

## 2. (untitled)

**1. From which perspective are you providing this feedback? [\* Required where indicated]**

Standard setter

**Please provide the following contact information:**

**First Name**

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**Job Title/Role**

Chief Executive Officer

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**Organization Name (if applicable)**

Accounting Professional & Ethical Standards Board

**2. In which country or jurisdiction do you or your organization work or serve? (If international, please indicate so; if a region of the world, please indicate which region)**

**If country, please select country?**

Australia

**OR if a region of the world, please indicate which region:**

**OR if international, please indicate by ticking the box:**

## 3. (untitled)

**B.1 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?**

We believe that this should be a high priority project and should be looked at subsequent to the issue of the restructured Code. Technological developments such as artificial intelligence, data analytics, and cloud computing are significantly influencing the current and future working environment. Accordingly, there will invariably be a need for ethics standards to address these technological developments which impact on the work performed by professional accountants.

Due to the significant change in the future work environment and automation of work, there will be a need to assess whether the five fundamental principles and five threats are still valid in this technologically driven future work environment.

Where machines are processing information and there is less visibility on how the information is

processed, the professional accountant's critical thinking and application of professional scepticism to the information he or she receives is going to be of great importance. We believe that the professional accountant will also need moral fortitude to challenge the information produced by machines or artificial intelligence.

In this future work environment, threats may also be created in respect of the professional competence of accountants with the level of automation and complex calculations being performed by artificial intelligence. In the longer term, this reliance on automation and artificial intelligence may impact the development of professional judgement of the accountant.

A future code may also need to address emerging services such as cyber-security advisory services and data analytics.

Due to the matters noted above, we believe that this should be a high priority project.

### ***B.2 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We are of the view that where a Firm is managing entire operating functions (such as company secretarial or corporate taxation) for an audit client that this creates threats to independence and that it should not be performed for audit clients. Absorbing an audit client's staff teams who manage payroll and taxation matters would also create independence threats and should be avoided. Where the client is not an audit client, the threats will need to be evaluated on a case by case basis and will depend on the services provided by the Firm.

When a professional accountant provides or utilises an outsourced service, the fundamental principle of confidentiality is pertinent, particularly in relation to information. This is particularly relevant when outsourcing is used and it is across jurisdictions. Relying on service centers impacts upon the confidentiality of information and raises privacy concerns. For example, whether the client has been informed that their information is being sent to another jurisdiction. Professional Accountants needs to be aware that certain jurisdictions may have prohibitions or restrictions on sending information to another jurisdiction.

The concept of "office" and "engagement team" would require revision based on the future work environment and the roles played on the engagement by different parties. We agree that the concept of an office being a specific physical location is becoming less relevant.

In Australia, we have issued a guidance note APES GN 30 Outsourced Services to provide professional accountants with guidance on Outsourcing arrangements. The document is available from the APESB Website.

We believe that this should be a high priority project.

### ***B.3 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

In the Australian Code, APESB has defined what is a PIE (which includes a listed entity) in the Australian context. The Australian definition has additional guidance and captures banks, insurance companies, and other entities that raise funds from the public – i.e. disclosing entities.

Accordingly, this is a low priority project from an Australian perspective.

### ***B.4 Do you have any specific comments on this topic and, in particular, why***

***this topic should or should not be prioritized?***

We understand that the definition of Related Entity in the Code can be problematic when applied to unit trusts and mutual funds. We believe that clarification of the application of independence provisions to these entities should be given priority in IESBA's future strategy and accordingly believe that this should be a medium priority project.

***B.5 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We are of the view that this should be a high priority project for the IESBA. In recent times there has been an increased global focus on the taxation arrangements of Multi-National Companies (MNCs) and in particular where profits may have been shifted to a lower taxing jurisdiction which is different from the jurisdiction in which the revenue is generated.

Some governments have already taken action in this regard and have introduced new legislation and punitive taxes in an effort to address this issue. As professional accountants will be involved in administering taxation arrangements in various jurisdictions it is imperative that IESBA address this issue for professional accountants in public practice as well as in business.

A reassessment will need to occur of the current provisions of the Code that deal with taxation services and whether it adequately address these emerging issues.

***B.6 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

In this instance, we believe that IESBA should consider linking to or leveraging of the existing guidance on materiality in the accounting and auditing standards. We agree that there should be a coordinated effort with IAASB and IASB in order to develop consistency with the existing standards literature on materiality.

Accordingly, we believe that this should be a low priority project.

***B.7 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We believe that IESBA first needs to determine the exact scope of the project as there is a related Auditing Standard that addresses this topic. Once the scope is determined it will be easier to evaluate the benefits of progressing further. Alternatively, IESBA could consider developing guidance on matters to be communicated to those charged with governance for non-assurance services and for professional accountants in business.

***B.8 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

APESB is supportive of IESBA's intent to develop requirements for documentation for ethical conflict resolutions as well as for professional accountants in business.

APESB has issued non-assurance service standards that deal professional and ethical considerations for different services such as taxation, valuation, forensic accounting and due diligence committees. Some of these specialised standards are also applicable to professional accountants in business. Where there is a requirement, it is expected that the professional accountant documents how they satisfied that requirement in the standard irrespective of whether they are in public practice or in business.

From an Australian perspective, given the existing APESB standards addressing various non-assurance services and professional activities undertaken by professional accountants in business, this is a low priority project.

***B.9 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

As noted above, in Australia APESB has developed a range of pronouncements that apply to all professional accountants whether they are in public practice or in business. Some of these pronouncements deal with ethical conflicts in the context of those services. From an Australian perspective, this is a low priority project.

4. (untitled)

***B.10 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

APESB agrees that it would be useful for the code to have application guidance on how to deal with breaches of the Code that occur in respect of non-assurance services and for professional accountants in business. We believe that this project should be assigned a classification of medium priority.

***B.11 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We strongly support the view that the standard setting boards should have consistent definitions. Generally, in Australia, we make our definitions consistent with the definitions issued by the other standards setting boards in Australia as this facilitates the application of standards.

Accordingly, from an Australian perspective, this will be a low priority project.

***B.12 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

We believe that this is a low priority as the jurisdictions are likely to vary in their implementation of the new Code and thus to perform a proper evaluation, firstly a significant number of jurisdictions needs to adopt the restructured Code. Potentially IESBA could perform this task to the latter stages of its next strategic period.

We are strongly of the view that the post-implementation review of the Long Associations provisions should have a higher priority than the review of the restructured Code.

***B.13 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?***

Given IFAC's previous work on this topic and issue of the 2012 policy paper, it is not clear whether further clarity on what is public interest can be developed in the short term. We believe that IESBA's limited resources could be spent on other projects and IESBA should only consider this if there is spare capacity.

If IESBA determines to progress this project then it should be linked with topic 3 as then there will be a useful practical application of the concept.

We consider this project to be a low priority.

***Are there any trends, developments or issues not otherwise covered in this section that you would rank in your top six priorities? If so, please explain why.***

As noted above, we consider the post-implementation review of the Code to be of medium to low priority. However, we are of the view that the revised Long Association provisions need to be considered as soon as possible.

***Please rank your top six priorities among items B.1 to B.13 above (1 being***

**highest and 6 being lowest).**

1. B.1 Trends and developments in technology and innovation
2. B.2 Emerging or newer models of service delivery
3. B.5 Tax planning and related services
4. B.4 Collective investment vehicles
5. B.10 Breach of the Code
6. B.12 Post-implementation review of the restructured Code

**5. (untitled)**

***C.1 Do you have any comments on any of the above activities or initiatives? In particular, do you believe any of them should not be a strategic priority for the IESBA and, if so, why? Please be as specific as possible.***

We are supportive of IESBA's proposed approach of pursuing outreach efforts in respect of the new Code. We encourage IESBA to establish a separate section on its website in respect of adoption and implementation material and other useful tools in a similar manner to NOCLAR.

The issue of staff publications on implementation matters would be a useful practical tool for professional accountants.

***C.2 Are there any specific activities or initiatives you believe the IESBA should undertake to promote further adoption and more effective implementation of the Code? If so, please explain why.***

We believe that the activities IESBA has laid out above will support global adoption and implementation of the Code. We also encourage IESBA to develop webcasts on specific sections of the restructured Code to assist stakeholders with their understanding.

**6. (untitled)**

***D.1 Are there any particular matters you believe the IESBA should consider in relation to any one of these pre-existing commitments? Please be as specific as possible and explain your reasoning.***

We are supportive of IESBA's pre-existing commitments and in particular the following two projects and would like to raise a few matters in respect of these two projects.

Fee-related matters

- APESB's recent engagement with stakeholders has highlighted a need for additional guidance on fee-related matters.
- We believe that professional accountants in public practice are looking for additional guidance on fee-related matters which is practical and could assist practices of varying size and who are in different stages of its business growth cycle (i.e. start-ups vs well-established firms)

Long Association Post-implementation review

- As noted previously, we believe that IESBA needs to address this topic as soon as possible and in a timely manner.
- Planning for audit rotation is a long ranging matter and firms need ample time to plan and adapt resource requirements to meet any changes in rotation requirements.

- We believe that the final position must be linked to empirical evidence that supports the assertion that audit quality is improved based on specific cooling-off periods.

## 7. (untitled)

### **Section E: Any Other Strategic Matters**

***E.1 Are there any other matters of strategic importance not covered elsewhere in this survey or your earlier responses that you believe the IESBA should consider as it positions the Code for 2025? Please be as specific as possible.***

The IESBA Code focuses on auditors and then has some coverage for other services and professional accountants in business. IESBA should consider the development of professional and ethical standards for non-assurance services and develop pronouncements other than the Code in a similar manner to what APESB has done in Australia.

When you consider the range of professional activities undertaken by professional accountants in public practice and in business, there is a wide range of matters such as specialised services (e.g. Valuation Services, Forensic Accounting, Tax Services etc.) that are not specifically addressed by the IESBA Code.

## 8. (untitled)

### **3. Please confirm that you have completed all your responses?**

Yes