

Meeting Highlights

3 JUNE 2022

1. Register of Interests

The Board noted Agenda Item 2 *Register of Interests*.

2. Proposed revisions to APES 110 for the definition of Listed Entity and Public Interest Entity

The Board noted Agenda Item 3 *Proposed revisions to APES 110 for the definitions of Listed Entity and Public Interest Entity*.

The Board considered a draft exposure draft that proposed revisions to the definitions of listed entity and public interest entity (PIE) in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The exposure draft proposes maintaining the existing Australian requirement and application material in determining PIEs, with a request for specific comments as to whether additional categories of entities should be included as a PIE within the Australian specific provisions.

The Board approved the issue of the exposure draft *Proposed revisions to the Definition of Listed Entity and Public Interest Entity in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

3. Proposed project on conforming amendments to APESB Pronouncements for Quality Management

The Board noted Agenda Item 4 *Proposed conforming amendments to APES 110 for Quality Management*.

The Board considered a draft exposure draft that proposes consequential amendments to the Code for the reissued APES 320 *Quality Management for Firms that provide Non-assurance Services* and the new AUASB Quality Management Standards.

The Board approved the issue of the exposure draft *Proposed Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

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4. International and other activities

The Board noted Agenda Item 5 *International and other activities*.

5. Developments in Sustainability

The Board noted Agenda Item 6 *Developments in Sustainability*.

The Board discussed the developments in sustainability and agreed to consider this topic again at the September Board Meeting.

6. Update on the Technology Project

The Board noted Agenda Item 7 *Update on the Technology Project*.

The Board approved APESB's submission on the IESBA's exposure draft *Proposed Technology-related revisions to the Code*.

7. Project update on APES 215 Forensic Accounting Services

The Board noted Agenda Item 8 *Project update on APES 215 Forensic Accounting Services*.

The Board supported the way forward proposed by Technical Staff.

8. Project update on APES 220 Taxation Services

The Board noted Agenda Item 9 *Project update on APES 220 Taxation Services*.

The Board supported the way forward proposed by Technical Staff.

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9. Proposed revisions to APES 205 to address AASB projects

The Board noted Agenda Item 10 *Proposed revisions to APES 250 to address AASB projects*.

Subject to the AASB issuing their final standard relating to Special Purpose Financial Reporting (SPFR) disclosures, the Board approved the issue of the exposure draft *Proposed revisions to APES 205 Conformity with Accounting Standards*.

10. Proposed revisions to Fee-related provisions of APES 110

The Board noted Agenda Item 11 *Proposed revisions to Fee-related provisions of APES 110*.

The Board discussed the implementation of the new IESBA provisions when the requirements or terminology used differ from the *Corporations Act 2001* and Australian Accounting Standards. The Board noted that the Accounting Standards and Corporations Act requirements concerning the disclosure of fees paid to the entity's auditor are imposed on the entity preparing the financial statements. In contrast, the requirements in the Code are imposed on the auditor of that entity.

While there may be slight variances in the terminology used, the obligations are imposed on different parties, and the requirements for the auditor focus on transparency of the fees paid to the auditor for the external audit and other services and the resulting impact on the auditor's independence. Therefore, the Board agreed that no change should be incorporated into the Code for this matter.

The Board considered the outcome of the re-exposure process for the proposed referral source fee dependency provisions of the Code. The Board agreed that the requirement will include a 30% threshold, a five-year cumulative period and that a pre-issuance review on the fifth year's audit work is performed by an appropriate reviewer. In addition, a new requirement will clarify actions to be taken if the fee dependency continues past 5 years.

The Board approved the issue of the amending standard *Amendments to the Fee-related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*, with an effective date of 1 January 2023.

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11. Project update on the Non-Assurance Services provisions of APES 110

The Board noted Agenda Item 12 *Proposed revisions to the Non-Assurance Services provisions of APES 110*.

The Board welcomed Mr Robert Buchanan, the Chair of the New Zealand Auditing and Assurance Standards Board (NZAuASB), and Mr Doug Niven, the Chief Accountant of the Australian Securities and Investments Commission (ASIC), to the meeting.

Mr Buchanan provided an update on the New Zealand (NZ) position in relation to the adoption of the IESBA's final pronouncement on Non-Assurance Services. The NZAuASB has determined to retain a principle-based approach and include application material that clarifies the intent of the international standard in the New Zealand context. The application material explains the meaning of 'likely to prevail' as a high level of confidence that can be considered objectively using the reasonable and informed third-party test. The NZAuASB standard will also require firms to document the factors considered and conclusions reached in meeting the exception in proposed paragraph 604.12 A2.

Mr Niven spoke to the Board about the proposed options in the submission made by ASIC and the need to consider both the self-review and advocacy threats related to tax planning and advisory services.

The Board considered a draft exposure draft on amendments to the non-assurance services provisions of the Code, including potential options for the provisions relating to tax advisory and tax planning services. The Board discussed three options outlined in the agenda paper relating to tax advisory and planning services which are:

- Option 1 – Prohibit tax advisory and planning services for PIEs;
- Option 2 – Amend the threshold to 'almost certain' and require documentation; and
- Option 3 – Add guidance on the meaning of 'likely to prevail' and require documentation.

The Board debated the merits of each option and, on balance, determined that it is best to seek stakeholder views on options 2 and 3.

The Board agreed to issue an exposure draft of *Proposed Revisions to the Non-Assurance Services provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*, which seeks specific comments concerning the most appropriate option to be adopted for the Australian environment.