

30 June 2023

Amendments to the Code to strengthen independence for Group Audits

Accounting Professional & Ethical Standards Board (APESB) today announced the issue of an amending standard to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

The revisions in the amending standard strengthen and clarify the independence principles that apply to individuals and Firms for the audit of Group Financial Statements. These revisions include a new Section 405, which applies to group auditors and, where applicable, component auditors. The revisions also amend the definition of Engagement Team to align with auditing and assurance standards.

These amendments to the Code align with changes made by the International Ethics Standards Board for Accountants (IESBA) to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code).

Please refer to Appendix 1 of this technical update for details of all the revisions. The amendments to the Code will be effective from 1 January 2024, with early adoption permitted.

The interactive PDF of the amending standard is available from APESB's website: www.apesb.org.au.

– ENDS –

Technical Enquiries:

Mr. Channa Wijesinghe
Chief Executive Officer
Email: channa.wijesinghe@apesb.org.au
Phone: 03 9642 4372

Appendix 1

Amendments to APES 110 (Issued November 2018 and amended September 2020, March 2021, February 2022, July 2022, November 2022 and December 2022).

APESB has approved the following revisions to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* which was issued in November 2018 and amended in September 2020, March 2021, February 2022, July 2022, November 2022 and December 2022.

Paragraph/Section Reference	Revisions
SCOPE AND APPLICATION	
1.1	Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> (this Code). This Code is operative from 1 January 2020 and supersedes APES 110 <i>Code of Ethics for Professional Accountants</i> (issued in December 2010 and subsequently amended in December 2011, May 2013, November 2013, May 2017 and April 2018). Earlier adoption of this Code is permitted. Transitional provisions relating to Key Audit Partner rotation, revisions to Part 4B, the role and mindset of Members provisions, the objectivity of Engagement Quality Reviewers and other appropriate reviewers, the fee-related provisions, the quality management-related conforming amendments, and the non-assurance services provisions <u>and the revisions to the definition of Engagement Team and Group Audit</u> apply as specified in the respective transitional provisions on page 30250 .
GLOSSARY	
Assurance Team	<p>(a) All members of the Engagement Team for the Assurance Engagement;</p> <p>(b) All others within, <u>or engaged by, a the</u> Firm who can directly influence the outcome of the Assurance Engagement, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the Assurance Engagement Partner in connection with the performance of the Assurance Engagement; (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the Assurance Engagement; and (iii) Those who provide quality control for the Assurance Engagement, including those who perform the an <u>Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review,</u> for the Assurance Eengagement.
Audit Client	<p>An entity in respect of which a Firm conducts an Audit Engagement. When the client is a Listed Entity, Audit Client will always include its Related Entities. When the Audit Client is not a Listed Entity, Audit Client includes those Related Entities over which the client has direct or indirect control. (See also paragraph R400.20.)</p> <p><i>In Part 4A, the term "Audit Client" applies equally to "Review Client." <u>In the case of a Group Audit, see the definition of Group Audit Client.</u></i></p>

Paragraph/Section Reference	Revisions
Audit Team	<p>(a) All members of the Engagement Team for the Audit Engagement;</p> <p>(b) All others within, or engaged by, a the Firm who can directly influence the outcome of the Audit Engagement, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the Engagement Partner in connection with the performance of the Audit Engagement, including those at all successively senior levels above the Engagement Partner through to the individual who is the Firm's senior or managing partner (chief executive or equivalent); (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and (iii) Those who provide quality control for the engagement, including those who perform the an Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review, for the engagement; and <p>(c) All these Any other individuals within a Network Firm who can directly influence the outcome of the Audit Engagement.</p> <p><i>In Part 4A, the term "Audit Team" applies equally to "Review Team." In the case of a Group Audit, see the definition of Group Audit Team.</i></p>
<u>Component</u>	An entity, business unit, function or business activity, or some combination thereof, determined by the Group auditor for purposes of planning and performing audit procedures in a Group Audit.
<u>Component Audit Client</u>	<p>A Component in respect of which a Group Auditor Firm or Component Auditor Firm performs audit work for purposes of a Group Audit. When a Component is:</p> <ul style="list-style-type: none"> (a) A legal entity, the Component Audit Client is the entity and any Related Entities over which the entity has direct or indirect control; or (b) A business unit, function or business activity (or some combination thereof), the Component Audit Client is the legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.
<u>Component Auditor Firm</u>	A Firm performing audit work related to a Component for purposes of a Group Audit.
Engagement Team¹	<p>All partners and staff performing the engagement, and any other individuals engaged by the Firm or a Network Firm who perform assurance procedures on the engagement. This excludes External Experts engaged by the Firm or by a Network Firm.</p> <p><i>In Part 3, the term "Engagement Team" refers to individuals performing procedures on assurance or non-assurance engagements.</i></p> <p><i>In Part 4A, the term "Engagement Team" refers to individuals performing audit or review procedures on the Audit or Review Engagement, respectively. This term is further described in paragraph 400.9.</i></p> <p><i>ASA 220 (Revised) provides further guidance on the definition of Engagement Team in the context of an audit of Financial Statements.</i></p>

Paragraph/Section Reference	Revisions
	<p><u>ASA 620 defines an auditor's expert as an individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. ASA 620 deals with the auditor's responsibilities relating to the work of such experts.</u></p> <p><u>ASA 610 (Revised 2013) deals with the auditor's responsibilities if using the work of internal auditors.</u></p> <p><u>In Part 4B, the term "Engagement Team" refers to individuals performing assurance procedures on the Assurance Engagement.</u></p>
Footnote 1	<p>The definition of Engagement Team in APES 110 has been amended from the International equivalent to remove the reference to individuals within the client's internal audit function who perform procedures provide direct assistance on an Audit Engagement as the AUASB has prohibited the use of direct assistance in Auditing and Assurance Standard ASA 610 <i>Using the Work of Internal Auditors</i> (November 2013).</p>
Group	<p><u>A reporting entity for which Group Financial Statements are prepared.</u></p>
Group Audit	<p><u>The audit of Group Financial Statements.</u></p>
Group Audit Client	<p><u>The entity on whose Group Financial Statements the Group Auditor Firm conducts an Audit Engagement. When the entity is a Listed Entity, Group Audit Client will always include its Related Entities and any other Components at which audit work is performed. When the entity is not a Listed Entity, Group Audit Client includes Related Entities over which such entity has direct or indirect control and any other Components at which audit work is performed.</u></p> <p><u>See also paragraph R400.20.</u></p>
Group Auditor Firm	<p><u>The Firm that expresses the opinion on the Group Financial Statements.</u></p>
Group Audit Team	<p>(a) <u>All members of the Engagement Team for the Group Audit, including individuals within, or engaged by, Component Auditor Firms who perform audit procedures related to Components for purposes of the Group Audit;</u></p> <p>(b) <u>All others within, or engaged by, the Group Auditor Firm who can directly influence the outcome of the Group Audit, including:</u></p> <ul style="list-style-type: none"> (i) <u>Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the Group Engagement Partner in connection with the performance of the Group Audit, including those at all successively senior levels above the Group Engagement Partner through to the individual who is the Firm's senior or managing partner (chief executive or equivalent);</u> (ii) <u>Those who provide consultation regarding technical or industry-specific issues, transactions or events for the Group Audit; and</u> (iii) <u>Those who perform an Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review, for the Group Audit;</u>

Paragraph/Section Reference	Revisions
	<p>(c) <u>Any other individuals within a Network Firm of the Group Auditor Firm's Network who can directly influence the outcome of the Group Audit; and</u></p> <p>(d) <u>Any other individuals within a Component Auditor Firm outside the Group Auditor Firm's Network who can directly influence the outcome of the Group Audit.</u></p>
Group Engagement Partner	The Engagement Partner who is responsible for the Group Audit.
Group Financial Statements	Financial Statements that include the financial information of more than one entity or business unit through a consolidation process.
Key Audit Partner	The Engagement Partner, the individual responsible for the Engagement Quality Review, and other audit partners, if any, on the Engagement Team who make key decisions or judgements on significant matters with respect to the audit of the Financial Statements on which the Firm will express an Opinion. Depending upon the circumstances and the role of the individuals on the audit, "other audit partners" might include, for example, <u>audit Engagement Partners for certain Components in a Group Audit such as</u> responsible for significant subsidiaries or divisions.
Review Team	<p>(a) All members of the Engagement Team for the Review Engagement; and</p> <p>(b) All others <u>within, or engaged by, a the Firm</u> who can directly influence the outcome of the Review Engagement, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the Engagement Partner in connection with the performance of the Review Engagement, including those at all successively senior levels above the Engagement Partner through to the individual who is the Firm's senior or managing partner (chief executive or equivalent); (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and (iii) <u>Those who provide quality control for the engagement, including those who perform the an Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review, for the engagement; and</u> <p>(c) All these <u>Any other individuals</u> within a Network Firm who can directly influence the outcome of the Review Engagement.</p>
PART 3 – MEMBERS IN PUBLIC PRACTICE	
R360.16	<p>Where a Member in Public Practice becomes aware of NOCLAR or suspected NOCLAR in relation to a component of a group in either of the following two situations in the context of a Group, the Member shall communicate the matter to the gGroup Engagement Partner unless prohibited from doing so by law or regulation:</p> <p>(a) The Member in Public Practice is, for purposes of an audit of the group Financial Statements, requested by the group Engagement Team to performs <u>audit</u> work on financial</p>

Paragraph/Section Reference	Revisions
	<p>information related to the <u>a eComponent for purposes of the Group Audit</u>; or</p> <p>(b) <u>The Member in Public Practice is engaged to perform an audit of the component's Financial Statements of a legal entity or business unit that is part of a Group for purposes other than the gGroup aAudit, for example, a statutory audit.</u></p> <p>The communication to the <u>gGroup Engagement Partner</u> shall be in addition to responding to the matter in accordance with the provisions of this section.</p>
360.16 A1	<p>The purpose of the communication is to enable the <u>gGroup Engagement Partner</u> to be informed about the matter and to determine, in the context of the <u>gGroup aAudit</u>, whether and, if so, how to address it in accordance with the provisions in this section. The communication requirement in paragraph R360.16 applies regardless of whether the <u>gGroup Engagement Partner's Firm or Network</u> is the same as or different from the Member in Public Practice's Firm or Network.</p>
R360.17	<p>Where the <u>gGroup Engagement Partner</u> becomes aware of NOCLAR or suspected NOCLAR in the course of <u>a an audit of gGroup Audit Financial Statements</u>, the <u>gGroup Engagement Partner</u> shall consider whether the matter might be relevant to one or more components:</p> <p>(a) <u>Whose financial information is One or more Components subject to audit work for purposes of the Group Audit of the group Financial Statements</u>; or</p> <p>(b) <u>One or more legal entities or business units that are part of the Group and Whose Financial Statements are subject to audit for purposes other than the gGroup aAudit, for example, a statutory audit.</u></p> <p>This consideration shall be in addition to responding to the matter in the context of the <u>gGroup aAudit</u> in accordance with the provisions of this section.</p>
R360.18	<p>If the NOCLAR or suspected NOCLAR might be relevant to one or more of the <u>eComponents</u> specified in paragraph R360.17(a) and <u>legal entities or business units specified in paragraph R360.17(b)</u>, the <u>gGroup Engagement Partner</u> shall take steps to have the matter communicated to those performing <u>audit work</u> at the <u>eComponents, legal entities or business units</u>, unless prohibited from doing so by law or regulation. If necessary, the <u>gGroup Engagement Partner</u> shall arrange for appropriate inquiries to be made (either of management or from publicly available information) as to whether the relevant <u>legal entities or business units component(s)</u> specified in paragraph R360.17(b) <u>is are</u> subject to audit and, if so, to ascertain to the extent practicable the identity of the <u>auditors</u>.</p>

Paragraph/Section Reference	Revisions
360.18 A1	The purpose of the communication is to enable those responsible for <u>audit work at the eComponents, legal entities or business units</u> to be informed about the matter and to determine whether and, if so, how to address it in accordance with the provisions in this section. The communication requirement applies regardless of whether the gGroup Engagement Partner's Firm or Network is the same as or different from the Firms or Networks of those performing <u>audit work at the eComponents, legal entities or business units</u> .
360.25 A3	<p>The determination of whether to make such a disclosure will also depend on external factors such as:</p> <ul style="list-style-type: none"> • Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend on the nature of the matter. For example, the appropriate authority would be a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach of environmental laws and regulations. • Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation afforded by legislation or regulation, such as under whistle-blowing legislation or regulation.⁸ • Whether there are actual or potential threats to the physical safety of the Member in Public Practice or other individuals.
PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS	
400.6	When performing Audit Engagements, the Code requires Firms to comply with the fundamental principles and be independent. This Part sets out specific requirements and application material on how to apply the conceptual framework to maintain Independence when performing such engagements. The conceptual framework set out in Section 120 applies to Independence as it does to the fundamental principles set out in Section 110. <u>Section 405 sets out specific requirements and application material applicable in a Group Audit.</u>
400.8	<p style="text-align: center;"><u>Engagement Team and Audit Team</u></p> <p><u>This Part applies to all Audit Team members, including Engagement Team members.</u></p>
400.9	<p><u>An Engagement Team for an Audit Engagement includes all partners and staff in the Firm who perform audit work on the engagement, and any other individuals who perform audit procedures who are from:</u></p> <p>(a) <u>A Network Firm; or</u></p> <p>(b) <u>A Firm that is not a Network Firm, or another service provider.</u></p> <p><u>For example, an individual from a Component Auditor Firm who performs audit procedures on the financial information of a Component for purposes of a Group Audit is a member of the Engagement Team for the Group Audit.</u></p>
400.10	<u>In ASQM 1, a service provider includes an individual or organisation external to the Firm that provides a resource that is used in the performance of engagements. Service providers exclude the Firm, a Network Firm or other structures or organisations in the Network.</u>

Paragraph/Section Reference	Revisions
400.11	<p>An Audit Engagement might involve experts within, or engaged by, the Firm, a Network Firm, or a Component Auditor Firm outside a Group Auditor Firm's Network, who assist in the engagement. Depending on the role of the individuals, they might be Engagement Team or Audit Team members. For example:</p> <ul style="list-style-type: none"> • <u>Individuals with expertise in a specialised area of accounting or auditing who perform audit procedures are Engagement Team members. These include, for example, individuals with expertise in accounting for income taxes or in analysing complex information produced by automated tools and techniques for the purpose of identifying unusual or unexpected relationships.</u> • <u>Individuals within, or engaged by, the Firm who have direct influence over the outcome of the Audit Engagement through consultation regarding technical or industry-specific issues, transactions or events for the engagement are Audit Team members but not Engagement Team members.</u> <p><u>However, individuals who are External Experts are neither Engagement Team nor Audit Team members.</u></p>
400.12	<p><u>If the Audit Engagement is subject to an Engagement Quality Review, the Engagement Quality Reviewer and any other individuals performing the Engagement Quality Review are Audit Team members but not Engagement Team members.</u></p>
400.13 8 to R400.19 4	<p><i>[Paragraphs 400.8 to R400.14 remain unchanged but renumbered as paragraphs 400.13 to R400.19.]</i></p>
400.30 A1	<p>The Engagement Period starts when the Audit Engagement Team begins to perform the audit. The Engagement Period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.</p>
R400.31	<p>If an entity becomes an Audit Client during or after the period covered by the Financial Statements on which the Firm will express an Opinion, the Firm shall determine whether any threats to Independence are created by:</p> <p>(a) Financial or business relationships with the Audit Client during or after the period covered by the Financial Statements but before accepting the Audit Engagement; or</p> <p>(b) Previous Sservices provided to the Audit Client by the Firm or a Network Firm in prior Financial Statement periods.</p>
400.31 A1	<p>Threats to Independence are created if a non-assurance service was provided to an Audit Client during, or after the period covered by the Financial Statements, but before the Audit Engagement Team begins to perform the audit, and the service would not be permitted during the Engagement Period.</p>

Paragraph/Section Reference	Revisions
<u>SECTION 405</u>	<u>GROUP AUDITS</u>
405.1	<p><u>Introduction</u></p> <p><u>Section 400 requires a Firm to be independent when performing an Audit Engagement, and to apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to Independence. This section sets out specific requirements and application material relevant to applying the conceptual framework when performing a Group Audit Engagement.</u></p>
405.2 A1	<p><u>Requirements and Application Material</u></p> <p><u>General</u></p> <p><u>Auditing and Assurance Standards apply to an audit of Group Financial Statements. ASA 600 (Revised) <i>Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)</i> deals with special considerations that apply to an audit of Group Financial Statements, including when Component auditors are involved. ASA 600 (Revised) requires the Group Engagement Partner to take responsibility for confirming whether the Component auditors understand and will comply with the relevant ethical requirements, including those related to Independence, that apply to the Group Audit. The Independence requirements referred to in ASA 600 (Revised), or other relevant auditing standards applicable to Group Audits that are equivalent to ASA 600 (Revised), are those specified in this section.</u></p>
405.2 A2	<p><u>A Component Auditor Firm that participates in a Group Audit Engagement might separately issue an audit opinion on the Financial Statements of the Component Audit Client. Depending on the circumstances, the Component Auditor Firm might need to comply with different Independence requirements when performing audit work for a Group Audit and separately issuing an audit opinion on the Financial Statements of the Component Audit Client for statutory, regulatory or other reasons.</u></p>
R405.3	<p><u>Communication Between a Group Auditor Firm and a Component Auditor Firm</u></p> <p><u>ASA 600 (Revised) requires the Group Engagement Partner to take responsibility to make a Component auditor aware of the relevant ethical requirements that are applicable given the nature and the circumstances of the Group Audit Engagement. When making the Component Auditor Firm aware of the relevant ethical requirements, the Group Auditor Firm shall communicate at appropriate times the necessary information to enable the Component Auditor Firm to meet its responsibilities under this section.</u></p>
405.3 A1	<p><u>Examples of matters the Group Auditor Firm might communicate include:</u></p> <ul style="list-style-type: none"> • <u>Whether the Group Audit Client is a Public Interest Entity and the relevant ethical requirements applicable to the Group Audit Engagement.</u> • <u>The Related Entities and other Components within the Group Audit Client that are relevant to the Independence considerations applicable to the Component Auditor Firm and the Group Audit Team members within, or engaged by, that Firm.</u>

Paragraph/Section Reference	Revisions
	<ul style="list-style-type: none"> • <u>The period during which the Component Auditor Firm is required to be independent.</u> • <u>Whether an audit partner who performs work at the Component for purposes of the Group Audit is a Key Audit Partner for the Group Audit.</u>
R405.4	<p><u>ASA 600 (Revised) also requires the Group Engagement Partner to request the Component auditor to communicate whether the Component auditor has complied with the relevant ethical requirements, including those related to Independence, that apply to the Group Audit Engagement. For the purposes of this section, such a request shall include the communication of:</u></p> <p><u>(a) Any Independence matters that require significant judgement; and</u></p> <p><u>(b) In relation to those matters, the Component Auditor Firm's conclusion whether the threats to its Independence are at an Acceptable Level, and the rationale for that conclusion.</u></p>
405.4 A1	<p><u>If a matter comes to the attention of the Group Engagement Partner that indicates that a threat to Independence exists, ASA 220 (Revised) requires the Group Engagement Partner to evaluate the threat and take appropriate action.</u></p>
R405.5	<p><u>Independence Considerations Applicable to Individuals</u></p> <p><i>Members of the Group Audit Team Within, or Engaged by, a Group Auditor Firm and Its Network Firms</i></p> <p><u>Members of the Group Audit Team within, or engaged by, the Group Auditor Firm and its Network Firms shall be independent of the Group Audit Client in accordance with the requirements of this Part that are applicable to the Audit Team.</u></p>
R405.6	<p><i>Other Members of the Group Audit Team</i></p> <p><u>Members of the Group Audit Team within, or engaged by, a Component Auditor Firm outside the Group Auditor Firm's Network shall be independent of:</u></p> <p><u>(a) The Component Audit Client;</u></p> <p><u>(b) The entity on whose Group Financial Statements the Group Auditor Firm expresses an opinion; and</u></p> <p><u>(c) Any entity over which the entity in subparagraph (b) has direct or indirect control, provided that such entity has direct or indirect control over the Component Audit Client.</u></p> <p><u>in accordance with the requirements of this Part that are applicable to the Audit Team.</u></p>

Paragraph/Section Reference	Revisions
<u>R405.7</u>	<u>In relation to Related Entities or Components within the Group Audit Client other than those covered in paragraph R405.6, a member of the Group Audit Team within, or engaged by, a Component Auditor Firm outside the Group Auditor Firm's Network shall notify the Component Auditor Firm about any relationship or circumstance the individual knows, or has reason to believe, might create a threat to the individual's Independence in the context of the Group Audit.</u>
405.7 A1	<p>Examples of relationships or circumstances involving the individual or any of the individual's Immediate Family members, as applicable, that are relevant to the individual's consideration when complying with paragraph R405.7 include:</p> <ul style="list-style-type: none"> • <u>A Direct or material Indirect Financial Interest in an entity that has control over the Group Audit Client if the Group Audit Client is material to that entity (see Section 510).</u> • <u>A loan or guarantee involving: (see Section 511)</u> <ul style="list-style-type: none"> ○ <u>An entity that is not a bank or similar institution unless the loan or guarantee is immaterial; or</u> ○ <u>A bank or similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.</u> • <u>A business relationship that is significant or involves a material Financial Interest (see Section 520).</u> • <u>An Immediate Family member who is: (see Section 521)</u> <ul style="list-style-type: none"> ○ <u>A Director or Officer of an entity; or</u> ○ <u>An employee in a position to exert significant influence over the preparation of an entity's accounting records or Financial Statements.</u> • <u>The individual serving as, or having recently served as: (see Section 522 and Section 523)</u> <ul style="list-style-type: none"> ○ <u>A Director or Officer of an entity; or</u> ○ <u>An employee in a position to exert significant influence over the preparation of an entity's accounting records or Financial Statements.</u>
<u>R405.8</u>	<u>Upon receiving the notification as set out in paragraph R405.7, the Component Auditor Firm shall evaluate and address any threats to Independence created by the individual's relationship or circumstance.</u>
<u>R405.9</u>	<u>Independence Considerations Applicable to a Group Auditor Firm</u> <u>A Group Auditor Firm shall be independent of the Group Audit Client in accordance with the requirements of this Part that are applicable to a Firm.</u>
<u>R405.10</u>	<u>Independence Considerations Applicable to Network Firms of a Group Auditor Firm</u> <u>A Network Firm of the Group Auditor Firm shall be independent of the Group Audit Client in accordance with the requirements of this Part that are applicable to a Network Firm.</u>

Paragraph/Section Reference	Revisions
<u>R405.11</u>	<p><u>Independence Considerations Applicable to Component Auditor Firms outside a Group Auditor Firm's Network</u></p> <p><i>All Group Audit Clients</i></p> <p><u>A Component Auditor Firm outside the Group Auditor Firm's Network shall:</u></p> <p>(a) <u>Be independent of the Component Audit Client in accordance with the requirements set out in this Part that are applicable to a Firm with respect to all Audit Clients;</u></p> <p>(b) <u>Apply the relevant requirements in paragraphs R510.4(a), R510.7 and R510.9 with respect to Financial Interests in the entity on whose Group Financial Statements the Group Auditor Firm expresses an opinion; and</u></p> <p>(c) <u>Apply the relevant requirements in Section 511 with respect to loans and guarantees involving the entity on whose Group Financial Statements the Group Auditor Firm expresses an opinion.</u></p>
<u>R405.12</u>	<p><u>When a Component Auditor Firm outside the Group Auditor Firm's Network knows, or has reason to believe, that a relationship or circumstance involving the Group Audit Client, beyond those addressed in paragraph R405.11(b) and (c), is relevant to the evaluation of the Component Auditor Firm's Independence from the Component Audit Client, the Component Auditor Firm shall include that relationship or circumstance when identifying, evaluating and addressing threats to Independence.</u></p>
<u>R405.13</u>	<p><u>When a Component Auditor Firm outside the Group Auditor Firm's Network knows, or has reason to believe, that a relationship or circumstance of a Firm within the Component Auditor Firm's Network with the Component Audit Client or the Group Audit Client creates a threat to the Component Auditor Firm's Independence, the Component Auditor Firm shall evaluate and address any such threat.</u></p>
405.14 A1	<p><u>Period During which Independence is Required</u></p> <p><u>The references to the Financial Statements and the audit report in paragraphs R400.30 and 400.30 A1 mean the Group Financial Statements and the audit report on the Group Financial Statements, respectively, when applied in this section.</u></p>
<u>R405.15</u>	<p><i>Group Audit Clients that are Not Public Interest Entities</i></p> <p><u>When the Group Audit Client is not a Public Interest Entity, a Component Auditor Firm outside the Group Auditor Firm's Network shall be independent of the Component Audit Client in accordance with the requirements set out in this Part that are applicable to Audit Clients that are not Public Interest Entities for the purposes of the Group Audit.</u></p>

Paragraph/Section Reference	Revisions
405.15 A1	Where a Component Auditor Firm outside the Group Auditor Firm's Network also performs an Audit Engagement for a Component Audit Client that is a Public Interest Entity for reasons other than the Group Audit, for example, a statutory audit, the Independence requirements that are relevant to Audit Clients that are Public Interest Entities apply to that engagement.
R405.16	<p><i>Group Audit Clients that are Public Interest Entities</i></p> <p><i>Non-Assurance Services</i></p> <p>Subject to paragraph R405.17, when the Group Audit Client is a Public Interest Entity, a Component Auditor Firm outside the Group Auditor Firm's Network shall comply with the provisions in Section 600 that are applicable to Public Interest Entities with respect to the provision of non-assurance services to the Component Audit Client.</p>
405.16 A1	<p>Where the Group Audit Client is a Public Interest Entity, a Component Auditor Firm outside the Group Auditor Firm's Network is prohibited from, for example:</p> <ul style="list-style-type: none"> • <u>Providing accounting and bookkeeping services to a Component Audit Client that is not a Public Interest Entity (see Subsection 601).</u> • <u>Designing the information technology system, or an aspect of it, for a Component Audit Client that is not a Public Interest Entity where such information technology system generates information for the Component Audit Client's accounting records or Financial Statements (see Subsection 606).</u> • <u>Acting in an advocacy role for a Component Audit Client that is not a Public Interest Entity in resolving a dispute or litigation before a tribunal or court (see Subsection 608).</u>
405.16 A2	The financial information on which a Component Auditor Firm outside the Group Auditor Firm's Network performs audit procedures is relevant to the evaluation of the self-review threat that might be created by the Component Auditor Firm's provision of a non-assurance service, and therefore the application of Section 600. For example, if the Component Auditor Firm's audit procedures are limited to a specific item such as inventory, the results of any non-assurance service that form part of or affect the accounting records or the financial information related to the accounting for, or the internal controls over, inventory are relevant to the evaluation of the self-review threat.
R405.17	As an exception to paragraph R405.16, a Component Auditor Firm outside the Group Auditor Firm's Network may provide a non-assurance service that is not prohibited under Section 600 to a Component Audit Client without communicating information about the proposed non-assurance service to Those Charged with Governance of the Group Audit Client or obtaining their concurrence regarding the provision of that service as addressed by paragraphs R600.21 to R600.24.

Paragraph/Section Reference	Revisions
R405.18	<p><u>Key Audit Partners</u></p> <p><u>The Group Engagement Partner shall determine whether an audit partner who performs audit work at a Component for purposes of the Group Audit is a Key Audit Partner for the Group Audit. If so, the Group Engagement Partner shall:</u></p> <p><u>(a) Communicate that determination to that individual; and</u></p> <p><u>(b) Indicate:</u></p> <p><u>(i) In the case of all Group Audit Clients, that the individual is subject to paragraph AUST R411.4, and</u></p> <p><u>(ii) In the case of Group Audit Clients that are Public Interest Entities, that the individual is also subject to paragraphs R524.6, R540.5(c) and R540.21.</u></p>
405.18 A1	A Key Audit Partner makes key decisions or judgements on significant matters with respect to the audit of the Group Financial Statements on which the Group Auditor Firm expresses an opinion in the Group Audit.
R405.19	<p><u>Changes in Components</u></p> <p><i>All Group Audit Clients</i></p> <p><u>When an entity that is not a Related Entity becomes a Component within the Group Audit Client, the Group Auditor Firm shall apply paragraphs R400.71 to R400.76.</u></p>
405.20 A1	<p><u>Changes in Component Auditor Firms</u></p> <p><i>All Group Audit Clients</i></p> <p>There might be circumstances in which the Group Auditor Firm requests another Firm to perform audit work as a Component Auditor Firm during or after the period covered by the Group Financial Statements, for example due to a client merger or acquisition. A threat to the Component Auditor Firm's Independence might be created by:</p> <p><u>(a) Financial or business relationships of the Component Auditor Firm with the Component Audit Client during or after the period covered by the Group Financial Statements but before the Component Auditor Firm agrees to perform the audit work; or</u></p> <p><u>(b) Previous services provided to the Component Audit Client by the Component Auditor Firm.</u></p>
405.20 A2	Paragraphs 400.31 A1 to A3 set out application material that is applicable for a Component Auditor Firm's assessment of threats to Independence if a non-assurance service was provided by the Component Auditor Firm to the Component Audit Client during or after the period covered by the Group Financial Statements, but before the Component Auditor Firm begins to perform the audit work for the purposes of the Group Audit, and the service would not be permitted during the Engagement Period.

Paragraph/Section Reference	Revisions
<u>405.20 A3</u>	Paragraph 400.31 A4 sets out application material that is applicable for a Component Auditor Firm's assessment of threats to Independence if a non-assurance service was provided by the Component Auditor Firm to the Component Audit Client prior to the period covered by the Group Financial Statements.
<u>405.21 A1</u>	<i>Group Audit Clients that are Public Interest Entities</i> Paragraphs R400.32 and 400.32 A1 are applicable when a Component Auditor Firm agrees to perform audit work for Group Audit purposes in relation to a Group Audit Client that is a Public Interest Entity if the Component Auditor Firm has previously provided a non-assurance service to the Component Audit Client.
<u>405.21 A2</u>	Paragraphs R600.25 and 600.25 A1 are applicable in relation to a non-assurance service provided, either currently or previously, by a Component Auditor Firm to a Component Audit Client when the Group Audit Client subsequently becomes a Public Interest Entity.
<u>405.22 A1</u>	<u>Breach of an Independence Provision at a Component Auditor Firm</u> A breach of a provision of this section might occur despite a Component Auditor Firm having a system of quality management designed to address Independence requirements. Paragraphs R405.23 to R405.29 are relevant to a Group Auditor Firm's determination as to whether it would be able to use a Component Auditor Firm's work if a breach has occurred at the Component Auditor Firm.
<u>405.22 A2</u>	In the case of a breach at a Component Auditor Firm within the Group Auditor Firm's Network, paragraphs R400.80 to R400.89 also apply to the Group Auditor Firm in relation to the Group Audit, as applicable.
<u>R405.23</u>	<i>When a Component Auditor Firm Identifies a Breach</i> <u>If a Component Auditor Firm concludes that a breach of this section has occurred, the Component Auditor Firm shall:</u> <u>(a) End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;</u> <u>(b) Evaluate the significance of the breach and its impact on the Component Auditor Firm's objectivity and ability to perform audit work for the purposes of the Group Audit;</u> <u>(c) Depending on the significance of the breach, determine whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances; and</u> <u>(d) Promptly communicate in writing the breach to the Group Engagement Partner, including the Component Auditor Firm's assessment of the significance of the breach and any actions proposed or taken to address the consequences of the breach.</u>

Paragraph/Section Reference	Revisions
<u>405.23 A1</u>	Paragraphs 400.80 A2 and A3 set out application material relevant to the Component Auditor Firm's evaluation of the significance and impact of the breach on the Component Auditor Firm's objectivity and ability to issue an opinion or conclusion on the audit work performed at the Component for purposes of the Group Audit, and its consideration of any actions that might be taken to address the consequences of the breach satisfactorily.
<u>R405.24</u>	<p><u>Upon receipt of the Component Auditor Firm's communication of the breach, the Group Engagement Partner shall:</u></p> <p><u>(a) Review the Component Auditor Firm's assessment of the significance of the breach and its impact on the Component Auditor Firm's objectivity, and any action that can be or has been taken to address the consequences of the breach;</u></p> <p><u>(b) Evaluate the Group Auditor Firm's ability to use the work of the Component Auditor Firm for the purposes of the Group Audit; and</u></p> <p><u>(c) Determine the need for any further action.</u></p>
<u>R405.25</u>	<u>In applying paragraph R405.24, the Group Engagement Partner shall exercise professional judgement and take into account whether a reasonable and informed third party would be likely to conclude that the Component Auditor Firm's objectivity is compromised, and therefore, the Group Auditor Firm is unable to use the work of the Component Auditor Firm for the purposes of the Group Audit.</u>
<u>405.25 A1</u>	If the Group Engagement Partner determines that the consequences of the breach have been satisfactorily addressed by the Component Auditor Firm and does not compromise the Component Auditor Firm's objectivity, the Group Auditor Firm may continue to use the work of the Component Auditor Firm for the Group Audit. In certain circumstances, the Group Engagement Partner might determine that additional actions are needed to satisfactorily address the breach in order to use the Component Auditor Firm's work. Examples of such action include the Group Auditor Firm performing specific procedures on the areas impacted by the breach or requesting the Component Auditor Firm to perform appropriate remedial work on the affected areas.
<u>405.25 A2</u>	ASA 600 (Revised) sets out that if there has been a breach by a Component auditor and the breach has not been satisfactorily addressed, the Group auditor cannot use the work of that Component auditor. In those circumstances, the Group Engagement Partner might find other means to obtain the necessary audit evidence on the Component Audit Client's financial information. Examples of such means include the Group Auditor Firm performing the necessary audit work on the Component Audit Client's financial information or requesting another Component Auditor Firm to perform such audit work.
<u>405.26 A1</u>	<p><i>Discussion with Those Charged with Governance of the Group Audit Client</i></p> <p>With respect to breaches by a Component Auditor Firm within the Group Auditor Firm's Network, paragraph R400.84 applies.</p>

Paragraph/Section Reference	Revisions
<u>R405.27</u>	<p><u>With respect to breaches by a Component Auditor Firm outside the Group Auditor Firm's Network, the Group Auditor Firm shall discuss with Those Charged with Governance of the Group Audit Client:</u></p> <p><u>(a) The Component Auditor Firm's assessment of the significance and impact of the breach on the Component Auditor Firm's objectivity, including the nature and duration of the breach, and the action that can be or has been taken; and</u></p> <p><u>(b) Whether:</u></p> <p><u>(i) The action will satisfactorily address, or has addressed, the consequences of the breach; or</u></p> <p><u>(ii) The Group Auditor Firm will use other means to obtain the necessary audit evidence on the Component Audit Client's financial information.</u></p> <p><u>Such discussion shall take place as soon as possible unless an alternative timing is specified by Those Charged with Governance for reporting less significant breaches.</u></p>
<u>R405.28</u>	<p><u>The Group Auditor Firm shall communicate in writing to Those Charged with Governance of the Group Audit Client all matters discussed in accordance with paragraph R405.27 and obtain the concurrence of Those Charged with Governance that the action can be or has been taken to satisfactorily address the consequences of the breach.</u></p>
<u>R405.29</u>	<p><u>If Those Charged with Governance do not concur that the action that can be or has been taken would satisfactorily address the consequences of the breach at the Component Auditor Firm, the Group Auditor Firm shall not use the work performed by the Component Auditor Firm for the purposes of the Group Audit.</u></p>
510.4 A1	<p>The Office in which the Engagement Partner practices in connection with an Audit Engagement is not necessarily the Office to which that partner is assigned. When the Engagement Partner is located in a different Office from that of the other Audit Engagement Team members, professional judgement is needed to determine the Office in which the partner practices in connection with the engagement.</p>
R540.4	<p>If a Firm decides that the level of the threats created can only be addressed by rotating the individual off the Audit Team, the Firm shall determine an appropriate period during which the individual shall not:</p> <p>(a) Be a member of the Engagement Team for the Audit Engagement;</p> <p>(b) Perform <u>provide an Engagement Quality Review control, or a review consistent with the objective of an Engagement Quality Review, for the Audit Engagement;</u> or</p> <p>(c) Exert direct influence on the outcome of the Audit Engagement.</p> <p>The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed. In the case of a Public Interest Entity, paragraphs R540.5 to R540.21 also apply.</p>

Paragraph/Section Reference	Revisions
R540.21	<p>For the duration of the relevant cooling-off period, the individual shall not:</p> <p>(a) Be an Engagement Team member or <u>perform an Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review</u> provide quality control for the Audit Engagement;</p> <p>(b) Consult with the Engagement Team or the client regarding technical or industry-specific issues, transactions or events affecting the Audit Engagement (other than discussions with the Engagement Team limited to work undertaken or conclusions reached in the last year of the individual's time-on period where this remains relevant to the audit);</p> <p>(c) Be responsible for leading or coordinating the Professional Services provided by the Firm or a Network Firm to the Audit Client, or overseeing the relationship of the Firm or a Network Firm with the Audit Client; or</p> <p>(d) Undertake any other role or activity not referred to above with respect to the Audit Client, including the provision of non-assurance services that would result in the individual:</p> <p style="padding-left: 20px;">(i) Having significant or frequent interaction with senior management or Those Charged with Governance; or</p> <p style="padding-left: 20px;">(ii) Exerting direct influence on the outcome of the Audit Engagement.</p>
605.4 A2	<p>When a Firm uses the work of an internal audit function in an Audit Engagement, Auditing and Assurance Standards require the performance of procedures to evaluate the adequacy of that work. Similarly, when a Firm or a Network Firm accepts an engagement to provide internal audit services to an Audit Client, the results of those services might be used in conducting the external audit. This might create a self-review threat because it is possible that the Audit Engagement Team will use the results of the internal audit service for purposes of the Audit Engagement without:</p> <p>(a) Appropriately evaluating those results; or</p> <p>(b) Exercising the same level of professional scepticism as would be exercised when the internal audit work is performed by individuals who are not members of the Firm.</p>
605.4 A3	<p>Factors that are relevant in identifying a self-review threat created by providing internal audit services to an Audit Client, and evaluating the level of such a threat include:</p> <ul style="list-style-type: none"> • The materiality of the related Financial Statements amounts. • The risk of misstatement of the assertions related to those Financial Statement amounts. • The degree of reliance that the Audit Engagement Team will place on the work of the internal audit service. <p>When a self-review threat for an Audit Client that is a Public Interest Entity has been identified, paragraph R605.6 applies.</p>

Paragraph/Section Reference	Revisions
R800.10	<p>When the Firm performs an eligible Audit Engagement:</p> <p>(a) The relevant provisions set out in Sections 510, 511, 520, 521, 522, 524 and 525 need apply only to the members of the Engagement Team, their Immediate Family members and, where applicable, Close Family members;</p> <p>(b) The Firm shall identify, evaluate and address any threats to Independence created by interests and relationships, as set out in Sections 510, 511, 520, 521, 522, 524 and 525, between the Audit Client and the following Audit Team members:</p> <p>(i) Those who provide consultation regarding technical or industry-specific issues, transactions or events; and</p> <p>(ii) Those who provide quality control for the engagement, including those who perform the an Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review, for the engagement; and</p> <p>(c) The Firm shall evaluate and address any threats that the Engagement Team has reason to believe are created by interests and relationships between the Audit Client and others within the Firm who can directly influence the outcome of the Audit Engagement.</p>
<p>PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS</p>	
900.15 4 A1 to 900.18 7	<p><i>[Paragraphs 900.14 A1 to 900.17 remain unchanged but renumbered as paragraphs 900.15 A1 to 900.18.]</i></p>
900.30 A1	<p>The Engagement Period starts when the Assurance Engagement Team begins to perform assurance services with respect to the particular engagement. The Engagement Period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.</p>
R900.32	<p>Threats to Independence are created if a non-assurance service was provided to the Assurance Client during, or after the period covered by the Subject Matter Information, but before the Assurance Engagement Team begins to perform assurance services, and the service would not be permitted during the Engagement Period. In such circumstances, the Firm shall evaluate and address any threat to Independence created by the service. If the threats are not at an Acceptable Level, the Firm shall only accept the Assurance Engagement if the threats are reduced to an Acceptable Level.</p>
R940.4	<p>If a Firm decides that the level of the threats created can only be addressed by rotating the individual off the Assurance Team, the Firm shall determine an appropriate period during which the individual shall not:</p> <p>(a) Be a member of the Engagement Team for the Assurance Engagement;</p> <p>(b) Perform <u>provide an Engagement Quality Review control, or a review consistent with the objective of an Engagement Quality Review, for the Assurance Engagement;</u> or</p>

Paragraph/Section Reference	Revisions
	<p>(c) Exert direct influence on the outcome of the Assurance Engagement.</p> <p>The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed.</p>
R990.7	<p>When the Firm performs an eligible Assurance Engagement:</p> <p>(a) The relevant provisions set out in Sections 910, 911, 920, 921, 922 and 924 need apply only to the members of the Engagement Team, and their Immediate and Close Family members;</p> <p>(b) The Firm shall identify, evaluate and address any threats to Independence created by interests and relationships, as set out in Sections 910, 911, 920, 921, 922 and 924, between the Assurance Client and the following Assurance Team members;</p> <p>(i) Those who provide consultation regarding technical or industry-specific issues, transactions or events; and</p> <p>(ii) Those who provide quality control for the engagement, including those who perform the an Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review, for the engagement; and</p> <p>(c) The Firm shall evaluate and address any threats that the Engagement Team has reason to believe are created by interests and relationships between the Assurance Client and others within the Firm who can directly influence the outcome of the Assurance Engagement, as set out in Sections 910, 911, 920, 921, 922 and 924.</p>
TRANSITIONAL PROVISIONS	
<i>Revisions to the Code Relating to the Definition of Engagement Team and Group Audits</i>	
8.	<p><u>Revisions to the Code Relating to the Definition of Engagement Team and Group Audits have effective dates as set out below.</u></p> <ul style="list-style-type: none"> • <u>Changes to the Glossary will be effective for:</u> <ul style="list-style-type: none"> ○ <u>audits and reviews of Financial Statements and Group Financial Statements for periods beginning on or after 1 January 2024; and</u> ○ <u>Assurance Engagements other than Audit or Review Engagements with respect to Underlying Subject Matter covering periods beginning on or after 1 January 2024, otherwise, as of 1 January 2024.</u> • <u>Changes to Section 400 relating to the revision of the definition of Engagement Team and the new provisions in Section 405 relating to Group Audits will be effective for audits and reviews of the Financial Statements and audits of Group Financial Statements for periods beginning on or after 1 January 2024.</u> • <u>Conforming and consequential amendments to Sections 360, 510, 540, 605, 800, 900, 940 and 990 and paragraphs 400.30 A1 to 400.31 A1 will be effective as of 1 January 2024.</u> <p><u>For non-assurance services engagements a Component Auditor Firm outside the Group Auditor Firm's Network has entered into with a</u></p>

Paragraph/Section Reference	Revisions
	<p>Component Audit Client before 1 January 2024 and for which work has already commenced, the Component Auditor Firm may continue such engagements under the extant provisions of the Code until completed in accordance with the original engagement terms.</p>
<p>CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS</p>	
	<p><i>APES 110 and the IESBA Code</i></p> <p>APES 110 incorporates the <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code) issued by the International Ethics Standards Board for Accountants (IESBA) in April 2018 and incorporating amendments up to February <u>April 2023</u>.</p>
	<p><i>Compliance with the IESBA Code</i></p> <p>The principles and requirements of APES 110 and the IESBA Code are consistent except for the following:</p> <ul style="list-style-type: none"> • <u>The defined term 'Engagement Team' has been retained in Part 3 of APES 110 to ensure consistency with other APESB pronouncements including APES 320 <i>Quality Management for Firms that provide Non-Assurance Services</i>.</u>