

## AGENDA PAPER

**Item Number:** 11  
**Date of Meeting:** 4 June 2026  
**Subject:** Project update – APESB Audit Partner and Sustainability Assurance Leader Rotation Guidance

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Action Required     For Discussion     For Noting     For Information

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### Purpose

To seek the Board's approval, subject to the Board's feedback, to issue the revised APESB *Audit Partner and Sustainability Assurance Leader Rotation Requirements in Australia – Technical Staff Questions and Answers* guidance document.

### Background

In December 2017, APESB issued [Audit Partner Rotation Requirements in Australia Technical Staff Questions & Answers](#) to provide a practical guide to assist Audit Partners and Firms in implementing the revised Audit Partner rotation requirements in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110). The guidance document outlined how the requirements in APES 110 interact with the audit partner rotation requirements in the *Corporations Act 2001*. It also provides Q&As and flowcharts for applying the new requirements. During the development of the second edition, the large firms collaborated with the APESB, which helped shape the document's format, particularly the appendices and flowcharts.

In November 2019, the [second edition](#) of the Audit Partner Rotation Guidance was released, which included additional questions on the impact of the cessation of the transition period (which impacts listed and APRA-regulated entities), the overlay of requirements when providing multiple assurance engagements, and to clarify the requirements when the audits of financial statements are for periods other than 12 months.

In July 2025, APESB issued the [Amending Standard for Sustainability Assurance and Reporting and the Use of External Experts](#) (the Sustainability Amending Standard), which is effective from 1 January 2026. The Amending Standard made substantial changes to APES 110, including the addition of a new Section 5540 *Long Association of Personnel (including Leader Rotation) with a Sustainability Assurance Client* (Section 5540) and revisions to Section 540 *Long Association of Personnel (including Partner Rotation) with an Audit Client* (Section 540).

In September 2025, the Board approved a project for APESB Technical Staff to review specific APESB guidance documents, including the Audit Partner Rotation Guidance.

At the December 2025 Board Meeting, Technical Staff updated the Board on matters noted during an initial review of the Audit Partner Rotation guidance document. It was noted that substantive revisions were required to align the content with Sections 540 and 5540 of the updated APES 110, to provide sustainability assurance-specific examples, and to address new legislative requirements in the *Corporations Act 2001* relating to rotation requirements for assurance engagements on sustainability information.

At the March 2026 Board meeting, the Board reviewed and provided feedback on a revised Audit Partner Rotation guidance document.

## **Matters for Consideration**

Technical Staff have developed an updated draft of the Audit Partner and Sustainability Assurance Leader Rotation Requirements in Australia – Technical Staff Questions and Answers document, presented in a marked-up version from the March 2026 Board meeting and a marked-up version from the second edition at Agenda Items 11 (c) and 11 (d), respectively.

The revisions in the updated draft reflect both the Board's feedback from the March 2026 meeting and feedback from targeted stakeholder consultations conducted by Technical Staff between April and May 2026.

### Stakeholder consultation

Feedback on the draft document was received from professional bodies, large firms, regulators, members of the Sustainability Taskforce and a standard-setter. Stakeholders were generally supportive of the revised guidance document. ASIC and APRA staff provided feedback with no specific comments raised on the Q&As.

A summary of the stakeholder feedback and Technical Staff responses is compiled in general and specific comments tables for the Board's consideration at Agenda Items 11 (a) and (b) respectively. Feedback and proposed responses have been classified as either Interpretation (substantive matters relating to how the Code applies) or Editorial (drafting, wording or presentation matters). As the feedback was not obtained through a formal public consultation process and stakeholders were not advised that the comments would be released publicly, the detailed feedback will not be publicly available.

The key matters raised in the stakeholder feedback, and how Technical Staff have responded, are summarised below:

- **Scope of Sustainability Assurance Engagement (SAE) references** – Stakeholders requested clarification that references to SAEs in the guidance document relate to engagements within the scope of Part 5 of APES 110. Technical Staff have added an overarching statement at the front of the document confirming the Part 5 scope. No change is proposed to distinguish between mandatory and voluntary SAEs, as APES 110 does not make this distinction.
- **References to APRA-regulated entities** – Stakeholders questioned whether retaining references to APRA-regulated entities is necessary following the inclusion of Registrable Superannuation Entities under Chapter 2M of the *Corporations Act 2001*. Technical Staff propose no change in response to this feedback, as the term 'APRA-regulated entity' continues to apply to ADIs, insurers and other prudentially regulated entities and aligns

with AUST R400.23.1 of the Code. APRA Prudential Standard CPS 510 also continues to include independence requirements for audits of APRA-regulated entities.

APRA staff have confirmed that APRA does not directly regulate auditors/sustainability assurance engagements, but that it follows the legislative and regulatory framework administered by ASIC, including the *Corporations Act 2001* requirements relating to auditor independence and partner rotation.

- **Reference to the ASIC Report 817** – Stakeholders provided mixed views on whether this guidance document should refer to [Report 817, Building trust: Auditor compliance with independence and conflict of interest obligations](#) released by ASIC in October 2025. Some stakeholders questioned whether the report was specifically relevant to Q2 and whether Members would mistake it for a mandatory requirement. In contrast, one stakeholder asked whether it would be more effective to identify the most relevant aspects of the ASIC report and, where appropriate, reference them in the publication.

Technical Staff are of the view that it is in the public interest to reference ASIC's report and the monitoring and enforcement findings regarding audit partner rotation, given that the key requirements on partner rotation have not changed in two decades, while there appear to be identified weaknesses in adherence to them. Also, ASIC has now indicated that, given the findings in Report 817, this will be an ongoing regulatory focus area for them. Accordingly, the Technical Staff propose to move the commentary on ASIC Report 817 to the Introductory section.

- **Question 21** – Stakeholders were of the view that Q21 did not clearly address how time spent as audit team leader on a NGER audit interacts with the time permitted for an SAE of a PIE client, that the interaction between the NGER cooling-off period (2 years) and the longer Part 5 cooling-off period (5 years) was unclear, and that further context on the scope of a Part 6 NGER audit would assist users.

Technical Staff have added a paragraph to the answer to Q21 to refer to the Corporations Act and the Part 5 transition requirements. A footnote was also added to explain that a Part 6 audit under NGER is a formal greenhouse and energy compliance audit. APESB Staff are not proposing to include additional worked examples covering every combination of NGER and SAE roles.

- **Questions 31 and 34** – Stakeholders considered that the statement that “the familiarity threat would not be different” was overly definitive, given that familiarity threats are influenced not only by the number of years involved but also by the extent and intensity of engagement over time. Technical Staff have updated the language in Q31 and Q34 to state that “the familiarity threat may be less likely to differ”.
- **Specialist consultation on NGERs matters** – Stakeholders encouraged APESB Technical Staff to seek feedback from the Clean Energy Regulator on the Q&As that relate to National Greenhouse and Energy Reporting (NGER) regulations. Technical Staff are still in the process of engaging and have reached out to the Clean Energy Regulator for their views. A verbal update on this consultation will be provided at the Board Meeting.

It should be noted that Technical Staff have also consulted with audit partners with NGERs industry expertise, specifically to gather industry insight on the proposed Q&As, which refer to NGER requirements and audits.

Several editorial matters were also raised in feedback. Technical Staff have responded to these in the revised guidance document.

Details of the feedback received, and the corresponding Technical Staff responses, are set out in Agenda Items 11(a) and 11(b) for Board consideration only, as stakeholders were not advised that this is a public consultation.

Technical Staff are seeking the Board's feedback on the stakeholder comments received and the proposed revisions that are included in the draft revised Audit Partner Rotation guidance document.

### **Staff Recommendation**

That the Board, subject to the Board's feedback, approve the issue of the revised APESB Audit Partner Rotation Guidance.

### **Material Presented**

- Agenda Item 11 (a) General Comments Table – FOR BOARD DISTRIBUTION ONLY
- Agenda Item 11 (a) Specific Comments Table – FOR BOARD DISTRIBUTION ONLY
- Agenda Item 11 (c) Draft revised APESB Rotation Guidance (Marked-up – March BM to current)
- Agenda Item 11 (d) Draft revised APESB Rotation Guidance (Marked-up – all changes)

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