

February 2020

AUASB Bulletin

The Revised Code of Ethics and the Auditor's Report

Introduction

The revised and restructured International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) became effective as of 15 June 2019. Consequently, the Accounting Professional & Ethical Standards Board (APESB) revised its Code to incorporate the changes to the IESBA's Code, tailored for the Australian environment. The revised and restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), is effective from 1 January 2020.

As a result of changes to the IESBA Code, in November 2019 the International Auditing and Assurance Standards Board (IAASB) issued an Exposure Draft (ED) covering '*Proposed Changes to the IAASB Standards as a result of the Revised IESBA Code*'. As the AUASB standards directly reference the Code in various ways they will also need to be updated in line with the IAASB's conforming amendments.



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Purpose

Since the Code is already effective, the purpose of this AUASB Bulletin is to alert stakeholders of the need to ensure that references to relevant ethical requirements in an Auditor's Report¹ or an Auditor's Review Report² are updated where appropriate. This impacts two sections of the Auditor's Report or Review Report, as described below.

1 Paragraph Aus 28.1(c) of ASA 700 *Forming an Opinion and Reporting on a Financial Report* requires the Auditor's Report to include a statement that:

'the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the relevant ethical requirements applicable within Australia'.

Accordingly, the **Basis for Opinion** section of the Auditor's Report should now refer to the revised APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, as demonstrated in the boxed text below.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's ***APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)*** that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

2 For audits of the financial report of listed entities, paragraph 40(b) of ASA 700 requires the Auditor's Responsibilities for the Audit of the Financial Report section of the auditor's report to state that:

'the auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards'.

The revised Code has changed the reference of "related safeguards" to "actions taken to eliminate threats or safeguards applied". [Aus] Illustrations 1A and 2A in Appendix 1 of ASA 700 provided examples of further description of auditor's responsibilities and the auditor's responsibilities has been updated to reflect the change in the Code, as demonstrated in the boxed text below.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, **actions taken to eliminate threats or safeguards applied.**

Refer to the updated [example Auditor's Report](#) reflecting this revised wording in its entirety. Please note that the example Auditor's Report above is for a single listed company under the *Corporations Act 2001* (fair presentation framework).

For more information on the revised and restructured APES Code and its impact on AUASB standards, please send a query to the AUASB via email at enquiries@auasb.gov.au

¹ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, paragraph Aus 28.1(c).

² ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, paragraph 32(f).

Feedback welcome

Feedback and queries should be directed to enquiries@auasb.gov.au or by telephone +61 3 8080 7445.



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