

Ethics & Professional Independence

Accountants have responsibility to act in the public interest → not only to clients but to society at large

Professional Independence

Sources of Guidance

- Australian Professional and Ethical Standards Board (APESB)
- AUASB/FRC
- CLERP 9
- ASX Corporate Governance Principles and Guidelines
- International Ethics Standards Board of Accountants (IESBA)

Independence of Mind:

State of mind that permits expression of a conclusion without being affected by influences that compromise professional judgement → allowing an individual to act with integrity and exercise objectivity and professional scepticism

Independence in Appearance:

Avoidance of facts and circumstances that are so significant that a reasonable and informed third part would be likely to conclude that integrity, objectivity or professional scepticism has been compromised

Fundamental Principles (APES110 Part A)

Integrity (s110)

Be straightforward and honest in all professional and business relationships

Objectivity (s120)

Not allow bias, conflict of interest or undue influence of others to override professional judgement

Professional Competence and Due Care (s130)

- Maintain professional knowledge and skill in order to provide competent professional services based on current developments in practice, legislation and techniques
- Act diligently and in accordance with applicable technical and professional standards

Confidentiality (s140)

Respect information acquired from professional/business relationships

- Don't disclose this info to 3rd parties without proper and specific authority unless there is a legal or professional right or duty to disclose
- Don't use this info for personal advantage

Professional Behaviour (s150)

Comply with relevant laws and regulations, and avoid any action that discredits the profession

Conceptual Framework (APES110)

A framework for identifying, evaluating and resolving threats to the fundamental principles/audit independence

Conceptual Framework Approach (APES110.290.7)

Steps:

1. **Identify threats** to independence
2. **Evaluate the significance of the threats** – material or immaterial
3. **Apply safeguards**, when necessary, to eliminate the threats or reduce them to an *acceptable level*

→ If appropriate safeguards are not available, then eliminate the circumstance or relationship creating the threat, or decline/terminate the audit

Threats	Safeguards
Self-Interest <i>threat that a financial or other interest will inappropriately influence the Member's judgment or behaviour</i>	Created by the profession, legislation or regulation
Self-Review <i>Threat that a Member will not appropriately evaluate the results of a previous judgment or service performed by the Member or another individual within the Member's Firm, and rely on it for the current service</i>	
Advocacy <i>Threat that a Member will promote a client's or employer's position to the point that the Member's objectivity is compromised</i>	
Familiarity <i>Threat that due to a long or close relationship with a client or employer, a Member will be too sympathetic to their interests or too accepting of their work</i>	In the work Environment
Intimidation <i>Threat that a Member will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the Member</i>	