



## **Project Proposal – Revision of APESB *Due process and working procedures for the development and review of APESB pronouncements***

### **Introduction**

The Due Process document provides an overall framework that establishes the context in which the APESB series of standards and guidance notes (pronouncements) are issued in Australia. The document also assists in the determination of when a professional standard is issued compared to a guidance note. It aims to ensure that the style and presentation of the APESB series of pronouncements are consistent and provides users with an overall understanding of the context in which these pronouncements are issued.

The Due Process document was last revised in December 2013 following the completion of the International Ethics Standards Board for Accountants (IESBA)'s clarity project in 2009 relating to the drafting conventions used in the IESBA's *Code of Ethics for Professional Accountants* (International Code).

The existing Due Process document (December 2013) is provided as Agenda Item 2 (b) for the Board's information.

### **Background**

Since the previous issue of the Due Process document, APESB has revised fourteen pronouncements in 2014/2015. Recent developments that may need to be considered in the revision of the Due Process document are:

#### Revision of APESB pronouncements in 2015

APESB revised its suite of pronouncements in 2015 (primarily the Definitions section) to ensure consistency with APES 110 *Code of Ethics for Professional Accountants* that was revised in November 2013. During the exposure draft period of the revised APES pronouncements, a respondent encouraged the Board to undertake one comprehensive consultation annually and to release the revised pronouncements in one batch subject to the amendments being relatively minor. The respondent noted that this process would facilitate a more effective communication to Members and other stakeholders.

#### The change of name of the Institute of Chartered Accountants Australia (ICAA) to Chartered Accountants Australia and New Zealand (CA ANZ)

Due to the merger of ICAA with the New Zealand Institute of Chartered Accountants, references to ICAA have been replaced with CA ANZ in the revised APESB pronouncements and consequential amendments made to the pronouncements.

#### Proposed Constitutional Review

A review of APESB's Constitution has been proposed and there may be matters that impact on standard setting activities and thus, the Due Process document.

## Related international developments

In April 2014, IESBA launched a project to restructure the International Code to improve its usability, clarity and enforceability. In December 2015, IESBA issued the *Improving the Structure of the Code of Ethics for Professional Accountants-Phase 1* Exposure Draft (Structure Phase 1 ED), contemporaneously with the *Proposed Revisions Pertaining to Safeguards in the Code-Phase 1* Exposure Draft (Safeguards Phase 1 ED). Both EDs are presented in accordance with the new structure and drafting conventions.

In the second half of 2016, IESBA plans to issue the Structure Phase 2 ED with the Safeguards Phase 2 ED. The Structure Phase 2 ED is expected to cover the provisions addressing the extant Sections 290 and 291 dealing with auditor Independence; and proposed restructured provisions arising from the NOCLAR, Long Association and Part C Phase 1 projects. The Safeguards Phase 2 ED is expected to consider revisions particularly in non-assurance services in extant Section 290, the conceptual framework approach to independence and the unique challenges faced by the small and medium practices sector in employing safeguards.

Subject to IESBA's progress on these developments, relevant international developments that impact on the Code will need to be considered in the Due Process document.

## Considerations to revise and update the Due Process document

The Due Process document requires revision periodically as it should be read in conjunction with APESB's Constitution and the Board Charter; and to stay abreast with the international developments at IESBA. The editorials and revisions to be considered in the Due Process document include:

- Activities APESB plans to undertake to achieve the objectives of the proposed Constitutional Review (Section 1 *Introduction*);
- The Conceptual framework for developing APESB pronouncements arising from the issuance of Safeguards Phase 1 ED (Section 2 *The role of professional judgement and ethical responsibility in applying APESB pronouncements*);
- The style, presentation and drafting approach of APESB pronouncements arising from the issuance of IESBA's Structure Phase 1 ED (Section 3 *APESB pronouncements* and Section 5 *Drafting approach*);
- The latest developments at IESBA and timing of consultation with stakeholders in respect to revised pronouncements (Section 4 *Due process and working procedures* and Section 8 *Review and evaluation*); and
- The updated list of APESB issued and proposed pronouncements as at 31 December 2015 (Appendix 2 *APESB issued and proposed pronouncements*).

Where appropriate, the drafting style of APESB pronouncements aims for consistency with the International Code to ensure that the pronouncements are understandable, clear and capable of consistent application and enforceability. Accordingly, Technical Staff proposes to revise and update the Due Process document in the following manner:

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<b>Project Objective:</b>	To update the <i>Due process and working procedures for the development and review of APESB pronouncements</i> (revised December 2013).
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- Project Steps:**
- APESB Technical Staff to review the current Due Process document and consider issues to be addressed.
  - APESB Technical Staff to seek direction from the Board and consult with external stakeholders, as required.
  - APESB Technical Staff to prepare a revised version of the proposed new Due Process document.
  - Present revised Due Process document for the Board's preliminary review at the May 2016 meeting.
  - Present revised Due Process document for the Board's final review at the August 2016 meeting.

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- Project Structure:**
- Board – provide feedback and oversee the revision of the Due Process document
  - APESB Technical Director – principal drafting editor
  - APESB Secretariat – provide administrative support

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- Resource Requirements:**
- It is estimated that the APESB Board and staff time on this project will be approximately 2-3 weeks.

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<b>Indicative Timeline:</b>	February 2016:	Board approve project proposal
	March – April 2016:	Update <i>Due Process</i> document
	May and Aug 2016:	Present revised <i>Due Process</i> document for Board review and approval

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**Impact on other APESB pronouncements**

The proposed update of due process requirements will enhance the consistency, clarity, usability and enforceability of existing and future APESB pronouncements.

**Impact on accounting, auditing, or other relevant standards**

None noted.

**Related legislative developments**

None noted.