

**Homefield
Walpole Avenue
Chipstead
Surrey
CR5 3PN
01737557453**

11 November 2014

Dear Sirs,

Proposed changes to the IESBA Code on Long association

I would like to commend the IESBA on its thoughtful analysis of the issues around partner rotation and for the wise conclusions it has reached. In substance I support the proposed changes to the Code.

I attach as an appendix my responses to the questions in the Consultation Paper. My main point is that I think there is a need for a clearer distinction of the time periods for the engagement partner, the EQCR and other KAPs. Technically this is achieved through the definition but it is very hard for the lay person to follow this and perhaps audit firms!

Personally I would also like to see:

- A documentation requirement relating to the evaluation of potential threats created by the long association of all individuals on the audit team , and
- A shorter period of tenure than 7 years for the EQCR.

I hope these comments are helpful and wish the Board well in its completion of this project.

Yours faithfully

JEC Grant
Audit quality consultant

Appendix

Response to CP questions

General Provisions

1. **Do the proposed enhancements to the general provisions in paragraph 290.148 provide more useful guidance for identifying and evaluating familiarity and self-interest threats created by long association? Are there any other safeguards that should be considered?**

Response: The new material is helpful. I do not however support the reference in 290.148A to the self-interest threat in losing a longstanding client. While this is a genuine concern I am not sure it is linked directly to long association indeed I would have thought that this particular threat was greatest for newer engagement partners. The thought about the self-interest threat in losing a longstanding client is useful but would, perhaps, fit better elsewhere within the Code.

2. **Should the General Provisions apply to the evaluation of potential threats created by the long association of all individuals on the audit team (not just senior personnel)?**

Response: Yes the role of managers and below can be very important. There should be a requirement to evaluate the threat and there should be a documentation requirement related to this.

3. **If a firm decides that rotation of an individual is a necessary safeguard, do respondents agree that the firm should be required to determine an appropriate time-out period?**

Response: Yes but there is a danger that a firm will decide on a minimal and ineffective period. The Code would be stronger if it established a minimum period.

Rotation of KAPs on PIEs

4. **Do respondents agree with the time-on period remaining at seven years for KAPs on the audit of PIEs?**

Response: Yes. I think this strikes the appropriate balance between independence and the requisite knowledge for audit quality.

5. **Do respondents agree with the proposal to extend the cooling-off period to five years for the engagement partner on the audit of PIEs? If not, why not, and what alternatives, if any, could be considered?**

Response: Yes. 5 years is a more appropriate cooling-off period than 2.

6. **If the cooling-off period is extended to five years for the engagement partner, do respondents agree that the requirement should apply to the audits of all PIEs?**

Response: Yes.

7. **Do respondents agree with the cooling-off period remaining at two years for the EQCR and other KAPs on the audit of PIEs? If not, do respondents consider that the longer cooling-off period (or a different cooling-off period) should also apply to the EQCR and/or other KAPs?**

Response: Yes. However, this is not as clear as it might be. The problem is the complexity of the definition of the KAP. It would be clearer if the rotation period for EQCRs was more clearly established in the Code. This needs clarification given the critical role of the EQCR and the need for fresh thinking. I would even support a shorter period of tenure for the EQCR.

- 8. Do respondents agree with the proposal that the engagement partner be required to cool-off for five years if he or she has served any time as the engagement partner during the seven year period as a KAP?**

Response: Yes but again I think this could be made clearer for the lay reader. As mentioned above, I think the problem is that the engagement partner is a sub-set of the KAP definition and the background material does not mention the difference in roles, or for that matter mention the EQCR. It might be helpful if there was a new paragraph explaining these different roles.

- 9. Are the new provisions contained in 290.150C and 290.150D helpful for reminding the firm that the principles in the General Provisions must always be applied, in addition to the specific requirements for KAPs on the audits of PIEs?**

Response: Yes.

- 10. After two years of the five-year cooling-off period has elapsed, should an engagement partner be permitted to undertake a limited consultation role with the audit team and audit client?**

Response: No. This would be a slippery slope and likely to lead to excessive influence being established.

- 11. Do respondents agree with the additional restrictions placed on activities that can be performed by a KAP during the cooling-off period? If not, what interaction between the former KAP and the audit team or audit client should be permitted and why?**

Response: Yes.

- 12. Do respondents agree that the firm should not apply the provisions in paragraphs 290.151 and 290.152 without the concurrence of TCWG?**

Response: Yes.

Section 291

- 13. Do respondents agree with the corresponding changes to Section 291? In particular, do respondents agree that given the differences between audit and other assurance engagements, the provisions should be limited to assurance engagements “of a recurring nature”?**

Response: Yes.