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Mr Channa Wijesinghe  
Chief Executive Officer  
Accounting Professional and Ethical Standards  
Board  
Level 11  
99 William Street  
Melbourne VIC 3000

Our ref APES 110 submission -  
Objectivity of EQRs

11 October 2021

Dear Channa

## **Comment on Exposure Draft 02/21: Proposed Amendments to APES 110 Code of Ethics for Professional Accountants**

KPMG appreciates being provided with the opportunity to comment, after the close of the comment period, on Exposure Draft 02/21: *Proposed 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 and Ethical Standards Board ("APESB").

KPMG is supportive of the APESB's intent of amending APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") to incorporate changes made by the International Ethics Standards Board for Accountants (IESBA) to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the International Code).

However, KPMG is not supportive of the introduction to the Code, in proposed paragraph AUST R325.8.1, of a new requirement for an Engagement Partner to undertake a two-year cooling-off period before assuming the role of engagement quality reviewer for the same client given it does not align with the international approach to this matter and relates to quality management rather than ethics.

It is the view of KPMG that the introduction of proposed paragraph AUST R325.8.1:

- is inconsistent with the approach taken by IESBA in the International Code. IESBA has recognised that an engagement quality review is a measure designed and implemented by a firm as part of its system of quality management, and that a breach of the cooling off period should therefore be treated as a quality matter rather than a breach of a relevant ethical requirement;



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- is inconsistent with proposed paragraph 325.8 A4 which states that the cooling off period required by ASQM 2 is distinct from, and does not modify, the partner rotation requirements in Section 540, which are designed to address threats to Independence created by long association with an audit client. Proposed paragraph AUST R325.8.1 appears to have the effect of amending those rotation requirements by adding to them; and
- would lead to a breach of the cooling off period required by ASQM 2 also being considered a breach of relevant ethical requirements applicable to the audit, and would therefore be required to be reported as a breach under the Code and the Corporations Act. Such an outcome would be inconsistent with the engagement quality review being a quality-related measure.

For the reasons stated above, it is the view of KPMG that proposed paragraph AUST R325.8.1 should not be included in the Code. KPMG notes that, should its recommendation be adopted, an amendment to footnote 7 at R540.17 will be required to remove the reference to AUST 325.8.1 and replace it with a reference to 325.8 A3.

We would be pleased to discuss our comments with you. If you wish to do so, please contact me on (02) 9335 7487, or Andrew Bryant on (03) 9288 6036.

Yours sincerely

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

Jeff Cook  
Partner  
KPMG Australia