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### **APESB issues clarification in respect of Key Audit Partners**

In May 2009, the Accounting Professional and Ethical Standards Board (APESB) issued a revised version of APES 320 *Quality Control for Firms* (APES 320) which will be effective from 1 January 2010. APES 320 has a mandatory requirement that in respect of listed entities, firms must establish rotation arrangements for the engagement partner, engagement quality control reviewer and others subject to rotation in accordance with relevant ethical requirements. APES 320 defines relevant ethical requirements as being Part A and B of APES 110 *Code of Ethics for Professional Accountants* (APES 110).

The revised APES 320 includes a definition of Key Audit Partner which is consistent with the recently issued IFAC Code of Ethics. The definition of Key Audit Partner in the new IFAC Code is broader than the requirements in the existing APES 110. For example, the broader definition will also capture partners responsible for key subsidiaries.

The existing APES 110 considers that in respect of listed entities the following personnel should be rotated after five financial years within a seven year period:

- Lead Engagement Partner;
- Audit Review Partner (if any);and
- Engagement Quality Control Reviewer

Stakeholders have raised concerns that the reference in APES 320 to Key Audit Partner can be read to mean that APES 320 is early adopting the broader definition of Key Audit Partner in the new IFAC Code. This is not the intention of the inclusion of the Key Audit Partner definition in APES 320. The purpose of the mandatory and guidance paragraphs is to refer to the rotation requirements established by the Code (APES 110) that are effective at the time.

Accordingly, until APESB issues the revised Code in line with the new IFAC Code and those provisions become effective, the Partners who are subject to rotation requirements will be the Lead Engagement Partner, Audit Review Partner and Engagement Quality Control Reviewer as defined in the existing APES 110.

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