

24 February 2010

The Chairperson  
Accounting Professional & Ethical Standards Board Limited  
Level 7, 600 Bourke Street  
Melbourne VIC 3000

Dear Ms Spargo,

**Response to Consultation Paper: Proposed Revision of APES 110 Code of Ethics for Professional Accountants**

Ernst & Young Australia is pleased to comment on the above-referenced consultation paper. We welcome the opportunity to contribute to the continued development of Australian Accounting Professional and Ethical standards.

Our detailed responses to the questions posed in the Consultation are set out in the appendix to this letter.

We would be pleased to discuss our comments with members of the APESB or its staff. If you wish to do so, please contact Chris Westworth (02 9248 4816) or David Balcombe (03 9288 8607)

Yours sincerely,



Ernst & Young



Chris Westworth  
Professional Practice Director - Oceania Region

## Comments on Consultation Paper: Proposed Revision of APES 110 Code of Ethics for Professional Accountants

Question	Response
<p>1 a) <u>Mixture of mandatory requirements and guidance</u> - In accordance with APESB drafting conventions, should the revised APES 110 be formatted so that mandatory requirements appear in separate paragraphs to guidance?</p>	<p>While we consider that the Code should differentiate between mandatory requirements and guidance, we believe this needs to be achieved without changing the meaning of the IFAC Code. In principle we believe that there may not be much to be gained from wholesale changes to the internationally agreed IFAC format, but if the consensus is that better guidance on these specific issues is needed changes should be kept to a minimum.</p>
<p>1 b) <u>Defined terms</u> - Should the revised APES 110 use IFAC defined terms tailored to the Australian environment, or, where applicable, use defined terms which are consistent with those used in Australian Auditing Standards?</p>	<p>We consider that the revised standard should apply IFAC defined terms to the maximum extent possible, in the interests of international consistency. Tailoring of terms to the Australian environment should only occur in rare circumstances when necessary to make the application of provisions clear in the Australian context. We believe that this could be better achieved by use of an Appendix or specific "Aus" paragraphs.</p>
<p>1 c) <u>Capitalisation of defined terms</u> - Should defined terms be differentiated from non-defined terms by capitalising defined terms in the revised APES 110?</p>	<p>Yes. We consider that the format must clearly identify defined terms.</p>
<p>1 d) <u>Definition of "public interest entity"</u> - Should the revised APES 110 use the IFAC definition of "public interest entity" or provide guidance on the application of the IFAC definition in the Australian context or redefine this term in the Australian context?</p>	<p>APES 110 should use the IFAC definition of "public interest entity" "PIE", with the addition of specific guidance on its application in the Australian context for clarity.</p> <p>Our view is that the definition of a PIE should extend to listed entities only.</p>
<p>2 Should specific references to the <i>Corporations Act 2001</i> and Australian Auditing Standards be incorporated into the revised APES 110 where relevant?</p>	<p>Tailoring of terms to the Australian environment should only occur in rare circumstances when necessary to make the application of provisions clear in the Australian context. We believe that this could be better achieved by use of an Appendix or specific "Aus" paragraphs, rather than amendment to the structure of the IFAC Code.</p>
<p>3 Do you believe sections 290 and 291 of the IFAC Code should be presented in their current form in the revised APES 110 or should they be restructured to remove duplication where possible?</p>	<p>The existing IFAC Code was drafted specifically to clearly show the independence requirements that relate to the 2 situations that commonly arise, and which require clear guidance, ie financial statement audits, and other assurance engagements, in 2 clearly segmented sections This approach was taken by IFAC after global consultation and we see no reason to change that approach. Practical experience has demonstrated the value of clearly delineated sections.</p>