

AGENDA PAPER

Item Number: 9
Date of Meeting: 6 March 2020
Subject: Update on revision of the Auditor Independence Guide
Revision

Action Required **For Discussion** **For Noting** **For Information**

Purpose

To:

- provide the Board with a a progress report on the project to update and revise the Independence Guide; and
- obtain the Board's approval, subject to the Board's review comments and editorials, to include the draft revised Independence Guide (Agenda Item 9(a)) on the APESB website for public comment between 6 and 20 March 2020.

Background

The Independence Guide was originally published in October 2005 as an initiative of CPA Australia and the Institute of Chartered Accountants Australia (now Chartered Accountants Australia and New Zealand (CA ANZ)). The most recent edition of the [Independence Guide \(Fourth Edition\)](#) was published in February 2013 by CA ANZ, CPA Australia and the Institute of Public Accountants (IPA).

The professional bodies approached the APESB in May 2019 to manage a revision and update to the Independence Guide and agreed to provide funding for the project. The new edition of the Guide will be co-branded between APESB, CA ANZ, CPA Australia, and the IPA.

The revised Independence Guide will clarify how the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) applies to auditor independence, which will be very useful for practitioners in the current environment.

The Board approved the project to revise and update the Independence Guide at the June 2019 Board meeting. A Heads of Agreement (HoA) was finalised between the APESB and the three professional bodies on the 6 September 2019.

Technical Staff issued an [Invitation to Tender](#) for the revision and update to the Independence Guide on the APESB website on 9 September 2019, which closed on 24 September 2019.

The Board approved the engagement of the successful tenderer, Ms Elizabeth Giust of Qualitas Consultants, at the October 2019 Board meeting.

Stakeholder Engagement

The Project Team sought initial feedback from the following stakeholders on experiences with the Independence Guide, any additional examples or if they have experienced any issues with existing examples in the Guide:

- Australian Securities and Investments Commission (ASIC), Australian Taxation Office (ATO), Australian Charities and Not-for-profits Commission (ACNC) and Australian Prudential Regulatory Authority (APRA);
- Auditing and Assurance Standards Board (AUASB), Financial Reporting Council (FRC) and New Zealand Auditing and Assurance Standards Board (NZAuASB);
- Firms including PwC, EY, KPMG, Deloitte, Grant Thornton, BDO, William Buck, Pitcher Partners, ShineWing Australia, Crowe Horwath and Nexia;
- Other members of the Large National Networks; and
- The Professional Bodies.

The Project Team convened meetings with ASIC, ATO, ACNC and APRA during November and December 2019 to discuss the Independence Guide, feedback and additional examples.

Consideration of issues

The Project Team received considerable initial feedback from stakeholders, which was analysed during December 2019 and January 2020.

A rigorous drafting process has been undertaken by the Project Team during January and February 2020, involving:

- Incorporating numerous additional examples based on feedback from stakeholders;
- Making amendments to align the Independence Guide with the restructured Code and the enhanced conceptual framework;
- Restructuring the examples in the guide to align to Sections of the Code for ease of use and accessibility; and
- Additional amendments as required to reflect any changes to laws, regulations and professional standards.

A draft revised Independence Guide was circulated on 21 February 2020 to the same stakeholders listed above to obtain feedback by 20 March 2020. The draft revised Independence Guide is attached as Agenda Item 9(a).

The revised Independence Guide was due to be finalised on 6 March 2020 under the HoA. However, the project was impacted by the significant volume of work to rewrite the Guide and the need for APESB to divert its staff resources to the PJC Inquiry on Audit Regulation. As such, an extension was sought on 13 January 2020 from CA ANZ, CPA Australia and IPA to 30 April 2020 and we have received no objections to the extension of time.

Way Forward

The Project Team will undertake the following activities to finalise the revised Independence Guide:

- Upload the draft revised Independence Guide to the APESB website inviting comments from the public by 20 March 2020;
- Seek additional detailed feedback from stakeholders on the draft revised Independence Guide during February/March 2020 with responses due 20 March 2020;
- Conduct a soft launch of the revised Independence Guide at the IESBA ED Roundtables on 1 and 2 April 2020;
- Finalise the revised Independence Guide for Board approval in early April 2020;
- Undertake the publication process during April 2020; and
- Publish the revised Independence Guide by 30 April 2020.

Recommendation

- 1) The Board note this progress report on the project to revise and update the Independence Guide.
- 2) Subject to the Board's review comments, the Board approves that the draft revised Independence Guide be included on the APESB website for public comment between 6 and 20 March 2020.

Materials presented

Agenda Item 9(a) DRAFT Independence Guide 2020

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Date: 20 February 2020