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Chief Executive Officer  
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12 December 2022

Dear Mr Channa Wijesinghe:

**Proposed Revisions to the Definitions of Listed Entity and Public Interest entity in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)**

KPMG welcomes the opportunity to comment on the proposed revisions to the definitions of 'Listed Entity' and 'Public Interest Entity' (PIE) in APES 110 Code of Ethics for Professional Accountants (Including Independence Standards) ("APES 110") ("the ED").

KPMG is supportive of the APES Board's intent of amending APES 110 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) subject to the following suggestions:

- KPMG is of the view that there is no need to include additional categories of entities to the list of sectors already included in paragraph AUST 400.18 A3.
- It is unclear how paragraph AUST 400.18 A3 is to be applied given the IESBA has provided a definition of a public interest entity at paragraph R400.17. KPMG encourages the APES Board to consider the inconsistencies between the two definitions.

We also note the following additional comments:

Expanding the number of entities considered as PIEs can increase cost and complexity, so any amendment needs to be carefully considered. The impact of an expanded definition will also have a disproportionate impact on smaller firms.

In the IESBA Code, paragraph 400.19.1 is a guidance paragraph which encourages firms to consider if there are other factors that may cause an entity to be classified as a PIE.



In the Australian standard (AUST R400.19) this paragraph has been made a requirement. KPMG considers that it is not necessary for this paragraph to be made a requirement and would be interested to further understand why this change was required.

Paragraph AUST R400.19 provides certain factors an auditing firm can consider in making a determination on whether to treat additional entities, or certain categories of entities as public interest entities. The first factor mentioned, namely 'whether the entity is likely to become a public interest entity in the near future', is vague in application. KPMG encourages the APES Board to define 'likely to become a public interest entity' and also 'in the near future'.

A decision to treat an entity or certain categories of entities as public interest entities brings with it a requirement to assign an Engagement Quality Control Reviewer ('EQCR'), typically in the first 12 months prior to the entity becoming a public interest entity. This has in turn an impact on partner rotation obligations under the Corporations Act 2001. Defining 'likely to become a public interest entity' and 'in the near future' will assist in managing the partner rotation obligations.

We would be pleased to discuss our comments with you. If you wish to do so, please contact me at [kaleighton@kpmg.com.au](mailto:kaleighton@kpmg.com.au), or Andrew Bryant at [abryant@kpmg.com.au](mailto:abryant@kpmg.com.au).

Yours sincerely

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