



Friday, 19 May 2023

Mr Channa Wijesinghe FCA CEO
Accounting Professional and Ethical Standards Board Limited
Level 11
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Via Email: sub@apesb.org.au
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Dear Channa

Submission: Proposed Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Relating to the Definition of Engagement Team and Group Audits

Chartered Accountants Australia and New Zealand (“CA ANZ”) appreciates the opportunity to submit comments on the proposals outlined in the above Exposure Draft (“ED”) to revise APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (“the Code”). We acknowledge that the proposals contained in the ED reflect adoption of the recent changes made to the International Ethics Standards Board for Accountants (“IESBA”) Code.

CA ANZ supports consistency between international and domestic standards. We support alignment, where possible, between terms and definitions contained in standards issued by the Accounting Professional and Ethical Standards Board (“APESB”) and the Audit and Assurance Standards Board (“AUASB”). We generally agree with the proposed changes to the Code which relate to the revised definition of the term ‘engagement team’ given that this aligns with the definitions used in ASA 220 (Revised) and ASQM 1, ensuring consistency between the Code and Australian Auditing Standards. We acknowledge and support that the local definition excludes internal auditors which deviates from the IESBA Code but aligns with ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*. We are also supportive of the proposed changes to the definitions of the terms ‘audit team’, ‘review team’, and ‘assurance team’, particularly recognising that engagement quality reviewers can be engaged from both inside and outside a firm which aligns these definitions with ASQM 2 Engagement Quality Reviews.

Independence in a Group Audit Context

Ideally, firms and members of the engagement team should be subject to the same independence requirements. We do hold reservations, however, regarding the practical application of some of these independence requirements, particularly for component auditors external to the group auditor’s network. Effectively, component auditors will have to comply with the international independence standards relevant to audits of public interest entities (“PIEs”) irrespective of whether the component is a PIE or note. This may lead to unintended consequences, particularly for component auditors from Small to Medium Practices (“SMPs”) who are engaged for their knowledge and local expertise. Consistent with the recommendations in our submission on this to the IESBA, we suggest that the APESB consider whether the PIE independence requirements should be based on the significance of the component to the group audit. This approach has the benefit of binding component

auditors where the component is significant or releasing component auditors from these requirements where the costs outweigh the perceived benefits.

Operation of the Revised Standard

The proposed operative date of Stage 1 of the revised standard is 1 January 2024. Once the revised standard is approved, members will have only around 6 months to consider the composition of their engagement teams and implement any necessary changes. This timeframe may be problematic for SMP component auditors when considering proposed independence requirements. It will be critical for the APESB to make resources available such as Staff Q&As and other technical guidance to assist the professional bodies in providing education and guidance to members, particularly with respect to who is captured by definitions and who can directly influence the outcome of the group audit.

Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Josephine Haste CA josephine.haste@charteredaccountantsanz.com

Yours sincerely,

Vanessa Chapman

Group Executive - General Counsel and Corporate Assurance