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Public Interest Entity defined in Australian context

The Accounting Professional and Ethical Standards Board (APESB), has identified the entities in Australia that are most likely to be a “Public Interest Entity” for the purpose of auditor independence requirements of its *Code of Ethics for Professional Accountants* (the Code).

The existing Code is silent on which entities in Australia, except for listed entities, are most likely to be Public Interest Entities.

As Public Interest Entities are subject to more stringent auditor independence requirements there has been much debate around which entities are most likely to be Public Interest Entities and which are not, in the Australian context.

In another change to the Code audit firms are also now required to consider whether certain entities should be treated as Public Interest Entities, based on the nature of the business, its size and number of employees.

APESB Chair Kate Spargo says: “The changes we’ve made to the code are important because they ensure all entities with a significant public interest element will be subject to the stricter auditor independence requirements such as mandatory partner rotation and restrictions on providing other services to audit clients.”

“We feel it is important to take the Australian context into account by providing guidance to audit firms on entities which are likely to be Public Interest Entities in the Australian context as that will lead to consistent audit practice in the market place.

“We’ve made these changes after issuing an exposure draft in September and gaining feedback from stakeholders and believe this is an outcome that will be of benefit to all,” Spargo says.

APESB’s amendment to the definition of Public Interest Entities in the Code is effective from 1 January 2013 with early adoption permitted. International audit firms are likely to adopt the provisions early, due their international obligations.

The amendment to the definition of Public Interest Entity of the Code is now available on the APESB website www.apesb.org.au

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Notes to Editors: The APESB is an independent body that sets the code of ethics and professional standards by which members of Australia’s three professional accounting bodies are required to abide.