



Australian Government

Australian
Charities and
Not-for-profits
Commission

19 January 2023

Submitted via email to [REDACTED]

ACNC submission – Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the Accounting Professional & Ethical Standards Board's (**APESB**) invitation to comment on the Exposure Draft on proposed revisions to the definitions of listed entity and public interest entity (**PIE**) in APES 110 Code of Ethics for Professional Accountants (including Independence Standards), in particular the 'Request for Specific Comments':

'APESB is seeking respondents' specific comments and feedback as to whether there are categories of entities not captured by the extant AUST application material that should be included in proposed paragraph AUST 400.18 A3 as these entities are generally considered to be a Public Interest Entity in Australia.'

About the ACNC and the charity sector

The ACNC is the national regulator of charities with the following statutory objects – to:

1. maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector;
2. support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector; and
3. promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector.

The ACNC regulates nearly 60,000 charities (at 4 January 2023) in Australia which are a subset of the not-for-profit sector (charities must be not-for-profits, but most not-for-profits are not charities).

The ACNC is careful to balance each of our legislative objects above and has considered them in responding to the proposed revisions to APES 110.





Our comments are focused on the impact of the proposed amendments on charities.

While the ACNC acknowledges stakeholder expectations regarding the independence of an audit firm in conducting an audit engagement for large size charities, especially those with public interest in their financial condition, reputation, and social impacts, the ACNC is not in a position to explicitly suggest any charities or certain categories to be included in the proposed paragraph AUST 400.18 A3.

Due to the absence of any specific provisions within the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) or *Australian Charities and Not-for-profits Commission Regulation 2013* (Cth) in relation to furthering auditor independence requirements, charities are not captured into the PIE definition by R400.17 (d) unless also overseen by another regulating body that does have a related law or standard. In general, it will remain with the audit firms to make their own assessment to consider a wide range of factors to determine if a charity audit client is to be treated as a PIE.

The ACNC supports the approach outlined in the fifth edition of the *Independence Guide*¹ in May 2020 by APESB and other professional accounting bodies.

The articulation of additional factors in the revised standard undoubtedly adds to the burden borne by an audit firm in assessing whether an entity is a PIE, noting that in the current standard the factors are not limited to those stated in that standard. Each auditing firm will need to make their own assessment. The auditing profession is entrusted to apply their professional judgement in assessing the relevant factors under the revised standard to determine if any charity audit client should be a PIE.

The ACNC does note that any additional assurance requirements for consideration by audit firms could add to the regulatory burden imposed on the sector. The sector would benefit from APESB issuing a similar Independence Guide to the 2020 guide noted above.

To date, the ACNC has not identified any specific categories of charity that would be explicitly captured by AUST 400.18 A3. However, it is possible that over time such categories of charities may be identified.

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¹ [27052020043807_APESB_Independence_Guide_May_2020.pdf](#)