

Meeting: IESBA CAG
Meeting Location: Teleconference
Meeting Date: December 19, 2019

Agenda Item

A

Objectivity of Engagement Quality Reviewer

Objective of Agenda Item

1. In relation to coordination with the IAASB's ISQM 2¹ project, to obtain Representatives' perspectives on the proposed changes to Section 120² of the Code to address the issue of objectivity when an individual is appointed to the role of an engagement quality reviewer (EQR) immediately after having served as a member of the audit engagement team.

Background and Status

2. The IAASB issued the exposure draft (ED) [Proposed International Standard on Quality Management \(ISQM\) 2, Engagement Quality Reviews](#) in February 2019. The Explanatory Memorandum (EM) accompanying the ED of proposed ISQM 2 included a specific request to respondents for input on whether there is a need for guidance in the proposed ISQM 2 to address the matter of cooling off as an eligibility requirement for the EQR. This would be in circumstances where the individual served as the engagement partner on the audit engagement immediately prior to being appointed to the EQR role. Respondents were also asked whether such guidance should be located in proposed ISQM 2 or the Code.
3. At the September 2019 IESBA meeting, the IESBA liaison member to the IAASB presented a high-level overview of respondents' feedback on ED-ISQM 2.
4. On the matter of requiring a "cooling-off" period for individuals moving into the role of EQR, the IESBA was briefed on the options presented by the ISQM 2 Task Force and the strong support for a mandatory cooling-off requirement expressed by the respondents to the ED.
5. The IESBA agreed that the matter of EQR objectivity should be addressed in the Code. Some views were expressed that any discussion about a cooling-off period should be in the Code, although there were other views that there should be a proper articulation of the threats that are created and how they might be evaluated and addressed, consistent with the Code's conceptual framework.
6. The Board agreed to take up the issue in the Code as a matter of priority to try to align as much as possible with the IAASB's timeline for approval of ISQM 2 in June 2020. Accordingly, the Board asked the IESBA coordination representatives to present the proposed changes to the Code (and the related project proposal) at the December 2019 IESBA meeting for consideration with a view to approval for exposure.

¹ Proposed International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*

² Section 120, *The Conceptual Framework*

Timeline

7. At its December 2019 meeting, the IESBA approved the project proposal. The IESBA also approved, subject to the CAG's comments, the proposed changes to Section 120.

Format of the Session

8. During the teleconference, the IESBA Liaison member to the IAASB, Ms. Sylvie Soulier, will outline the significant matters that were raised with the IAASB representatives on the proposed ISQM 2. **Agenda Item A-1** summarizes the key issue relating to the objectivity of the EQR and sets out the proposed changes to Section 120 of the Code, as approved by the IESBA, subject to the CAG's comments. **Agenda Item A-2** is the approved project proposal.

Matters for CAG Consideration

9. Representatives are asked to consider the issue of objectivity of the EQR and the proposals presented in **Agenda Item A-1**, including the proposed changes to the Code, and provide input to the IESBA.

Material Presented

Agenda Item A-1	Objectivity of Engagement Quality Reviewer – Issue and Proposals
Agenda Item A-2	Objectivity of Engagement Quality Reviewer – Project Proposal