

15 October 2019

Mr Channa Wijesinghe
Chief Executive Officer
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
MELBOURNE VIC 3000

CPA Australia Ltd

Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia

GPO Box 2820
Melbourne VIC 3001
Australia

Phone 1300 737 373

Outside Aust +613 9606 9677

Website cpaaustralia.com.au

Online Submission via: www.apesb.org.au

Dear Channa

Exposure Draft 03/19 – Revision of APESB Pronouncements

CPA Australia represents the diverse interests of more than 164,000 members working in 150 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia is supportive of the key proposed amendments to pronouncements identified on Page 7 of ED 03/19. In addition to the key proposed amendments, the APESB has requested respondents to provide specific comment on the following issues identified on Pages 5 and 6 of the Exposure Draft (ED):

- 1) Whether the existing provisions in the standards included in the ED require amendments due to the use of digital technology and artificial intelligence (AI);
- 2) Recent proposals from the Australian Accounting Standards Board (AASB) that would require amendment to APES 205 *Conformity with Accounting Standards*, particularly paragraph 6.1 to allow for additional disclosures in Special Purpose Financial Statements (SPFS); and
- 3) Whether consideration should be given in GN 30 *Outsourced Services*, to prescribing mandatory requirements for Members in Public Practice to disclose the use of Outsourced Services and the geographical location of the Outsourced Service Provider.

Digital Technology and AI

CPA Australia supports the APESB's consideration of the impact of digital technology and AI on current pronouncements. CPA Australia considers the most appropriate way to address ethical issues relating to digital technologies and AI is to take a principles-based approach within APES 110 *Code of Ethics for Professional Accountants (the Code)*. By addressing ethical issues arising from the use of technology via the Code, the principles established in the Code will cascade to all APESB pronouncements via Paragraph 19 of the Code, effective January 2020. This approach is consistent with the preferred direction taken by the International Ethics Standards Board (IESBA) in managing the interaction between ethics and technology.

Additional disclosures for SPFS in APES 205: Conformity with Accounting Standards

The proposed disclosures contained in the AASB ED 293 are part of a larger project being undertaken by the AASB to remove SPFS from the Australian Financial Reporting Framework and replace it with a

framework based on General Purpose Financial Statements (GPFS) reporting. CPA Australia considers that it may be inappropriate for the APESB to make changes to APES 205 in the manner proposed by the AASB without considering the consequences arising from the AASB's Framework project. Furthermore, and perhaps more importantly, CPA Australia believes that it is the AASB's role, and not the APESB's role, to prescribe that appropriate disclosures be included in financial statements.

However, when the AASB's Framework project is completed, the APESB may consider engaging with the AASB to ensure appropriate outcomes are achieved.

We also note that the AASB has discussed the feedback received in response to ED 293 at their recent meeting with their tentative views included in the Action Alert at:

<https://www.aasb.gov.au/admin/file/content102/c3/199-ActionAlert.pdf>.

Mandatory disclosures in GN 30 Outsourced Services

CPA Australia recognises that the rate of growth in the use of outsourced services presents potential ethical issues with respect to transparency, particularly where and by whom the outsourced service is being conducted. Clients may have concerns regarding the security of their personal information and the quality controls that exist to maintain the standard of the engagement which is governed by Professional Standards in Australia. CPA Australia does not consider the placement of mandatory paragraphs in a Guidance Note to be the most suitable outcome. The APESB may wish to consider the following options:

- The inclusion of mandatory paragraph/s in APES 305 *Terms of Engagement*;
- The inclusion of mandatory paragraph/s in APES 320 *Quality Control for Firms* and APES 325 *Risk Management for Firms*;
- The creation of a new standard in both the 200 series and 300 series which acknowledges that outsourced services may be used by Members in Business as well as Members in Public Practice.

If you have any questions regarding this submission, please do not hesitate to contact Josephine Haste CPA, Policy Adviser – Ethics and Professional Standards on +613 9606 9693 or josephine.haste@cpaaustralia.com.au.

Yours sincerely



Dr Gary Pflugrath CPA
Executive General Manager, Policy and Advocacy