

5 October 2021

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

Via email: [sub@apesb.org.au](mailto:sub@apesb.org.au)  
[channa.wijesinghe@apesb.org.au](mailto:channa.wijesinghe@apesb.org.au)

Dear Channa,

**Addendum to Submission on Exposure Draft ED 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.**

Chartered Accountants Australia and New Zealand (CA ANZ) is appreciative of the opportunity to submit further comment on the proposals to revise APES 110 Code of Ethics for Professional Accountants (Including Independence Standards) (“**the Code**”) to address the Objectivity of an Engagement Quality Reviewer (“**EQR**”) and other appropriate reviewers (“**the ED**”).

This addendum examines the application material paragraphs at 325.8 A3 and 325.8 A4, proposed content at AUST R325.8.1 and the consequential amendment, footnote 7, at R540.17. These paragraphs are reproduced below:

*Cooling-off Period*

325.8 A3

ASQM 2 Engagement Quality Reviews (ASQM 2) required the Firm to establish policies or procedures that specify, as a condition for eligibility, a cooling-off period of two years before the **Engagement Partner** can assume the role of **Engagement Quality Reviewer**. This serves to enable compliance with the principle of objectivity and the consistent performance of quality engagements.

325.8 A4

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**.

[Optional AUST paragraph –to clarify the cooling-off requirement to Audit Clients]

**AUST R325.8.1** In accordance with ASQM 2, where a **Member in Public Practice** has acted as an **Engagement Partner** for an **Audit Client**, the **Member** shall not act in the role of an **Engagement Quality Reviewer** for that same **Audit Client** unless the **Member** has undertaken a two-year cooling-off period between finishing the role of **Engagement Partner** and commencing the role as the **Engagement Quality Reviewer**.

**Footnote 7 at R540.17** **Members** should refer to **AUST 325.8.1** which requires a **Member** to undertake a two year cooling-off period between the time they finish being an **Engagement Partner** for an **Audit Client** and then assuming the role of **Engagement Quality Reviewer** for the same **Audit Client**.

## Recommendations

Commensurate with CA ANZ’s views in our submission dated 9 June 2021, overall, CA ANZ supports the APESB’s proposals to incorporate changes to the Code introduced by the International Ethics Standard Board for Accountants (“**IESBA**”). CA ANZ recognises the complexities created by the engagement quality reviewer eligibility requirements in ASQM 2 and Long Association Requirements in Section 540 of the Code. To address these complexities, CA ANZ recommends the following changes to the drafting of Section 325 and Footnote 7 at R540.17.

- The content of AUST R325.8.1 and 325.8 A3 are quite repetitive, and both refer members to the eligibility requirements for the Engagement Quality Reviewer contained in paragraph 19 of ASQM 2<sup>1</sup>. CA ANZ recommends removing AUST R325.8.1 and changing the Footnote at R540.17 to refer to the application material at 325.8 A3.
- To enhance clarity, CA ANZ recommends removing the application material at 325.8 A4

Should you have any questions about the matters raised in this addendum to our submission or wish to discuss them further, please contact Josephine Haste, [Josephine.haste@charteredaccountantsanz.com](mailto:Josephine.haste@charteredaccountantsanz.com).

Yours sincerely

**Simon Grant FCA**  
Group Executive  
Advocacy and Professional Standing

**Kristen Wydell FCA**  
General Manager  
Professional Standards

<sup>1</sup> [Paragraph 19 Australian Standard on Quality Management 2 \(ASQM 2\) issued by the Audit and Assurance Standards Board \(AUASB\)](#)

## About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 130,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.