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APESB strengthens the fees provisions of the Code of Ethics

The Accounting Professional and Ethical Standards Board (APESB) today released amendments that strengthen the fees provisions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

The strengthened provisions align with the International Ethics Standards Board for Accountants (IESBA) changes to the IESBA's global Code. The changes enhance the transparency and governance of fees paid to the external auditor and also address a key recommendation from the Parliamentary Joint Committee (PJC) on the Regulation of Auditing in Australia.

"In the current regulatory and economic climate, the auditor's independence and transparency of fees paid for audit and other services to an entity's external auditor are critical," said APESB Chair, Nancy Milne OAM.

"By strengthening the Code of Ethics, auditors will be required to obtain the approval of those charged with governance, such as audit committees, concerning their fees. There is also a new stricter prohibition on audit partners in line with the PJC Inquiry's recommendation 5 to prohibit audit partners from being incentivised, either directly or indirectly, to sell non-assurance services to all audit clients of the Firm."

The revised Code now includes provisions to remove potential conflicts of interest, achieve transparency on all fees paid to the entity's external auditor and strengthen communications with those charged with governance concerning audit and non-audit services.

In circumstances where there is a fee dependency on a referral source that refers multiple audit clients to a firm, an office within the accounting firm, or an individual partner, the standard requires a pre-issuance review to be performed if a 30% revenue threshold and a five-year cumulative time period are met.

APESB will continue working with the Australian Accounting Standards Board (AASB) on addressing the PJC recommendation on categorising fees paid to the auditor.

The amendments to the fees provisions in the Code will be effective for engagement periods beginning on or after 1 January 2023, with early adoption permitted.

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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, Chartered Accountants Australia and New Zealand, and the Institute of Public Accountants) are required to abide.