

Constituents' Submissions – General Comments
Consultation Paper: Proposed Definition of Public Interest Entity for the Code

Note: Specific comments relating to CP: Proposed Definition of Public Interest Entity for the Code are addressed in separate tables. This table excludes minor editorial changes.

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
1		BDO	<p>CONSULTATION PAPER: PROPOSED DEFINITION OF PUBLIC INTEREST ENTITY FOR THE CODE</p> <p>We appreciate the opportunity to comment on Consultation Paper: Proposed definition of <i>Public Interest Entity</i> for the Code.</p> <p>Overall we are supportive of the APESB's efforts to define Public Interest Entity in the Australian context in order to assist in consensus between professional services firms.</p>
2		KPMG	<p>Consultation Paper: Proposed Definition of Public Interest Entity for the Code</p> <p>We are pleased to have the opportunity to comment on the Consultation Paper issued by the Accounting Professional and Ethical Standards Board ("APESB").</p> <p>We consider that the international language of ethics and independence should be as consistent as possible across jurisdictions to limit possible cross-border misunderstandings and expectation gaps. Therefore our overall view is that APESB should retain the original wording of paragraph 290.26 when revising APES 110 until further and wider public consultation has been made.</p> <p>Our specific responses are outlined in more detail in the attachment to this letter.</p> <p>We would be pleased to discuss our comments with members of APESB or its staff.</p>
3		GT	<p>CONSULTATION PAPER: PROPOSED DEFINITION OF PUBLIC INTEREST ENTITY FOR THE CODE</p> <p>Grant Thornton Australia Limited (Grant Thornton) appreciates the opportunity to comment on the Accounting Professional and Ethical Standards Board's (APESB) Consultation Paper: Proposed Definition of <i>Public Interest Entity</i> for the Code.</p> <p>Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses.</p>

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			Grant Thornton supports the intent of the Consultation Paper which is to maintain consistency with the global Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and on which APES 110 is based. On that basis we note that APES 110 defines a Public Interest Entity as being a Listed Entity, any Entity that is defined as a Public Interest Entity by regulation or legislation, and any Entity where the audit is required to be conducted in compliance with Listed Entity independence requirements which can be via Regulation by a Regulator.
4		PP	<p>CONSULTATION PAPER: PROPOSED DEFINITION OF PUBLIC INTEREST ENTITY FOR THE CODE</p> <p>We appreciate the opportunity to provide our comments on this Consultation Paper. Pitcher Partners is an association of independent firms operating from all major cities in Australia. Our clients come from a wide range of industries and include listed and non-listed disclosing entities, large private businesses, family groups, government entities and small to medium sized enterprises.</p>
5		PwC	<p>Proposed Definition of Public Interest Entity for the Code</p> <p>Thank you for the opportunity to comment on the Accounting and Professional and Ethical Standard Board's ("APESB") consultation paper: Proposed Definition of Public Interest E Entity for the Code.</p> <p>General observations</p> <p>As a general principle, we believe that minimal changes should be made to global standards so as to avoid unnecessary complexity. However we support any changes to the global standard where there is a clearly demonstrable reason.</p> <p>We agree with the views expressed in the consultation paper that the definition n of Public Interest Entities covers more than listed entities as many entities, because of the nature of their activities and their impact on the community would also be entities of public interest.</p> <p>We are concerned that an overly prescriptive approach to the Public Interest Entity definition may lead to a situation where members adopt an approach that if a certain type of entity is not "on the list" then it should not be regarded as a Public Interest Entity rather than applying a principles based approach that considers the attributes o of the entity.</p> <p>In the event that a decision is made that extends the number and types of entities to be included as <i>Public Interest Entities</i>, APES should consider extending the operative date to financial years commencing on or after 1 January 2013 for these additional Public Interest Entities . This will allow firms to transition both the rotation and scope of service requirements in an orderly matter and with minimal disruption.</p>
6		Deloitte	<p>Consultation Paper: Proposed Definition of Public Interest Entity for the Code</p> <p>We appreciate the opportunity to comment on the Consultation Paper: Proposed Definition of Public Interest Entity for the Code (the Paper) issued by the Accounting Professional & Ethical Standards Board (APESB) in June 2011.</p>

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			<p>We are supportive of the objective of the APESB in issuing the Paper and its effort to maintain close consistency with the wording and structure of the IFAC Code.</p> <p>We also support the view that the more restrictive independence requirements in the Code should be applied where an important public interest exists, and therefore agree that the definition of PIE does not just apply to listed entities.</p> <p>In our view, the intention of paragraph 290.25 is to ensure that the auditors of non-listed entities that are required by local law or regulation to comply with the same independence provisions as those that apply to listed entities cannot avoid applying the stricter provisions of the Code.</p> <p>That is, paragraph 290.25 is in place to respect and support local regulatory and legislative decision making, where a regulator has specified entities which are defined as PIEs (such as by the European Union) or in respect of which the audit is required to be conducted in compliance with listed entity independence requirements (such as certain large banking organisations in the United States which are required by the FDIC to have audits conducted in accordance with the US SEC independence rules applicable to listed companies, whether or not they are public companies).</p> <p>Paragraph 290.26 then allows for member bodies and firms to also determine in the local jurisdiction, the types of entities, or categories of entities, that may be treated as PIEs.</p>
7		EY	<p>We appreciate this opportunity to comment on this important Consultation Paper as it addresses an issue that has significant impact for the users of audit opinions and practical implications for the profession.</p> <p>Public Interest A consideration of “public interest entities” “PIE” implies a consideration of what is “public interest”, particularly in a context of how professional accountants and auditors may impact that. As you are aware IFAC is currently attempting to define a framework around this concept in “IFAC Policy Position Paper #4 A Public Interest Framework for the Accountancy Profession.” In looking at that Paper and some of the submissions to IFAC regarding it, it becomes apparent that “public interest” as a concept is difficult to define, and can range over a vast continuum of possibilities and concepts.</p> <p>However taking just several of the comments from the paper and submissions is useful to inform our current thinking about the definition of a PIE.</p> <p>The PIE definition for the purpose of inclusion in APES 110 discussion largely impacts certain requirements regarding auditors of financial statements and their independence and objectivity eg rotation and restriction of services. Therefore it is reasonable to assume for the purposes of this consultation paper that “the public”, and the interests they have should be closely aligned to financial reporting (and the audit thereof) and the interests the public has in financial reporting are the concepts that drive the definition of a PIE. For</p>

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			<p>example if the overwhelming public interest in an entity is about other matters, eg service delivery, taxation, equity, resources, policy, or charitable activities, then for the purpose of APES 110 definition of a PIE these entities should be disregarded. Indeed the Board in its submission to IFAC makes the point that professional accountants and their services cannot serve all public interests.</p> <p>Secondly, the first principle of the IFAC paper is “1. Consideration of costs and benefits for society as a whole” Without narrowing the intent of this principle unreasonably, we believe it is important that any solution to PIE definition needs to achieve a balance between overall benefit and the direct and hidden overall costs. The costs arising from expansion of the category of PIEs include increased costs incurred by audit firms and their clients, and hence stakeholders of the clients, in managing their compliance with APES 110 , including the maintenance of records for rotation purposes and increased monitoring of non-audit services. In addition increasing rotation requirements for small entities may mean that only larger firms have the required pool of registered auditors, perhaps leading to a increased concentration of audits in fewer firms. There also can be a hidden cost in some necessary non audit services being performed by firms that are not as familiar with the client’s needs as the auditors.</p> <p>Combining these two concepts we believe a PIE should be defined for the purposes of APES 110 based on the principle that the interest of the public in a PIE needs to be overwhelmingly connected with a personal financial stake of the members of the public in that entity, and that stake in total has to be significant. It is not sufficient that the interest be conceptual and broad based.</p>
8		AUASB	<p>Accounting Professional and Ethical Standards Board Limited Consultation Paper: Proposed Definition of <i>Public Interest Entity</i> for the Code</p> <p>The Auditing and Assurance Standards Board (AUASB) appreciates the opportunity to comment on APESB Consultation Paper CP 01/11.</p> <p>Overall, we support the APESB’s proposed changes to APES 110 <i>Code of Ethics for Professional Accountants</i>. In particular, we note that the proposed changes will strengthen the requirement for firms and member bodies to determine whether to treat additional entities, or certain categories of entities, as Public Interest Entities. At the same time, APES 110 will continue to align with the <i>Code of Ethics for Professional Accountants</i> issued by the International Ethics Standard Board for Accountants (IESBA) in July 2009. It is in the public interest to have globally consistent and high quality standards on ethical requirements, including independence requirements for audit and assurance practitioners.</p> <p>We provide a specific comment on the drafting of the definition of Public Interest Entity in the attachment to this letter.</p>
9		ASIC	<p>CONSULTATION PAPER 01/11 – PROPOSED DEFINITION OF <i>PUBLIC INTEREST ENTITY</i> FOR THE CODE</p> <p>Thank you for the opportunity to comment on the consultation paper on the proposed revisions to the definition of Public Interest Entity in the revised APES 110 "Code of Ethics for Professional Accountants" ("the Code").</p>

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			<p>We welcome the Accounting Professional & Ethical Standards Board's ("APESB's") focus on the review of the current definition of Public Interest Entities. The definition set by the International Ethics Standards Board for Accountants ("IESBA") was a minimum definition, to be reviewed for the application of the independence requirements in each jurisdiction.</p> <p>The revision of the definition of Public Interest Entities is an opportunity to provide greater clarity to practitioners and professional bodies.</p>
10		JAB	<p>APESB CP 01/11 Consultation Paper: Proposed Definition of <i>Public Interest Entity</i> for the Code</p> <p>Thank you for the opportunity to comment on this Consultation Paper of a proposed definition of <i>Public Interest Entity</i>. The Institute of Chartered Accountants in Australia, CPA Australia and the Institute of Public Accountants (the Joint Accounting Bodies) have considered the Consultation Paper and our comments follow.</p> <p>The Joint Accounting Bodies (JAB) represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, and academia throughout Australia and internationally.</p> <p>General comments</p> <p>The Joint Accounting Bodies welcome the APESB's consultation on this important issue of what constitutes a Public Interest Entity in the context of the independence requirements of APES 110 <i>Code of Ethics for Professional Accountants</i>. We note that where an entity is a Public Interest Entity, there are implications for a firm conducting an audit or review of that entity that involve consideration of or an impact on:</p> <ul style="list-style-type: none"> • Employment with an audit client • Long association of senior personnel (including partner rotation) with an audit client • Provision of non-assurance services to audit clients, specifically: <ul style="list-style-type: none"> ○ Accounting and bookkeeping services ○ Valuation services ○ Certain taxation services ○ Internal audit services ○ Certain IT Systems services ○ Certain recruiting services • Where total fees from the audit client and its related entities exceed 15% of the total fees received by the firm. <p>There are therefore important consequences to the decision that an entity is a Public Interest Entity, both in relation to the matter of the auditor's independence, and to the conduct of the practice within which the auditor operates. Significantly, when a firm makes a determination that an entity is a Public Interest Entity, certain existing arrangements for the provision of non-assurance services to that entity may need to be terminated.</p>

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11		APPC	<p>Re: Consultation Paper: Proposed Definition of <i>Public Interest Entity</i> for the Code</p> <p>The Independence Task Force of the Australian Public Policy Committee (APPC) welcomes the opportunity to contribute to the Accounting Professional and Ethical Standards Board (APESB) review of the definition of “Public Interest Entity” in the revised APES 110 <i>Code of Ethics for Professional Accountants</i> in the Australian context and respond to the issues raised in Consultation Paper 01/11 (the Consultation Paper).</p> <p>The APPC includes representatives of the large accounting firms and the three professional accountancy bodies in Australia. The APPC’s objective is to promote positive public policy outcomes in respect of audit, accounting and related services in Australia that:</p> <ol style="list-style-type: none"> 1. Enhance the reputation of the accounting profession by setting and adhering to high standards of ethical and professional conduct. 2. Preserve the viability of a high quality, independent, external financial audit profession through an ongoing focus on audit quality and fair and equitable apportionment of the financial risks associated with the audit function. 3. Add value to the accounting profession’s clients and stakeholders. <p>The Independence Task Force (ITF) is a working group of the APPC that considers issues relating to professional independence requirements for auditors as they impact on members of the profession, its clients and the investing community.</p> <p>This submission outlines the consensus position of the ITF on matters raised in the Consultation Paper.</p> <p>It should be noted that the respective firms and professional organisations that comprise the ITF have made their own individual submissions to the APESB on the Consultation Paper. Please refer to these submissions for detail on the specific views of individual ITF members.</p>
12		ACAG	<p>Consultation Paper CP 01/11: Proposed Definition of <i>Public Interest Entity</i> for the Code</p> <p>Attached is the Australasian Council of Auditors-General (ACAG) response to the Consultation Paper referred to above.</p> <p>The views expressed in this submission represent those of all Australian members of ACAG.</p> <p>The opportunity to comment is appreciated and I trust you will find the attached comments useful.</p>

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Staff Instructions:

- Comments of a “general” nature should be dealt with first, followed by paragraph specific comments.
- Respondents' comments must be copied verbatim into this table.
- Comments should be dealt with in paragraph order, not respondent order.
- Use acronyms only for respondents. Update the attached table with details of additional respondents.

RESPONDENTS

1	BDO	BDO
2	KPMG	KPMG
3	GT	Grant Thornton
4	PP	Pitcher Partners
5	PwC	PricewaterhouseCoopers
6	Deloitte	Deloitte
7	EY	Ernst and Young
8	AUASB	Auditing and Assurance Standards Board
9	ASIC	Australian Securities and Investments Commission
10	JAB	Joint Accounting Bodies
11	APPC	Australian Public Policy Committee
12	ACAG	Australian Council of Auditors-General