

14 November 2013

Amendments to Auditor Independence requirements and conflicts of interest

Accounting Professional and Ethical Standards Board (APESB) has today released amendments to the Australian Code APES 110 *Code of Ethics for Professional Accountants* (APES 110) to align it with the recent amendments to the international Code issued by the International Ethics Standards Board for Accountants (IESBA).

The revisions to the Code incorporate IESBA's amendments in respect of auditor independence requirements and conflicts of interest. These revisions affect accountants both in public practice and in business, taking into consideration the different circumstances in which they work.

APESB Acting Chairman Stuart Black says "With these amendments APESB has incorporated IESBA's amendments to the Australian Code to enhance auditor independence requirements and a professional accountant's obligations in respect of conflicts of interest in line with international requirements."

The amendments noted above are effective from 1 July 2014 with early adoption permitted.

The IESBA has also amended its Code in respect of the definition of "Engagement Team" to exclude internal auditors who provide direct assistance to the external auditor to ensure consistency with the revised International Standard on Auditing - *Using the Work of Internal Auditors* (ISA 610).

However, APESB is of the view that internal auditors who provide direct assistance to the external auditor should not be excluded from the Engagement Team definition and is supportive of the Auditing and Assurance Standards Board's (AUASB) decision to prohibit internal auditors providing direct assistance in Australian Auditing Standard ASA 610 *Using the Work of Internal Auditors* (November 2013).

Mr Black says, "the Board is of the view that it is inconsistent to imply that an internal auditor providing direct assistance is a substitute for an external audit team member and yet *not* regard that person as part of the Engagement Team".

Due to the AUASB's decision to prohibit the use of direct assistance by internal auditors, the APESB sees no necessity to amend the existing definition of "Engagement Team" in APES 110 as employees of the entity (such as internal auditors) will not be able to be part of the Engagement Team as they will not be able to satisfy the auditor independence requirements of APES 110.

For a full copy of the amending standard for APES 110 *Code of Ethics for Professional Accountants* visit: www.apesb.org.au

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Notes to Editors: APESB is the National Standards Setter that sets the code of ethics and professional standards by which members of Australia's three major professional accounting bodies (CPA Australia, the Institute of Chartered Accountants Australia and the Institute of Public Accountants) are required to abide.