

AGENDA PAPER

Item Number: 8

Date of Meeting: 4 December 2025

Subject: Update on proposed revised APESB Guidance on Audit Partner Rotation

☐ Action required	☒ For discussion	☒ For noting	☐ For information
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Purpose

To provide the Board with an update on the project to review APESB's Guidance on Audit Partner Rotation.

Background

In December 2017, APESB issued [Audit Partner rotation requirements in Australia Technical Staff Questions & Answers \(Dec 2017\)](#) to provide a practical guide to assist Audit Partners and Firms in implementing the revised Audit Partner rotation requirements in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110). The guidance document outlined how the requirements in APES 110 interact with the audit partner rotation requirements in the *Corporations Act 2001*. It also provides Q&As and flowcharts on the application of the new requirements.

In November 2019, the [second edition of the Audit Partner rotation guidance](#) was released, which included additional questions on the impact of the cessation of the transition period (which impacts listed and APRA-regulated entities), the overlay of requirements when providing multiple assurance engagements, and to clarify the requirements when the audits of financial statements are for periods other than 12 months.

In July 2025, APESB issued the [Amending Standard for Sustainability Assurance and Reporting and the Use of External Experts](#) (the Sustainability Amending Standard), which is effective from 1 January 2026. The Amending Standard made substantial changes to APES 110, including the addition of a new Part 5 for Sustainability Assurance, which incorporates ethics and independence standards equivalent to those applicable to audit engagements in Parts 1 to 4A, but addressing sustainability-specific issues. This includes the addition of a new Section 5540 *Long Association of Personnel (including Leader Rotation) with a Sustainability Assurance Client* (Section 5540), which is closely aligned with the provisions in the extant Section 540 *Long Association of Personnel (including Partner Rotation) with an Audit Client* (Section 540).

In September 2025, the Board approved a project for APESB Technical Staff to undertake a review of specific APESB guidance documents, including the Audit Partner Rotation Guidance. Technical Staff noted that this guidance document needed to be updated to align with Sections 540 and 5540 of the updated APES 110, as well as new legislative requirements in the *Corporations Act 2001* relating to rotation requirements for assurance engagements on sustainability information.

Post the September 2025 Board meeting, Technical Staff's focus was on completing the new [Compiled Code](#), incorporating the new Part 5 on Sustainability Assurance Engagements, and developing the revised [Code Prohibitions](#) document. These documents were completed and [issued](#) to the market on the 6th of November 2025 to facilitate the performance of Sustainability Assurance Engagements in accordance with Australia's climate legislation. With the issue of these documents, Australia became the first jurisdiction to issue a Compiled Code incorporating all amending standards, as well as the new Code prohibitions document incorporating Sustainability Assurance Engagements.

Key Considerations

In undertaking an initial review of the 2nd edition of the Audit Partner rotation guidance (the APESB guidance document), Technical Staff have reviewed guidance issued by the IESBA on long association and performed a detailed review of the extant APESB guidance.

IESBA guidance on long-association

The IESBA issued guidance documents relating to long association in the form of Staff Q&As in [May 2017](#) and [May 2019](#). These documents served as the basis for the Australian guidance issued by the APESB. APESB Technical Staff note that the IESBA has no plans or projects on its website to update this guidance in the short term.

APESB Technical Staff note that in June 2025, the IESBA issued the guidance document *IESBA Staff Questions & Answers - International Ethics Standards for Sustainability Assurance (IESSA)*. The document covers a range of topics, including a question (i.e., number 41) relating to long-association. The extract of the question¹ from the IESBA guidance is set out below:

Q. If an individual served as the engagement partner for the audit of the financial statements of a PIE for 5 years, can this individual serve as an engagement quality reviewer for the SAE within the scope of the IIS in Part 5 for the same client?

A. Yes. For purposes of addressing long association with an audit client, the IESSA treats the roles of a key audit partner and a key sustainability assurance leader (as defined in the Glossary to the Code) as equivalent. Subject to the maximum permissible "time-on" period, there is no prohibition on an individual from acting in a key audit partner role and in a key sustainability assurance leader role, simultaneously or subsequently.

The SAP needs to consider the individual's prior length of service in either or both roles in determining when the individual should cool off. Therefore, applying the 7-year time-on limit, an individual who served as the engagement partner for 5 years for the audit of the PIE's financial statements can be appointed as the engagement quality reviewer for the SAE for 2 more years. (See Section 540 in Part 4A and Section 5540 in Part 5.)

APESB Technical Staff are of the view that a similar question should be included in the proposed updated version of the APESB guidance document, as well as questions that illustrate the impact on the cooling-off period when an audit partner or engagement leader has held multiple roles over time with the same client. The new questions will also highlight how the requirements in Sections 540 and 5540 interact.

Further details on the proposed additional questions are set out below.

¹ International Ethics Standards Board for Accountants (IESBA) 2025, *IESBA Staff Questions & Answers: International Ethics Standards for Sustainability Assurance (IESSA)*, 11 June, viewed 18 November 2025, <https://www.ethicsboard.org/publications/iesba-staff-questions-answers-international-ethics-standards-sustainability-assurance-iessa>.

Detailed review of the extant audit partner rotation guidance document

The extant audit partner rotation guidance document was originally developed to support the transition to the new long association provisions in the restructured APES 110 (issued in 2018). At the time, firms and members requested additional explanation to help them navigate the new provisions (including the transitional relief provisions) and understand how the requirements interacted with audit partner rotation requirements under the *Corporations Act 2001*. The requirements in APES 110 are now well established in practice and the transitional relief provision ended in 2023 (i.e., it applied to reporting periods ending before 31 December 2023).

Based on the context of this revision, APESB Technical Staff are of the view that several elements in the guidance require revision to reframe the narrative to describe the established requirements, with the inclusion of content on long association considerations for sustainability assurance practitioners (effective from 1 January 2026).

The table below notes the revisions that Technical Staff have identified from their review:

Section of Guidance Document	Proposed change
Title	• Amend to include a reference to Sustainability Engagement Leader
Purpose	• Reframe the narrative to focus on the existing requirements with the extension of requirements to now address the rotation requirements related to sustainability assurance engagements. • Provide a background to the development of the guidance document. • <i>Include a paragraph on the new sustainability-related requirements in APES 110 and in the Corporations Act 2001.</i>
A. Introduction	• Reframe to refer to extant requirements. • Remove the details relating to the transitional provisions (which ceased to apply from 31 December 2023) from the text and Tables 1 and 2. Technical Staff propose including a reference to the second edition of the guidance document for Members who require information on the transitional provision. • Amend the reference to Engagement Quality Control Review Partner to Engagement Quality Reviewer. • Include a reference to the cooling-off period required for engagement quality reviewers as required by ASQM 2 <i>Engagement Quality Reviews</i>. • Update the references to APRA prudential standards to ensure alignment with the current versions. • Update the references to 'listed entities' to 'listed companies, listed registered schemes or registerable superannuation entities in Australia' in line with the references in the <i>Corporations Act 2001</i>. • Update paragraph references to align with the current version of APES 110. • <i>Introduce a section for sustainability assurance engagements.</i>
B. General Provisions on Partner Rotation	• Update paragraph references to align with the current version of APES 110. • <i>Update both Q1 and Q2 to include the general provisions set out in Section 5540 (which relates to sustainability assurance engagements).</i>

Section of Guidance Document	Proposed change
C. Specific provisions for audits of PIE	• Update paragraph references to align with the current version of APES 110. • Questions 3 – 12 need to be updated to remove information on the requirements that applied during the transition period. • Question 14 could be deleted as it covers changes in the cooling-off requirements when the transition period ends (which occurred on 31 December 2023).
D. Entities Listed in Other Jurisdictions	• Update paragraph references to align with the current version of APES 110. • Update the timeframe included in questions 16-17 to be the current period. • Remove references to the transition period. • Technical Staff will need to engage with the NZ XRB to determine if amendments are required to questions 16-17 to reflect amendments in the NZX Listing Rules and relevant ethical standards (e.g. PES 1).
<i>E. Breaks in Service</i>	• Update paragraph references to align with the current version of APES 110. • Remove references to the transition period. • Amend to reference the Engagement Quality Control Review Partner to the Engagement Quality Reviewer. • <i>Include either a new Q&A or amend the extant question 18 to cover breaks in service for roles relating to sustainability assurance engagement, including Engagement Leader and other key Sustainability Assurance Leaders.</i>
<i>F. Combination of Roles</i>	• Update paragraph references to align with the current version of APES 110. • Remove references to the transition period. • Update the reference for the reissued APES 320 <i>Quality Management for Firms that provide Non-Assurance Services</i>. • Amend to reference the Engagement Quality Control Review Partner to the Engagement Quality Reviewer. • <i>Include either a new Q&A or amend the extant question 19 to cover an individual working in a combination of roles across the audit engagement and the sustainability assurance engagement (for example, as illustrated in the IESBA Q&A in the section above). The potential role combinations are set out below in the proposed question list developed by Technical Staff.</i>
<i>G. Other Specific Circumstances</i>	• Update paragraph references to align with the current version of APES 110. • Update the references to 'listed entities' to 'listed companies, listed registered schemes or registerable superannuation entities in Australia' in line with the references in the <i>Corporations Act 2001</i>. • Amend the reference to Engagement Quality Control Review Partner to Engagement Quality Reviewer.
<i>H. Determination of Cooling-off Period</i>	• Update paragraph references to align with the current version of APES 110. • Remove references to the transition period. • Update timeframes within the questions to be the current time periods.

Section of Guidance Document	Proposed change
<i>Appendices A – D</i>	• Flowcharts updated to remove references to the transition period. • Update paragraph references to align with the current version of APES 110. • Amend to reference the Engagement Quality Control Review Partner to the Engagement Quality Reviewer.
<i>Appendix E</i>	• Update paragraph references to align with the current version of APES 110. • Remove references to the transition period. • Amend to reference the Engagement Quality Control Review Partner to the Engagement Quality Reviewer. • <i>Option to update tables to include roles relating to sustainability assurance engagements.</i>

Technical Staff also propose introducing a new section for sustainability assurance engagements. The new section will address the specific provisions for sustainability assurance engagements of Public Interest Entities (PIEs). It should contain similar topics and questions to the existing section C. Potential questions to be included in this section include:

- Are the rotation requirements on sustainability assurance engagements the same for all PIEs?
- What rotation requirements apply when a Sustainability Engagement Leader is performing different sustainability assurance engagements for the same client?
- What is the impact on the rotation requirements when an individual serves as the Sustainability Engagement Leader for a subsidiary of a PIE assurance client or moves between the engagements for the subsidiary and parent entity?
- What is the impact on the rotation requirements if the firm has previously performed sustainability assurance engagements for a client that were not within the scope of the Independence Standards in Part 5?
- Do the rotation requirements vary if the Signing Leader is different to the Sustainability Engagement Leader?

Technical Staff note that some references to sustainability assurance engagements should be incorporated into the extant sections of the guidance document, and these have been listed in the table above in blue italic text. In particular, Technical Staff are of the view that additional guidance should be included in extant Section F to address the applicable requirements for personnel who have held roles connected to the assurance engagement and the audit engagement. This could either be listed as a separate question with Section F, or the extant question 19 could be expanded to cover the following combination of roles:

- Sustainability Assurance Engagement Leader and other Key Sustainability Assurance Leaders;
- Sustainability Assurance Engagement Leader and Engagement Quality Reviewer for the Sustainability Assurance Engagement;
- Sustainability Assurance Engagement Leader and Engagement Quality Reviewer for the Audit Engagement;
- Sustainability Assurance Engagement Leader and a Key Audit Partner;
- Sustainability Assurance Engagement Leader and Audit Engagement Partner;
- Audit Engagement Partner and Engagement Quality Reviewer for the Sustainability Assurance Engagement;
- Audit Engagement Partner and other Key Sustainability Assurance Leader roles.

Way Forward

APESB Technical Staff will prepare an updated draft guidance document with the new section for sustainability assurance engagements.

In addition, Technical Staff will undertake stakeholder engagement with the APESB Sustainability Taskforce, Professional Bodies, National Standard-Setters, Regulators, and Firms to help inform any further amendments to the guidance document.

Technical Staff will present a revised draft of the guidance document to the Board at the 2026 Q1 Board meeting.

Staff Recommendations

That the Board note the update on the review of APESB's Audit Partner Rotation Guidance document.

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Date: 25 November 2025