

26 April 2022

Chief Executive Officer
Accounting Professional and Ethical Standards Board Limited (APESB)
Level 11
99 William Street
Melbourne Victoria 3000
Australia

By email: sub@apesb.org.au

Dear Channa,

Exposure Draft 1/22: Proposed Amendments to Fee-related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

CPA Australia represents the diverse interests of more than 170,000 members working in over a 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia [responded](#) to the APESB's initial consultation on this topic in August 2021. In that submission we noted that we were generally supportive of the proposed revisions but highlighted several matters for further consideration by the APESB, including with respect to the matter of fee dependency on a referral source.

We are pleased to note the APESB's subsequent changes to the proposed revisions.

In terms of the APESB's request for "*specific comments and feedback on the action that a Member in Public Practice should undertake if, for each of five consecutive years, total fees referred from one source represents more than 30% of the total fees of the Engagement Partner, an Office of the Firm or the Firm expressing the audit opinions*", we offer the following comments.

CPA Australia prefers Option 1: "have an appropriate reviewer who was not involved in the audit engagement review the audit work."

Feedback from our members indicates that they prefer an action that does not require an external engagement. In their view, an external engagement such as a compliance engagement adds significant, unnecessary costs and goes beyond the requirements that currently exist for other audits. For example, in ASQM 2 an audit of a public interest entity requires an engagement quality review, typically undertaken by a person(s) within the firm.

We recognise that for sole practitioners and very small firms, there would be a need to engage an external party regardless of the action taken. However, for those smaller sized practices that have the capacity to undertake a review without engaging an external party, a compliance engagement is not considered to be the most appropriate course of action.

If you have any queries about this submission, please don't hesitate to contact Ms. Melissa Read, Senior Manager, Professional Standards, Professional Standards and Business Support on melissa.read@cpaaustralia.com.au or +613 9606 9606 or me on gary.pflugrath@cpaaustralia.com.au or +613 9606 9941.

Yours sincerely,

Dr Gary Pflugrath FCPA
Executive General Manager
Policy and Advocacy