

9 August 2018

The Chairman  
Accounting Professional Standards & Ethical Standards Board  
Level 11  
99 William Street  
Melbourne, Victoria 3000

Dear Ms Roxon,

**Exposure Drafts 02/18 and 03/2018 – Proposed Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards).**

Ernst & Young Australia welcomes the opportunity to comment on these Exposure Drafts. We fully support the principle of harmonisation of APES 110 with the international equivalent standard.

We acknowledge the substantial efforts of the APES Board to harmonise the proposed APES 110 with the restructured international code of ethics, in particular giving due consideration to the specific legal provisions of the Corporations Act 2001 for partner rotation.


We are supportive of the proposals in principle but would like to reiterate the comments from our previous submission on earlier exposure drafts of APES 110 on the transition of shorter cooling-off periods established by legislation or regulations. The proposals effectively create a framework where the core requirement for engagement partners serving five years on Australian listed companies require a three year cooling-off until 31 December 2023, when the lapsing of the transitional provision will create a five on/ five off regime. This compares with the international code requirement of seven on/ five off, and the legal requirement under Corporations Act 2001 of five on/ two off.

We continue to hold the view that serving five on/ five off is too onerous. We understand that the APES Board has ongoing dialogue with the IESBA on this issue and we recommend that the sunset provision on the transitional provision in AUST R540.19.1 be deleted in order to establish a five on/ three off regime for the foreseeable future. We note that there continues to be no empirical data or authoritative research supporting a link between cooling-off and audit quality.

We do acknowledge that the extension provisions of the law that allow a listed entity to extend the engagement partner up to seven years do create the ability for a seven on/five off regime to apply, and in our view, this is acceptable, and consistent with the international standard. We note, however, that these extension provisions are intended for exceptional circumstances.

We would be pleased to discuss our comments with APESB and its staff. Should you wish to do so, please contact Kathy Parsons ([Kathy.Parsons@au.ey.com](mailto:Kathy.Parsons@au.ey.com) or on (02) 8295 6882).

Yours sincerely



Kathy Parsons  
Partner