

Exposure Draft 01/23: Proposed Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Relating to the Definition of Engagement Team and Group Audits

Review of Submissions - Specific Comments
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Note: General comments from regulators relating to Exposure Draft 01/23 are addressed in separate tables. This table excludes minor editorial changes.

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
1.	Definitions - Audit Team, Review Team and Assurance Team	CA ANZ	We are also supportive of the proposed changes to the definitions of the terms 'audit team', 'review team', and 'assurance team', particularly recognising that engagement quality reviewers can be engaged from both inside and outside a firm which aligns these definitions with ASQM 2 Engagement Quality Reviews.	No
2.	Definitions - Engagement Team	CA ANZ	CA ANZ supports consistency between international and domestic standards. We support alignment, where possible, between terms and definitions contained in standards issued by the Accounting Professional and Ethical Standards Board ("APESB") and the Audit and Assurance Standards Board ("AUASB"). We generally agree with the proposed changes to the Code which relate to the revised definition of the term 'engagement team' given that this aligns with the definitions used in ASA 220 (Revised) and ASQM 1, ensuring consistency between the Code and Australian Auditing Standards. We acknowledge and support that the local definition excludes internal auditors which deviates from the IESBA Code but aligns with ASA 220 <i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i> .	No
3.	Definitions - Engagement Team	IPA	IPA also supports the revisions to amend the definition of Engagement Team to align with changes made by the Auditing and Assurance Standards Board to the quality management auditing and assurance standards ASA 220 and ASQM 1 and to clarify the implications of these changes to applicable independence standards.	No
4.	Definitions - Engagement Team	KPMG	We are also supportive of the amendment in APES110 to the definition of 'Engagement Team' as included in the International Code. KPMG notes and supports the proposed amendment in APES 110 to the 'Engagement Team' definition in the International Code. This amendment will remove the reference to individuals within the client's internal audit	No

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			function who perform procedures on an Audit Engagement and aligns APES 110 with Auditing and Assurance Standard ASA 610 "Using the work of internal auditors" (November 2013) in Australia.	
5.	Part 3 (reference to Engagement Team)	Deloitte	As stated in our correspondence on previous revisions to APES 110, we consider that the Australian Code should reflect the wording and structure of the International Code, preferably with no changes, unless changes are required for legislative or regulatory reasons. The IESBA amended the Code to ensure there was no confusion that the concept of an Engagement Team in the Code is used only in the case of audit and other assurance engagements. We therefore do not agree with the APESB's proposal to depart from the IESBA's approach to ensure the ISQM1 definition of Engagement Team is used only in Parts 4A and 4B of the Code and only in the context of audit and other assurance engagements. Departing from this may have unintended consequences for firms that are required to comply with ISQM1.	No
6.	R405.11 to R405.17	CA ANZ	<p>Independence in a Group Audit Context</p> <p>Ideally, firms and members of the engagement team should be subject to the same independence requirements. We do hold reservations, however, regarding the practical application of some of these independence requirements, particularly for component auditors external to the group auditor's network. Effectively, component auditors will have to comply with the international independence standards relevant to audits of public interest entities ("PIEs") irrespective of whether the component is a PIE or note. This may lead to unintended consequences, particularly for component auditors from Small to Medium Practices ("SMPs") who are engaged for their knowledge and local expertise. Consistent with the recommendations in our submission on this to the IESBA, we suggest that the APESB consider whether the PIE independence requirements should be based on the significance of the component to the group audit. This approach has the benefit of binding component auditors where the component is significant or releasing component auditors from these requirements where the costs outweigh the perceived benefits.</p>	No
7.	Transitional Provisions	CA ANZ	<p>Operation of the Revised Standard</p> <p>The proposed operative date of Stage 1 of the revised standard is 1 January 2024. Once the revised standard is approved, members will have only around 6 months to consider the composition of their engagement teams and implement any necessary changes. This timeframe may be problematic for SMP component auditors when considering proposed independence requirements.</p>	No

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8.	Transitional Provisions	CPAA	We would request that the Board considers extending the effective date to provide more than six months for firms to consider their current engagements in line with the revised standard.	No

RESPONDENTS

1	CA ANZ	Chartered Accountants Australia and New Zealand
2	CPAA	CPA Australia
3	Deloitte	Deloitte Touche Tohmatsu
4	EY	Ernst & Young
5	IPA	Institute of Public Accountants
6	KPMG	KPMG