11 November 2014

Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York 10017

Re: IESBA Exposure Draft – Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client

Dear Mr Siong

Introduction

We[1] appreciate and thank you for the opportunity to comment on the IESBA's Exposure Draft "Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client"

Summary of Comments

William Buck remains sturdily supportive of the principles – based framework approach adopted in the Code of Ethics ("the Code"). Our concern of late is that the IESBA Board's ("the Board") proposed changes to the Code displays a clear move towards a more rules – based approach. It is our view that this is counterproductive in the overall management of independence matters.

In line with the principles – based approach we are supportive of the Board's proposals to (a) strengthen the general provisions that apply to all audit and assurance engagements, and (b) restrict the type of activities that can be undertaken with respect of an audit client and audit engagements by a former key audit partner during the cooling - off period.

We do not however support the Board's proposals in relation to the rotation of Key Audit Partners ("KAP's") on PIE's. We remain unconvinced of the need for this proposed rules - based approach. There does not seem to be empirical evidence to create a business case for the proposed changes, at best it is our view that perception seems to be forcing an agenda here that again in our view is unwarranted

[1] This response is being sent on behalf of the William Buck network of firms. References to "William Buck", "we" and "our" refers to the Network of firms in Australia and New Zealand, each of which is a separate legal entity.

CHARTERED ACCOUNTANTS & ADVISORS
Melbourne Office
Level 20, 181 William Street
Melbourne VIC 3000

Hawthorn Office
Level 1, 465 Auburn Road
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555
williambuck.com

In summary, we recommend that the Board reassess and not proceed with its proposals in relation to the rotation of Key Audit Partners ("KAP's") on PIE's.

Our more detailed comments on the specific questions the Board has raised are set out in Appendix 1.

We hope you find our comments useful, should you require any additional information, please do not hesitate to contact me at liz.giust@willimbuck.com

Yours sincerely

Liz Giust
National Risk Management Director

Appendix 1

Detailed Comments

Question 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?

Question 1 Response:
We believe that the enhancements made to the general provisions in paragraph 290.148 do provide useful additional guidance. It is our belief that in many respects the additional guidance puts formally into words the current actions of our firm in assessing familiarity and self-interest threats. The Australian Corporations Act 2001 and CLERP 9 take a number of the additional guidance points as mandatory assessments in determining independence at the engagement level already. We believe the safeguards noted are sufficient in support of the additional guidance.

Question 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)?

Question 2 Response:

We believe that it is only the senior members of the engagement team that the general provisions should apply to. It is held that more junior staff are not involved in the key decisions during the audit process. The other key factors here are that the more junior staff members are the ones in practice likely to be fluid to the engagement and on large engagements are likely to only focus on one aspect of the engagement in any year.

Question 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?

Question 3 Response:

We believe that it is entirely appropriate for firms themselves to determine an appropriate time-out period for personnel who when applying the guidance and the safeguards need to be rotated. Obviously our views in relation to partners on PIE engagements will be more firmly expressed in our responses to later questions. It should be noted that in our experience , being a mid tier firm, that given the types of client engagements and staffing structures, that the time-out periods would vary even within firms tailored to client circumstances. In summary this would result in more than a one size fits all policy outcome.

Question 4:

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

Question 4 Response:

Given the law in Australia is that the time - on period is only 5 years we have no objections to the Boards proposal. We would add however that the shorter time – on period really balances well with the current 2 year time – off period in terms of familiarity.

Question 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?

Question 5 Response:

We believe that the proposed changes would cause unnecessary disruption to stakeholders, member bodies and to firms with little supportable benefit to stakeholders. We firmly believe that by increasing the Cooling off period to five years will decrease competition in the audit market, which to us seems counter intuitive to the EU's Green paper on firm competition.

Smaller firms will not have the partner numbers to support five year cooling off periods and such a requirement will create a disproportionate focus on winning additional client work for when they will have to give clients up for tender. The greatest concern here is the potential for a reduction in audit quality.

We are unconvinced that empirical data exists to suggest that partners are not independent after the current two year cooling off period

The only alternative we see is viable for all parties is to limit the proposed five year cooling off period to top 100/200 Listed Companies in each jurisdiction.

Question 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?

Question 6 Response:

Refer to our response to Question 5.

Question 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?

Question 7 Response:

The time an EQCR should be rotated needs to match that of the engagement partner. There is no evidence in our view that supports a change from this. From a Firm's perspective to have different periods of service would create a huge administrative burden.

Question 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?

Question 8 Response:

This proposed change does not reflect how professionals work in 2014. There are so many instances where there maybe a hiatus which occurs when servicing clients as the engagement partner, such as maternity/paternity leave, sabbatical leave, extended sick leave due to severe illness to name a few. We do not see the purpose of the proposed change.

Question 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?

Question 9 Response:

We believe that the new provisions contained in 290.150C and 290.150D do provide useful additional guidance. It is our belief that in many respects the additional guidance puts formally into words the current actions of our firms in assessing familiarity and self-interest threats.

Question 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?

Question 10 Response:

We fail to understand the rationale behind this question. Either you instil a two year cooling off period requirement or a five year cooling off period. This question suggests to us that the Board believes that two years is sufficient.

Question 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?

Question 11 Response:

Our view is that the cooling off period is just that. There should be no interaction between the former KAP, the audit team or the client. This is what currently occurs in our firm and we believe this preserves the partner's independence while cooling off.

Question 12:

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

Question 12 Response:

In Australia we currently have both these provisions under the Corporations Act 2001, so the requirements have force of law. We have no additional comments to make.

Question 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"?

Question 13 Response:

We don't have any issues with the proposed changes to Section 291; we do believe that the provisions should be limited to assurance engagements of a recurring nature.