

**Constituents' Submissions**  
**Exposure Draft 03/10—Proposed Standard: APES 110 Code of Ethics for Professional Accountants**

*Note: Specific comments relating to APESB Exposure Drafts are addressed in a separate table. This table excludes minor editorial changes.*

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
1		GT	<p>Grant Thornton Australia Limited (Grant Thornton) appreciates the opportunity to comment on the Accounting Professional and Ethical Standards Board's (APESB) ED 03/10 Proposed Standard APES 110.</p> <p>Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses.</p> <p>Grant Thornton broadly supports the release of APES 110 as an APES standard given that the global equivalent standard 'Code of Ethics for Professional Accountants' was issued by the International Ethics Standards Board for Accountants (IESBA) in July 2009 and is generally globally applicable as from 1 January 2011.</p>
2		GT	<p>Grant Thornton believes that only minimal necessary regulatory changes should be made to any recognized global standard that is being adopted in Australia given the need to ensure consistency of global standards. The 'look and feel' of an Australian standard should be instantly recognized as a global standard, and we note that this is the policy of both the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB), with neither of the Boards having a problem with accommodating Australian legislation and the local Australian environment.</p> <p>Where the APESB believes that other editorial changes are necessary to a global standard, we believe that it is incumbent on the APESB to seek the views of the relevant global standards setter to ensure that any changes do not impact the effectiveness of the particular standard. As a general rule we would discourage any editorial changes, but where needed for regulatory reasons, we believe that such</p>

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			amendments need to be highlighted as an Aust reference along the lines that the AASB and AUASB follow.
3		GT	<p><b>Timing of Release of EDs and Standards</b></p> <p>We also believe that the APESB needs to be issuing proposed amendments to its standards at the same time that the equivalent International Standards setter issues any proposed amendments, to ensure that Australian constituents have the opportunity to influence any resulting standard that needs to be adopted by Australia to ensure International compliance with world's best practice. The process followed by the AASB with roundtables and asking for submissions just prior to the submission deadline for International EDs works well, and ensures that Australian constituents have sufficient time to amend their own internal requirements to ensure compliance with International standards. In particular we believe that the Australian equivalent to the IFAC Code of Ethics should have been released at the same time when it was released by the IFAC. The delay in releasing an Australian equivalent to the IFAC Code of Ethics means that Australian constituents have less time than other IFAC constituents have had to implement the revised standard.</p>
4		DTT	<p>We appreciate the opportunity to comment on ED 03/10 Proposed Standard: APES 110 Code of Ethics for Professional Accountants (the revised APES 110), issued by the Accounting Professional &amp; Ethical Standards Board (APESB) in August 2010.</p> <p>As previously stated in our correspondence on the proposed revision of APES 110, Deloitte is supportive of the adoption in Australia of the IFAC Code of Ethics for Professional Accountants as revised in July 2009 (the Code).</p> <p>We consider that the revised APES 110 should reflect the wording and structure of the Code, preferably with no changes, unless changes are shown to be required for legislative or regulatory reasons. We are therefore supportive of the revised APES 110, which predominantly achieves this objective.</p>
5		DTT	<p>We note the revised APES 110 does not attempt to replicate the auditor independence requirements of the Corporations Act 2001 (the Act) or other Australian specific legislative requirements. As communicated previously to the APESB, we are supportive of this approach and of maintaining the principles-based approach of the Code.</p>

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			<p>However we are mindful that in the case of certain audits, additional auditor independence requirements may apply, and that it is in the public interest for users of APES 110 to understand their obligations regardless of the source. Therefore, we suggest either footnoting Australian legislative requirements, or providing an Appendix identifying the additional requirements.</p>
6		DTT	<p>As indicated above, the proposed APES 110 predominantly achieves conformity with the Code. We are supportive of the approach of maintaining the wording of the Code and adding AUST paragraphs, footnotes or appendices where a clarification or modification to the Code is warranted.</p> <p>We note that there are still some paragraphs that differ from the IFAC wording with no apparent regulatory, legislative, or other reason.</p>
7		EY	<p>We appreciate this opportunity to comment on this important Exposure Draft (ED) as it addresses many issues that are crucial to the ethical practices of the profession.</p> <p>Ernst &amp; Young strongly supports the issue of APES 110, as to format and content, substantially as contained in the Exposure Draft.</p> <p>The ED reflects the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. That Code has had an extensive disclosure period and process that means it should reflect the best international practice and views. Ernst &amp; Young and many other stakeholders made submissions to that process. While this does not preclude your Board from implementing further changes, we believe the proposed Standard as set out in the ED has struck a good balance between the need to have international consistency and providing a level of local guidance and reference to Australian requirements.</p>
t8		EY	<p>We believe that to adopt any further requirements in key areas such as definition of public interest entities, rotation, and the concepts of safeguards and treatment of inadvertent independence breaches will create a level of difference that defeats the aim of international harmonisation. This would be costly and confusing in an increasingly global professional environment. We do not believe that there is</p>

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			sufficient evidence that the Australian business and professional environment is so different to the international environment to warrant different measures to those that operate in most other jurisdictions.
9		EY	<p>In particular we support the split of Sections 290 and 291 to provide clarity in respect of the separate requirements for audit and non audit assurance engagements.</p> <p>The benefits of a globally consistent Ethics Code include:</p> <ul style="list-style-type: none"> <li>• Investors will be more familiar with the operating regime in Australia</li> <li>• Accounting firms of all sizes can operate more efficiently with one consistent regime.</li> <li>• Ethical and independence requirements can be more readily communicated across borders.</li> </ul> <p>We note that the ED contains some additional Australia specific provisions in respect of financial interests, inadvertent violations, and reporting. While these additions are in excess of the IFAC Code requirements, they are, on balance, reasonable and manageable.</p>
10		KPMG	<p>We are pleased to have the opportunity to comment on the above Exposure Draft issued by the Accounting Professional and Ethical Standards Board (“APESB”).</p> <p>As noted in our response of 29 January 2010 to the APESB Consultation Paper on the proposed revision, our overall view was that APESB should make as few changes as possible from the IESBA Code when revising APES 110.</p>
11		KPMG	<p>We note that there is a proposed 1 January 2011 application date for the revised standard consistent with the IESBA global equivalent. However, we would support an application date of 1 July 2011 to provide those Australian members who don't have international compliance requirements with sufficient time to familiarise themselves and plan for the introduction of the revised standard. This is particularly important for members in smaller firms or sole practitioners for whom the implementation of the international standard would not have been a focus.</p>

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12		AUASB	<p>The Auditing and Assurance Standards Board (AUASB) appreciates the opportunity to comment on Exposure Draft 03/10—Proposed Standard: APES 110 Code of Ethics for Professional Accountants (APES 110).</p> <p>We welcome the proposed revision of APES 110 to better align it with the revised Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) in July 2009. It is in the public interest to work towards implementing globally consistent and high quality standards on ethical requirements, including independence requirements for audit and assurance practitioners.</p> <p>While globally consistent standards are desirable, we consider that where the existing APES 110 contains a higher requirement than the revised International Code, the higher requirement should be retained in the revised APES 110.</p>
13		AUASB	<p>We have considered the proposed standard APES 110 in the context of our mandate to make auditing standards under section 336 of the Corporations Act and to formulate auditing and assurance standards and guidance for other purposes. In particular, we have considered whether the requirements and guidance in the proposed standard are consistent with those contained in AUASB pronouncements.</p> <p>We believe that the proposed standard APES 110 will operate effectively with auditing standard ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements issued by the AUASB in October 2009 and we will update ASA 102 to reference back to the revised APES 110 when it is finalised.</p>
14		PwC	<p>We are supportive of the proposed revision to APES 110. As indicated previously we are of the view that convergence with the equivalent global standard, Code of Ethics for Professional Accountants issued by the International Federation of Accountants is desirable as it avoids unnecessary complexity. However there still remains a number of points that we believe should be considered further by the</p>

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			Accounting Professional and Ethical Standards (“APES”) board.
15		PWC	<p>Effective date of the standard</p> <p>The proposed effective date of the revised APES 110 standard is 1 January 2011. While this effective date is unlikely to cause members who are part of an international network any particular concern, this may not be the case for all members. Given that the finalisation of the proposed standard will most likely be in November 2010 we suggest that an effective date of 1 July 2011 may be more appropriate. We believe that this date will allow all members to properly plan for the introduction of the standard. In addition an effective date of 1 July 2011 will correspond with the financial year end of most audit clients and firms which should assist with the implementation of the requirements of the proposed standard.</p> <p>We do not believe that delaying the effective date of the standard should have any impact on the dates associated with the transitional provisions i.e. we do not believe these dates should be changed.</p>

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16		JD Came	<p>Thank you for the opportunity to comment on the proposed Code of Ethics for Professional Accountants.</p> <p>Over the last decade respect for accountants has declined leading to an increasing role of government in regulating the profession and legislating for ethical behaviour. This continues due to what is seen as shortcomings in the behaviour of accountants. In order to contribute to the development of the code it is necessary to understand what is meant by the word professional.</p> <p>Professional is not a label you give yourself it's a description one hopes others will apply to you. Thus one earns respect and trust in carrying out ones duties as an accountant and so principles to guide behaviour in carrying out ones duties are beneficial.</p> <p>After admission as a member of the South African Institute of Chartered Accountants in 1991 I have served as a Chartered Accountant in both Public Practice and as a Member in Business. More recently, following admission to the Australian Institute of Chartered Accountants I have been engaged as a Member in Business. This submission focuses on the application of the code to Members in Business due to my recent involvement as a Member in business.</p> <p>The General Application of the code and its application to Members in Public Practice (Parts A and B) have emerged over many years and have benefitted from the contributions made by professional bodies. Over the last two decades the domination of professional bodies by Members in Public practice has declined. However, the application of the code to Members in Business (Part C) reflects that the professional bodies who represent them have perhaps not contributed to the development of the code for Members in Business to the same extent.</p> <p>During my career I have benefited from being able to refer to a code of ethics in resolving conflicts of interest thus continually striving to achieve the high ethical standards expected from Chartered Accountants.</p>

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17		JD Came	<p>I do not support the standard as the flaws in the application of the code to Members in Business are fundamental. My comments are intended to contribute the development of a code that is useful to Members in Business in meeting their challenges as accountants so that they are seen to be professional accountants.</p> <p>My comments should not be confused as being an objection to the general application of the code and fundamental principles set out in Part A.</p>
18		PP	<p>We have provided our comments and recommendations regarding the proposed changes to APES 110 in this submission. We recognise that the Code of Ethics is an important standard for establishing expectations regarding professional independence in the business community.</p> <p>Pitcher Partners is an association of independent firms operating from all major cities in Australia. 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. Consequently professional independence is considered across a broad group of clients and includes many entities that do not have public accountability.</p>
19		PP	<p>Overall we support the revision of APES 110 to align it with the revised <i>Code of Ethics for Professional Accountants</i> issued by the International Ethics Standards Board for Accountants in July 2009.</p> <p>As a matter of principle we consider that any Australian amendments should be kept to a minimum, in</p>

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			order that the integrity of the international standard is maintained when applied in Australia. We support the use of separate "AUST" prefixes to identify Australian requirements and broadly concur with the additional AUST paragraphs.
20		PP	However, we are concerned that Australian requirements should not be more onerous than those required internationally. As a general comment we recommend that the Board should not impose a higher standard locally, in what is a relatively small market for professional services, as this may not be beneficial to the business community in Australia.
21		PB	<p>Thank you for the opportunity to comment on this Exposure Draft of a revised <i>APES 110 Code of Ethics for Professional Accountants</i>. The Institute of Chartered Accountants and the National Institute of Accountants (the Joint Accounting Bodies) have considered the Exposure Draft and our comments follow.</p> <p>The Joint Accounting Bodies (JAB) represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australian and internationally.</p>
22		PB	<p>APESB has adopted the same effective date for the proposed APES 110 as is the effective date for the IESBA Code issued in July 2009. While we recognise the reason for aligning these effective dates, the consequence is that members of the Australian accounting bodies will have a highly constrained period in which to accommodate and implement the new APES 110, in comparison to the 17 months provided in the case of the IESBA Code.</p> <p>The majority of the members of the Australian professional accounting bodies who will be subject to the new APES 110 will have roles with limited or no international dimension, and therefore they will have had no reason to consider or adopt the IESBA Code of July 2009. These members are therefore faced with an exceptionally short time frame in which to consider and apply the new APES 110.</p> <p>If the APESB were to allow a more appropriate period before the new Code became effective, and at the</p>

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			<p>same time permit its early adoption, we believe this would represent the most equitable outcome for all our members.</p>
23		PB	<p>We note that the APESB has removed references and paragraphs in the existing Code that incorporate Australian specific legislative requirements such as to the <i>Corporations Act 2001</i> (particularly in relation to section 290) and privacy legislation. We recognise that this achieves closer alignment with the IESBA Code. However, the absence of <i>any</i> guidance to assist readers in their understanding of the differences between the Code provisions and those of the <i>Corporations Act 2001</i> is considered to be a significant omission from the ED.</p> <p>The JAB would prefer that references to relevant provisions of the <i>Corporations Act 2001</i> are included as footnote references (a practice adopted by the Auditing &amp; Assurance Standards Board) or alternatively contained in an appendix which cross-references paragraphs of the revised APES 110 to the requirements of the corporations law.</p> <p>A similar practice could be used to reference other legislation or Australian Auditing Standards where applicable.</p>
24		ASIC	<p>We support international convergence of auditor independence requirements in the interests of the audit profession, users of financial reports and companies. However, we do not consider the “Code of Ethics for Professional Accountants” issued by the International Ethics Standards Board for Accountants (“the revised IFAC Code”) is adequate for this purpose. We understand that the revised IFAC Code is being improved before being adopted in many jurisdictions.</p> <p>Confident and informed markets rely on high quality financial reports. Confidence in a high quality independent audit function is important to the effective functioning of our free enterprise system. While recognising that the revised IFAC Code makes a number of improvements on the previous code, there is an opportunity for further improvements to be made to the auditor independence requirements in</p>

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			<p>adopting the revised IFAC Code in Australia.</p> <p>The revised IFAC code appears to reflect a number of compromises to address perceived practical issues in some, particularly smaller, jurisdictions. In a larger developed country such as Australia, the proposed Code should have regard to the higher expectations of users of financial reports and users of accounting/audit services. A number of exceptions are inappropriate in Australia and should not appear in the revised APESB Code. Regard should also be given to the auditor independence requirements of the Corporations Act 2001 ("the Act").</p>

*Staff Instructions:*

- Comments of a "general" nature should be dealt with first, followed by paragraph specific comments.
- Respondents' comments must be copied verbatim into this table.
- Comments should be dealt with in paragraph order, not respondent order.
- Use acronyms only for respondents. Update the attached table with details of additional respondents.

**RESPONDENTS**

Asic	Australian Securities and Investments Commission
AUASB	Auditing and Assurance Standards Board
DTT	Deloitte Touche Tohmatsu
EY	Ernst & Young
GT	Grant Thornton
JD Came	JD Came
KPMG	KPMG
PB	PB (CPA Australia, ICAA, NIA)
PP	Pitcher Partners
PwC	PricewaterhouseCoopers