2.4.2 Rotation of staff on audit and assurance engagements

Introduction

This policy provides guidance on rotating staff on engagements. It aims to balance auditee service, continuity of staff on engagements, staff development and quality control while adhering to professional independence requirements within APES 110 'Code of Ethics for professional Accountants (including Independence Standards)' (APES 110).

APES 110 requires firms that conduct audit and assurance engagements to establish policies and procedures to ensure independence threats are addressed through appropriate 'time on' and 'cooling off' periods. The Audit Office (the Office) has determined the appropriate 'time on' and 'cooling off' periods to ensure:

- relationships between the Office and the auditee are maintained on a professional basis
- audit team members do not become overly familiar with auditee staff
- audit team members maintain objectivity when assessing auditee processes and procedures.

This policy only applies to the financial audit branch and not the performance audit branch as performance audits do not recur annually so there is no familiarity threat that needs to be addressed.

Policies and guidance

1. **Engagement Controllers (EC)[1], Engagement Quality Reviewers (EQR), and any other Key Audit Partners (KAP)[2] should be limited to a maximum of five cumulative years[3] on a particular engagement.**
2. **ECs, EQRs, and any other KAPs should be subject to the following cooling-off periods after rotation:**

Types of entities	EC	EQR	Any other KAP	Combination of EC/EQR/KAP roles
Non-Public Interest Entities*	2	2	2	2
Public Interest Entities**	5	3	2	**

* PIE-like entities[4] are treated as non-PIEs for the purpose of rotation requirements.

** Consult with the Quality and Technical team where the EC/EQR/KAP has performed a combination of EC and EQR or KAP roles for a PIE after a period of five years.

[1] For the purpose of this policy, EC includes Audit Leader Signing Officers.
[2] KAP is defined as 'the Engagement Partner, the individual responsible for the Engagement Quality Review, and other audit partners, if any, on the Engagement Team who make key decisions or judgements on significant matters with respect to the audit of the Financial Statements on which the Firm will express an Opinion. Depending upon the circumstances and the role of the individuals on the audit, 'other audit partners' might include, for example, audit partners responsible for significant subsidiaries or divisions.' For the purpose of this policy, this extends to:
- Partner or Engagement Quality Review Partner
- Engagement Executives appointed in accordance with policy 2.2.11 'Engagement Executives'.

[3] Subject to the exemptions in point six of this policy, the role or combination of roles cannot exceed five years.
[4] PIE-like entities are entities that do not fit the technical definition of a PIE but has been determined by the audit team to be treated in a manner consistent with a PIE based on the nature of the business, size and number of employees.

Policies and guidance for Non-Public Interest Entities

3. After rotation, there must be a minimum of a two-year cooling off period before an EC/EQR/KAP can be engaged in the same or a different role for the same engagement.

4. Rotation in this manner ensures senior engagement staff meet the requirements of the professional standards and helps the Office comply with the Conflict of Interest and Professional Independence Policy.

5. Rotation of all other staff on engagements is desirable as it increases the range of auditees an auditor is exposed to and broadens their experience and skills. However, should they remain for longer than five years on an audit, the Office does not consider this would present a threat to independence as they are not deployed in audit critical roles.

Exemption to policy

6. Exemptions from this policy are only approved, in exceptional circumstances and with appropriate safeguards in place, by the Deputy Auditor-General (DA-G) for ECs/EQRs/KAPs who seek to extend their term above five years.

7. In all instances, the DA-G must have regard to the independence requirements of the *Corporations Act 2001*, the Australian Prudential Regulatory Authority, and to any applicable professional standard or code of professional conduct. Exemptions will only be granted where the DA-G is satisfied safeguards will reduce any threats to independence to an acceptable level.

Effective date

Issued July 2023 and effective July 2023.