



The Hon, Nicola Roxon  
Chairman  
Accounting Professional & Ethical Standards Board Limited  
Level 11, 99 William Street  
Melbourne Victoria 3000  
Australia

5 April 2017

Dear Nicola

***Re: Amendments to Long Association of Personnel with an Audit or Assurance Client Requirements in APES 110 Exposure Draft***

We welcome this opportunity to comment on the Amendments to Long Association of Personnel with an Audit or Assurance Client Requirements in APES 110 Exposure Draft. As one of Australia's leading professional services firms, we believe we are well placed to share our perspectives on these important issues. We are committed to positively contributing to the Australian community and supporting and enabling initiatives that will strengthen the future prosperity of our country.

We recognise that this amendment aims to address the threat of self-interest familiarity. However, we have concerns that in combination with legislation requirements, the limitations will result in a threat to audit quality.

**Limitation to allocate best resources to an audit**

The Corporations Act (2001) Section 324DA requirement where Engagement Partners and Engagement Quality Control Review Partners are to cool off after 5 years of service, in combination with this amendment and any conflict of interest considerations, limits the ability of a firm to allocate the best resources (with the right skills and experience) to an audit. We feel that the Australian market, which has a particularly high number of listed audit clients in certain geographically spread locations, such as Perth, Newcastle and Brisbane, make this much more challenging than was contemplated in the development of the International Standard. For example, PwC Perth has 23 listed audit clients and 9 audit partners. Allocating the partners to roles require consideration of experience, industry knowledge and conflicts of interest, thus reducing the effectively available pool. Whilst Engagement Partners can potentially be sourced from other offices in larger firms such as PwC, this is challenging in terms of proximity to audit teams, to lead and review engagements. Smaller firms may not have sufficient partner resource available at all to meet the extended cooling off requirements. The transitional provision to sunset paragraph 290.163 risks having a detrimental impact on the application of the fundamental principles of professional competence and due care, and consequently could be a threat to audit quality.

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**Application to Engagement Quality Control Review Partners**

The transitional provision to sunset paragraph 290.163 for EQCRs is not commensurate with the risks associated with the EQCR role given their limited contact with the client. It should be considered that the current requirement for the appointment of EQCRs under ISQC 1 already include an independence framework.

**Evaluation of transitional provisions provide little relief**

The evaluation of transitional provisions prior to its expiry in 2023 provide little relief, as succession planning begins prior to the Engagement Partner and Engagement Quality Review Partner's time on an audit. Effectively, succession planning for year 2023 begins prior to 2018 and will have to take the amendment into account without the transitional provision into consideration.

**More restrictive Australian cooling off requirement**

Proposed clause AUST 290.163.2 where a 5-year cooling off period applies when an Engagement Partner's time-on period is extended to 7 years, is more restrictive than clause 290.163 where the cooling off period is 3 years in the same situation. We see no reason why the cooling off period in Australia should be more restricted than was contemplated in the International Standard.

If you have any further questions please contact me on (02) 8266 8350 or [regina.fikkers@pwc.com](mailto:regina.fikkers@pwc.com)

Kind regards

A handwritten signature in black ink that reads 'Regina Fikkers'.

Regina Fikkers  
Partner  
PwC Australia