

30 August 2010

Auditors' independence requirements strengthened under new code

Accountants who are auditors face strengthened independence requirements under the proposed revised standard issued today by the Accounting Professional & Ethical Standards Board (APESB).

The proposed revised standard, APES 110 Code of Ethics for Professional Accountants, follows the amended International Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA) and will align Australia's professional requirements with international standards.

APESB Chair Kate Spargo said it is in the public interest that professional and ethical requirements of Australian auditors were in line with international best practice.

"As the National Standard Setter on professional and ethical standards for the accounting profession, we have an obligation to maximize the integrity of the profession by implementing standards which ensure the public is protected and can have complete confidence in accountants' professionalism," said Ms Spargo.

"Strengthening auditor independence standards is of paramount importance in gaining clients' and investors' trust in financial reporting and the professionalism of our industry," she said.

APESB has also included Australian specific Independence requirements relating to inadvertent violations and multiple threats to auditor independence to provide greater safeguards for clients.

The code encompasses two new concepts – Public Interest Entities and Key Audit Partners and also splits the existing Section 290 dealing with auditor independence into two sections with the inclusion of new Section 291 which deals with independence requirements relating to the provision of assurance services other than Audits and Reviews of financial statements.

Other major changes in the proposed standard include banning contingent fees for non-audit assurance services to audit clients and prohibiting Key Audit Partners from being evaluated or compensated on their success in selling non-assurance services to their audit clients.

Specific requirements in relation to Public Interest Entities (PIE) are also included in the Code, such as a cooling off period before Key Audit or Managing Partners can join public interest audit clients in certain specified positions and extending partner rotation requirements to all Key Audit Partners.

The proposed standard is currently in the exposure draft stage, with comments invited by 15 October 2010. Details of how to provide a submission are available on the APESB website www.apesb.org.au

- ENDS -

Media enquiries: For interviews with Ms Spargo, please contact Rachael Nightingale on (03) 9600 0006 or rachael@fenton.com.au

Notes to Editors: The APESB is an independent body that sets the code of ethics and professional standards by which members of Australia's three professional accounting bodies are required to abide.