

AGENDA PAPER

Item Number: 11
Date of Meeting: 14 June 2018
Subject: Proposed Exposure Draft for Inducements sections in APES
110 *Code of Ethics for Professional Accountants*

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

Purpose

- (1) To obtain the Board's approval to issue, subject to the Board's review comments and editorials:
 - (a) the Exposure Draft *Proposed Inducements provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (Inducements ED); and
 - (b) Inducements Mapping Table: APESB's Inducements ED with relevant provisions in *APES 110 Code of Ethics for Professional Accountants (Compiled 2017)* (the Inducements Mapping Table).

- (2) To obtain the Board's approval to:
 - (a) extend the comment closing date for ED 02/18 to 10 August 2018; and
 - (b) publish a combined document of both restructured Code exposure drafts.

Background

APES 110 *Code of Ethics for Professional Accountants* (the Code) issued by APESB is based on the *Code of Ethics for Professional Accountants* (the International Code) issued by the International Ethics Standards Board for Accountants (IESBA).

At the August 2016 Board Meeting, the Board approved a [project](#) to revise the Code to incorporate changes proposed to the International Code.

In April 2018 the IESBA released the approved restructured International Code, excluding the Inducements provisions. At this stage, the IESBA were still working on their Inducements project but they announced the provisions would be released shortly to ensure Inducements would become effective at the same time as the restructured International Code.

At the April 2018 APESB Board Meeting, the Board approved the release of an exposure draft on restructuring the Code, excluding the Inducement provisions. The comment period for this exposure draft closes on 31 July 2018.

In May 2018 the IESBA released a document with the approved restructured text of the Inducements provisions of the International Code. The IESBA is expected to release the final version of the Inducements provisions once the Public Interest Oversight Board (PIOB) approves the text at PIOB's June 2018 meeting (26 - 27 June 2018).

Consideration of issues

Technical Staff have prepared the Inducements ED using the approved restructured text of the Inducements provisions of the International Code. Refer to Agenda Item 11(a) for the draft Inducements ED.

Technical Staff are of the view that minimal amendments are required to the international content to suit the Australian environment. The proposed amendments are as follows:

- requirement paragraphs are in **bold-type font**;
- the references to professional accountants in the International document are replaced with Members; and
- defined terms are in title case;

These amendments are consistent with those applied in the Exposure Draft on the restructured Code ([ED 02/18 Proposed Standard: APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#)).

Matter under consideration: definition of Inducements

Technical Staff have noted the definition of inducements refers to *Members and existing or prospective clients*. The use of the reference to clients could be read in a manner that it is limited to Members in Public Practice when it has application to all Members.

APESB Technical Staff's preliminary view is that these words can be deleted without impacting the definition and its application to all Members (refer to strikethrough in the definition of Inducement in the proposed ED).

APESB Technical Staff have raised the matter with the IESBA Technical Staff and will provide the Board with an update at the meeting. Note that any changes from this discussion are not expected to have a substantive impact on the proposed Inducements provisions.

Inducements Mapping Table

Technical Staff have also prepared an Inducements Mapping Table (refer to Agenda Item 3(b)) to assist users to navigate to the corresponding provisions in the extant Code.

Proposal to allow joint submissions on Code exposure drafts

The ED 03/18 is the second and final Exposure Draft that APESB expects to release in relation to the revision of the Code.

The first exposure draft relating to the Code (ED 02/18) contained the majority of the restructured Code. It was issued with a closing date of 31 July 2018.

Technical Staff are proposing that the Inducements ED, once approved, will be issued with a 40-day comment period (closing 10 August 2018).

The Inducements provisions are discrete sections in the Code and can be considered by stakeholders separately from the rest of the Code. However, some stakeholders may wish to respond to both exposure drafts in one submission.

Technical Staff are supportive of stakeholders lodging one submission on both exposure drafts. To facilitate this option, Technical Staff propose to:

- extend the closing date for submissions to ED 02/18 to 10 August 2018;
- include commentary in ED 03/18 on the option to submit a response to both ED 02/18 and ED 03/18 in one document;
- publish on the APESB website a combined document of both EDs so respondents can consider the proposed restructured Code in its entirety; and
- promote this option to stakeholders on the website and at discussion groups/ briefing sessions.

The outcomes from the Inducements ED and the exposure draft to restructure the Code will be consolidated by Technical Staff and presented together to the Board for approval. At this stage, Technical Staff believe the complete revised Code will be ready for release in late 2018.

Staff Recommendation

1. Subject to PIOB's approval of the Inducements provisions of the International Code and IESBA's feedback on the definition of Inducements, the Board approve for issue:
 - (a) the draft Exposure Draft *Proposed Inducements provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* for public comment; and
 - (b) the Inducements Mapping Table: APESB's Inducements ED with relevant provisions in *APES 110 Code of Ethics for Professional Accountants (Compiled 2017)*.; and
2. To facilitate the lodgement by stakeholders of a single submission on both Code EDs, the Board approve:
 - (a) the extension of the comment closing date for ED 02/18 to 10 August 2018; and
 - (b) The publication of a combined document of both EDs.

Material Presented

Agenda Item 11(a) Exposure Draft *Proposed Inducements Provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*; and

Agenda Item 11(b) Mapping Table: APESB's Inducements ED with relevant provisions in *APES 110 Code of Ethics for Professional Accountants (Compiled 2017)*

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