

## **APESB - Opening Statement**

### **Nancy Milne**

Thank you for inviting the Accounting Professional and Ethical Standards Board (APESB), to appear at this inquiry.

APESB is the National Standards Setter of professional and ethical standards for the Australian accounting profession. It is a not-for-profit public company limited by guarantee, governed by a Board of Non-Executive Directors.

APESB's structure is globally unique. Our pronouncements are mandatory for members of three Australian accounting bodies; CA ANZ, CPA Australia and IPA. Almost all of Australia's auditors are members of these bodies. APESB's mandate is in respect of standard-setting matters; it does not include monitoring or enforcement activities.

Over the last 14 years, APESB has developed a comprehensive suite of Australian professional & ethical standards, which are world best practice. Our submissions provide details of our pronouncements and the scope of work we undertake.

APESB issued the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Restructured Code) in November 2018 with an effective date of 1 January 2020. This is the most substantial revision of the Code in the last two decades and is the culmination of a five-year project to make auditor independence requirements stronger, clearer, and more easily enforced.

APESB is cognisant that we operate in a global environment and that consistent global ethical standards, addressing independence, facilitate international commerce.

## **Channa Wijesinghe**

APESB was a significant participant in the development of an updated international code by the International Ethics Standards Board of Accountants (IESBA) and Australia was one of the first countries in the world to issue a Restructured Code. Global regulators provided significant input to the development of the updated IESBA Code.

The professional and ethical standards issued by the APESB, which have also been revised to reflect the provisions of the Restructured Code, are mandatory for all audits and reviews undertaken by members of the three bodies.

The standards recognise that the independence of an auditor is a key determinant of a robust audit framework. The existing independence requirements regarding the provision of other services to audit clients have been further strengthened in the Restructured Code.

We support an evidence-based approach to standards development and direct the Committee's attention to the recent AUASB Research Report 4 authored by Professor Elizabeth Carson. Copies of the report have been provided for the Committee's consideration.

This research report indicates that the proportion of non-audit services to audit clients for listed entities in Australia has declined over the period 2012 to 2018, both as a percentage of the audit fee and in absolute terms; we believe that the addition of more stringent prohibitions in the Code has contributed to this decline.

We support this inquiry and are happy to discuss enhancements to audit regulations. However, APESB suggests that any enhancements to audit regulations should be formulated in the context of the Restructured Code, the revised professional & ethical standards, and the recent IESBA proposals to restrict further the non-audit services that can be provided to audit clients.

IESBA will shortly be commencing a benchmarking study which in due course will create an authoritative document to demonstrate the global Code's alignment with the US and EU independence requirements or highlight areas where there may be differences.