



**IESBA Exposure Draft:  
Limited Re-exposure of Proposed Changes  
to the Code Addressing the Long Association  
of Personnel with an Audit Client**

9 May 2016

CA House 21 Haymarket Yards Edinburgh EH12 5BH  
enquiries@icas.com +44 (0)131 347 0100 icas.com

Direct: +44 (0)131 347 0234 Email: jbarbour@icas.com

## INTRODUCTION

The ICAS Charter requires its Boards to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

ICAS welcomes the opportunity to comment on the IESBA Exposure Draft: '*Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client*'. The ICAS Ethics Board has considered the Exposure Draft and I am pleased to forward their comments.

Any enquiries should be addressed to James Barbour, Director, Technical Policy.

### Key Points

From a UK perspective we are generally content with IESBA's proposals other than as noted below.

We would highlight that, whilst not opposing the proposals in relation to the Engagement Quality Control Reviewer (EQCR), we believe that the role and related implications thereof of the EQCR would be better considered in a holistic manner within the remit of the revision of the International Standard on Quality Control 1 (ISQC 1) at least before IESBA makes a final pronouncement in this regard.

We also question whether the benefit of a reduced "cooling-off" period for EQCRs in respect of the audits of non-listed PIEs outweighs the increased associated complexity.

### Responses to the Specific Questions

*Cooling-Off Period for the EQCR on the Audit of a PIE*

**1. Do respondents agree that the IESBA's proposal in paragraphs 290.150A and 290.150B regarding the cooling-off period for the EQCR for audits of PIEs (i.e., five years with respect to listed entities and three years with respect to PIEs other than listed entities) reflects an appropriate balance in the public interest between:**

- (a) Addressing the need for a robust safeguard to ensure a "fresh look" given the important role of the EQCR on the audit engagement and the EQCR's familiarity with the audit issues; and**
- (b) Having regard to the practical consequences of implementation given the large numbers of small entities defined as PIEs around the world and the generally more limited availability of individuals able to serve in an EQCR role?**

**If not, what alternative proposal might better address the need for this balance?**

We were content with the IESBA's previous proposal in this regard i.e. the cooling-off period remaining at two years for the Engagement Quality Control Reviewer (EQCR). We would highlight that whilst not opposing the proposals in relation to the EQCR we believe that the role and related implications thereof of the EQCR would be better considered in a holistic manner within the remit of the revision of the International Standard on Quality Control 1 (ISQC 1) at least before IESBA makes a final pronouncement in this regard. Additionally, we question whether the benefit of a reduced "cooling-off" period for non-listed PIEs outweighs the increased associated complexity. In this regard we have concerns that the Code is becoming increasingly rules-based.

**2. Do respondents support the proposal to allow for a reduction in the cooling-off period for EPs and EQCRs on audits of PIEs to three years under the conditions specified in paragraph 290.150D?**

Although this may be viewed as increasing complexity we are supportive of this proposal given the introduction of the recent EU audit legislation.

**3. If so, do Respondents agree with the conditions specified in subparagraphs 290.150D(a) and (b)? If not, why not, and what other conditions, if any, should be specified?**

We agree with the conditions specified in these subparagraphs.

**4. Do respondents agree with the proposed principle "for either (a) four or more years or (b) at least two out of the last three years" to be used in determining whether the longer cooling-off period applies when a partner has served in a combination of roles, including that of EP or EQCR, during the seven-year time-on period (paragraphs 290.150A and 290.150B)?**

Whilst we understand what the IESBA is trying to achieve in this regard we believe this proposal will introduce unnecessary complexity. Additionally, if one looks at the final examples on page 23 of the exposure draft, it is questionable, given the circumstances in each that the cooling off period on the latter should be shorter than the former, given the respective roles held in each.

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Cooling-off Period	NOTE
KAP	KAP	KAP	EQCR	EQCR	EQCR	EQCR	5 consecutive years	(2)
EP	KAP	KAP	EP	EP	KAP	KAP	2 consecutive years	(3)