



Grant Thornton

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7 April 2017

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Dear Ms Roxon

GRANT THORNTON AUSTRALIA RESPONSE TO APES EXPOSURE DRAFT 01/17

We welcome the opportunity to provide our view on the proposed amendments to Long Association of Personnel Requirements in APES 110 *Code of Ethics for Professional Accountants*.

Grant Thornton's global network maintains an open and constructive relationship with national governments, standard-setters and regulators, consistent with our policy of embracing external oversight.

In principle, we find the proposed changes to auditor rotation requirements in APES 110 lend themselves to confusion – we propose a simpler alternative in line with comparable jurisdictions.

Please see the attached Appendix for further commentary on the Exposure Draft. Should you have any queries related to our submission, please feel free to contact me.

Yours faithfully
GRANT THORNTON AUSTRALIA LIMITED

Andrew Archer
National Managing Partner - Risk & Quality

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APES 110 Exposure Draft 01/17 – General Commentary

In this section, Grant Thornton Australia offers commentary on the content of the Proposed Amendments to Long Association of Personnel with an Audit or Assurance Client requirements in APES 110 *Code of Ethics for Professional Accountants*.

A welcome harmonisation attempt, but more can be done

We acknowledge there are differing auditor rotation requirements for listed and unlisted entities already in Australia, and we welcome this attempt to harmonise requirements with overseas jurisdictions.

That being said, the proposed regime introduces an array of more differing provisions for different roles in an audit – in practice, this will complicate matters due to the fluidity of roles within most professional services firms.

Risk of inadvertent breaches with complex proposed rules

The proposed differing requirements for listed and unlisted entities, particularly the confusing array of rotating-on and cooling-off periods for Lead engagement Partner/Engagement Quality Control Reviewer Partner/Other Key Audit Partner roles and combinations of those roles as expressed in 290.155-290.161, lends itself to a higher propensity for inadvertent error by engagement teams and those responsible for maintaining rotation registers.

Coordinating compliance with these complex requirements would be also difficult given the technicalities required where firms utilise central rotation registers.

Further harmonisation is key – “Five on, Five off”

We will welcome further harmonisation and simplicity in requirements, in other words, “one standard to rule them all” – *after five financial years on an engagement as Lead, EQCR, and/or Other Key Partner, said partner must rotate off the client for five financial years*. This “5 on 5 off” regime would be consistent with comparable jurisdictions (US, UK and Canada) and will allow the Australian market to more easily integrate with those abroad.

Such a regime would also allow audit professionals from outside Australia to apply their overseas technical expertise here more efficiently, since the rotation requirements would be largely consistent with their home jurisdictions.

We note that in any case, there exists a disconnect between the Code in its proposed form and the *Corporations Act 2001*, and our understanding is that APESB will be discussing this with the Federal Government to ensure consistency. We will welcome reform in the interests of simplicity and clarity.

Other Key Audit Partner definition – technical teams should not be captured

We note that the definition of Other Key Audit Partner has dropped out of the proposals and will be enhanced – it is our expectation that technical teams will not be captured in this definition, and we will appreciate clarity from APESB and the international standard setters on this point.

Delay of effective date most appropriate

We would prefer a delay to the effective date out to 15 December 2023, in order to allow audit firms to prepare their audit schedules moving forward. We would recommend that the proposed three-year sunset provisions commence in 2023 and continue for the time envisaged in the exposure draft.

Given the sensitive legal nature of PIE engagements (especially with entities at the margins of PIE status) and the relatively lean partner profile of some offices outside the major east coast cities, it has proven essential for many in our profession to carefully plan out engagement partner roles for the next five years, with provision for unexpected absences of key partners due to parental leave, illness or misadventure. A delay in the effective date to 2023 would be most appropriate to allow us to adapt to this proposed structural change in our business operations.

[END OF SUBMISSION]