

RMIT School of Accounting Research Seminar

1 June 2018

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Accounting Professional & Ethical Standards Board

Agenda

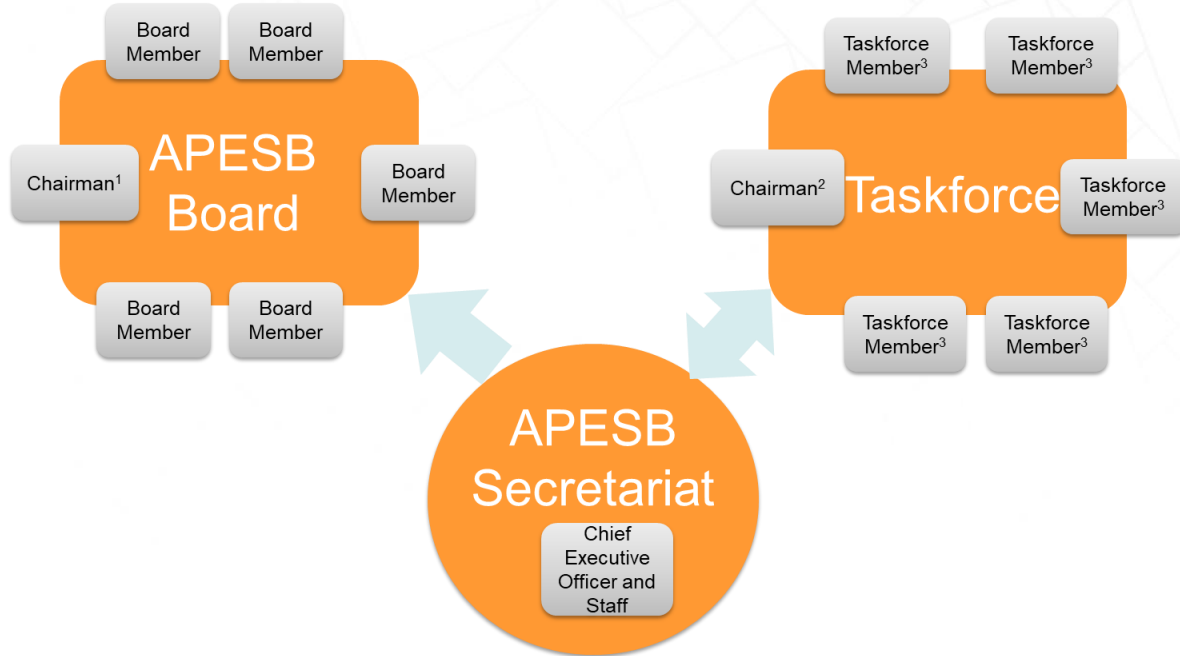
- APESB history, structure and its pronouncements
- Audit Partner Rotation
- Financial Planning Services
- Professional Scepticism
- Potential research topics

APESB history, structure and its pronouncements

APESB History

- Established in February 2006
- CA ANZ, CPA Australia and IPA are all members of the APESB
- To date APESB has released **21** pronouncements (**15** Standards and **6** Guidance Notes)
- Over **85%** of APESB pronouncements have been developed in Australia and do not rely on international equivalents
- APESB Taskforces consisting of subject matter experts and representatives of the Australian accounting profession played a key role in the development of the APESB Suite of pronouncements

APESB Functional Structure



1 - Independent Chairman (Non Accountant), 2 - APESB CEO, 3 - Subject Matter Experts and Professionals nominated by Accounting Bodies

APESB Pronouncements

All Members

APES 110 Code of Ethics for Professional Accountants

APES 205 Conformity with Accounting Standards

APES 210 Conformity with Auditing and Assurance Standards

APES 215 Forensic Accounting Services

APES 220 Taxation Services

APES 225 Valuation Services

APES 230 Financial Planning Services

APES GN 20 Scope and Extent of Work for Valuation Services

APES GN 21 Valuation Services for Financial Reporting

APESB Pronouncements

Members in Public Practice

APES 305 Terms of Engagement

APES 310 Dealing with Client Monies

APES 315 Compilation of Financial Information

APES 320 Quality Control for Firms

APES 325 Risk Management for Firms

APES 330 Insolvency Services

APES 345 Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document

APES 350 Participation by Members in Due Diligence Committees in connection with a Public Document

APES GN 30 Outsourced Services

APES GN 31 Professional and Ethical Considerations relating to Low Doc Offering Sign-offs

APESB Pronouncements

Members in Business

APES GN 40 *Ethical Conflicts in the Workplace*

APES GN 41 *Management Representations*

Audit Partner Rotation (Long Association)

Long Association

Partner Rotation – Listed & APRA-Regulated Entities

Role	Current		Transition (1 Jan 2019 to pre 31 Dec 2023)		Full Provisions (from 31 Dec 2023)	
	Time on (yrs)	Cooling off (yrs)	Time on (yrs)	Cooling off (yrs)	Time on (yrs)	Cooling off (yrs)
Engagement Partner	5/7**	2	5/7**	3	5/7**	5
EQCR Partner	5/7**	2	5/7**	3	5/7**	3
Other Key Audit Partners	7	2	7	2	7	2

Partner Rotation – Other Public Interest Entities

Role	Current		Full provisions (from 1 Jan 2019)	
	Time on (yrs)	Cooling off (yrs)	Time on (yrs)	Cooling off (yrs)
Engagement Partner	7	2	7	5
EQCR Partner	7	2	7	3
Other Key Audit Partners	7	2	7	2

Cooling-off periods

- Sunset clause to limit shorter cooling-off period to 5 years
- IESBA planning a post-implementation review in 2022
- Potential impact for Listed/APRA entities post 2023:
 - 5 years time-on period / 5 year cooling-off period
- Empirical evidence not provided to support a specific Cooling-off period and its relationship to Auditor Independence or Audit Quality

Financial Planning Services – Remuneration Methods and Informed Consent

Remuneration Methods

- APES 230 *Financial Planning Services* requires remuneration by either;
 - (a) a fee-for-service basis; or
 - (b) subject to obtaining informed consent and complying with additional disclosures, the use of asset-based fees or third-party payments

Asset Based or Third Party Payments

Subject to obtaining written *Informed Consent* from clients

Asset Based Fees

- Disclose amounts collected annually, and
- Obtain written consent biennially

Third Party Payments

Disclose:

- Three comparative quotes
- Annually, amounts
 - To be received, and
 - Received
- Any proposed changes
 - Including impact on payments

Informed Consent

- Voluntary decision to accept service
- Knowledge and understanding of costs, benefits and risks
- Without coercion or pressure

Requirements of APES 230

- Fully inform client
- Carefully explain information
- Being mindful of knowledge imbalance
- Giving sufficient time to form an opinion

Informed Consent

Risks

- No clear understanding of
 - Implications
 - Fees
 - Benefits
 - Risks
 - Appropriateness

Informed Consent

Benefits

- Protects clients
- Enables evaluation of
 - Implications
 - Fees
 - Benefits
 - Risks
 - Appropriateness
- Fosters informed decision-making

Professional Scepticism

Professional Scepticism

- IESBA seeking to develop a more consistent exercise of professional scepticism
- APESB's view that the concept of professional scepticism applies to all work performed by accountants, and not limited to assurance services
- Difficult topic to define

Current definition in Auditing Standards

“An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of the evidence”

Potential new definition

“Approaching professional activities with an impartial and diligent mindset and applying this mindset and relevant professional expertise to the evaluation of information with which they are associated.”

- Examples
 - Critical Thinking
 - Critical Analysis
 - Diligent Mindset

Professional Scepticism

Behavioural Characteristics

- Public expectation that information connected to a Member to have been prepared with that Member's skills and experience
- General belief that Members should:
 - Obtain and understand relevant information
 - Make informed challenges
 - Be sensitive to information integrity
 - Withhold judgement pending consideration
 - Be alert to potential bias
 - Have the ability and willingness to stand their ground

Potential Research Topics

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- Audit Partner Rotation – Impact of different Cooling-off periods on Auditor Independence and Audit Quality
- The effectiveness of different remuneration methods in Financial Planning Services and the role of informed consent
- The role of professional scepticism in the various professional activities performed by accountants and its application to non-assurance services and work performed by accountants in business (i.e. CFOs)

Further information

For more information:

Visit: www.apesb.org.au

For timely updates, follow the APESB LinkedIn page:

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To download APESB's mobile app:

