

AGENDA PAPER

Item Number: 4
Date of Meeting: 25 June 2020
Subject: Revised APES 110 Prohibitions

Action Required For Discussion For Noting For Information

Purpose

To seek approval to publish a revised summary of prohibitions in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the restructured Code) relating to Public Interest Entity (PIE) and non-PIE audit clients.

Background

Technical Staff observed during the Parliamentary Inquiry into Regulation of Auditing in Australia that some stakeholders have limited understanding of the prohibitions in the restructured Code, particularly in respect of non-assurance services, while others requested clarity in respect of the existing requirements.

In 2012, the International Ethics Standards Board for Accountants (IESBA) published a list of prohibited services and relationships for audit clients that are Public Interest Entities (PIEs). APESB Technical Staff liaised with the IESBA Technical Staff during October/November 2019 on the possibility of updating this publication for the restructured Code.

The IESBA revised this publication and released [Summary of Prohibitions Applicable to Audits of Public Interest Entities November 2019](#).

Technical Staff were also of the view that APESB should produce an APES 110 version of these prohibitions, to ensure any specific Australian prohibitions are captured and to educate and raise awareness of these prohibitions in Australia.

Accordingly, Technical Staff presented a summary of the prohibitions in the restructured Code (APES 110) at the November 2019 Board meeting which was approved for publication by the Board. The final version of *APES 110 – Prohibited Non-assurance Services, Interests and Relationships for Auditors of Public Interest Entities – November 2019* was published on 26 November 2019 (APES 110 PIE Prohibitions) (refer to Agenda Item 4(a)).

Matters for Consideration

During the process of developing the *Independence Guide – Fifth Edition, May 2020* (refer Agenda Item 2), Technical Staff noted a number of enhancements that could be made to the APES 110 PIE Prohibitions.

In particular, the document could be expanded to highlight which prohibitions are the same for PIE and non-PIE audit clients and to illustrate which prohibitions differ for non-PIE audit clients. Therefore, the summary would cover the prohibitions for all audit clients.

Accordingly, Technical Staff have prepared a draft of a revised summary of the prohibitions in APES 110 (Revised APES 110 Prohibitions) which is included at Agenda Item 4(b) for the Board's consideration. The Revised APES 110 Prohibitions includes the following changes and enhancements:

- Amendments to the introductory comments to expand the document to cover both PIE and non-PIE audit clients (i.e., all audit clients), to note that the prohibitions cover non-assurance services, interests, relationships and actions and to emphasise that APES 110 is also mandatory under the *Superannuation Industry (Supervision) Act 1993* and *Superannuation Industry (Supervision) Regulations 1994*;
- Restructure of the tables for greater clarity and to include references to paragraphs or sections in the Code;
- Addition of summaries of the differences in the prohibitions for non-PIE audit clients after the tables of Strictly Prohibited Non-Assurance Services and Prohibited Non-Assurance Services (based on materiality);
- Highlighting that the table of Prohibited Interests, Relationships and Actions (including materiality factors where noted) applies to both PIE and non-PIE audit clients except for restricted employment with a PIE audit client and prohibited activities during cooling-off periods relating to PIE audit clients; and
- Refinements to some of the wording in the table of Prohibited Interests, Relationships and Actions (including materiality factors where noted).

Recommendations

The Board approve for publication the Revised APES 110 Prohibitions relating to all audit clients.

Materials presented

Agenda Item 4(a)	APES 110 Prohibitions for PIE Audit Clients
Agenda Item 4(b)	Revised APES 110 Prohibitions for all Audit Clients

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