

Constituents' Submissions – General Comments
Exposure Draft ED 03/11: Proposed Amendments to the Definition of Public Interest Entity in APES 110 Code of Ethics for Professional Accountants

Note: Specific comments relating to Exposure Draft ED 03/11: Proposed Amendments to the Definition of Public Interest Entity in APES 110 Code of Ethics for Professional Accountants are addressed in a separate table. This table excludes minor editorial changes.

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
1		ACAG	<p>The Australasian Councils of Auditors-General (ACAG) supports the proposed amendments to the Code as outlined in the Exposure Draft referred to above.</p> <p>Previously, the NSW Auditor-General raised concerns with APES 110 regarding two public sector specific matters. ACAG understands that these concerns were added to the APES 110 issues register and will be considered as part of the six monthly review process.</p> <p>The views expressed in this submission represent those of all Australian members of ACAG.</p> <p>The opportunity to comment is appreciated.</p>
2		AUASB	<p>Thank you for the opportunity to comment on APESB Exposure Draft 03/11.</p> <p>Further to our response to APESB Consultation Paper 01/11 in July 2011, the AUASB supports the proposed changes to the definition of <i>public interest entity</i> in APES 110 Code of Ethics for Professional Accountants.</p> <p>We note that Australian Auditing Standard ASA 102 <i>Compliance with Ethical Requirements When Performing Audits, Reviews and Other Assurance Engagements</i> requires the auditor, assurance practitioner, engagement quality control reviewer, and firm to comply with relevant ethical requirements (including APES 110) when performing audits, reviews and other assurance engagements and, accordingly, we welcome the continuing efforts of the APESB to clarify the requirements of APES 110 to assist in its application in the Australian environment.</p> <p><i>[Technical Staff Note: the following two paragraphs is repeated in Specific comments table.]</i></p> <p>We believe that the proposed changes to paragraph 290.25 will improve the clarity of the definition and the proposed changes to paragraph 290.26 will ensure that firms actively consider whether a range of additional entities should be treated as <i>public</i></p>

Exposure Draft ED 03/11: Proposed Amendments to the Definition of Public Interest Entity in APES 110 Code of Ethics for Professional Accountants

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			<p><i>interest entities.</i></p> <p>In addition, we support the approach taken by the APESB in the proposed new guidance (paragraphs AUST 290.25.1 and AUST 290.26.1), where the APESB distinguishes between entities that are clearly <i>public interest entities</i> by virtue of the extent of public interest in them (that is, listed entities and certain APRA-regulated authorised deposit-taking institutions, general insurance companies and life insurance companies) and other entities that may, or may not be, Public Interest Entities, depending on the particular circumstances of each entity (such as disclosing entities), and therefore need to be considered on a case by case basis to determine whether there is a significant public interest element.</p>
3		BDO	<p>We appreciate the opportunity to comment on ED 03/11 Proposed Amendments to the Definition of Public Interest Entity in APES 110 Code of Ethics for Professional Accountants.</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>
4		Deloitte	<p>We appreciate the opportunity to comment on Exposure Draft 03/11: Proposed Amendments to the Definition of Public Interest Entity in APES 110 Code of Ethics for Professional Accountants (the Code) issued by the Accounting Professional & Ethical Standards Board (APESB) in September 2011.</p> <p>Deloitte is supportive of the view that the more restrictive independence requirements in the Code should be applied where an important public interest exists. We also agree, in accordance with paragraphs 290.25 and 290.26 of the Code, that the definition of Public Interest Entity (PIE) does not just extend to listed entities.</p>
5		JAB	<p>Thank you for the opportunity to comment on this Exposure Draft for the proposed amendments to the definition of <i>Public Interest Entity</i> in APES 110 Code of Ethics for Professional Accountants. CPA Australia, the Institute of Chartered Accountants in Australia and the Institute of Public Accountants (the Joint Accounting Bodies) have considered the Exposure Draft 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 support the adoption of the proposed definition of the <i>Public Interest Entity</i> in the context of the independence requirements of APES 110 Code of Ethics for Professional Accountants. We are of the opinion that the insertion</p>

Exposure Draft ED 03/11: Proposed Amendments to the Definition of Public Interest Entity in APES 110 Code of Ethics for Professional Accountants

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			of the two Australian paragraphs (AUST 290.25.1 and AUST 290.26.1) provide clarification about the entities that are or are likely to be Public Interest Entities in Australia.
6		PWC	<p>Thank you for the opportunity to comment on the Accounting and Professional and Ethical Standard Board's ("APESB") Exposure Draft: Proposed Amendments to the Definition of Public Interest Entity in APES 110 <i>Code of Ethics for Professional Accountants</i> ("APES 110").</p> <p>General observations</p> <p>We are generally supportive of the proposed amendments to the definition of Public Interest Entity in APES 110. We believe that the overall guiding principle in assessing whether an entity is a Public Interest Entity is an assessment of the "public interest". This assessment should take into account the activities of the organisation and its impact on the wider community.</p> <p>We believe that it is important that there are transitional provisions to allow auditors to transition both rotation and scope of service requirements in an orderly manner and with minimal disruption. However care needs to be exercised in the drafting so that these transitional provisions only apply to the entities that are newly regarded as public interest entities as a result of the proposed amendments to the definition of Public Interest Entity. There is a risk that the proposed drafting of the transitional provisions applies to all Public Interest Entities, including a listed entity which is not a desirable outcome.</p>
7		PP	Our comments on the exposure draft are provided in this submission. 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.
8		KPMG	<p>We are pleased to have the opportunity to comment on the Exposure Draft following our previous response on 28 July 2011 on the preceding Consultation Paper.</p> <p>Our specific comments are outlined in the attachment to this letter.</p>
9		EY	<p><u>Overall Comment</u></p> <p>Overall we support the amendments to provide additional guidance in the determination of which entities should be considered Public Interest Entities (PIE) in Australia.</p>

Exposure Draft ED 03/11: Proposed Amendments to the Definition of Public Interest Entity in APES 110 Code of Ethics for Professional Accountants

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			<p>"Public Interest" is proving difficult to define and in each category or type there will be entities or classes of entities with particular circumstances where designation as a PIE does not seem appropriate. We believe it is important to avoid imposing an undue burden on relatively small entities or entities with a small number of stakeholders. The inclusion of paragraph 290.26.1 provides for some judgement and we support this approach. However the inclusion of all APRA entities in paragraph 290.25.1 we consider to be far reaching.</p>
10		GT	<p>Grant Thornton Australia Limited (Grant Thornton) appreciates the opportunity to comment on the Accounting Professional and Ethical Standards Board's (APESB) ED 03/11.</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> <p>Grant Thornton is not opposed to the proposed amendments as we view the amendments as non-mandatory guidance that some may find useful when determining what particular organisations are public interest entities.</p> <p>However our preference is for the International Ethics Standards Board for Accountants (IESBA) which has issued the Code of Ethics for Professional Standards) which is the global standard on which APES 110 is based, to consider the need for guidance rather than for the APESB to issue Australian guidance which has not been considered as being necessary by the IESBA.</p>
11		ASIC	<p>Thank you for the opportunity to comment on the exposure draft 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> <p>We welcome the proposal to amend the current definition of Public Interest Entities, which will provide greater clarity. We are largely in agreement with these proposed amendments but suggest a couple of refinements:</p>
12		APRA	<i>*Confidential Submission*</i>

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