

17 December 2018

Financial Adviser Standards and Ethics Authority

Email: consultation@fasea.gov.au

Dear Board Members

Code of Ethics

Chartered Accountants ANZ supports raising the standards of financial advice to better serve and protect consumers. We are wholeheartedly committed to helping the industry move forward and fix something that is clearly 'broken'. We note from FASEA's Code of Ethics Legislative Instrument consultation notification that: **'a key objective of the Code is promoting enhanced consumer trust and confidence in the industry and thereby, refocusing financial advisers and planners from providing commercial services to acting as professionals'**.

Chartered Accountants already operate within a highly qualified and professional framework. We have been a profession for decades. As a professional body, our members are held accountable to the principles set out in professional codes of conduct and professional standards, including codes of ethics established by globally recognised standard setting bodies in Australia and New Zealand. We have the authority to investigate and discipline members who breach our Code of Ethics and other standards.

Many of our members are also bound by the Code of Professional Conduct for tax (financial) advisers regulated by the Tax Practitioners Board (TPB) under the Tax Agent Services Act 2009 and for those who are members of other member organisations, they are bound by further Codes of Ethics.

We strongly urge FASEA to streamline and harmonise the requirements of their new Code with existing laws, regulatory obligations and standards. This is fundamental to reducing unnecessary complexity and compliance costs for advisers, particularly for smaller firms and businesses, as well as increasing the availability of affordable financial advice to consumers. Failure to do so increases the risk that many well-qualified and experienced advisers will leave the industry. Any exodus of CAs is likely to significantly reduce the overall level of training and expertise in the industry and be contrary to the overall objectives of the new legislation.

Our key recommendations in relation to Code of Ethics are outlined on Page 2.

If you would like to discuss our submission, please do not hesitate to contact Bronny Speed (Leader, Financial Advice) on (02) 8078 5442 or at bronny.speed@charteredaccountantsanz.com.

Yours sincerely,

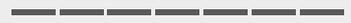


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Code of Ethics



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1 Summary of Recommendations

Chartered Accountants ANZ (CA ANZ) believes it has considerable knowledge, expertise, experience, frameworks and infrastructure that could be invaluable to FASEA as it works to develop the new Code of Ethics requirement.

CA ANZ recommends that:

- FASEA recognises alignment of their integrated model approach with the CA Program
- FASEA acknowledges in its published guidance that Chartered Accountants are professionals who already operate within a highly qualified, ethics-based professional framework
- FASEA recognises the significant ethical content within the CA program
- FASEA recognises that the CA public practice program also has considerable ethical conduct
- FASEA acknowledges that CAs practising in tax are bound by the Code of Professional Conduct for tax (financial) advisers regulated by the Tax Practitioners Board (TPB) under the Tax Agent Services Act 2009 and that CAs who are members of other member organisations are bound by further Codes of Ethics.
- Due to the professional framework in which CAs operate, and the ethics study they have already completed, CAs should be allowed to do a 'top-up' ethics course on the FASEA Code of Ethics, rather than a whole new ethics subject at AQF7 level.
- This top-up course should be allowed to be offered by CA ANZ in conjunction with FASEA. CAs should then be allowed to do either the 'top-up' course run by CA ANZ or complete a FASEA Code of Ethics bridging course as per proposed FASEA standards.

2 Alignment with FASEA

How FASEA's integrated model aligns with CA ANZ		
What FASEA wants	Chartered Accountants already have	Mapping to FASEA Standard
Existing adviser with 'relevant' degree	<ol style="list-style-type: none"> 1. An Australian or New Zealand qualification at Bachelor's degree (or overseas equivalent) and 2. Have passed CA ANZ approved subjects in required competency areas outlined in our education submission 	No further degree qualification required.
Existing adviser with 'approved' degree	TEQSA approved AQF8 post graduate qualification	Existing adviser with FASEA 'approved' degree status met.
Existing advisers on the FAR	Registered on Financial Advisers Register by 31 December 2018 following completion of approved RG 146 course and/or CFP qualification	
Work and Training (PY)	<p>CA mentoring program</p> <ol style="list-style-type: none"> 1. 3 years full-time equivalent employment in a relevant accounting role with an approved training employer + 2. Mentored by a CA or member of Global Accounting Alliance body + 3. Demonstrated the required levels of technical and non-technical competency 	FASEA 100 hours structured training requirement to be incorporated into the existing CA mentoring program
FASEA Code of Ethics	APES 110 Code of Ethics and TPB Code of Professional Conduct	Course outlining top-up of FASEA Code of Ethics requirements above and beyond CA ANZ Code of Ethics to be developed and completed no later than 1 January 2024
CPD	Minimum 120 hours CPD for a 3-year time period as required by CA ANZ	Structure of CPD to be amended to FASEA requirements.
FASEA Exam	Practical financial advice experience	FASEA exam to be completed by 1 January 2021

2.1 CA ANZ requests recognition from FASEA

We strongly urge FASEA to recognise the hard work that is required to gain and maintain CA membership. Chartered Accountants have a strong foundation, including an Australian or New Zealand approved degree at AQF7, a TEQSA approved AQF8 post graduate qualification, financial planning studies enabling registration on ASIC's Financial Adviser Register, continuing professional development obligations, completion of 3 years mentored training and strict adherence to our Code of Ethics.

2.2 Additional information from members

2.2.1 Information from members

In preparing this submission, CA ANZ has communicated via e-mail directly with members who hold or operate under an AFS licence and all members in public practice. The communication sought feedback from members on the Standards Summary released by FASEA on 16 November 2018.

We have also developed a FASEA specific website on our CA ANZ website which also provides the opportunity for members to provide feedback.

Much feedback was gained by having a newly created financial advice stream at our SMSF Conference held in September. It provided an ideal opportunity for members to voice their feedback and most importantly, their continued concerns.

CA ANZ's Regional Managers and Account Managers have also been briefed on the new blueprint so they can gather feedback through their interaction with members as well.

Our key financial advice newsletters have also highlighted the Standards Summary and sought further feedback.

2.2.2 Industry participation

CA ANZ has been pleased to have met with FASEA on two occasions over the past few months.

CA ANZ has participated in several group industry workshops facilitated by FASEA as well as some organised outside of these forums.

CA ANZ recommends that:

- FASEA recognises alignment of their integrated model approach with the CA Program

3 Details: Code of Ethics

3.1 Our previous submission

Our previous detailed submission on this topic can be found [here](#).

3.2 CA ANZ's alignment with FASEA (from section 2 table)

	Existing CA mentoring program	What CA ANZ needs to do
FASEA Code of Ethics	APES 110 Code of Ethics and TPB Code of Professional Conduct	Course outlining top-up of FASEA Code of Ethics requirements above and beyond CA ANZ Code of Ethics to be developed and completed no later than 1 January 2024

3.3 Chartered Accountants as long-standing professionals

In finalising the Code of Ethics Legislative Instrument for relevant providers, we urge FASEA to refer to the lessons learned from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission). We refer in particular to the need to raise financial adviser standards, improve professionalism, and increase consumer trust, confidence and engagement in the sector.

Chartered Accountants already operate within a highly qualified and professional framework. As a professional body, our members are held accountable to the principles set out in professional codes of conduct and professional standards, including codes of ethics established by globally recognised standard setting bodies in Australia and New Zealand. We have the authority to investigate and discipline members who breach our Code of Ethics and other standards.

3.3.1 APES 110 Code of Ethics for Professional Accountants

The APES Code of Ethics for Professional Accountants is issued by the Accounting Professional and Ethical Standards Board (APESB) which is an independent body established in 2006 as an initiative of CA ANZ and CPA Australia. The role of APESB is to develop and issue professional and ethical standards in the public interest that apply to members of CA ANZ and the other two Australian accounting bodies.

The APES 110 Code is based on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC). IESBA is an independent standard-setting body that serves the public interest by setting robust, internationally appropriate ethics standards for professional accountants worldwide.

3.3.2 Tax Practitioner's Board (TPB) Code of Professional Conduct

Many of our members are also bound by the Code of Professional Conduct for tax (financial) advisers regulated by the TPB under the Tax Agent Services Act 2009 and for those who are members of other member organisations, they are bound by further Codes of Ethics.

3.3.3 Building professionalism and public trust

CA ANZ provides to its members a professional framework that underpins community trust, respect and recognition of the accounting profession. Members understand they have obligations to the public, clients and fellow members to maintain the status of the profession.

Importantly, our members can provide a foundation stone for re-building the tarnished image of financial advisers and changing the perception which many in the community would have gained from the Hayne Royal Commission – that financial advice is an industry rather than a profession.

3.4 Ethics in the CA Program

The Code of Ethics (IESBA Code of Ethics for Professional Accountants / APES 110 Code of Ethics for Professional Accountants / NZICA Code of Ethics and PES 1 Code of Ethics for Assurance Practitioners) is required reading for the technical modules of CA Program. The CA Program will adopt the recently issued restructured Code of Ethics in their 2019 modules.

Ethics coverage in the individual CA Program modules is outlined below:

3.4.1 Financial Accounting and Reporting

Financial Accounting and Reporting	Units and learning outcomes	Worked examples and activities	Online Assessment (examples)	Exam (examples)
Covers basic ethical principles and examines ethics in relation to financial reporting.	Unit 1: Financial reporting Explain a Chartered Accountant's ethical requirements relating to financial reporting	Activity 1.1 (Australia) Applying the regulatory framework Task B: For this activity you are required to identify and explain the key fundamental ethical principle at risk as a result of not making the required disclosures. To be added / embedded into 3-4 existing activities / worked examples / integrated activities for FIN119.	117 OLA 1 Which of the following fundamental ethical principles under Part A of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants is the key ethical principle that the CFO is at risk of breaching? Which of the following fundamental ethical principles under Part A of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants is the key ethical principle that you are at risk of breaching? 10% of assessment 0.67% of Module	Main Exam 216 Write a brief email to the CFO explaining: (i) whether each of the proposed adjustments is in accordance with IFRS requirements (or local equivalent), and (ii) the ethical implications under the Code of Ethics for Professional Accountants of the proposed adjustments. 2.5% of assessment 2% of Module FIN119 main 3 marks similar to above 3.8% of exam mark FIN119 supp will be included 3-4 marks

3.4.2 Audit and Assurance

Audit and Assurance	Units and learning outcomes	Worked examples and activities	Online Assessment (examples)	Exam (examples)
<p>Covers basic ethical principles, threats and safeguards.</p> <p>Examines the application of ethical principles to audit and assurance engagements, with a particular focus on auditor independence.</p> <p>This includes local legislative requirements (e.g. Australian Corporations Act)</p>	<p>Unit 1: Assurance framework</p> <p>Unit 2: Audit quality and pre-engagement activities</p> <p>Unit 13: Case study</p> <p>Apply international Auditing Standards and national Generally Accepted Auditing Standards and applicable laws and regulations to an audit assignment</p> <p>Plan, perform and complete the audit of historical financial statements</p>	<p>Worked example 2.1 – Implementing quality control procedures in accepting an audit engagement</p> <p>Worked example 2.2 – Applying the code of ethics regarding auditor independence</p> <p>Activity 2.1 – Identifying and safeguarding against threats to independence</p> <p>Case study – Activity 19.1 Identifying and evaluating threats to Independence</p>	<p>AAA318 OA1</p> <p>Multiple choice question focusing on auditor independence with regards to various services provided to an audit client.</p> <p>10% of assessment 0.67% of Module</p>	<p>AAA118 Main exam Q1</p> <p>Based on the background information provided relating to an audit engagement, identify and explain the threats to independence and discuss if independence can be achieved with respect to each threat.</p> <p>7.5% of the assessment</p>

3.4.3 Management Accounting and Applied Finance

Management Accounting and Applied Finance	Units and learning outcomes	Worked examples and activities	Online Assessment (examples)	Exam (examples)
<p>Covers basic ethical principles, threats and safeguards. Includes examples of ethical dilemmas in connection to management accounting roles.</p>	<p>Unit 1: Management accounting and strategy</p> <p>Identify professional (ethical) issues that may arise for Chartered Accountants in business.</p> <p>Outline relevant ethical standards and appropriate safeguards for ethical issues that arise.</p>	<p>Activity 1.5 Managing Ethical Issues</p> <p>Requires</p> <ul style="list-style-type: none"> Describe the key ethical issues. Identify the fundamental principle(s) at risk, in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code). Identify the key threats to compliance with the fundamental principle(s). Describe possible safeguards to eliminate the threats or reduce to an acceptable level. 	<p>117 OLA 1</p> <p>What is the key fundamental ethical principle at risk in this situation?</p>	<p>Main Exam 216</p> <p>Based on the background information provided, identify the key fundamental ethical principle at risk, in accordance with the International Ethics Standards Board for Accountants (IESBA)'s Handbook of the Code of Ethics for Professional Accountants.</p> <p>Justify your response by including specific references from the Code.</p>

3.4.4 Taxation

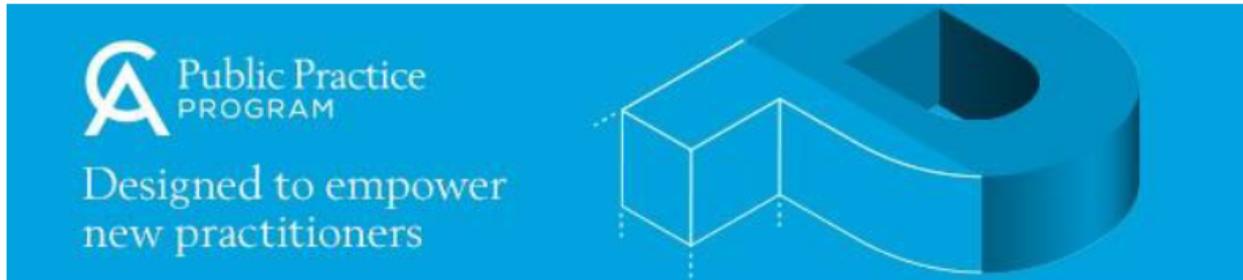
Taxation AU	Units and learning outcomes	Worked examples and activities	Online Assessment (examples)	Exam (examples)
Covers basic ethical principles and discusses ethics in the context of providing tax advice.	Unit 15: Tax planning and anti-avoidance provisions <ul style="list-style-type: none"> Examine what constitutes ethical tax advice by explaining the difference between tax planning, avoidance and evasion. Explain the statutory and professional requirements applicable to a tax agent. 	No coverage	Outside units covered by online assessments	No coverage

3.4.5 Capstone

Capstone	Units and learning outcomes	Worked examples and activities	Online Assessment (examples)	Exam (examples)
Capstone seeks to have candidates analyse ethical dilemmas (both individual and corporate) and to discuss options.	Behave ethically.	Activity 1-2: Solving ethical business problems Analyse the ethical dilemma for Volkswagen, using the AAA model. Activity 3-1: Ethics – trusted professional Two scenarios – individual ethical dilemmas, involving members in practice. Activity 3-4: Ethics – public perception Links ethics to requirements on members	Workshop 2 50-minute activity on ethical decision making Workshop 3 1-hour activity related to principle using AAA model	CAP 318 Stakeholder issue for Board, but not specifically ethical issue. CAP 218 Question on ethical dilemma for business.

3.5 Ethics in the Public Practice Program

The Public Practice Program Ethics module is an interactive module with sound, with a number of case studies and quizzes. The topics covered within the module are outlined below, with each module having an assessment at the end of it.



CA ANZ Public Practice Program eLearning module storyboard – Acting Ethically in Public Practice - August 2017

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3.5 Recommendations

CA ANZ recommends that:

- FASEA acknowledges in its published guidance that Chartered Accountants are professionals who already operate within a highly qualified, ethics-based professional framework
- FASEA recognises the significant ethical content within the CA program
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Appendix A

Chartered Accountants Australia and New Zealand

CA ANZ is made up of over 120,000 diverse, talented and financially astute professionals who utilise their skills every day to make a difference for businesses the world over.

Members of CA ANZ are known for professional integrity, principled judgment and financial discipline, and a forward-looking approach to business.

We focus on the education and lifelong learning of members, and engage in advocacy and thought leadership in areas that impact the economy and domestic and international capital markets.

We are represented on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance, and Chartered Accountants Worldwide, which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.