

AGENDA PAPER

Item Number: 10.1
Date of Meeting: 12 May 2008
Subject: Compiled APES 110 *Code of Ethics for Professional Accountants*

**Action Required****For Information Only**

Purpose

To obtain Board approval to issue the proposed Compiled version of APES 110 *Code of Ethics for Professional Accountants* (the Code).

Background

APES 110 *The Code of Ethics for Professional Accountants* was issued in June 2006. In December 2007, the Network Firm definition was approved by the Board as a standard and in February 2008 the Board approved amendments to the Code resulting from corporate law reform. The APES Board considered the impact of these recently issued standards on the Code and recognised the need to issue a compiled version of the Code. The Board instructed the Technical Staff to prepare a compiled version of the Code for review at the May 2008 Board meeting.

Consideration of Issues

The key issue to consider is whether there is a need to issue **one** or **two compiled versions** of the Code. This arises from the fact that the two amending standards have different effective dates:

- Network Firm definition effective in respect of Assurance Engagements for periods commencing on or after 01 July 2008
- Corporations Law Reform effective 15 February 2008

If the AASB approach to compilations is adopted then this would result in two compiled versions of the Code which are effective for the following periods:

- Compiled version 1: Effective for 15th Feb 2008 to 30th June 2008 which incorporate the Corporations Law reform (Option 2A);
- Compiled version 2: Effective from 01 July 2008 which incorporate the Corporations Law reform and Network Firm amendment (Option 2B).

The alternative is to use of one compiled version of the Code with an effective date of 15 February 2008, together with a note at the top of the network firm paragraphs indicating that they only apply to Assurance Engagements commencing on or after 01 July 2008 and to have definitions of Firm and Network Firm which apply to different periods.

Both approaches were considered by the APES 110 *Code of Ethics for Professional Accountants* Taskforce with a majority of the Taskforce members agreeing that presentation of one compiled Code will allow for easier use from a practitioner's point of view. Those in favour of the two compiled versions of the Code considered the importance of a consistent approach to updating the Code in line with other standard setting boards.

Whilst the other Taskforce members agreed that as a general principle APESB should follow the conventions of AASB/AUASB, they believe that in this special case (as the changes are not complex) that one version of the compiled code is sufficient. Further, the primary purpose of a compilation of a standard is to facilitate use by practitioners and those in favour believe that one version is likely to cause less confusion.

Staff Recommendation

The Board to consider whether one or two compiled versions of the Code are appropriate and approve the issue of the Compiled version(s) of APES 110 *Code of Ethics for Professional Accountants*.

Material Presented

- Option 1: One Compiled version of the Code – Marked up and clean copy
- Option 2: Two Compiled versions of the Code – Marked up copies
- Amending standard 1 – Network Firms
- Amending standard 2 – Corporations Law reform

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