

AGENDA PAPER

Item Number: 1
Date of Meeting: 29 November 2016
Subject: Proposed amendments to APES 110 *Code of Ethics for Professional Accountants* due to revisions to IESBA's Code

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

Purpose

To obtain the Board's approval to issue the Exposure Draft *Amendments to APES 110 Code of Ethics for Professional Accountants due to revisions to IESBA's Code of Ethics for Professional Accountants* (APES 110 ED), subject to the Board's review comments and editorials.

Background

On its [29 August 2016 meeting](#), the Board approved the [project plan](#) to revise APES 110 *Code of Ethics for Professional Accountants* (the Code) to incorporate the amendments to the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board (IESBA).

In accordance with the approved plan, the revision of the Code will be undertaken in line with IESBA's process for restructuring the IESBA Code. IESBA is currently in the process of restructuring the IESBA Code, including incorporating amending standards relating to:

- Responding to Non-compliance with Laws and Regulations (NOCLAR)
- Non-Assurance Services for Audit and Assurance Clients (NAS)
- Long Association of Personnel (including Partner Rotation) with an Audit and Assurance Client (Long Association)
- Safeguards
- Part C – Members in Business

To date, IESBA has issued amending standards in the extant format in respect of [NOCLAR](#) (effective as of 15 July 2017, with early adoption permitted) and [NAS](#) (effective on 15 April 2016). IESBA has approved the final changes to the IESBA Code relating to [Long Association](#) in the extant format but they will not become effective until they have been redrafted in the restructured format.

Key Considerations

APES 110 ED include the amendments relating to NOCLAR, NAS and Long Association in the extant format. The proposed key amendments are summarised below:

NOCLAR

Section 225 (Members in Public Practice) and Section 360 (Members in Business) of APES 110 ED set the conceptual framework for responding to NOCLAR or suspected NOCLAR committed by a client or employer and guide Members on how to act in these circumstances in the public interest.

When Members become aware of NOCLAR or suspected NOCLAR, the proposed provisions require Members to comply with the fundamental principles of integrity and professional behaviour and alert management or Those Charged with Governance (TCWG).

Importantly, Members are mandated in light of management or TCWG's response to consider taking further actions, such as:

- withdrawal from the engagement; and
- report matters to relevant authorities if it is deemed to be in the public interest.

Consequential and conforming changes have been made on other sections of APES 110 ED, due to the addition of the NOCLAR provisions.

NAS

1. Paragraphs 290.171 and 290.183 in the extant Code have been removed in APES 110 ED, which both relate to exceptions under emergency situations that permit Members in Public Practice to provide accounting and bookkeeping services, including preparing tax calculations for the purpose of accounting entries' preparation for Audit Clients that are not Public Interest Entities (PIEs).
2. APES 110 ED provides enhanced guidance and clarification in respect of what constitutes management responsibility (sections 290 and 291) and the concept of "routine or mechanical" services relating to the preparation of accounting records and Financial Statements for Audit Clients that are not PIEs (section 290).

Long Association

- Section 290 of APES 110 ED specifies new partner rotation requirements for Members in Public Practice in audits of PIEs summarised below:

Role	Time-on and cooling-off periods
Engagement Partner	Time on - maximum 7 cumulative years Cooling off - 5 consecutive years cooling-off period
Engagement quality control review Partner	Time on - maximum 7 cumulative years Cooling off - 3 consecutive years
Other Key Audit Partners	Time on - maximum 7 cumulative years Cooling off - 2 consecutive years

- Alternative jurisdictional partner rotation requirements have been addressed, permitting the cooling off period of 5 consecutive years to be reduced to 3 consecutive years under certain conditions. In line with this, paragraph AUST 290.163.1 has been added to clarify Australian jurisdictional requirements.
- Rotation requirements relating to service in a combination of Key Audit Partner roles are also prescribed.

Clean and marked up versions of APES 110 ED are attached to this agenda paper as Agenda Item 1(a) and Agenda Item 1(b) respectively.

Staff Recommendation

The Board approve the proposed Exposure Draft *Amendments to APES 110 Code of Ethics for Professional Accountants* due to revisions to IESBA's *Code of Ethics for Professional Accountants* for public comment.

Materials Presented

Agenda Item 1 (a) Exposure Draft *Amendments to APES 110 Code of Ethics for Professional Accountants* due to revisions to IESBA's *Code of Ethics for Professional Accountants* (Clean version)

Agenda Item 1 (b) Exposure Draft *Amendments to APES 110 Code of Ethics for Professional Accountants* due to revisions to IESBA's *Code of Ethics for Professional Accountants* (Marked-up version)

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