

28th June 2011

Proposed definition of Public Interest Entity for auditors in new code of ethics

The Accounting Professional and Ethical Standards Board (APESB) today released a consultation paper seeking public comment on its proposed definition of a Public Interest Entity which will be included in the revised *APES 110: Code of Ethics for Professional Accountants* (the Code).

In the revised Code, stricter auditor independence requirements relating to auditor partner rotation will apply to organisations defined as “Public Interest Entities”. While the previous Code imposed similar requirements on listed entities, the revised Code has broadened the scope from listed entities to Public Interest Entities.

The revised Code defines Public Interest Entities as entities who must conduct audits in compliance with the same auditor independence requirements as listed companies, in accordance with regulation or legislation.

The revised consultation paper also proposes that accounting firms and the professional member bodies will be required to consider whether larger and more complex organisations should be treated as a Public Interest Entity in their specific circumstances. This may include banks, insurance companies, public issuers of debt and equity instruments and pension funds.

APESB Chair Kate Spargo said: “Other jurisdictions, such as the European Union, are using a broader definition of Public Interest Entity to ensure all sizeable organizations with a significant public interest element are subject to stricter auditor independence requirements, such as mandatory partner rotation.

“The Board deferred introduction of the Public Interest Entity definition in the revised Code to consider and seek stakeholder feedback on this important issue. We now aim to have the code operating – with the new Public Interest Entity definition - from 1 January 2012,” said Ms Spargo.

Comments are invited on the consultation paper by 28 July 2011. Details of how to provide feedback are available on the APESB website www.apesb.org.au

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Notes to Editors: The APESB is an independent body that sets the code of ethics and professional standards by which members of Australia’s three professional accounting bodies are required to abide.