

10 August 2018

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The Chairperson
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
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Via email: sub@apesb.org.au

Dear Nicola

Re: Exposure Draft 02/18 - Proposed Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

We appreciate the opportunity to comment on Exposure Draft 02/18 Proposed Amendments to Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Australian Code") issued by the Accounting Professional & Ethical Standards Board (APESB) in May 2018 (the ED).

Deloitte is supportive of the proposals in the ED and the adoption in Australia by the APESB of the International Code of Ethics for Professional Accountants (including International Independence Standards) ("the International Code").

As stated in our correspondence on previous revisions to APES 110, we consider that the Australian Code should reflect the wording and structure of the International Code, preferably with no changes, unless changes are required for legislative or regulatory reasons. We have the following comments in this respect:

- Definition of Assurance Engagement: The APESB has included a definition of Assurance Engagement that is different to the definition in the International Code, and different to the definition in the AuASB Glossary. The assurance framework is an international framework and, in Australia, falls within the purview of the AuASB. The definition of Assurance Engagement in the Australian Code should be the same as the definition used by the AuASB for clarity, consistency and the avoidance of unintended consequences. This is highlighted by the fact the Code refers the reader back to the AuASB Framework for Assurance Engagements in paragraph AUST 900.11.1
- AUST R330.4.1: We support the inclusion of this AU paragraph to enhance clarity for readers, however suggest the drafting might be improved as follows: *A Member in Public Practice shall not use charge a Contingent Fees for a non-assurance service where not permitted by the following standards in the specific engagement circumstances set out in:*
- Consistency between the Code and the Corporations Act: We request the APESB consider the appropriateness of making additional amendments to the Australian Code, with the objective of highlighting, or if possible remedying, the inconsistency that currently exists between the Australian Code and the Corporations Act requirements with respect to the reporting of certain breaches.

All breaches of applicable independence requirements are reported to the audit client in accordance with the provisions of the Code. The Corporations Act additionally sets out the requirements for when breaches are reported under section 307C.

However, the prohibition in the Code with respect to a financial interest owned by a Partner in the same Office as the audit partner is not contained in the auditor independence requirements of the Corporations Act. Therefore, a breach of that provision of the Code is not covered by the reporting exemption in s307C(5B) of the Corporations Act. The effect of this anomaly is that a breach of that provision is required to be disclosed under s307C, where other breaches of the Code are not, which is contrary to the spirit and intention of section 307C(5B).

We would be pleased to discuss our comments with you. If you wish to do so, please do not hesitate to contact me on (02) 9322 5258.

Yours sincerely

Deloitte Touche Tohmatsu

A handwritten signature in black ink, appearing to read 'Marisa Orbea', with a stylized flourish at the end.

Marisa Orbea

Partner, Independence