

*Note: General comments relating to Exposure Draft 05/22 are addressed in a separate table. This table excludes minor editorial changes.*

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
1	Specific Comment	ACNC	To date, the ACNC has not identified any specific categories of charity that would be explicitly captured by AUST 400.18 A3. However, it is possible that over time such categories of charities may be identified.	No
2	Specific Comment	CA ANZ	<b>Request for Specific Comment 1 – Are there categories of entities not captured by the extant AUST application material that should be included in proposed paragraph AUST 400.18 A3 as these entities are generally considered to be a Public Interest Entity in Australia?</b>  We are not aware of any categories of entities not captured by the extant AUST application material.	No
3	Specific Comment	CPAA	<b>Requests for Specific Comments</b>  The responses below should be read in conjunction with, and should consider, the observations made in the covering letter. However, these responses are restricted to the specific questions being asked.  <b><i>Request for Specific Comment - whether there are categories of entities not captured by the extant AUST application material that should be included in proposed paragraph AUST 400.18 A3 as these entities are generally considered to be a Public Interest Entity in Australia.</i></b>  CPA Australia does not consider there are additional categories of entities <u>not</u> captured by the present Para. AUST 400.8.1.A1 that should be included in proposed Para. AUST 400.18.A3. The broadening of the definition of PIEs, combined with the license provided to local bodies at Para. 400.18A1 and Para 400.17 provides sufficient discretion and flexibility for the purpose of Para 400.10 to be met.	No
4	Specific Comment	Deloitte	<b><i>Request for Specific Comment</i></b>  We do not consider there are categories of entities not captured by the extant AUST application material that should be included in proposed paragraph AUST 400.18 A3 to be generally considered to be PIEs in Australia.	No
5	Specific Comment	EY	In response to APESB's request for specific comments, EY do not believe there are no additional categories of entities that should be included in the proposed revisions.	No

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6	Specific Comment	IPA	<p><b>Attachment – IPA Responses to APESB Request for Specific Comments</b></p> <p>APESB is seeking respondents' specific comments and feedback as to whether there are categories of entities not captured by the extant AUST application material that should be included in proposed paragraph AUST 400.18 A3 as these entities are generally considered to be a Public Interest Entity in Australia.</p> <p>IPA is not aware of any further categories of entities not captured by the extant AUST application material and we are supportive of the proposed paragraph AUST 400.18 A3 as drafted.</p>	No
7	Specific Comment	KPMG	— KPMG is of the view that there is no need to include additional categories of entities to the list of sectors already included in paragraph AUST 400.18 A3.	No
8	AUST R400.14.1	CA ANZ	3. AUST R400.14.1 is a legacy requirement from the extant code. We recommend the Board considers whether this is still necessary to include as a requirement or whether it can be included as guidance. The IESBA code does not contain an equivalent requirement. 400.14 in the IESBA code is guidance that reminds firms they must apply the conceptual framework in Section 120 to identify, evaluate and address threats to independence in relation to an audit engagement.	No
9	R400.17	CA ANZ	Other specific comments 1. For ease of understanding by the users of the Code, we recommend that paragraph R400.17 includes a footnote to direct users to proposed paragraph AUST 400.18 A3 to see the list of Australian inclusions for PIEs.	No
10	R400.17 (d) and AUST R400.19	ACNC	<p>Due to the absence of any specific provisions within the <i>Australian Charities and Not-for-profits Commission Act 2012</i> (Cth) or <i>Australian Charities and Not-for-profits Commission Regulation 2013</i> (Cth) in relation to furthering auditor independence requirements, charities are not captured into the PIE definition by R400.17 (d) unless also overseen by another regulating body that does have a related law or standard. In general, it will remain with the audit firms to make their own assessment to consider a wide range of factors to determine if a charity audit client is to be treated as a PIE.</p> <p>The ACNC supports the approach outlined in the fifth edition of the <i>Independence Guide</i><sup>1</sup> in May 2020 by APESB and other professional accounting bodies.</p> <p>The articulation of additional factors in the revised standard undoubtedly adds to the burden borne by an audit firm in assessing whether an entity is a PIE, noting that in the current standard the factors are not limited to those stated in that standard. Each auditing firm will need to make their own assessment. The auditing</p>	No

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			<p>profession is entrusted to apply their professional judgement in assessing the relevant factors under the revised standard to determine if any charity audit client should be a PIE. The ACNC does note that any additional assurance requirements for consideration by audit firms could add to the regulatory burden imposed on the sector.</p> <p>Footnote 1:  <a href="#">27052020043807_APESB_Independence_Guide_May_2020.pdf</a></p>	
11	R400.17- AUST 400.18 A3	CPAA	<p>We make the following general observations and comments for consideration by the APESB.</p> <p><b>1. Paragraphs R400.17 – AUST 400.18A3 - Revision of the definition of PIE</b></p> <p>Our membership is generally supportive of the proposed revised definition of a PIE as set out in proposed Para R400.17 including the new term 'Publicly Traded Entity'. We note the proposed definition at Para. R400.17 is a prescriptive list of three categories (below) while the fourth category provides local bodies with a means to refine and expand upon these categories: being,</p> <p>(a) <i>A Publicly Traded Entity;</i></p> <p>(b) <i>An entity one of whose main functions is to take deposits from the public; and</i></p> <p>(c) <i>An entity one of whose main functions is to provide insurance to the public.</i></p> <p>CPA Australia is concerned the broader definition established at Para. R400.17(d) and the substantial licence at Para. 400.18A2 given to local bodies may result in the inadvertent inclusion of entities which were not intended to fall within the definition and were intended to remain unaffected by the additional prohibitions on firms providing services to audit clients. Such entities, smaller entities in particular, may be faced with higher audit costs, and may need to change auditors more frequently than otherwise required.</p> <p>Arguably this concern may in part be ameliorated by the proposed licence of local bodies at Para, 400.18A1 to allow for exclusions and/or exemptions from the broadened definition at Para R400.17. However, CPA Australia is concerned that this licence may be at the expense of compliance with the Code and the fundamental integrity of the Code of Ethics is compromised.</p> <p>CPA Australia supports a broadened definition of PIEs but questions the efficacy of substantially empowering local bodies to contract or expand the definition, and the group of entities it whom it will apply.</p>	Yes Para R400.18.1 (previously proposed para AUST 400.18 A3)

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			<p><b>Recommendations:</b></p> <p>CPA Australia recommends that Paras. 400.18A1 and 400.18A2 be further refined to maintain the integrity of significant public interest purpose set out at Paras 400.8 and 400.10 and the Code as a whole.</p>	
12	R400.17 & AUST 400.18 A3	EY	<p><b>Interaction between R400.17 and AUST 400.18 A3</b></p> <p>EY is also concerned by the drafting of paragraph AUST 400.18 A3, and the interaction with the IESBA's baseline PIE definition in R400.17. We are of the view that supplementing a requirement with less onerous Australian-specific application material creates a confusing situation where Firms are required to treat all categories of entities in R400.17 as PIEs but could elect to reduce this through the application of AUST 400.18 A3.</p> <p>In their PIE Rollout Draft Questions and Answers Board paper, IESBA technical staff clarify in paragraph 15:</p> <p><i>"It is noted that to fully adopt the revised PIE definition, a local body must not exclude any one of the mandatory categories set out in paragraph R400.17(a)-(c)."</i></p> <p>IESBA further note in their Basis for Conclusions, paragraph 55:</p> <p><i>"A firm must apply any more explicit definitions or refinements established at the local level for those categories. By doing so, the firm will have complied with the requirement in R400.17."</i></p> <p>We are of the view that this requires further consideration by APESB to clarify the Board's intent.</p> <p><b>Recommendation</b></p> <p>APESB to consider the inconsistencies between these two paragraphs and provide further clarity or amendments.</p>	Yes Para R400.18.1 (previously proposed para AUST 400.18 A3)
13	R400.17 AUST 400.18 A3	KPMG	<p>It is unclear how paragraph AUST 400.18 A3 is to be applied given the IESBA has provided a definition of a public interest entity at paragraph R400.17. KPMG encourages the APES Board to consider the inconsistencies between the two definitions.</p>	Yes Para R400.18.1 (previously proposed para AUST 400.18 A3)

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14	400.18 A1	CPAA	<i>[Paragraph 400.15 A1 of the proposed IESBA revisions [para 400.18 A1 in AEPsB's proposed revisions]] ... arguably provides local bodies with a means to address concerns about a new broader definition bringing in a larger number of entities as PIEs, particularly in jurisdictions where the current definition has worked well, it does so at the expense of the fundamental integrity of the Code of Ethics. That is, allowing exclusions to be made from the Code of Ethics when adopting it locally raises potential concerns about compliance. Our view is that such exclusions should not be permitted, and that the IESBA should consider developing a definition that provides for clarification and additions only, and not for exclusions to be made.</i>	No
15	400.18 A1 and 400.18 A2	EY	<b>Paragraphs 400.18 A1 and 400.18 A2</b> EY notes that per APESB's paragraphs 400.18 A1 and 400.18 A2 are taken directly from the IESBA Code. However, we are concerned that these paragraphs apply more as guidance to standard-setters and regulators than to audit firms (Part 4A's intended audience). These paragraphs also appear to be superseded by paragraph AUST 400.18 A3. As such, we request that APESB further consider the inclusion of these paragraphs and whether these are better suited for removal or modification in place of AUST 400.18 A3.	No
16	AUST 400.18 A3	CA ANZ	2. The introduction to proposed paragraph AUST 400.18 A3 can be simplified. The proposed introduction is: <i>The following entities in Australia will generally satisfy the conditions in paragraphs 400.9, R400.17 and R400.18 as having a large number and wide range of stakeholders and thus are likely to be classified as Public Interest Entities. In each instance Firms shall consider the nature of the business, its size and the number of its employees:</i> We recommend that this be simplified to "The following entities in Australia will generally satisfy the conditions in paragraphs 400.9, R400.17 and R400.18" because: <ul style="list-style-type: none"> <li>• The use of "having a large number and wide range of stakeholders" introduces a test that is worded differently to paragraph R400.9 and the test in R400.9 is sufficient; and</li> <li>• The last sentence in the paragraph repeats the criteria in R400.9 so is not needed.</li> </ul>	Yes Para R400.18.1 (previously proposed para AUST 400.18 A3)

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17	AUST 400.18 A3	Deloitte	<p>We have the following comments in relation to paragraphs AUST 400.18 A3 and AUST R400.19 for the Board's consideration:</p> <ul style="list-style-type: none"> <li>• <i>Paragraph AUST 400.18 A3</i></li> </ul> <p>Paragraph 400.18 A2 of the International Code allows bodies responsible for setting ethics standards to establish additional categories of PIEs in professional standards. If paragraph AUST 400.18 A3 represents the addition of categories of PIEs by the APESB in accordance with 400.18 A2, then we do not believe that Firms are permitted to further consider "the nature of the business, its size and the number of its employees" under the new provisions. It is our understanding that Firms are only permitted to consider categories under 400.19 A1 in addition to those established by law, regulation or professional standards.</p>	Yes Para R400.18.1 (previously proposed para AUST 400.18 A3)
18	AUST 400.18 A3	EY	<p><b>Paragraph AUST 400.18 A3</b></p> <p>We are of the view that paragraph 400.18 A3 requires further consideration by the Board. We are particularly concerned by the language "<i>In each instance Firms shall consider the nature of the business, its size and the number of its employees</i>" as this goes against the IESBA's intentions regarding thresholds.</p> <p>In their <a href="#">Basis for Conclusions</a>, IESBA clarify that turnover and number of employees might be relevant to the definition of PIE, however, IESBA's intent was for National Standard-Setters (NSS) to make this determination, not the Firms. Having this decision at the Firm level would create inconsistency between Firms and could result in a dilution of the application of the PIE definition. Further, the determination of such thresholds by Firms could be retrospectively challenged by regulators without clearer language from APESB.</p> <p>Further, in their <a href="#">submission to the IESBA</a>, IOSCO clearly state they "strongly believe that firms should not have the option to strip away any entities from the baseline definition", which could be an unintended consequence of the current subjective language proposed in ED 05/22.</p> <p>EY further notes the use of "shall", which connotes a requirement, in an application paragraph.</p> <p><b>Recommendation</b></p> <p>EY strongly encourages APESB to set turnover and number of employee thresholds directly, rather than deferring to Firms for such a determination. We believe this will strengthen the definition of Public Interest Entity and standardise application between Firms.</p> <p>EY further encourages replacement of the word "shall" to clarify the paragraph is not a requirement, and to consider whether simplifying this paragraph might increase compliance.</p>	Yes Para R400.18.1 (previously proposed para AUST 400.18 A3)

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19	AUST R400.19	CA ANZ	4. In the IESBA Code, paragraph 400.19.1 is a guidance paragraph which encourages firms to consider if there are other factors that may cause an entity to be classified as a PIE. Proposed paragraph AUST R400.19 has been elevated to a requirement. We are not aware of a compelling reason which would require the elevation of this guidance to a requirement in Australia and encourage the Board to consider whether this change is necessary.	No
20	AUST R400.19	CPAA	<p><b>2. Paragraph AUST R400.19 requires firms to determine whether to treat additional entities or certain categories of entities as PIEs.</b></p> <p>Our membership is concerned with the broadened responsibility on Firms to determine whether to treat additional entities as PIEs. We have two specific concerns:</p> <ol style="list-style-type: none"> <li>1. that the broadened responsibility is redundant if the definition of a PIE is broadened, as proposed above, and significant licence is granted to local bodies to expand the definition; and</li> <li>2. that the entity that is most appropriately placed to contribute to the determination of whether they are a PIE, is the client themselves. However, consultation with them is not part of the determination process proposed.</li> </ol> <p>On the basis the broadened PIE definition provides for local bodies to expand and contract the categories of PIE, the responsibility on Firms may be rendered redundant.</p> <p>There is a self-interest risk that the Firm would advise their client that they are <u>not</u> a PIE so as to continue to provide Non-assurance Services (NAS) or to avoid being prohibited from providing such services while the entity remains an audit client. The most appropriate parties to decide whether to treat additional entities as PIEs is both the Firm, acknowledging their inherent bias, and those charged with governance within the client entity, in particular, the entity's audit and risk committee. The process of making such a mutual determination would need to be documented, including a discussion of materiality.</p> <p>If the Firm is required to make such a determination, in particular if they were required to do so unilaterally, then CPA Australia recommends that a declaration be made in the financial report that the Firm is following auditor independence requirements for a PIE. Such a declaration would be in addition to the auditor's declarations required pursuant to Div. 5 of the Corporations Act 2001.</p> <p><b><u>Recommendations:</u></b></p> <p>CPA Australia recommends that the determination of whether an audit client is a PIE pursuant to AUST R400.19 requires mutual agreement between the Firm and those charged with governance within the client entity and that such decision-making process of the determination is documented and declared.</p>	No

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21	AUST R400.19	Deloitte	<ul style="list-style-type: none"> <li><i>Paragraph AUST R400.19</i></li> </ul> <p>We do not believe there to be any rationale arising from the Australian environment for maintaining an additional Australian specific requirement in paragraph AUST R400.19. In the context of the revised changes to the International Code, which now includes additional mandatory categories of PIEs and expanded guidance on the determination of PIEs including by professional bodies, we encourage the Board to consider adopting 400.19 A1 as set out in the International Code.</p>	No
22	AUST R400.19	EY	<p><b>Paragraph AUST R400.19</b></p> <p>EY notes that paragraph 400.19 A1 of the IESBA Code has been elevated to the Australian-specific requirement paragraph AUST R400.19. Such an approach was contemplated and rejected by the IESBA, as noted in their Basis for Conclusions. We do not support the proposal to introduce a such a requirement and are not aware of a compelling reason to do so. We do not believe it is appropriate or in the public interest for Firms to make this judgmental determination, and doing so could create inconsistencies in how entities are treated, which would ultimately impede rather than enhance stakeholders' confidence in the independence of the auditor.</p> <p>As discussed above, EY strongly believes that local standard setters, professional bodies and regulators are best positioned to supplement a narrow, baseline list of categories in the Code and we believe it is not in the public interest for audit firms to make these determinations.</p> <p><b>Recommendation</b></p> <p>EY strongly believes this paragraph should be reverted to application material. If this provision is retained, those charged with governance should be required to agree to the classification as a public interest entity. If those charged with governance do not agree, then the entity would not be considered a PIE.</p>	No
23	AUST R400.19	KPMG	<p>In the IESBA Code, paragraph 400.19.1 is a guidance paragraph which encourages firms to consider if there are other factors that may cause an entity to be classified as a PIE.</p> <p>In the Australian standard (AUST R400.19) this paragraph has been made a requirement. KPMG considers that it is not necessary for this paragraph to be made a requirement and would be interested to further understand why this change was required.</p> <p>Paragraph AUST R400.19 provides certain factors an auditing firm can consider in making a determination on whether to treat additional entities, or certain categories of entities as public interest entities. The first factor mentioned, namely 'whether the entity is likely to become a public interest entity in the near future', is vague</p>	No



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			<p>in application. KPMG encourages the APES Board to define 'likely to become a public interest entity' and also 'in the near future'.</p> <p>A decision to treat an entity or certain categories of entities as public interest entities brings with it a requirement to assign an Engagement Quality Control Reviewer ('EQCR'), typically in the first 12 months prior to the entity becoming a public interest entity. This has in turn an impact on partner rotation obligations under the Corporations Act 2001. Defining 'likely to become a public interest entity' and 'in the near future' will assist in managing the partner rotation obligations.</p>	
24	R400.20	CPAA	<p><b>3. Paragraph R400.20 requires a Firm publicly disclose their application of the Independence requirements for Public Interest Entities</b></p> <p>Our membership requests clarity in the standard regarding where the required disclosure must be made. We consider this clarity could be provided by way of amending R400.20.</p> <p><b>Recommendations:</b></p> <p>CPA Australia recommends that the location of the disclosure required in R400.20 be clarified.</p>	No
25	Transitional Provision	CA ANZ	We are supportive of the proposed effective date of 1 January 2025.	No
26	Transitional Provision	EY	Finally, where there are Australian-specific amendments to IESBA provisions, we encourage APESB to adopt similar effective dates to IESBA to minimise disruption for firms.	No

**RESPONDENTS**

1	ACNC	Australian Charities and Not-for-profits Commission
2	CA ANZ	Chartered Accountants Australia and New Zealand
3	CPAA	CPA Australia
4	Deloitte	Deloitte Touche Tohmatsu
5	EY	Ernst & Young
6	IPA	Institute of Public Accountants
7	KPMG	KPMG