

# Australian Developments and APESB Agenda

**IESBA NSS Meeting**

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# Overview

- Financial Advice reforms in Australia
- Members in Business Guidance Note (GN 40)
- Auditor Independence and PIEs
- Risk Management for Firms (APES 325)
- Proposed Outsourcing Guidance Note (APES GN 30)

# Financial Advice reforms in Australia

- GFC and poor financial advice led to the demise of companies (e.g. Storm Financial and Westpoint) with significant investor losses
- Australian Government initiated an enquiry which has now resulted in the proposed *Future of Financial Advice (FoFA)* legislation due to be passed by parliament shortly (effective 1 July 2013):
  - Introduces a legislative best interest duty
  - Prospective ban on commissions for Financial Advice
  - Prospective ban on asset based fees where there is gearing
  - Prospective ban on commissions on life insurance within group superannuation

## Financial Advice reforms in Australia (cont)

- APESB's proposed APES 230 *Financial Planning Services*
  - ED issued June 2010 and APESB received 67 submissions
  - Key respondents presented at the public Board meetings in 2011
  - Proposes a ban on all conflicted remuneration methods (e.g. commissions, asset based fees, production bonuses or other forms of remuneration that are calculated by reference to product sales or accumulation of FUM) due to the threats created to the fundamental principles of the Code
  - APES 230 proposes higher professional requirements than the Australian government's *FoFA* legislation

## Members in Business Guidance Note (GN 40)

- APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business* provides guidance on Part C of the Code
- Primarily uses the conceptual framework in the Code
- Proposes a structured approach for Members in Business to consider and resolve ethical conflicts/issues
- Provides 21 Case Studies to guide Members in Business
- The Case Studies are linked with Sections 310 to 350 of the Code
- Addresses *Whistleblowing* obligations and responsibilities

# Auditor Independence and PIE

- Australian Corporations Law amendments have resulted in
  - For Listed Entities, the 5 year audit partner rotation period being extended by two years subject to approval from the audit committee
  - Audits firms have to publish audit transparency reports
  - Additional powers given to the Australian Securities and Investments Commission (ASIC) to report on audit deficiencies in respect of audit firms as well as to inform clients

# Public Interest Entities (PIEs)

- APESB's has issued additional guidance on what entities are likely to be PIEs in Australia (effective from 1 January 2013)
  - Banks, Superannuation Entities(i.e. Entities that manage retirement savings), Insurance and Life Insurance companies who are regulated by the Australia Prudential Regulatory Authority (APRA)
  - Disclosing entities (Listed entities and others who have publicly tradeable debt or equity instruments)
  - Other issuers of debt and equity instruments to the public

# Risk Management for Firms (APES 325)

- Applies to Firms from 1 January 2013
- Links in with APES 320 *Quality Control for Firms*
- Cross refers to other Risk Management Standards/Guidance
- Includes mandatory requirements and guidance in respect of
  - Objectives of a Risk Management Framework for a Firm
  - Establishing and Maintaining a Risk Management Framework for a Firm
  - Monitoring a Firm's risk management policies and procedures
  - Documentation



# Proposed Outsourcing GN (APES GN 30)

- Issued as an ED in January 2012
- Links in with APES 320 *Quality Control for Firms*
- Cross refers to other APESB Standards
- Includes guidance in respect of
  - Maintaining confidentiality of client information
  - Ensuring quality control of the Outsourced Service provided
  - Appropriate level of disclosure of the nature and extent of use of Outsourced Services to the client
  - Matters to be disclosed in the Service Level Agreement (SLA)

# Questions?

For more information visit:

[www.apesb.org.au](http://www.apesb.org.au)