

**APESB - Opening Statement to NSW Government Inquiry Public Hearing – 9 August 2023**

Thank you for inviting the Accounting Professional and Ethical Standards Board (APESB) to appear at this Inquiry.

APESB develops and issues professional and ethical standards for members of the Australian accounting profession. It is a public company limited by guarantee that functions independently of the accounting profession, governed by a Board of Non-Executive Directors.

APESB has developed a robust, comprehensive suite of Australian professional & ethical standards, which are benchmarked to the international standards issued by the International Ethics Standards Board of Accountants (IESBA) and the International Auditing and Assurance Standards Board, and which codify global best practice.

Compliance with APESB's Code of Ethics and ethical standards is mandatory for members of CA ANZ, CPA Australia and IPA (the member bodies).

APESB is also a significant participant in the development of the IESBA's international ethical standards, which are contained in a Code of Ethics that is adopted or used in over 130 jurisdictions, including substantially all Western economies.

APESB CEO Channa Wijesinghe is a public interest Board member of the IESBA and participates directly in the international standards development process.

APESB's mandate is to develop and publish ethical standards; it does **not** include monitoring or enforcement activities, which are the province of the member bodies.

Our Code of Ethics sets out fundamental principles of ethics, which underpin the profession's responsibility to act in the public interest.

These principles establish the standard of behaviour expected of a Member. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

APESB is disappointed with the observed ethical failings in the conduct of large firms providing services to government.

We are especially disappointed that the reported failings have occurred within firms that have been required to comply with the Code of Ethics and the ethical standards of the APESB, which are clear in respect of fundamental ethical obligations, including maintaining confidentiality and identifying and addressing conflicts of interest.

It is our view that it will always be possible to improve professional standards; however, failures to observe appropriate ethical practice will not be prevented without processes that will ensure compliance with standards, which requires a robust system of monitoring and compliance, and the imposition of appropriate sanctions upon the few who fail to comply.

Last week APESB held a Workshop with some key stakeholders to consider how the current regulatory framework can be enhanced as we believe that the current arrangements are not working and a package of measures is required.

### Potential measures

These are APESB's preliminary views of measures or actions that might be taken to address the issues that have arisen in the accounting profession, which need to be further researched and consulted upon:

- Provide legislative backing for APESB's ethical standards by moving APESB under the oversight of the FRC (consistent with the other Australian Accounting and Auditing standard setters).
- APESB should develop a standard that focuses on large firm culture and governance in the Australian environment based on the UK FRC's Audit Firm Governance Code.
- APESB, in conjunction with the IESBA, works towards strengthening the global Code on issues that impact firm culture and governance.
- APESB considers the development of a professional standard for Management Consulting.
- Enhance transparency of large firms by requiring them to prepare general purpose financial reports, including remuneration disclosures and subject them to audit.
- Establish an independent body to monitor all professional accountants who are not subject to statutory regulatory oversight, including taking enforcement actions where appropriate. This body should prepare an annual report of its monitoring and enforcement activities to enhance public trust.
- Enhance the existing ethics module of the professional programs and continuing professional development by increasing coverage of the APESB Standards.

Whilst notable recent events are associated with large international accounting firms, we anticipate that the Inquiry will encounter issues with professional and ethical behaviour that are not confined to the accounting profession.

Accordingly, we encourage the Inquiry to consider the opportunity to establish a rigorous Code of Ethical behaviour that would be applicable to all firms or persons that contract with and provide any form of professional services to government.

We support this Inquiry and are happy to answer your questions.