

7 April 2017

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com

The Chairperson
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne Victoria 3000
Australia

Via email: sub@apesb.org.au

Dear Nicola,

Exposure Draft 01/17 - Proposed Amendments to Long Association of Personnel with an Audit or Assurance Client requirements in APES 110 Code of Ethics for Professional Accountants

We appreciate the opportunity to comment on Exposure Draft 01/17 (the ED) "Proposed Amendments to Long Association of Personnel with an Audit or Assurance Client requirements in APES 110 Code of Ethics for Professional Accountants" issued by the Accounting Professional & Ethical Standards Board (APESB) in February 2017.

Overall, we support the proposals in the ED as we consider that any revisions to the APES 110 Code of Ethics for Professional Accountants (APES 110) should reflect the wording and structure of the IESBA Code of Ethics for Professional Accountants (the Code), preferably with no changes, unless changes are shown to be required for legislative or regulatory reasons. The proposed amendments in the ED predominantly achieve this.

Our detailed comments are set out below.

Detailed comments

General Provisions

We have no specific comments on the general provisions of the exposure draft

Audits of Public Interest Entities

Practical application in Australia

As the APESB is aware, there are already several different audit partner rotation laws and professional standards that apply in Australia to key audit partners on the audits of Public Interest Entities (PIEs). Overlaying the requirements of the ED onto existing laws results in multiple and complex combinations of the time-on and cooling-off periods across different roles and different entities, which may result in an increased risk of misunderstanding and inadvertent breaches. It is also concerning that the requirements applicable in Australia will change once again for audits of Financial Statements beginning after 14 December 2023 when the transitional period expires.

This will directly impact the application of the Corporations Act and APRA requirements. Post the transitional period expiring, we note that the time-on/cooling-off requirements when combining IESBA with Australian requirements will be as follows:

Role	APESB PIE	Listed and APRA PIE
Engagement Partner	7/5	5/5
EQCR	7/3	5/3
Other Key Audit Partners	7/2	7/2

We would therefore encourage the APESB to actively engage with IESBA over the course of the next five years to influence any potential amendments to the requirements or a reconsideration of an extension to the transitional allowance.

We also encourage APESB to draw the attention of APRA, ASIC and Treasury to the impact the revised rules will have on current rotation requirements and work together to begin considering options for updating laws and regulations to avoid the complexity that will ensue.

Australian specific paragraphs AUST 290.163.1 and 290.163.2

We consider that paragraph 290.163 stands on its own, and that the additional provisions proposed in the ED in paragraphs AUST 290.163.1 and 290.163.2 should be deleted. These paragraphs are more restrictive than the requirements in the Code with no apparent public interest benefit.

Paragraph 290.163 of the Code allows for a three year cooling-off period for engagement partners where legislation or regulation has established a cooling-off period of less than five years and the time-on period does **not exceed** seven years. Currently, the Corporations Act requirements and APRA Prudential Standards require a cooling-off period of two years after a time-on period of five years for certain audit partners. The time-on period can only be extended to a **maximum** of seven years. Therefore, the conditions of paragraph 290.163 would be satisfied in Australia with respect to Australia regulations, and the three year cooling-off period can be applied.

Instead of these proposed AUST paragraphs, it may be helpful to include an Australian specific paragraph (to replace 290.163.1 and 290.163.2) that sets out how paragraph 290.163 applies to the audits of PIEs that are subject to the Corporations Act and APRA Prudential Standards. As an example:

“The effect of the application of paragraph 290.163 in Australia is that where a two year cooling-off period applies under the requirements of the Corporations Act or APRA Prudential Standards, and the entity is a Public Interest Entity, a three year cooling-off period should be applied instead, for audits of Financial Statements for periods beginning prior to 15 December 2023.”

Following that paragraph could be some guidance in a table format (similar to that provided in the Exposure Draft) setting out the interaction of the requirements in APES 110 with the requirements in the Corporations Act and APRA Prudential Standards.

Practical questions regarding application

We note that in connection with the previous Exposure Draft issued by IESBA in May 2016 "Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client", IESBA had included a proposed IESBA Staff Questions & Answers publication in the Appendix to assist respondents in better understanding how the very complex provisions are intended to be applied.

In our view this was a helpful guide and would facilitate implementation of the provisions. For example, it provided clarity in relation to what cooling-off period to apply if an Engagement Partner has served his or her two year cooling-off period on a listed entity at the time the new rules come into effect.

We urge the APESB to consider requesting that the IESBA Staff consider finalizing and issuing the guidance based on the finalized provisions, or for the APESB to consider providing Australian application guidance.

Other

We suggest footnotes 1 to 5 should also include references to APRA Prudential Standards.

Please do not hesitate to contact me should you require further information.

Yours sincerely

A handwritten signature in black ink, appearing to read "Marisa Orbea". The signature is fluid and cursive, with a prominent loop at the end.

Marisa Orbea
Partner