



Tower Two
Collins Square
727 Collins Street
Melbourne Vic 3008

ABN: 51 194 660 183
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

GPO Box 2291U
Melbourne Vic 3001
Australia

The Hon Nicola Roxon
Chairman
Accounting Professional and Ethical Standards Board
Level 11, 99 William Street
Melbourne, Victoria 3000

Our ref 49599385_1

7 April 2017

Dear Ms Roxon,

Comments on APESB's Proposed Changes to the Long Association of Personnel with an Audit or Assurance Client

We value the opportunity to provide comments to the Accounting Professional and Ethical Standards Board (APESB) regarding the Exposure Draft entitled '*Proposed Amendments to Long Association of Personnel with an Audit or Assurance Client requirements in APES 110 Code of Ethics for Professional Accountants*', recently released by the APESB.

We note that the APESB has requested specific comments relating to the transition of a shorter "cooling-off" period, established by legislation or regulation, and the proposed transitional provisions.

Whilst having due regard to your questions, KPMG does not support the proposed changes relating to the extension of the "cooling-off" period for Engagement Partners and Engagement Quality Control Reviewers on PIE audits. Consistent with our previous response to the APESB, dated 31 October 2014, we do not support any change that is more restrictive than the requirements of the Corporations Act 2001 (Corporations Act). The proposed three-year, and possible five-year, "cooling-off" periods for PIEs would be inconsistent with current Australian legislation, which requires a two-year "cooling-off" period. It is not apparent that any relevant independence weaknesses have been identified in the Australian regime, since the implementation of the Corporations Act, that gives rise to the requirement to extend the current "cooling-off" period.

We consider the introduction of these provisions to be an over-ride of the Corporations Act, without the due process of legislators in Australia. In addition, there are the increased risks of non-compliance, given the complexity of the proposals, and the potential over-use of the Corporations Act extensions, to 6 or 7 years, which was not intended at the time of legislating the changes or being within the spirit of them.

In the event that the APESB decides to implement the changes to the "cooling-off" period, we strongly recommend that the APESB reconciles the impact to practitioners and audit quality of the inconsistency of the "cooling-off" periods between the Corporations Act and the proposed Standard prior to its introduction on 15 December 2018, and that such analysis be widely communicated.

7 April 2017

Should you wish to discuss any aspect of this KPMG submission, please contact me on 03 9288 5790 or Tom Seville, KPMG's Head of Regulation & Compliance, on 03 9288 5050.

Yours faithfully



Mark Jones AM
Ethics and Independence Partner