

## TECHNICAL STAFF PAPER

**Subject: Proposed Revision of APES 110 – Summary and Analysis of Key Issues.**

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### Purpose

The purpose of this paper is to provide:

- A summary of respondents comments raised in response to APESB's *Consultation Paper Proposed Revision of APES 110 Code of Ethics for Professional Accountants (CP 01/09)*; and
- Technical staff views and recommendations.

A summary of the respondents' comments and Technical staff views/recommendations on the issues raised in the Consultation Paper is given below.

### 1. **APESB Drafting conventions - Mixture of mandatory requirements and guidance**

**Q1A In accordance with APESB drafting conventions, should the revised APES 110 be formatted so that mandatory requirements appear in separate paragraphs to guidance?**

#### Analysis of Respondents' Comments

Deloitte, KPMG and PwC expressed a clear view that APESB's convention of separating mandatory requirements and guidance should not be applied to the revised APES 110. The views of the joint accounting bodies were divided with CPAA and NIA of the view that the APESB drafting convention should not be applied whilst ICAA was not convinced that APESB should abandon its drafting conventions which has been comprehensively applied by the Board in other APES standards. GT (generally) preferred no change to the IFAC Code but noted any amendments could be made via AUST paragraphs. The G100 supported APESB following its drafting conventions. Some support can be read from the AUASB and EY submissions although a clear preference was not expressed. NZICA did not comment on this matter.

### 2. **Defined Terms**

**Q1B Should the revised APES 110 use IFAC defined terms, use defined terms tailored to the Australian environment, or, where applicable, use defined terms which are consistent with those used in Australian Auditing Standards?**

#### Analysis of Respondents' Comments

G100 and joint accounting bodies provided clear support for defined terms to be tailored to the Australian environment. Deloitte, KPMG, PwC were not supportive of making any amendments to the IESBA definitions. Other submissions generally preferred the use of IESBA defined terms and some submissions suggested tailoring could be achieved via AUST paragraphs. NZICA did not comment on this matter.

AUASB notes in their submission that:

*“The AUASB uses IAASB defined terms in the Australian Auditing Standards, where applicable, tailoring them to the Australian environment and legislative framework, as required. The AUASB may add defined terms that are not defined internationally, where they are relevant in the Australian context, or delete IAASB defined terms that do not apply in Australia. Australian-specific differences are identified using the prefix “Aus”.”*

- Q1C Capitalisation of defined terms** – Should defined terms be differentiated from non-defined terms by capitalising defined terms in the revised APES 110?

Analysis of Respondent Comments

The APESB drafting convention of capitalisation of defined terms was supported by the majority of respondents including EY, PwC, G100, and joint accounting bodies. Deloitte, KPMG and GT (generally) were opposed. NZICA did not comment on this matter. AUASB commented:

*“Capitalisation of defined terms is not required in the drafting conventions of the IAASB or the AUASB.”*

- Q1D Definition of “public interest entity”** – Should the revised APES 110 use the IFAC definition of “public interest entity” or provide guidance on the application of the IFAC definition in the Australian context or redefine this term in the Australian context?

Analysis of Respondent’s Comments

The joint accounting bodies, EY, G100 (generally) supported the provision of guidance on the application of “public interest entity” in the Australian context. PwC suggested providing guidance outside the standard-setting process. GT (generally) preferred no change to the IFAC Code but noted any amendments could be made via AUST paragraphs. Deloitte and KPMG were opposed. AUASB’s submission stated:

*“The AUASB uses IAASB defined terms in the Australian Auditing Standards, where applicable, tailoring them to the Australian environment and legislative framework, as required. The AUASB may add defined terms that are not defined internationally, where they are relevant in the Australian context, or delete IAASB defined terms that do not apply in Australia. Australian-specific differences are identified using the prefix “Aus”*

*However, we note that the IESBA has different drafting conventions to those of the IAASB and, in particular, for its pronouncements has not adopted a Clarity format, as adopted by the IAASB”*

### **3. Australian regulatory requirements**

- Q2 Should specific references to the Corporations Act 2001 and Australian Auditing Standards be incorporated into the revised APES 110 where relevant?**

Analysis of Respondents’ Comments

The majority of respondents (Deloitte, KPMG, PwC), joint accounting bodies) opposed the inclusion of specific references. G100 supported the incorporation of Australian regulatory requirements.

Some support can be read from the AUASB submission:

*“This is a matter for the APESB to determine. However, we would support broad references to the Corporations Act 2001 and Australian Auditing Standards in the revised APES 110, where considered necessary by the APESB. We would caution against the inclusion of specific references, as changes to either the Corporations Act 2001 or the Australian Auditing Standards could result in APES 110 being inconsistent with those instruments.”*

EY expressed the view that:

*“Tailoring of terms to the Australian environment should only occur in rare circumstances when necessary to make the application of provisions clear in the Australian context. We believe that this could be better achieved by use of an Appendix or specific “Aus” paragraphs, rather than amendment to the structure of the IFAC Code.”*

KPMG’s view was:

*“We consider that there should be a mechanism to provide mapping of the Corporations Act and Australian Auditing Standards requirements to those of APES 110.*

*In line with our view that minimal changes should be made from IFAC, we consider that the addition of “Au” paragraphs to the text could cause loss of context and impact. Both the options of either using footnote references or having a separate mapping appendix would achieve the same purpose of linking-in definitions and specific contexts from the Corporations Act and Australian Auditing Standards.”*

A similar view to KPMG’s view was expressed by CPAA, ICAA and NIA. NZICA did not comment on this matter.

#### **4. Technical Staff Views on Drafting Issues**

APESB drafting conventions are contained in section 5 of the Board’s policy document *Due process and working procedures for the development and review of APESB pronouncements* which was approved in November 2007 (*Due process and working procedures document*). An extract of section 5 of the *Due process and working procedures document* which contain the drafting conventions is provided in Appendix 1.

The technical staff view is that the respondents have not provided a compelling reason to depart from the current APESB drafting conventions. Any benefit of retaining the look and feel of the IESBA Code would be at the detriment of departing from the established drafting conventions and practice applied by the Board over the last four years and could confuse users of APESB pronouncements. The existing IESBA Code used “should” and this has been changed to “shall” in the revised IESBA Code thus causing the conflict with the APESB drafting conventions. Similar to the existing APES 110, the conformity paragraph in the revised APES 110 can describe any differences with the IESBA Code.

*Technical staff views on each of the drafting issues in CP 01/09 are:*

- Q1A** The revised APES 110 should be formatted so that mandatory requirements appear in separate paragraphs to guidance in accordance with the APESB drafting convention stated in paragraph 5.2(a) of the Board’s *Due process and working procedures document*. Technical staff also notes that this type of drafting convention is commonly practiced by other Standard Setting Boards such as the IAASB and the AUASB.
- Q1B** The revised APES 110 should use defined terms tailored to the Australian environment which are consistent where applicable with those used in Australian Auditing Standards.

An auditor undertaking assurance engagements in Australia would be referring to both APES 110 and Australian Auditing Standards (ASA's) and it would be confusing to have different definitions particularly with the existence of ASA 102 (refer below). This approach is in accordance with the existing practice adopted in other APES standards and technical staff also notes that paragraph 5.4(c) of the drafting conventions require definitions to be consistent across all pronouncements issued by the APESB.

Further, in October 2009 the Australian Auditing and Assurance Standards Board (AUASB) issued Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. ASA 102 is a legislative instrument made under the *Corporations Act 2001*. ASA 102 is operative for engagements with reporting periods commencing on or after 1 January 2010.

The definition of relevant ethical requirements in ASA 102 refers to APES 110. Accordingly, to ensure consistency between APES 110 and ASA 102, it would be preferable if defined terms are used consistently. For example, it is noted that the definitions in the IESBA Code in respect of *Assurance Engagements* and *Those Charged with Governance* are not consistent with the IAASB glossary.

**Q1C** Defined terms should be differentiated from non-defined terms by capitalising defined terms in the revised APES 110 – this approach accords with paragraph 5.2(e) of the drafting conventions.

**Q1D** The Board can determine whether additional guidance is required on the application of IESBA's definition of *public interest entity* or if it needs to be redefined in the Australian context.

Paragraph 290.26 of the revised IESBA Code encourages firms and member bodies to consider whether "other entities" or certain categories of entities, should also be treated as "public interest entities".

To facilitate consistent application of the independence requirements of the revised IESBA Code, technical staff believes the preferred approach is to modify the definition to suit the Australian regulatory environment or provide guidance to ensure consistent application of independence provisions by all firms in Australia.

**Q2** The existing version of APES 110 incorporates the stricter requirements of Australian Corporations law where applicable (e.g. partner rotation). On balance this approach has worked well as practitioners can effectively use the independence provisions of section 290 of APES 110 rather than referring to multiple documents. This benefits medium and small practitioners who have limited resources.

Accordingly, where Australian Corporations law or regulations are more restrictive these requirements should be incorporated into the revised APES 110 (similar to the existing practice in APES 110). Refer technical staff view on Q1B (above).

## 5. Structure of Sections 290 and 291

**Q3 Do you believe sections 290 and 291 of the IFAC Code should be presented in their current form in the revised APES 110 or should they be restructured to remove duplication where possible?**

### Analysis of Respondent' Comments

Views on restructuring were divided with G100, ICAA, NIA and NZICA supporting a restructure and accounting firms (Deloitte, EY, GT (generally), KPMG and PwC) and CPAA opposing a restructure. AUASB stated in it's submission:

*"The concern about possible duplication in the revised IFAC Code is noted. We also understand there may be concerns about the differential ethical requirements for audit and review engagements as compared to other assurance engagements. We suggest that the matter of duplication and other issues be raised by the APESB with the IESBA for consideration for possible changes to the IFAC Code, as appropriate."*

### **Reasons provided supporting a restructure of sections 290 and 291**

The Professional Standards Board of the NZICA stated in it's submission:

- *"Having two 'standards' of independence doesn't make sense. Conceptually the issue should be is the accountant required to be independent for this engagement? If the answer is 'yes', then the type of engagement is largely irrelevant.*

*To illustrate this, consider two examples where section 290 does not apply: an engagement in respect of prospective financial information for inclusion in a prospectus (not an audit engagement as defined in the IFAC Code); any direct reporting audit (e.g. performance audit, audit of effectiveness of internal controls, audit of service organisations for the purpose of providing assurance to the organisations' clients' auditors on the controls operating within the service organisation). It is difficult to understand why the provisions of section 290 should not apply to these types of engagement. An entity issuing a prospectus would be an entity of significant public interest but under the proposal, a practitioner would appear to only need to consider section 291, and apply its less detailed provisions. Similarly an assurance report on controls at a service organisation could be considered and possibly relied on by auditors of entities of significant public interest, and yet section 290 does not apply to this type of engagement.*

*Take a further example, of current relevance. The IAASB has just released a discussion paper on the assurance of greenhouse gas statements. An auditor conducting such an engagement would be subject to the independence requirements of section 291. The greenhouse gas statement may appear in a company's annual report, along with the financial statements. The auditor of the financial statements would be subject to section 290. Further, numbers generated and reported on in the greenhouse gas statement could also be relevant to the measurement of certain assets and liabilities appearing in the financial statements. To have different standards of independence applying to these two potentially interrelated set of statements does not seem appropriate.*

- *The definitions of audit and review in the IFAC Code and those in the Assurance Framework (based on the IAASB framework) differ. The New Zealand standards currently identify assurance engagements as being either “reasonable assurance” which we have always considered to be an audit engagement and “limited or moderate assurance” which we have always considered to be a review engagement. Therefore, we could not use the terminology in the IFAC Code to distinguish the coverage of the two sections – i.e. one section relating to audit and review engagements and the other relating to other assurance engagements. Under our framework all assurance engagements are either audits or reviews - there are no other assurance engagements. It is the subject matter that determines which section applies.*
- *A firm could be carrying out an assurance engagement in accordance with the ISAs (which apply to audits of financial statements and are to be adapted as necessary for audits of other historical financial information) but be subject to section 291 of the IFAC Code because the engagement is not strictly an audit of a complete set of financial statements. Again, this would not seem appropriate.*
- *Having two sections on independence introduces unnecessary complexity for assurance practitioners in determining which ‘rules’ operate on each engagement.*
- *Having two sections on independence leads to unnecessary duplication of material.”*

Other reasons provided by respondents that are viewed to support a restructure of sections 290 and 291 are as follows:

- *“The revised APES 110 should avoid duplication and repetition in order to facilitate readability and understanding by constituents. The G100 believes that as the standard is issued to be operational in the Australian environment it should be written in a style which is consistent with other Australian standards and should be as user-friendly as possible to facilitate readability and understanding”. (G100)*
- *“The Institute and the National Institute of Accountants believe that the split of sections 290 and 291 has resulted in considerable duplication and expansion of the overall size of the Code. It is not clear how this will deliver tangible benefits to members. The Institute urges the APESB to carefully consider the alternative approaches, and the costs and benefits of each. The National Institute of Accountants is of the view on balance, it would be preferable to avoid the additional confusion, complexity and cost which would result from having sections 290 and 291 presented in their current form.” (ICAA and NIA)*

### **Reasons provided opposing a restructure of sections 290 and 291**

- *“We fully support the presentation of Sections 290 and 291 of the Code in their current form in the revised APES 110. We consider that the split of the Code in fact provides greater focus and clarity to users of the Code on the requirements relating to audits and reviews on the one hand, and assurance engagements which are not audits or reviews on the other. While there is some repetition and length added to the Code by splitting it in this manner, this is far outweighed, in our view, by the benefit of having a stand-alone section that can be applied by practitioners who provide assurance services that are not audit or review engagements, such as carbon assurance engagements.” (Deloitte)*

- *“The existing IFAC Code was drafted specifically to clearly show the independence requirements that relate to the 2 situations that commonly arise, and which require clear guidance, ie financial statement audits, and other assurance engagements, in 2 clearly segmented sections This approach was taken by IFAC after global consultation and we see no reason to change that approach. Practical experience has demonstrated the value of clearly delineated sections.” (EY)*
- *“We consider that the sections should be presented in their current form. Standards should have ease of use/reference as a high priority, and should minimise the amount of cross-referral between paragraphs. Sections 290 and 291 address two fundamentally different forms of engagement. Potentially, section 291 will be referred to by individuals from outside the audit/accounting profession such as engineers, environmental scientists and the like given such other assurance engagements can be of broader, non-financial focus. Whilst there is duplication, section 291 does make the other assurance requirements “self contained” and avoids any need to have cross-referral back into section 290 which deals with audit and review engagements and could cause possible confusion to a reader not familiar with those terms/requirements.” (KPMG)*
- *“We believe that sections 290 and 291 should be presented in the current form (i.e. two separate and fully contained sections) so that users of the revised standard understand fully the applicable independence requirements. To remove “duplication” in the revised APES 110 will mean that independence requirements pertaining to a particular type of engagement are dispersed throughout the revised APES 110 which increases the risk that a reader may not fully understand the extent of the applicable independence requirements.” (PwC)*
- *“CPA Australia believes that sections 290 and 291 of the IFAC Code should be presented in their current form in the revised APES 110. Despite the apparent duplication, having a “standalone standard”, in particular, which addresses the independence requirements for the growing number of assurance engagements that are not audit or review engagements is very helpful to practitioners who perform these types of engagements.” (CPAA)*

#### Technical Staff views on Structure of Sections 290 and 291

The introductory paragraphs of sections 290 and 291 explain the intended structure and application of each section. Section 290 of the IESBA Code has been designed to address independence requirements for audit and review engagements of financial statements. Section 291 addresses independence requirements for assurance engagements that are not an audit or review of financial statements.

Issues to consider are:

- Given the current demarcation of requirements in sections 290 and 291, how likely is it that a firm will only provide services that are either an audit or review of financial statements (as per section 290) or only provide services related to all other assurance engagements?
- Further, where firms provide both types of services, is it likely that they will have one or two sets of independence policies/systems?
- Does it mean that when other assurance engagements are undertaken of audit clients who are public interest entities that the firm is subject to lesser independence requirements in section 291?

- Global accounting firms are likely to be following global independence policies which are likely to be stricter than the IESBA Code.

The Drafting Options Paper considers four alternative approaches (options 7-10) that can be considered to restructure sections 290 and 291 to overcome the issues identified above.

**Technical staff agrees with the view expressed by the Professional Standards Board of the NZICA that the independence requirements of the Code should be contained in one section.**

Drafting options 8-10 achieves the outcome of having the independence requirements for audits and reviews being clearly separated.

**Taking into consideration the factors noted above, the technical staff's preference is for option 8.**

## 6. Achieving convergence with the IESBA Code

### IESBA Papers – Consideration of Independence – Adoption and Convergence

At its February 2010 meeting the IESBA discussed its position regarding Independence – Adoption and had further discussion on the IESBA convergence program. The agenda papers of these two matters are attached for the Board's information. A brief overview of the first matter is as follows:

#### Independence – Adoption

In its discussions on convergence, the IESBA has considered whether a short to medium term objective should be to encourage the use of the Code for the purposes of assessing the independence regimes in foreign jurisdictions. For this purpose it is considering developing a paper similar to the IAASB Policy Position "A Guide for National Standard Setters that Adopt IAASB's International Standards but Find it Necessary to Make Limited Modifications" (refer IESBA Agenda Paper 4-A). The IESBA note that while the subject matter is different, the paper provides an example of a mechanism that could be used to promote the IESBA's views on this subject. The key points in the IAASB Policy Position are in paragraphs 7-9:

- "7. NSs shall be regarded as conforming to a category of ISs if, except for the permitted modifications as set out in paragraphs 8 and 9, they include all the requirements and guidance<sup>1</sup> of the ISs in that category. It is not necessary that all the requirements and guidance of an IS be included in a single NS. Different elements of an IS may be included in different NSs, provided that:
- (a) Those standards together include all the requirements and guidance of the IS; and
  - (b) The requirements and guidance included in the NS carry the same intention (as to their meaning and effect) and authority as they do in the IS. This condition requires that there is nothing in the way in which the requirements have been included that undermines their meaning and effect, and that a professional accountant following the NSs is obliged to consider all the guidance, as included, in order to understand and apply the requirements, as included.

8. *For the purposes of conformity under this policy, the NSS shall limit additions to an IS to the following:*
- (a) *National legal and regulatory requirements.*
  - (b) *Other requirements or guidance that are not inconsistent with the current requirements or guidance in the IS.*

*NSSs are encouraged to communicate additions falling within paragraph 8(b) to IAASB for future consideration.*

9. *For the purposes of conformity under this policy, the NSS shall limit deletions from, or other amendments to, an IS to the following:*
- (a) *The elimination of options (alternatives) provided for in the IS.*
  - (b) *Requirements or guidance, the application of which law or regulation does not permit, or which require amendment to be consistent with law or regulation.*
  - (c) *Requirements or guidance, where the IS recognizes that different practices may apply in different jurisdictions and the NSS is in such a jurisdiction.*

*In the case of paragraph 9(b)-(c), however, the objective of any deleted requirement must still be met. Consequently, it will be necessary for the NSS to replace the deleted requirement with an appropriate alternative that, in the opinion of the NSS, meets the test of the Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services for those exceptional circumstances when a professional accountant may judge it necessary to depart from a basic principle or essential procedure of an IS to achieve more effectively the objective of the engagement.”*

The IESBA were proposing that this matter be discussed at the second meeting of the Ethics National Standard Setters scheduled for 28 April 2010.

Refer IESBA Agenda Papers 4 and 4-A for further information.

#### IESBA Convergence Program

Refer IESBA Agenda Papers 9 and 9-A.

## **7. Summary and Conclusion**

The IESBA Code is applicable to all 159 members and associates of IFAC in 124 countries in the World (refer Extract of World Economic Forum’s *The Global Competitiveness Report 2009-2010*: Strength of auditing and reporting standards in different countries).

The principles of the IESBA Code are equally applicable to all countries regardless of their stage of economic development. The IESBA Code itself recognises this in the Preface which states that:

*“Some jurisdictions may have requirements and guidance that differ from those contained in its Code. Professional accountants in those jurisdictions need to be aware of those differences and comply with the more stringent requirements and guidance unless prohibited by law or regulation.”*

The IESBA Code is a minimum requirement for IFAC member bodies and is not the most stringent requirement.

The existing APES 110 has more stringent requirements than the existing IESBA Code. An extract of the conformity paragraph contained in APES 110 describes the main differences between APES 110 and the IFAC Code (Refer Appendix 2).

**As a G20 Country, Australia should have a Code that is more stringent than the IESBA Code and this is the case with the existing APES 110 when compared to the existing IESBA Code.**

APES 110 has been in place since June 2006 and to-date no substantive application issues have been raised with APESB via the Issues Register or Annual Reviews.

Whilst IESBA does not have a policy similar to the IAASB on the adoption of the Code, the principles in the IAASB document suggest that National Standard Setters should be able to assert compliance with an international standard as long as:

- The local pronouncement incorporates the requirements and guidance of the international standard; and
- Any additions or deletions are due to National legal and regulatory requirements or it pertains to elimination of options that are not suitable for that jurisdiction.

Accordingly, as long as APESB adopts the requirements and guidance in the IESBA Code and any additional changes are due to the incorporation of Australian legal and regulatory requirements (similar to the process adopted for APES 110 in 2006) compliance with the IESBA Code can still be asserted.

## **8. Technical Staff Recommendations**

Subject to Board decisions on the structure of Auditor independence requirements (i.e. Sections 290/291), technical staff recommends as follows:

- If the Board determines that is it appropriate to retain the structure in the IESBA Code in respect of 290/291 then Technical staff recommend Drafting Option 6.
- If the Board determines that is it appropriate to restructure the IESBA Code to include all independence requirements in one section and to remove the duplication then Technical staff recommend Drafting Option 8.
- If the Board determines that is it appropriate to restructure the IESBA Code to include independence requirements in to different sections and to remove the duplication then Technical staff recommend Drafting Option 9.

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**Extract****APESB Due process and working procedures for the development and review of APESB pronouncements (November 2007)**

## Drafting approach

### 5.1 Base standard

The initial focus of APESB activities is the review and re-launch of existing professional and ethical standards and guidance notes (old CPC, APS and GN series) transferred to APESB from CPA Australia and The Institute of Chartered Accountants in Australia (ICAA).

Relevant professional and ethical standards issued by IFAC (if applicable) are to be used as the base pronouncement from which to develop Australian professional and ethical standards. Notwithstanding this fact, the actual base standard (or physical starting point) used will depend on the following scenarios:

- a) an equivalent IFAC pronouncement exists which is identical to an existing Australian standard;

*In this case, the existing Australian pronouncement will be used as the base standard given that it already incorporates Australian terminology and references*

- b) an equivalent IFAC pronouncement exists which differs slightly from the existing Australian pronouncement;

*In this case the existing Australian pronouncement will be used as the base pronouncement and modified to bring it in line with the equivalent international IFAC standard. Australian terminology and references in the existing Australian pronouncement will be retained*

- c) an equivalent IFAC pronouncement exists which differs significantly from the existing Australian standard; or

*In this case the IFAC pronouncement will be used as the base pronouncement and where relevant, Australian requirements and guidance will be inserted*

- d) an equivalent IFAC pronouncement does not exist.

*If an equivalent IFAC pronouncement does not exist then the existing Australian standard will be used as the base standard.*

### 5.2 Drafting conventions

The following drafting principles and conventions will be applied to APESB pronouncements:

- a) mandatory requirements and explanatory guidance are shown in separate paragraphs;

- b) paragraphs containing mandatory requirements are shown in bold type black lettering;
- c) paragraphs containing explanatory guidance are shown in grey type grey lettering;
- d) the word 'shall' is used within mandatory requirements paragraphs to denote the obligations a member is required to comply with;
- e) defined terms will be in title case;
- f) the present tense of verbs is used in the explanatory guidance when it is the best form of expression;
- g) qualifiers such as 'ordinarily', 'normally' and 'usually' are avoided as far as possible as these create ambiguity as to whether they should form part of the requirements;
- h) requirements that exist in another professional or ethical standard are anchored back to the original requirement (for example, using the phrase 'in accordance with') when repetition is considered necessary for understanding and context;
- i) Australian supplements to international pronouncements will be prefaced by the letters AUS.

### 5.3 Application of APESB pronouncements

APESB pronouncements are to be applied in the following manner:

- a) the entire Code is mandatory to members of the professional accounting bodies;
- b) professional standards have mandatory requirements in black lettering and explanatory guidance in grey lettering; and
- c) guidance notes have only explanatory guidance in grey lettering.

### 5.4 Elements of APESB pronouncements

Each APESB pronouncement contains the following elements that impact on its application:

- a) *Operative date* – the operative date stipulates the date from which the standard is to be applied. It remains in force until:
  - the operative date of any amendment to those requirements;
  - in relevant circumstances, the early adoption of such amendment; and
  - the standard is withdrawn by APESB.
- b) *Scope and application* – APESB pronouncements are intended to apply to members of the professional accounting bodies that have adopted APESB pronouncements. Where there is an exception, this is spelt out in these paragraphs.

The following paragraphs will be included in the scope and application of each APESB pronouncement:

- members practising in Australia are expected to comply with APESB pronouncements;
  - members practising outside Australia are expected to follow the provisions of the pronouncement to the extent to which they are not prevented from doing so by specific requirements of local regulations and/or laws in the country they are practising;
  - APESB pronouncements are not intended to detract from any responsibilities that may be imposed by law; and
  - in applying the requirements outlined in an APESB pronouncement, members should be guided by both the words and the spirit of the standard and the Code.
- c) *Definitions* – definitions contained in APESB standards are to be applied in the interpretation of APESB standards and are consistent across all pronouncements issued by APESB.
- d) *Conformity paragraphs* – conformity paragraphs explain the relationship of an APESB pronouncement with an equivalent international standard (if any) issued by a standards setting Board of IFAC. In cases where there is no equivalent international pronouncement, the conformity paragraphs will state that an international equivalent does not exist.

**Extract**

**APES 110 Code of Ethics for Professional Accountants (Compiled February 2008)**

**CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS**

The amendments to the Code dealing with “Networks” and “Network Firms” conform to the *Code of Ethics for Professional Accountants Section 290 (Revised)* issued by the International Ethics Standards Board for Accountants (IESBA) in July 2006.

*Technical Staff comments*

Except as noted below, this compiled APES 110 is materially consistent with the IFAC *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA) in June 2005 and the Network Firm amendments issued in July 2006. The main differences between APES 110 and the IFAC Code are:

- The addition of an Australian preface in APES 110;
- The addition of paragraphs prefixed as AUST in APES 110;
- The deletion of two IFAC Code paragraphs noted as deleted in APES 110;
- APES 110 generally refers to Members where as the IFAC Code refers to professional accountants;
- Defined terms are indicated with leading capitals in APES 110;
- Section 140.1 (a) in APES 110 refers to a legal duty to disclose; the IFAC Code refers to a professional or legal duty to disclose;
- Section 250 of APES 110 does not include the guidance in the IFAC Code concerning consultation with the relevant professional body if the professional accountant is in doubt whether a proposed form of advertising or marketing is inappropriate;
- The auditor independence requirements in APES 110 are aligned with the Australian Corporations Act;
- Section 290 Application of Framework for Specific Situations in APES 110 generally refers to Audit Clients where as the IFAC Code refers to Financial Statement Audit Clients;
- Section 320.2 of APES 110 additionally states that a Member in Business should ensure compliance with professional standards;
- APES 110 additionally includes the following defined terms; Audit Client, Audit Engagement; Audit Review Partner; Audit Team; Clients; Engagement; Engagement Quality Control Reviewer; Firm; Lead Engagement Partner; Managerial employee; Officer; Partner.