led initiative as the government would oversee consultant registration. proposes a broader framework than APESB's proposed standard, establishing a national consultancy code instead of a standard specifically for management consulting services applied by all professional services firms. introduces mandatory misconduct reporting and size-based registration requirements for

² Paragraph 3.47 of the PJC report notes that the 'Global Reporting Initiative (GRI) provides businesses and other organisations with a global common language to communicate and take responsibility for their impacts...'


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		subject to other mandatory obligations and membership requirements should include mandatory reporting of misconduct witnessed by other consultants. This should be reviewed three years after implementation.	<p>consultants and firms, extending beyond APESB’s proposal.</p> <ul style="list-style-type: none"> • applies to those not already subject to mandatory obligations (including individuals), which is broader in scope than APESB’s suggestion of applying the standard to all professional services firms. • includes the creation of a compliance body, which goes beyond the scope of APESB’s suggestion that an independent body monitor all professional services firms that provide audit, assurance and consulting services.
APESB, in conjunction with the IESBA, works towards strengthening the global Code on issues that impact firm culture and governance.		Not covered	Although not covered in the PJC report, APESB is contributing to the IESBA Firm Culture and Governance project, with the APESB CEO and IESBA Board Member Mr Channa Wijesinghe appointed as Chair of this IESBA Working Group.
Enhance the existing ethics module of the professional programs and mandatory continuing professional development of accountants by increasing coverage of the APESB Standards.		Not covered	<p>Although not covered in the PJC report, it is noted that:</p> <ul style="list-style-type: none"> • CPA Australia require ethics CPD for members (2 hours per year, 10 years per triennium) • CAANZ requires at least 6 hours of verifiable ethics training per triennium. • IPA requires members to complete at least 20 hours of professional and ethical standards training per triennium

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Transforming the existing regulatory landscape			
<p>Provide legislative backing for APESB's professional and ethical pronouncements.</p> <p>Move APESB under the oversight of the FRC (consistent with the Australian Accounting and Auditing standard setters).</p>		<p>Recommendation 28</p> <p>The committee recommends that the Australian Government, as part of establishing the new integrated Financial Reporting Council (FRC), consider how ethical standards and professional matters are to be treated (including the FRC's role in creating standards, and the role of the Accounting Professional and Ethics Standards Board). Appropriate measures should be adopted to address the conflict of interest inherent in professional bodies setting and enforcing their own standards whilst overseeing entities who are their own fee-paying members.</p>	<p>Recommendation 28</p> <p>The recommendation aligns with APESB's submission.</p> <p>The Committee specifically noted in paragraph 6.43 of the PJC report that it:</p> <p><i>'agrees with the evidence received that there would be advantages in giving the APESB standards legislative backing and moving the APESB into the new FRC. This would be more consistent with relevant overseas jurisdictions. The committee suggests the government's implementation of the proposal to integrate the FRC, the Australian Accounting Standards Board, and the Auditing and Assurance Standards Board (AUASB) would also provide an opportunity to integrate the APESB into the new FRC and give legislative backing to the standards.'</i></p>
<p>Enhance transparency of large professional service firms by requiring them to prepare general purpose financial reports, including remuneration disclosures, and subject them to audits if they are not already subject to these requirements, which would be filed with ASIC and be available for public inspection.</p>		<p>Recommendation 5</p> <p>The committee recommends that the audit, accounting, and consulting partnerships of firms with greater than 3000 staff be required to implement the <i>Corporations Act 2001</i> requirements for governance and accountability, if appropriate through the adoption of the Australian Securities Exchange Corporate Governance principles. This should include the requirement for multidisciplinary partnerships to prepare their own general purpose financial reports, including remuneration disclosures and other obligations which may be applicable to partnerships. The government should review the operation of this</p>	<p>Recommendations 5 & 6</p> <p>These recommendations align with APESB's submission.</p>



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		<p>measure within 3 years, with a view to extending its scope to mid-size partnerships.</p> <p>Recommendation 6</p> <p>The committee recommends that the Australian Government enhance the transparency of large professional service firms by designating them as Public Interest Entities and requiring them to:</p> <ul style="list-style-type: none"> • subject them to audit if they are not already subject to these requirements, which would be filed with ASIC and be available for public inspection; and • potentially be required to implement the Global Reporting Initiative Standards³ or the Public Interest Firm Code. 	
<p>Establish an independent body to monitor all professional services firms that provide audit, assurance and consulting services. This would broaden oversight from just accounting practitioners and could capture those firms and entities currently not subject to statutory regulatory oversight who</p>		<p>Recommendation 20</p> <p>The committee recommends that:</p> <ul style="list-style-type: none"> • the Australian Government adopt a phased approach and proceed with its proposal to integrate the accounting and audit standards boards with the Financial Reporting Council⁴; and • the Australian Government then establish an organisation in Australia equivalent to the United States Public Company Accounting Oversight Board. 	<p>Recommendation 20</p> <ul style="list-style-type: none"> • partially aligns with APESB’s suggestion to enhance oversight, although the recommendation does not explicitly include those currently outside the current regulatory frameworks. This broader scope is not clearly addressed in Recommendation 20.

³ Paragraph 3.47 of the PJC report notes that the ‘Global Reporting Initiative (GRI) provides businesses and other organisations with a global common language to communicate and take responsibility for their impacts.’

⁴ In November 2023, the government announced its intention to combine the AASB, AUASB and FRC into a single entity (the new FRC) with a proposed operational date on or after 1 July 2026 (paragraph 5.37 of the PJC Report).

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<p>provide those services. This independent body will undertake enforcement actions where appropriate and prepare public annual reports of its monitoring and enforcement activities to enhance public trust.</p>		<p>Recommendation 26</p> <p>The committee recommends that the Australian Government review the professional accounting bodies' investigatory and disciplinary processes and, if appropriate, establish a single, independent body to perform these functions. Such a body should incorporate a positive disclosure standard so that relevant entities would be required to disclose incidents that are flagged to the Australian Securities and Investments Commission and the new integrated Financial Reporting Council.</p>	<p>Recommendation 26</p> <ul style="list-style-type: none"> incorporates the requirement to disclose reporting incidents to ASIC and the FRC. it is not clear whether the independent body would oversee firms and entities outside the current professional accounting bodies' investigatory and disciplinary processes (e.g. to those entities captured by the possible consultancy compliance body/code discussed in Recommendation 29).
<p>Enhancing ethical behaviours and public interest for all professions</p>			
<p>Enhance transparency of the provision of professional services to public interest entities and the Government by extending the financial statements disclosure from fees paid to the entity's auditor for audit and non-audit services to all fees paid to professional services firms for all services provided to the entity.</p>		<p>Recommendation 7</p> <p>The committee recommends that the Australian Government ensure that the financial statements disclosure requirements cover all relevant fees (that may raise a conflict of interests) paid to the entity's auditor for audit and non-audit services. This should cover any single entity and their associated entities in Australia or overseas.</p>	<p>This recommendation aligns with APESB's submission, although the recommendation is not limited to PIEs and the Government.</p>
<p>The Government develop a rigorous Code of Ethics (such as APES 110) that could be applied to all professional services firms or persons that</p>		<p>Recommendation 29</p> <p>The committee recommends that the Australian Government consult with industry with a view to creating a consultancy code and associated consultancy code compliance body (with sufficient powers to ensure compliance with the code)</p>	<p>Recommendation 29</p> <ul style="list-style-type: none"> partially aligns with APESB's suggestions. the size-based graduated registration requirements potentially initially narrow its applicability.

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<p>contract with or provide any form of professional services to the Government.</p>		<p>within government that will register individual consultants and have graduated registration requirements for firms based on firm size. Government entities, including Corporate Commonwealth Entities, should be required to only engage consultancies who are members of this body. At a minimum the body should apply to persons providing consultancy services not subject to other mandatory obligations and membership requirements should include mandatory reporting of misconduct witnessed by other consultants. This should be reviewed three years after implementation.</p>	<ul style="list-style-type: none"> • applies to those (including individual consultants) not already subject to mandatory obligations, which is broader in scope than APESB's suggestion of applying the standard to all firms providing professional services.⁵ • includes the creation of a compliance body, which goes beyond the scope of APESB's submission. • while the recommendation discusses mandatory membership requirements and misconduct reporting, it does not directly propose adopting an ethical framework akin to APES 110.
		<p>Recommendation 30</p> <p>The committee recommends that the Australian Government consider the creation of a voluntary industry code for public interest entities' engagement of consultancies, which includes the exclusive use of consultants subject to the code and/or registration body determined in recommendation 29. After three years, the government should review the capacity and effectiveness of the code becoming mandatory for public interest entities.</p>	<p>Recommendation 30</p> <ul style="list-style-type: none"> • partially aligns with APESB's proposals. • suggests creating a voluntary industry code for PIEs to govern the engagement of consultancies rather than applying the enhancements to all firms providing professional services. • limits the scope to PIEs and indicates that the government, not APESB, would develop the voluntary code. (However, Rec.28 highlights the government's potential role in determining how ethical standards and professional matters are treated within the integrated FRC.)

⁵ The PJC report stated that 'noting the current patchwork nature of the audit, assurance and consultancy industry in Australia, the committee recognises the potential overlap in application of the consultancy code and the operation of the associated consultancy industry body with existing professional requirements and industry and professional bodies. Therefore, the consulting code and associated body should apply narrowly as last resort measures, such that consultants are only subject to the consultancy code and required to join the associated body if not already subject to mandatory professional ethical obligations' (paragraphs 6.87-6.88).

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			<ul style="list-style-type: none"> includes a phased approach and provision to review the voluntary code after three years, with the possibility of making it mandatory for PIEs. APESB’s submission did not specifically address this staged implementation or review process
<p>Extend the application of a Code of Ethics to all firms providing professional services.</p> <p>APESB consider whether there is merit in developing a professional agnostic APES 110 and a professional standard for management consulting that could apply to all professionals.</p>		<p>Recommendation 29</p> <p>The committee recommends that the Australian Government consult with industry with a view to creating a consultancy code and associated consultancy code compliance body (with sufficient powers to ensure compliance with the code) within government that will register individual consultants and have graduated registration requirements for firms based on firm size. Government entities, including Corporate Commonwealth Entities, should be required to only engage consultancies who are members of this body. At a minimum the body should apply to persons providing consultancy services not subject to other mandatory obligations and membership requirements should include mandatory reporting of misconduct witnessed by other consultants. This should be reviewed three years after implementation.</p>	<p>Recommendation 29</p> <ul style="list-style-type: none"> partially aligns with APESB’s proposals. does not specify who would develop the consultancy code but implies it would be a government-led initiative as the government would oversee consultant registration the size-based graduated registration requirements potentially initially narrow its applicability. applies to those (including individual consultants) not already subject to mandatory obligations, which is broader in scope than APESB’s suggestion of applying the standard to all firms providing professional services. includes the creation of a compliance body, which goes beyond the scope of APESB’s suggestion that an independent body monitor all professional services firms that provide audit, assurance and consulting services.