

Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Relating to the Definition of Engagement Team and Group Audits

June 2023

APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* is published in June 2023 under licence from the International Federation of Accountants (IFAC) by the Accounting Professional & Ethical Standards Board Limited (APESB). All rights reserved. The text, graphics and layout of this Standard are protected by Australian copyright law, international treaties, and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use, subject to the inclusion of an acknowledgment of the source for APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* as being the Accounting Professional & Ethical Standards Board Limited (APESB).

APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* is based on and adapted from the *International Code of Ethics for Professional Accountants (including International Independence Standards)* published by the International Federation of Accountants (IFAC), and in the manner described in the Statement on Conformity with International Pronouncements.

Contact Permissions@ifac.org for permission to reproduce, store or transmit or to make other similar uses of the *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS (INCLUDING INDEPENDENCE STANDARDS)

TABLE OF CONTENTS

Section	Page Number
SCOPE AND APPLICATION	3
GLOSSARY	3
PART 3 – MEMBERS IN PUBLIC PRACTICE	7
360 RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS	7
PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS	10
400 APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS.....	10
405 GROUP AUDITS	13
510 FINANCIAL INTERESTS.....	21
540 LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION) WITH AN AUDIT CLIENT.....	22
600 PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT.....	24
605 – INTERNAL AUDIT SERVICES.....	24
800 REPORTS ON SPECIAL PURPOSE FINANCIAL STATEMENTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (AUDIT AND REVIEW ENGAGEMENTS)....	25
PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS	26
900 APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS	26
940 LONG ASSOCIATION OF PERSONNEL WITH AN ASSURANCE CLIENT.....	28
990 REPORTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS) ..	29
TRANSITIONAL PROVISIONS	30
CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS	31

SCOPE AND APPLICATION

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (**this Code**). This **Code** is operative from 1 January 2020 and supersedes APES 110 *Code of Ethics for Professional Accountants* (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, the non-assurance services provisions and the revisions to the definition of **Engagement Team** and **Group Audit** apply as specified in the respective transitional provisions on page 30.

[Paragraphs R1.2 to 1.8 of the extant Code's Scope and Application remain unchanged.]

GLOSSARY

Assurance Team

- (a) All members of the **Engagement Team** for the **Assurance Engagement**;
- (b) All others within, or engaged by, the **Firm** who can directly influence the outcome of the **Assurance Engagement**, including:
 - (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 perform an **Engagement Quality Review**, or a review consistent with the objective of an **Engagement Quality Review**, for the engagement.

Audit Client

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.)*

*In Part 4A, the term "Audit Client" applies equally to "Review Client." In the case of a **Group Audit**, see the definition of **Group Audit Client**.*

- Audit Team**
- (a) All members of the **Engagement Team** for the **Audit Engagement**;
 - (b) All others within, or engaged by, the **Firm** who can directly influence the outcome of the **Audit Engagement**, including:
 - (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 perform an **Engagement Quality Review**, or a review consistent with the objective of an **Engagement Quality Review**, for the engagement; and
 - (c) Any other individuals within a **Network Firm** who can directly influence the outcome of the **Audit Engagement**.

*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**.*

Component 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**.

Component Audit Client 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:

- (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.

Component Auditor Firm A **Firm** performing audit work related to a **Component** for purposes of a **Group Audit**.

Engagement Team¹ All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding **External Experts**.

In Part 3, the term "Engagement Team" refers to individuals performing procedures on assurance or non-assurance engagements.

¹ 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 on an **Audit Engagement** as the **AJASB** has prohibited the use of direct assistance in **Auditing and Assurance Standard ASA 610 Using the Work of Internal Auditors** (November 2013).

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.

ASA 220 (Revised) provides further guidance on the definition of Engagement Team in the context of an audit of [Financial Statements](#).

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.

ASA 610 (Revised 2013) deals with the auditor's responsibilities if using the work of internal auditors.

In Part 4B, the term "Engagement Team" refers to individuals performing assurance procedures on the [Assurance Engagement](#).

Group	A reporting entity for which Group Financial Statements are prepared.
Group Audit	The audit of Group Financial Statements .
Group Audit Client	<p>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.</p> <p><i>See also paragraph R400.20.</i></p>
Group Auditor Firm	The Firm that expresses the opinion on the Group Financial Statements .
Group Audit Team	<p>(a) 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;</p> <p>(b) All others within, or engaged by, the Group Auditor Firm who can directly influence the outcome of the Group Audit, 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 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);(ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the Group Audit; and(iii) Those who perform an Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review, for the Group Audit;

- (c) 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
- (d) 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](#).

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, [Engagement Partners](#) for certain [Components](#) in a [Group Audit](#) such as significant subsidiaries or divisions.

Review Team

- (a) All members of the [Engagement Team](#) for the [Review Engagement](#); and
- (b) All others within, or engaged by, the [Firm](#) who can directly influence the outcome of the [Review Engagement](#), including:
 - (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) Those who perform an [Engagement Quality Review](#), or a review consistent with the objective of an [Engagement Quality Review](#), for the engagement; and
- (c) Any other individuals within a [Network Firm](#) who can directly influence the outcome of the [Review Engagement](#).

[All other terms in the Glossary of the extant Code remain unchanged.]

PART 3 – MEMBERS IN PUBLIC PRACTICE

SECTION 360

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

Introduction

[Paragraphs 360.1 to 360.3 of extant Section 360 remain unchanged.]

Objectives of the Member in Public Practice in Relation to NOCLAR

[Paragraph 360.4 of extant Section 360 remains unchanged.]

Requirements and Application Material

General

[Paragraphs 360.5 A1 to 360.7 A3 of extant Section 360 remain unchanged.]

Responsibilities of Management and Those Charged with Governance

[Paragraph 360.8 A1 of extant Section 360 remains unchanged.]

Responsibilities of All Members in Public Practice

[Paragraph R360.9 of extant Section 360 remains unchanged.]

Audits of Financial Statements

Obtaining an Understanding of the Matter

[Paragraphs R360.10 to R360.12 of extant Section 360 remain unchanged.]

Addressing the Matter

[Paragraphs R360.13 to 360.15 A1 of extant Section 360 remain unchanged.]

Communication with Respect to Groups

R360.16 Where a **Member in Public Practice** becomes aware of NOCLAR or suspected NOCLAR in either of the following two situations in the context of a **Group**, the **Member** shall communicate the matter to the **Group Engagement Partner** unless prohibited from doing so by law or regulation:

- (a) The **Member in Public Practice** performs audit work related to a **Component** for purposes of the **Group Audit**; or
- (b) The **Member in Public Practice** is engaged to perform an audit of the **Financial Statements** of a legal entity or business unit that is part of a **Group** for purposes other than the **Group Audit**, for example, a statutory audit.

The communication to the **Group Engagement Partner** shall be in addition to responding to the matter in accordance with the provisions of this section.

360.16 A1 The purpose of the communication is to enable the **Group Engagement Partner** to be informed about the matter and to determine, in the context of the **Group Audit**, 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 **Group Engagement Partner's Firm** or **Network** is the same as or different from the **Member in Public Practice's Firm** or **Network**.

R360.17 Where the **Group Engagement Partner** becomes aware of **NOCLAR** or suspected **NOCLAR** in the course of a **Group Audit**, the **Group Engagement Partner** shall consider whether the matter might be relevant to:

- (a) One or more **Components** subject to audit work for purposes of the **Group Audit**; or
- (b) 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 **Group Audit**, for example, a statutory audit.

This consideration shall be in addition to responding to the matter in the context of the **Group Audit** in accordance with the provisions of this section.

R360.18 If the **NOCLAR** or suspected **NOCLAR** might be relevant to one or more of the **Components** specified in paragraph R360.17(a) and legal entities or business units specified in paragraph R360.17(b), the **Group Engagement Partner** shall take steps to have the matter communicated to those performing audit work at the **Components**, legal entities or business units, unless prohibited from doing so by law or regulation. If necessary, the **Group Engagement Partner** shall arrange for appropriate inquiries to be made (either of management or from publicly available information) as to whether the relevant legal entities or business units specified in paragraph R360.17(b) are subject to audit and, if so, to ascertain to the extent practicable the identity of the auditors.

360.18 A1 The purpose of the communication is to enable those responsible for audit work at the **Components**, legal entities or business units 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 **Group Engagement Partner's Firm** or **Network** is the same as or different from the **Firms** or **Networks** of those performing audit work at the **Components**, legal entities or business units.

Determining Whether Further Action Is Needed

[Paragraphs R360.19 to 360.24 A1 of extant Section 360 remain unchanged.]

Determining Whether to Disclose the Matter to an Appropriate Authority

[Paragraphs 360.25 A1 to 360.25 A2 of extant Section 360 remain unchanged.]

360.25 A3 The determination of whether to make such a disclosure will also depend on external factors such as:

- 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 whistleblowing legislation or regulation.⁸
- Whether there are actual or potential threats to the physical safety of the [Member in Public Practice](#) or other individuals.

[Paragraphs R360.26 to 360.40 A1 of extant Section 360 remain unchanged.]

⁸ In Australia, whistleblower protection is addressed in the *Corporations Act 2001* and the *Taxation Administration Act 1953* (for the private sector) and in other legislation in place federally and in states and territories (for the public sector). All public companies, large proprietary companies, and public companies and proprietary companies that are trustees of registrable superannuation entities are required under legislation to have a whistleblower policy. Charities or not-for-profits structured as public companies limited by guarantee with annual (consolidated) revenue of \$1 million or more are also required to have a whistleblower policy.

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

[Paragraphs 400.1 to 400.5 of extant Section 400 remain unchanged.]

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. Section 405 sets out specific requirements and application material applicable in a **Group Audit**.

[Paragraph 400.7 of extant Section 400 remains unchanged.]

Engagement Team and Audit Team

400.8 This Part applies to all **Audit Team** members, including **Engagement Team** members.

400.9 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:

- (a) A **Network Firm**; or
- (b) A **Firm** that is not a **Network Firm**, or another service provider.

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**.

400.10 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**.

400.11 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:

- 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.

- 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.

However, individuals who are **External Experts** are neither **Engagement Team** nor **Audit Team** members.

400.12 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.

Public Interest Entities

[Paragraphs 400.8 to AUST 400.8.1 A1 of extant Section 400 remain unchanged but are renumbered as paragraphs 400.13 to AUST 400.13.1 A1.]

Reports that Include a Restriction on Use and Distribution

[Paragraph 400.9 of extant Section 400 remains unchanged but is renumbered as paragraph 400.14.]

Assurance Engagements Other than Audit and Review Engagements

[Paragraph 400.10 of extant Section 400 remains unchanged but is renumbered as paragraph 400.15.]

Requirements and Application Material

General

[Paragraphs R400.11 to AUST R400.12.1 of extant Section 400 remain unchanged but are renumbered as paragraphs R400.16 to AUST R400.17.1.]

Prohibition on Assuming Management Responsibilities

[Paragraphs R400.13 to R400.14 of extant Section 400 remain unchanged but are renumbered as paragraphs R400.18 to R400.19.]

Related Entities

[Paragraph R400.20 of extant Section 400 remains unchanged.]

[Paragraphs 400.21 to 400.29 are intentionally left blank]

Period During which Independence is Required

All Audit Clients

[Paragraph R400.30 of extant Section 400 remains unchanged.]

400.30 A1 The **Engagement Period** starts when the **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.

R400.31 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:

- (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
- (b) Previous services provided to the **Audit Client** by the **Firm** or a **Network Firm**.

400.31 A1 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 **Engagement Team** begins to perform the audit, and the service would not be permitted during the **Engagement Period**.

[Paragraphs 400.31 A2 to R400.89 of extant Section 400 remain unchanged.]

SECTION 405

GROUP AUDITS

Introduction

405.1 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.

Requirements and Application Material

General

405.2 A1 Auditing and Assurance Standards apply to an audit of Group Financial Statements. ASA 600 (Revised) *Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)* 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.

405.2 A2 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.

Communication Between a Group Auditor Firm and a Component Auditor Firm

R405.3 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.

405.3 A1 Examples of matters the Group Auditor Firm might communicate include:

- Whether the Group Audit Client is a Public Interest Entity and the relevant ethical requirements applicable to the Group Audit Engagement.
- 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.
- The period during which the Component Auditor Firm is required to be independent.

- 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**.

R405.4 **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:

- Any Independence** matters that require significant judgement; and
- 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.

405.4 A1 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.

Independence Considerations Applicable to Individuals

Members of the Group Audit Team Within, or Engaged by, a Group Auditor Firm and Its Network Firms

R405.5 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**.

Other Members of the Group Audit Team

R405.6 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:

- The **Component Audit Client**;
- The entity on whose **Group Financial Statements** the **Group Auditor Firm** expresses an opinion; and
- 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**,

in accordance with the requirements of this Part that are applicable to the **Audit Team**.

R405.7 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**.

405.7 A1 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:

- 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).

- A loan or guarantee involving: (see Section 511)
 - An entity that is not a bank or similar institution unless the loan or guarantee is immaterial; or
 - A bank or similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.
- A business relationship that is significant or involves a material **Financial Interest** (see Section 520).
- An **Immediate Family** member who is: (see Section 521)
 - A **Director** or **Officer** of an entity; or
 - An employee in a position to exert significant influence over the preparation of an entity's accounting records or **Financial Statements**.
- The individual serving as, or having recently served as: (see Section 522 and Section 523)
 - A **Director** or **Officer** of an entity; or
 - An employee in a position to exert significant influence over the preparation of an entity's accounting records or **Financial Statements**.

R405.8 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.

Independence Considerations Applicable to a Group Auditor Firm

R405.9 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**.

Independence Considerations Applicable to Network Firms of a Group Auditor Firm

R405.10 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**.

Independence Considerations Applicable to Component Auditor Firms outside a Group Auditor Firm's Network

All Group Audit Clients

R405.11 A **Component Auditor Firm** outside the **Group Auditor Firm's Network** shall:

- (a) 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**;
- (b) 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
- (c) 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.

R405.12 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**.

R405.13 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.

Period During which Independence is Required

405.14 A1 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.

Group Audit Clients that are Not Public Interest Entities

R405.15 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**.

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.

Group Audit Clients that are Public Interest Entities

Non-Assurance Services

R405.16 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**.

405.16 A1 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:

- Providing accounting and bookkeeping services to a **Component Audit Client** that is not a **Public Interest Entity** (see Subsection 601).
- 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).
- 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).

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.

Key Audit Partners

R405.18 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:

- (a) Communicate that determination to that individual; and
- (b) Indicate:
 - (i) In the case of all **Group Audit Clients**, that the individual is subject to paragraph AUST R411.4, and
 - (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.

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**.

Changes in Components

All Group Audit Clients

R405.19 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.

Changes in Component Auditor Firms

All Group Audit Clients

405.20 A1 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:

- (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
- (b) Previous services provided to the **Component Audit Client** by the **Component Auditor Firm**.

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**.

405.20 A3 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**.

Group Audit Clients that are Public Interest Entities

405.21 A1 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**.

405.21 A2 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**.

Breach of an Independence Provision at a Component Auditor Firm

405.22 A1 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**.

405.22 A2 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.

When a Component Auditor Firm Identifies a Breach

R405.23 If a **Component Auditor Firm** concludes that a breach of this section has occurred, the **Component Auditor Firm** shall:

- (a) End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;
- (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**;
- (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
- (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.

405.23 A1 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.

R405.24 Upon receipt of the Component Auditor Firm's communication of the breach, the Group Engagement Partner shall:

- (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;
- (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
- (c) Determine the need for any further action.

R405.25 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.

405.25 A1 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.

405.25 A2 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.

Discussion with Those Charged with Governance of the Group Audit Client

405.26 A1 With respect to breaches by a **Component Auditor Firm** within the **Group Auditor Firm's Network**, paragraph R400.84 applies.

R405.27 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:

- (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

(b) Whether:

- (i) The action will satisfactorily address, or has addressed, the consequences of the breach; or
- (ii) The **Group Auditor Firm** will use other means to obtain the necessary audit evidence on the **Component Audit Client's** financial information.

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.

R405.28 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.

R405.29 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**.

SECTION 510

FINANCIAL INTERESTS

Introduction

[Paragraphs 510.1 to 510.2 of extant Section 510 remain unchanged.]

Requirements and Application Material

General

[Paragraphs 510.3 A1 to 510.3 A3 of extant Section 510 remain unchanged.]

Financial Interests Held by the Firm, a Network Firm, Audit Team Members and Others

[Paragraph R510.4 of extant Section 510 remains unchanged.]

510.4 A1 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 **Engagement Team** members, professional judgement is needed to determine the **Office** in which the partner practices in connection with the engagement.

[Paragraphs R510.5 to 510.10 A13 of extant Section 510 remain unchanged.]

SECTION 540

LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION) WITH AN AUDIT CLIENT

Introduction

[Paragraphs 540.1 to 540.2 of extant Section 540 remain unchanged.]

Requirements and Application Material

All Audit Clients

[Paragraphs 540.3 A1 to 540.3 A6 of extant Section 540 remain unchanged.]

R540.4 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:

- (a) Be a member of the **Engagement Team** for the **Audit Engagement**;
- (b) Perform an **Engagement Quality Review**, or a review consistent with the objective of an **Engagement Quality Review**, for the engagement; or
- (c) Exert direct influence on the outcome of the **Audit Engagement**.

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.

Audit Clients that are Public Interest Entities

[Paragraphs R540.5 to R540.9 of extant Section 540 remain unchanged.]

Other Considerations Relating to the Time-on Period

[Paragraphs R540.10 to 540.10 A1 of extant Section 540 remain unchanged.]

Cooling-off Period

[Paragraphs R540.11 to 540.14 A1 of extant Section 540 remain unchanged.]

Service in a combination of Key Audit Partner roles

[Paragraphs R540.15 to R540.18 of extant Section 540 remain unchanged.]

Service at a Prior Firm

[Paragraph R540.19 of extant Section 540 remains unchanged.]

Shorter Cooling-off Period Established by Law or Regulation

[Paragraphs R540.20 to AUST R540.20.1 of extant Section 540 remain unchanged.]

Restrictions on Activities During the Cooling-off Period

R540.21 For the duration of the relevant cooling-off period, the individual shall not:

- (a) Be an **Engagement Team** member or perform an **Engagement Quality Review**, or a review consistent with the objective of an **Engagement Quality Review** for the **Audit Engagement**;
- (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);
- (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
- (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:
 - (i) Having significant or frequent interaction with senior management or **Those Charged with Governance**; or
 - (ii) Exerting direct influence on the outcome of the **Audit Engagement**.

[Paragraph 540.21 A1 of extant Section 540 remains unchanged.]

SECTION 600

PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

SUBSECTION 605 – INTERNAL AUDIT SERVICES

Introduction

[Paragraph 605.1 of extant Subsection 605 remains unchanged.]

Requirements and Application Material

Description of Service

[Paragraphs 605.2 A1 to 605.2 A2 of extant Subsection 605 remain unchanged.]

Risk of Assuming Management Responsibility When Providing an Internal Audit Service

[Paragraphs R605.3 to 605.3 A2 of extant Subsection 605 remain unchanged.]

Potential Threats Arising from the Provision of Internal Audit Services

All Audit Clients

[Paragraph 605.4 A1 of extant Subsection 605 remains unchanged.]

605.4 A2 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 **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 **Engagement Team** will use the results of the internal audit service for purposes of the **Audit Engagement** without:

- (a) Appropriately evaluating those results; or
- (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**.

605.4 A3 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:

- 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 **Engagement Team** will place on the work of the internal audit service.

When a self-review threat for an **Audit Client** that is a **Public Interest Entity** has been identified, paragraph R605.6 applies.

[Paragraphs 605.5 A1 to 605.6 A1 of extant Subsection 605 remain unchanged.]

SECTION 800

REPORTS ON SPECIAL PURPOSE FINANCIAL STATEMENTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (AUDIT AND REVIEW ENGAGEMENTS)

Introduction

[Paragraphs 800.1 to 800.2 of extant Section 800 remain unchanged.]

Requirements and Application Material

General

[Paragraphs R800.3 to R800.6 of extant Section 800 remain unchanged.]

Public Interest Entities

[Paragraph R800.7 of extant Section 800 remains unchanged.]

Related Entities

[Paragraph R800.8 of extant Section 800 remains unchanged.]

Networks and Network Firms

[Paragraph R800.9 of extant Section 800 remains unchanged.]

Financial Interests, Loans and Guarantees, Close Business Relationships, and Family and Personal Relationships

R800.10 When the Firm performs an eligible Audit Engagement:

- (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;
- (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:
 - (i) Those who provide consultation regarding technical or industry-specific issues, transactions or events; and
 - (ii) Those who perform an **Engagement Quality Review**, or a review consistent with the objective of an **Engagement Quality Review**, for the engagement; and
- (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**.

[Paragraphs 800.10 A1 to R800.14 of extant Section 800 remain unchanged.]

PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 900

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

[Paragraphs 900.1 to 900.6 of extant Section 900 remain unchanged.]

Description of Assurance Engagements

[Paragraphs 900.7 to AUST 900.8.1 of extant Section 900 remain unchanged.]

Reports that Include a Restriction on Use and Distribution

[Paragraph 900.9 of extant Section 900 remains unchanged.]

Audit and Review Engagements

[Paragraph 900.10 of extant Section 900 remains unchanged.]

Requirements and Application Material

General

[Paragraphs R900.11 to AUST R900.12.1 of extant Section 900 remain unchanged.]

Prohibition on Assuming Management Responsibilities

[Paragraphs R900.13 to R900.14 of extant Section 900 remain unchanged.]

Multiple Responsible Parties and Parties Taking Responsibility for the Subject Matter Information

[Paragraph 900.14 A1 of extant Section 900 remains unchanged but renumbered as paragraph 900.15 A1.]

Network Firms

[Paragraphs R900.15 to 900.15 A1 of extant Section 900 remain unchanged but renumbered as paragraphs R900.16 to 900.16 A1.]

Related Entities

[Paragraph R900.16 of extant Section 900 remains unchanged but renumbered as paragraph R900.17.]

[Paragraphs 900.18 to 900.29 are intentionally left blank]

Period During which Independence is Required

[Paragraph R900.30 of extant Section 900 remains unchanged.]

900.30 A1 The **Engagement Period** starts when the **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.

[Paragraph R900.31 of extant Section 900 remains unchanged.]

R900.32 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 **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**.

[Paragraphs 900.32 A1 to R900.55 of extant Section 900 remain unchanged.]

SECTION 940

LONG ASSOCIATION OF PERSONNEL WITH AN ASSURANCE CLIENT

Introduction

[Paragraphs 940.1 to 940.2 of extant Section 940 remain unchanged.]

Requirements and Application Material

General

[Paragraphs 940.3 A1 to 940.3 A6 of extant Section 940 remain unchanged.]

R940.4 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:

- (a) Be a member of the **Engagement Team** for the **Assurance Engagement**;
- (b) Perform an **Engagement Quality Review**, or a review consistent with the objective of an **Engagement Quality Review**, for the engagement; or
- (c) Exert direct influence on the outcome of the **Assurance Engagement**.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed.

SECTION 990

REPORTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS)

Introduction

[Paragraphs 990.1 to 990.2 of extant Section 990 remain unchanged.]

Requirements and Application Material

General

[Paragraphs R990.3 to R990.6 of extant Section 990 remain unchanged.]

Financial Interests, Loans and Guarantees, Close Business, Family and Personal Relationships

R990.7 When the Firm performs an eligible Assurance Engagement:

- (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;
- (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:
 - (i) Those who provide consultation regarding technical or industry-specific issues, transactions or events; and
 - (ii) Those who perform an Engagement Quality Review, or a review consistent with the objective of an Engagement Quality Review, for the engagement; and
- (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.

[Paragraphs 990.7 A1 to R990.8 of extant Section 990 remain unchanged.]

TRANSITIONAL PROVISIONS

[Paragraphs 1 to 7 of the transitional provisions in the extant Code and amending standards remain unchanged.]

Revisions to the Code Relating to the Definition of Engagement Team and Group Audits

8. Revisions to the [Code](#) Relating to the Definition of [Engagement Team](#) and [Group Audits](#) have effective dates as set out below.
- Changes to the Glossary will be effective for:
 - audits and reviews of [Financial Statements](#) and [Group Financial Statements](#) for periods beginning on or after 1 January 2024; and
 - [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.
 - 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.
 - 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.
 - For non-assurance services engagements a [Component Auditor Firm](#) outside the [Group Auditor Firm's Network](#) has entered into with a [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.

CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS

APES 110 and the IESBA Code

APES 110 incorporates the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants (IESBA) in April 2018 and incorporating amendments up to February 2023.

Compliance with the IESBA Code

The principles and requirements of APES 110 and the IESBA Code are consistent except for the following:

- The defined term '[Engagement Team](#)' has been retained in Part 3 of APES 110 to ensure consistency with other APESB pronouncements including APES 320 *Quality Management for Firms that provide Non-Assurance Services*.

[All other items on the extant list of compliance with the IESBA Code in the extant Code remains unchanged.]