

1 October 2021

Chief Executive Officer
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne Victoria 3000

Via email: sub@apesb.org.au

Dear Channa

Re: Exposure Draft 02/21 Objectivity of Engagement Quality Reviewers

We appreciate being provided with the opportunity to comment, after the close of the comment period, on *Exposure Draft 02/21: Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers*, issued by the Accounting Professional & Ethical Standards Board (APESB).

Deloitte is supportive of the adoption by the APESB of, and alignment with, the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code).

Deloitte is not supportive of the creation of a new Australian ethical requirement (proposed AUST R325.8.1) for the following reasons:

- Under International Standard on Quality Management (ISQM) 2, an engagement quality review is a specified response that is designed and implemented by the firm in accordance with its *system of quality management*, as is establishing the eligibility criteria for the engagement quality reviewer.
- Creating a new ethical requirement in the Code in respect of these requirements is not in alignment with the position of the International Ethics Standards Board for Accountants (IESBA), the International Auditing and Assurance Standards Board (IAASB) that issues the ISQMs, and their respective Consultative Advisory Groups.
- The IESBA stated in its Exposure Draft issued January 2020 that *"If the Code were to establish a cooling-off requirement, a breach of such a requirement would trigger a breach of the Code, which may call into question the firm's compliance with relevant ethical requirements. The IESBA is of the view that it would be more appropriate for a breach of such a requirement to be remediated as a quality issue through the firm's system of quality management."*

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- A breach of proposed AUST325.8.1, in our view would trigger a breach of relevant ethical requirements or code of conduct applicable to the audit and would be required to be reported as a breach under the Code and the Corporations Act. This would call into question the independence of the audit which is not in the public interest.

We consider that a cross-reference to ISQM 2 is sufficient to alert a reader of the Code that there are additional quality control requirements that apply to the firm when performing an engagement quality review.

We would be pleased to discuss our comments with you. If you wish to do so, please do not hesitate to contact me on (02) 9322 5258.

Yours sincerely

Deloitte Touche Tohmatsu

A handwritten signature in black ink, appearing to read 'Marisa Orbea', written in a cursive style.

Marisa Orbea
Partner