



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

Level 19
15 William Street
Melbourne
Victoria 3000

Postal Address:
GPO Box 5193
Melbourne Vic 3001
Australia

Level 1
80 Monash Drive
Dandenong South
Victoria 3175

Tel: +61 3 8610 5000
Fax: +61 3 8610 5999
partners@pitcher.com.au
www.pitcher.com.au

J BRAZZALE
R RIGONI
G M RAMBALDI
D A KNOWLES
M C HAY
V A MACDERMID
P A JOSE
M J HARRISON
T SAKELL
G I NORISKIN
A T DAVIDSON
C D WHATMAN
A E CLERICI
P MURONE
A D STANLEY
D C BYRNE
P B BRAINE
R I MCKIE
F V RUSSO
M R SONEGO
S J DALL
D W LOVE
A SULEYMAN

A R FITZPATRICK
M W PRINGLE
D A THOMSON
M J LANGHAMMER
S SCHONBERG
S DAHN
A R YEO
P W TONER
D R VASUDEVAN
B J BRITTEN
K L BYRNE
S D WHITCHURCH
D J HONEY
G J NIELSEN
N R BULL
A M KOKKINOS
G A DEBONO
R H SHRAPNEL
T G HAIR
A T CLUGSTON
M G JOZWIK
B POWERS

Ref: KLB/DR

9 March 2017

Ms Nicola Roxon
The Chairman
Accounting Professional & Ethical Standards Board
Level 11, 99 William Street
MELBOURNE VIC 3000

Dear Ms Roxon,

SUBMISSION – PROPOSED AMENDMENTS TO APES 110 CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS DUE TO REVISIONS TO IESBA’S CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

We appreciate the opportunity to provide comment to the Accounting Professional & Ethical Standards Board (APESB) on the *Proposed Amendments to APES 110 Code of Ethics for Professional Accountants* (the Code) *Due to Revisions to IESBA’s Code of Ethics for Professional Accountants*.

Pitcher Partners is an association of independent firms operating from all major cities in Australia. Firms in the Pitcher Partners network are full service firms and we are committed to high ethical standards across all areas of our practice. Our clients come from a wide range of industries and include listed and non-listed disclosing entities, large private businesses, family groups, government entities, and small to medium sized enterprises.

Although the exposure draft sets out proposed amendments to a number of aspects of the current version of the Code, this submission comments exclusively on those relating to Responding to Non-Compliance with Laws and Regulations (NOCLAR).

We are supportive of the NOCLAR response framework developed by the International Ethics Standards Board for Accountants (IESBA), as contained in their July 2016 pronouncement. In our opinion, the APESB should incorporate the NOCLAR response framework in the Australian *Code of Ethics for Professional Accountants*.

However, we do not support the proposed effective date of 15 July 2017.

We understand that the APESB intends to approve the Australian pronouncement at the May 2017 meeting (for July 2017 mandatory application). A mandatory application date that is less than 2 months after the release of the Australian pronouncement will not provide sufficient time for Australian accounting professionals to understand their responsibilities and to effectively implement the NOCLAR response framework.

In contrast to the APESB's timetable, the IESBA's key project milestones for the development and implementation of the NOCLAR response framework are as follows:

- Second exposure draft issued in May 2015.
- Final pronouncement issued in July 2016.
- Mandatory application date of 15 July 2017 (i.e., 12 months after the issue of the final pronouncement).

In addition, in order to create awareness of the NOCLAR response framework and to assist professional accountants to understand their responsibilities, the IESBA released a number of informative videos, fact sheets, and other guidance material (including *Staff Questions & Answers*).

The IESBA *Staff Questions & Answers* publication (released in February 2017), acknowledges that the implementation of the NOCLAR response framework by professional services firms may include articulating the approach to specific elements of the framework in their policies and methodologies. This may include such matters as:

- The process for the escalation of matters within the engagement team, and within the firm.
- When to consult with legal counsel or other external parties.
- Who within the firm should be involved in discussions with management and, where appropriate, Those Charged with Governance.
- The protocols for communication within a group engagement team, with a network firm and, if not within the firm or a network, with the external auditor of a client.
- Determination of the need for further action.

We agree that these are important matters to be considered by professional services firms as part of their implementation of the NOCLAR response framework. Further, organisations employing 'members in business' will also need to give consideration to similar matters as part of their implementation and/or support of the NOCLAR response framework.

We believe the process followed by the IESBA, which includes a mandatory application date that is 12 months after the release of the final pronouncement, provides an appropriate timeframe for professional accountants and organisations employing professional accountants (affected by the international pronouncement) to fully understand their responsibilities and to effectively implement the NOCLAR response framework by the mandatory application date.

Consistent with the approach followed by major Australian and international standard setting bodies (including the IESBA), in our opinion, the NOCLAR response framework should have a mandatory application date in Australia of not less than 12 months after the release of the final Australian pronouncement.

This would provide a more appropriate timeframe for Australian accounting professionals to fully understand their responsibilities (as will be set out in the final Australian pronouncement, when issued) and to effectively implement the NOCLAR response framework by the mandatory application date.

It is our view that where practicable, and after giving due consideration to the impact on Australian Accounting Professionals, the mandatory application date of Australian Accounting Professional & Ethical Standards should align with that of international standards (where the Australian pronouncement is an equivalent to an international pronouncement). In order to achieve this outcome (i.e., synchronise mandatory application dates) and provide Australian Accounting Professionals with an appropriate timeframe for implementation, we strongly recommend that the APESB issue Australian equivalent pronouncements as soon as reasonably possible following the issue of the international pronouncement. For example, in the case of the NOCLAR response framework, we would have expected the APESB to issue the Australian equivalent pronouncement in July 2016 (rather than the intended issue date of May 2017).

We believe that an appropriate timeframe is crucial to the successful implementation of the NOCLAR response framework in the Australian environment. Accordingly, we do not support the proposed effective date of 15 July 2017.

In our opinion, the NOCLAR response framework should have a mandatory application date in Australia of not less than 12 months after the release of the final Australian pronouncement.

Please contact either myself or Darryn Rundell, Director - Audit & Accounting Technical (03) 8610 5574 or darryn.rundell@pitcher.com.au, in relation to any of the matters outlined in this submission.

Yours sincerely



K L Byrne
Partner



D J Rundell
Director, Audit & Accounting Technical