

AGENDA PAPER

Item Number: 12
Date of Meeting: 16 August 2019
Subject: Proposed revision of Long Association Q&A Document

Action Required For Discussion For Noting For Information

Purpose

To obtain the Board's feedback and comments on the draft revised Technical Staff Q&A publication on audit partner rotation.

Background

At its August 2017 meeting, the Board approved the development of a Long Association Q&A publication based on the IESBA publication.

In November 2017, the Board approved for issue a Close-off document of the revised Long Association provisions for APES 110 *Code of Ethics for Professional Accountants* (the extant Code) and a Technical Staff Q&A document.

The restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the restructured Code) was issued in November 2018 and will become effective from 1 January 2020. The restructured Code included amendments to the Long Association provisions which were editorial in nature (revised numbering) rather than substantive revisions to the requirements.

In May 2019, the IESBA released a revised Long Association Q&A publication to update references to the restructured International Code and to include additional Technical Staff Q & As to address matters raised by global stakeholders.

Consideration of issues

Technical Staff have drafted an updated marked-up version of the Technical Staff Q&A publication on audit partner rotation (refer to Agenda item 12(a)) to ensure the publication remains consistent with the IESBA's document and to update references to the restructured Code.

In developing the revised version of the Technical Staff Q&A publication, Technical Staff sought feedback from firms on any changes or situations that should be addressed in the publication. APESB received feedback from firms who advised that they found the current publication very useful – especially in relation to the combination of roles.

The firms suggested that further clarity could be provided:

- in relation to situations where an Engagement Partner is undertaking two different audits for a client which have differing rotation requirements; and
- in extant questions by including commentary on the completion of cooling-off periods under the original or revised provisions.

Technical Staff have incorporated this feedback into the proposed revisions for this publication.

APESB also received feedback that additional questions could address scenarios where the Client has experienced significant management or ownership changes due to mergers, acquisitions or in cases of insolvency entering administration. The restructured Code addresses the effect of mergers and acquisitions on audit clients in paragraphs 400.70 A1 to R400.75, although is it not specifically linked through to the Long Association provisions. As such Technical Staff are not proposing to include a question relating to mergers and acquisitions as it may not necessarily lead to a change in the legal entity. We are also not proposing to include a Q&A on administration as the scenarios can vary greatly and need to be dealt with on a case by case basis.

Technical Staff propose the following amendments to the Technical Staff Q&A publication:

- Replacing references to the Close-off Document to the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* which is effective from 1 January 2020;
- Updating the reference to the IESBA's Staff Questions and Answers publication to the May 2019 version;
- Update the purpose (page 1) and the Introduction (Section A) to reflect that the provisions are now effective and the new numbering system in the restructured Code;
- Update the listing of entities that would generally meet the definition of PIEs to include private health insurers (Section A Introduction);
- Addition of a question to clarify the meaning of years, as included in the IESBA publication (refer to question 2);
- Additional questions on the shorter cooling-off period, including how to deal with the end of the transitional relief (refer to questions 5, 7, 29, 30, 33 and 34);
- Amendments to the questions on dual listed entities to reflect the changed NSX Listing rules which became effective from 1 January 2019 (questions 15 and 16);
- Additional questions on audits of financial statements for periods other than 12 months, as included in the IESBA publication (questions 22 and 23);

- Renamed and restructured Section H - Transition to new provisions to Section H - Determination of Cooling-off period, with subsections referring to different types of PIEs and the different year ends, including the relocation of a question on additional restrictions during the cooling-off period to Section G – Other specific circumstances (Sections G and H); and
- Other editorial amendments.

Technical Staff are seeking the Board's feedback on the proposed revisions to the revised Long Association Q&A publication.

Technical Staff then propose to circulate the draft document to all stakeholders for their feedback and comments, before being presented for the Board to approve for release at the November 2019 Board Meeting.

Staff Recommendation

For the Board to provide feedback and comments on the revised Technical Staff Long Association Q&A publication.

Materials Presented

Agenda Item 12 (a) Revised draft Long Association Q&A publication

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Date: 7 August 2019