

**Long Association of Personnel with an Audit Client—
Issues and Current Board Position****How the Project Serves the Public Interest**

The project serves the public interest as long association of personnel on an audit engagement with an audit client can impact objectivity and professional skepticism, which in turn are important contributors to audit quality. The independent auditor constitutes the principal external check on the integrity of financial statements. Hence, the length of the auditor's relationship with the audit client becomes a very visible factor when evaluating the auditor's independence of mind and in appearance. It is acknowledged that a perception issue exists with respect to long association, particularly as the length of time an individual may serve an audit client that is a public interest entity (PIE) in a key audit partner (KAP) role, may be 14 out of a total of 16 consecutive years. It is therefore important, and in the public interest, for the Board to consider whether the provisions remain appropriate for addressing the threats arising from long association.

The issues involved are complex and interwoven. The factors that give rise to threats to independence may also be factors that contribute to audit quality. These could include knowledge of the audit client and knowledge of the audit client's operations and continuity of personnel. In addition, while some stakeholders call for mandatory requirements to be strengthened, it is also recognized that arbitrary requirements can create unintended hardship on companies when rotations are forced to occur at times of change or transition.

The Board recognizes the debates and developments that are taking place in certain jurisdictions regarding mandatory firm rotation, and understands that jurisdictions may decide, depending on local circumstances, to introduce such requirements into law or regulation. The Board recognizes that this can be viewed as an additional safeguard to primarily address issues relating to a firm's long term relationship with an audit client. Such considerations are not part of this project which addresses the threats in relation to individuals involved in the audit engagement, however the existence of firm rotation in a jurisdiction has been recognized in the proposals to the extent it may, in conjunction with partner rotation, assist in diminishing perceived threats independence.

I. Summary of the Board's Current Position

1. The Task Force (TF) has prepared tables summarizing the key issues and current position of the Board to assist the CAG in considering the large amount of information and various topics.
2. If CAG Representatives wish to read more about the details about the responses to the ED and the discussions of the Board, the issues papers from the prior three Board meetings can be found in the following links: [January 2015](#), [April 2015](#) and [June-July 2015](#).
3. Provisions have been drafted to reflect the Board's current position at Agenda Items B-3 (mark-up version) and B-4 (clean version). However, the Board has not seen nor debated the draft changes presented there.

Summary of Board's Current Position – Proposals Discussed with the IESBA CAG in March 2015

Exposure draft (ED) Proposals	Respondents' Views in Response to ED proposals¹	Current Board position
Length of time-on for all KAPs: seven years	Most respondents supported the time-on period remaining at seven years for all KAPs.	The Board continues to support that the time-on period for all KAPs on all PIE audits remain at seven years.
Length of cooling-off for the EP: five years	The majority of respondents did not support extending the cooling-off period for the EP to five years.	The Board continues to support the increase in the cooling-off period for all EPs on all PIE audits to five years.
Length of cooling-off period for other KAPs including the EQCR: two years.	<p>Most respondents supported the cooling-off period remaining at two years for other KAPs. However, a few respondents, who supported an increase in the cooling-off period for the EP, commented that the EQCR should cool off for a longer period, indicating that the role had more significance and justified a longer cooling-off period.</p> <p>Some regulatory respondents considered that the EQCR should be subject to the same cooling-off period as the EP.</p>	At the June/July 2015 Board meeting, the TF presented the option to increase the cooling-off period for the EQCR from two years to five years only on the audit of a listed PIE. There was a lack of agreement on the proposals. Several Board members continued to hold the view that no distinction should be made between rotation requirements for listed PIEs and non-listed PIEs. Others felt that no distinction should be made between the EP and EQCR. After lengthy debate, the Board agreed in principle on a middle-ground position as a tentative way forward, to increase the cooling-off period for the EQCR to five years with respect to listed PIEs, and also increase the cooling off period for the EQCR to three years for non-listed PIEs. All other KAPs on PIEs that are not the EP or EQCR would cool off for two years. (See section II A below.)
Five-year cooling-off for EP even if served for only one year of the seven-year time-on period.	There was general disagreement with this proposal as being too restrictive and inappropriate.	The Board agreed that an individual who has been a KAP for a seven-year period, but has acted as EP for either four or more years or for at least two out of the last three years, should cool off for five years. This formula has also now been applied to the proposed

¹ For a summary of responses to the ED, see [January 2015](#) and [April 2015](#) IESBA meeting material.

Exposure draft (ED) Proposals	Respondents' Views in Response to ED proposals ¹	Current Board position
		provisions relating to the cooling-off period for the EQCR.
KAP moving directly from one role, e.g. EP, into an EQCR role without a cooling-off period. Not an issue addressed in the ED.	A respondent raised the issue of whether an EP should be able move straight into an EQCR role without any cooling-off. It was considered that the individual performing the EQCR role would be reviewing their own prior work.	The Board tentatively concluded that if a cooling-off period is to be served before an EP could become the EQCR that such a requirement should be included in the paragraphs ² of International Standard on Quality Control (ISQC) 1 that set out the requirements for the independence of the EQCR. The Board is therefore liaising with IAASB. The IAASB's ISQC 1 working group is considering a suggestion based on wording provided by the Long Association Task Force.

Summary of Board's Current Position – Proposals not Discussed with the IESBA CAG in March 2015

New proposal (i.e., not included in ED) Recognizing different jurisdictional legislative or regulatory requirements	Respondents' views in response to E D proposals ³	Current Board position
Allowance for a five-year cooling-off period for an EP or EQCR to be reduced to three years in certain conditions.	Comments from stakeholders and TF research indicated that there are many different approaches because of the different needs of different jurisdictions and the way in which the needs of the jurisdictions have developed over time. The Task Force continues to believe that it would therefore be appropriate	<p>The Board tentatively agreed that a cooling-off period of five years could be reduced to three years if an independent regulator or legislative body, following appropriate due process and based on jurisdictional circumstances has:</p> <ul style="list-style-type: none"> • Determined a time-on period shorter than seven years during which an individual is permitted to

² ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, paragraphs 39 and A39

³ For a summary of responses to the ED, see [January 2015](#) and [April 2015](#) IESBA meeting material.

New proposal (i.e., not included in ED) Recognizing different jurisdictional legislative or regulatory requirements	Respondents' views in response to E D proposals ³	Current Board position
	to consider whether the Code could recognize jurisdictional alternatives, such as jurisdictions which have implemented firm rotation or retendering, and jurisdictions which have a shorter time-on period.	<p>be the engagement partner or the individual responsible for the engagement quality control review, or</p> <ul style="list-style-type: none"> Implemented mandatory firm rotation or mandatory re-tendering of the audit appointment at least every ten years in addition to the rotation of the engagement partner or the individual responsible for the engagement quality control review, and Implemented a regulatory inspection regime. (See also section II B below.)

Table Illustrating Restrictions on Activities that can be Performed by a KAP during the Cooling-Off Period

ED Proposals	Respondents' views	Board Considerations
Allowance for limited consultation on technical issues for the outgoing EP after two years.	On balance, more respondents supported the proposal that limited consultation on technical issues by the EP be permitted during the cooling-off period.	The Board continues to support the proposal in the ED, which is about allowing an expert on a technical matter to be consulted in the interests of audit quality. However, it is proposing two amendments to reflect that if consultation occurs: (a) It should only be with the engagement team and not the audit client; and (b) it should be permitted only if no one else in the firm has the expertise to provide the advice. In response to some concerns expressed by regulatory stakeholders, the wording has been amended to better reflect objectivity and not suggest that the rotated

ED Proposals	Respondents' views	Board Considerations
		partner can become a consultant to the engagement team (See Agenda Item B-3.) ⁴
Additional restrictions or activities that can be performed by a former KAP during the cooling-off period.	There were almost as many respondents in favor of this proposal as there were against it. Those against the proposal were divided between those who considered it was too strict and those who considered it not strict enough).	The Board continues to support the proposals in the ED and is not proposing any adjustments.

Enhancements to the General Provisions (GP)

ED Proposals	Respondents' views	Task Force Considerations
New Provisions 290.150.C and 290.150D.	Most respondents supported the new provisions reminding firms that the principles in the GP must always be applied, in addition to the specific provisions for KAPs on the audit of PIEs. There were comments, however, that a provision ⁵ was repetitive and did not add anything to the GP.	In view of the general support for these proposals, the Board has tentatively concluded that no amendments are needed to the wording of the new provisions and the relevant provision ⁶ has been deleted.
Concurrence of TCWG in the application of the provisions in paragraphs 290.151 and 290.152.	Most respondents supported this proposal that firms should not apply the provisions in 290.151 and 290.152 without the concurrence of TCWG.	The Board has tentatively concluded that it should make no change to this proposal in view of the general support from respondents.
Enhancements to the GP. ⁷	Most respondents supported the proposed enhancements to the GP. Respondents also made constructive suggestions for	The Board is not proposing any significant changes to the proposals but it has accepted some of the respondents' suggestions. See

⁴ See first bullet point 290.150B.

⁵ Paragraph 290.150D

⁶ 290.150 D as proposed in the ED was deleted.

⁷ In paragraph 290.148

ED Proposals	Respondents' views	Task Force Considerations
	editorial changes to these provisions.	proposed changes in Agenda Item B-3. ⁸
Application of GP to the evaluation of potential threats caused by the long association of all individuals on the audit team, not just senior personnel.	More than half of respondents supported the proposed application of this proposal to all individuals although recognizing that junior staff pose less significant threats.	The Board has tentatively concluded that it should make no change to this proposal in view of the general support from respondents. However, the TF proposes to recognize additional factors to consider in evaluating the threat, in order to recognize that junior staff pose less significant threats. (See Agenda Item B-3. ⁹)
Determination of an appropriate cooling-off period if a firm decides that rotation of an individual (other than a KAP) is a necessary safeguard.	Most respondents supported the proposal, although several respondents expressed the view that the Board should prescribe a minimum cooling-off period for the sake of consistency.	The Board has tentatively concluded that there is no need for a change in this proposal.
Corresponding changes to Section 291 ¹⁰	Most respondents supported the proposed corresponding changes.	The Board has proposed corresponding changes to Section 291 which, for the sake of brevity, have not been presented.

Matter for Consideration

1. CAG Representatives are asked for their views on the current position of the Board and the draft provisions.

⁸ Section 290.148

⁹ See paragraph 290.148B, bullet points 2, 3, 4 and 5.

¹⁰ Section 291, *Independence – Other Assurance Engagements*

II. Further Consideration of the Cooling-Off Period for the EQCR and the EP

A. COOLING-OFF PERIOD FOR THE EQCR

Background

4. Most respondents, including the SMPC, supported the proposal in the ED that the cooling-off period for KAPs other than the EP should not be extended beyond the current requirement of two years. Some respondents to the ED who supported an increase in the cooling-off period for the EP, however, considered that the EQCR should cool off for a longer period given the significance of the role.
5. Some Representatives on the IESBA CAG,¹¹ and certain regulatory stakeholders, have continued to express strong views that the cooling-off period for the EQCR on audits of PIEs is of such importance that it should be increased from two years to five years in the same way as has been proposed for the EP. Some CAG Representatives were unconvinced by the Board's rationale for maintaining the cooling-off period for the EQCR at the current requirement of two years.
6. Comments from other CAG Representatives were mixed. Some supported the view that the EQCR's role is different from the EP's role and therefore the EQCR should not be subject to the same rotation requirements as the EP. Some did not support a five-year cooling-off period for either role. There has also been a suggestion that other measures be considered, for example, having a longer cooling-off period for EQCRs for audits of listed companies.
7. At the April 2015 IESBA meeting, the majority of the Board supported the cooling-off period for the other KAPs, including the EQCR, remaining at two years as currently required in the Code. The Board's tentative conclusion was, to a large extent, based on the consideration that the respective roles and responsibilities of the EP and the EQCR are different.
8. Some CAG Representatives were unconvinced by the Board's rationale that the difference in roles could lead to a difference in how the rotation requirements ought to be applied, particularly in respect of the assertion that the EQCR is not generally known to the client. In this respect, the Task Force has prepared an analysis of the two roles in Agenda Item B-2 in order to detail the differences in roles between the EQCR and the EP. Agenda Item B-2 also recaps the Board's considerations when it issued the ED.
9. The Appendix contains further comments from IFAC's Small and Medium Practices (SMP) Committee (SMPC), the National Standard Setters (NSS) Liaison Group, and the Fédération des Experts Comptables Européens (FEE).

Task Force Considerations

10. The Task Force agrees with the PIOB Observer's remarks that an EQCR will gain familiarity with the subject matter of the audit engagement and with the significant issues on which they are consulted. The proposed General Provisions in the Code recognize that the familiarity threats with the client and the issues considered during the engagement increase in significance when an individual is involved in an audit engagement over a long period of time. The Code requires that both the EP and the EQCR rotate after seven years of service. In this important respect, the

¹¹ See Agenda Item B for this session and Agenda Item A (draft March 2015 IESBA CAG minutes).

requirements for the EP and EQCR are aligned to ensure that a “fresh look” occurs after the same period of time in which the partner could gain familiarity with the audit engagement, the issues and the clients.

11. The Task Force also recognizes that a “fresh look” will only be effective if the rotating audit partner has sufficient time away from the engagement to allow the incoming partner to have a fresh look. In this respect, there may be a perception that an effective fresh look cannot occur without there being a longer cooling-off for the EQCR given that the EQCR may be closely involved in debating issues on the audit engagement with the EP and therefore develop a familiarity with the issues.
12. The Task Force is committed to finding the right balance in the public interest, while recognizing that international provisions will not be able to deal with every concern, and that there will be trade-offs. The Task Force recognizes that by responding to perception concerns and extending the cooling-off period for the EQCR on PIE audits to five years, an incremental benefit could possibly be gained in the medium term, potentially improving audit quality. However, the Task Force is also concerned about the impact that such a change would have in that it could be detrimental to audit quality.
13. The Task Force considered from an audit quality perspective that the EQCR needs to have sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made, and the conclusions it reached in formulating the report. Owing to the seniority and experience that is required for an individual to perform the EQCR role, qualified EQCRs are generally in shorter supply. Their skills are necessary to engagements, and a longer cooling-off period might lead to a reduction in the availability of people to perform this role with a potential consequence for audit quality. In some firms, retired partners are engaged to come back to perform engagement quality control reviews, and PIE audits may suffer in quality without available and experienced EQCRs.
14. The Task Force balanced the considerations above, including the differences in roles and the impacts on audit quality, with the comments from regulatory stakeholders. The Task Force also took into account that ISQC 1 only requires an EQCR in respect of audits of financial statements of listed entities (even though the firm can determine whether an engagement quality control review is required for other audits and reviews of historical financial information and other assurance and related services engagements).
15. The Task Force concluded that taking a stricter approach for the audits of listed entities in respect of rotation of the EQCR could be consistent with the greater stakeholder interest, public interest, and regulatory oversight associated with listed entities, while continuing to allow a different approach with regard to the audit of non-listed PIEs which would assist SMPs and those jurisdictions where there are significant numbers of non-listed PIEs. Such an approach would have a number of potential benefits:
 - It addresses regulatory concerns (IOSCO, US, UK) about the EQCR having a different cooling-off period as the EP, at least in respect of listed entities.
 - Consistency with a suggestion made at the CAG regarding splitting the requirements between listed entities and non-listed PIEs.
 - While the SMPC does not agree with a longer cooling-off period for the EQCR, this approach addresses somewhat the concerns regarding the application of stricter requirements to non-

listed PIEs audited by many SMPs and the significant global variation in national definitions of PIEs.

- There is no real change in application for those who are required to comply with the Code in respect of non-listed PIEs.
- Consistency with ISQC 1, which mandates an EQCR for the audit of listed entities.

On the other hand:

- It increases complexity of application for jurisdictions that do not currently mandate five-year cooling-off for EQCRs.
16. The Task Force therefore presented the option at the June/July 2015 IESBA meeting to increase the cooling-off period for the EQCR from two years to five years only on the audits of listed PIEs and leave the cooling-off period at two years for the EQCR on a non-listed PIE and all other KAPs. After lengthy debate, there continued to be a lack of Board consensus on the options available after consideration of the views of stakeholders in response to the ED. Some Board members continued to hold the view that no distinction should be made between rotation requirements for listed PIEs and non-listed PIEs as they are all entities of public interest and should be treated the same way in the Code. Some Board members considered that, if the cooling-off period were to be increased for the EQCR, then all EQCRs on all PIEs should be subject to the same cooling-off period. Others continued to support all EQCRs being subject to a two-year cooling-off period.
 17. In order to move forward, to balance the conflicting concerns of its stakeholders, and to bring a conclusion to the debate as requested by stakeholders, the Board agreed in principle on a middle-ground position as a tentative way forward. The Board tentatively concluded that it would support an increase in the cooling-off period for the EQCR to five years with respect to listed PIEs, and in addition, an increase in the cooling-off period for the EQCR to three years for non-listed PIEs. All other KAPs on PIEs that are not the EP or EQCR would cool off for two years. (See Agenda Items B-3 and B-4: paragraphs 290.150.A and B.)
 18. This proposal therefore addresses concerns about the EQCR's cooling-off period by increasing the cooling-off period for EQCRs on audits of all PIEs, while providing a differential approach between listed and non-listed PIEs, assisting SMPs. The proposal, however, also increases the complexity of the provisions: separate sections are now required for listed, non-listed and all PIEs which may increase the risk of misunderstanding of the requirements or the incorrect application thereof (further adding to the complexity of when the longer cooling-off period is required). There may also be a greater impact on small firms and this proposal may exacerbate the previously expressed concerns of the SMPC.

Table Illustrating the Middle-Ground Proposal

	Listed PIE	Non-Listed PIE
EP	7/5	7/5
EQCR	7/5	7/3 (instead of 7/2)
Other KAPs	7/2	7/2

Matter for Consideration

1. Do CAG Representatives support the middle-ground proposal outlined above?

B. LENGTH OF COOLING-OFF PERIOD – RECOGNIZING DIFFERENT JURISDICTIONAL LEGISLATIVE OR REGULATORY REQUIREMENTS

Background

19. At its January 2015 meeting, the Board considered a summary of significant comments received on the August 2014 ED. The summary covered the rotation requirements for KAPs on the audits of PIEs. Among other matters, the Board tentatively concluded that the length of the cooling-off period for the EP should be increased to five years as proposed in the ED. However, the Board asked the Task Force to consider whether the existence of regulatory safeguards, or a package of safeguards, set at a jurisdictional level to address threats caused by long association might provide an alternative to elements of the PIE rotation requirements in the Code, and therefore whether the Code could incorporate a degree of flexibility to accommodate such regulatory safeguards.
20. At the April 2015 IESBA meeting, the Task Force proposed to the Board that the proposals include a provision to allow firms to comply with regulatory requirements addressing long association in certain circumstances instead of the requirements in proposed paragraph 290.150A. The Board asked the TF to consider the matter further. Comments from IESBA members included that
 - The Board is a global standard setter with a principles-based code. Accordingly, it should not make exceptions for different jurisdictions as there are many different jurisdictions with different rules.
 - Including an exemption might set an expectation that future provisions might have exemptions.

On the other hand, some IESBA members were in support of some form of recognition of local legislative or regulatory safeguards. The Board did not reach a conclusion on what such a provision might contain.

Task Force Considerations of Alternative Provisions

21. The Task Force has reflected on the views of Board members. The Task Force has also considered the views of stakeholders as represented during IESBA CAG and IESBA-NSS meetings, and the SMPC's views, as summarized in its April 2015 Board papers. The SMPC in particular was supportive of the Board's consideration of an alternative. The Appendix contains further comments from the SMPC, NSS and FEE.
22. At the commencement of this project, the Task Force's research indicated that there are many different approaches to partner rotation because of the different views of different jurisdictions and the way in which the needs of the jurisdictions have developed over time. The Task Force continues to believe that it would therefore be appropriate to consider whether the Code could recognize jurisdictional alternatives.
23. The Task Force also recognizes that respondents to the ED had raised concerns regarding the interaction of the proposals with local requirements, particularly in jurisdictions that have also implemented mandatory firm rotation, or have a shorter time-on period for KAPs. Furthermore, the Task Force recognizes that in some cases, the overlay of the ED proposals over regulatory requirements might have the unintended consequence of: either, making the requirements applicable in that jurisdiction stricter than those proposed by the Code; or making it too complicated to interpret and apply the overlay of requirements. Both these outcomes might actually detract from the Board's goal of promoting convergence and widespread adoption and implementation of the Code. The Task Force believes that if a jurisdiction, after following appropriate due process, has reached a robust but different conclusion to that reached in the Code, it would be reasonable and in the public interest for the IESBA to find a way in which to recognize an alternative, while maintaining a minimum set of requirements.
24. The Task Force does not believe that finding a way to recognize a robust jurisdictional alternative approach to address threats created by long association would set an expectation that future pronouncements of the Board would also be open to the same approach. The Task Force believes that the Board should consider how best to acknowledge the existing jurisdictional diversity in approaches in this specific area, while using the proposed enhanced provisions to seek to raise ethical standards in jurisdictions that have not implemented regulatory safeguards.
25. At its June/July 2015 meeting, the IESBA debated the proposal. A few IESBA members expressed the view that there should not be an exception to the requirements in the Code. However, a majority of IESBA members considered that the option—provided it was with more restrictive conditions—should be further explored by the Task Force.
26. In the light of the April and June/July 2015 Board discussions, the Task Force agrees that the Code should not be providing an open-ended exception to compliance with its provisions. It also concluded that the provision should not try to deal with "equivalence" as this is not possible. Rather, the Task Force recognizes that there are different combinations of requirements that can be implemented in order to respond to the threats created by long association, and while those responses could be implemented differently, they may be as robust. The Task Force considers, therefore, that the Code could reasonably provide a limited and specific alternative to the five-year cooling-off period in such circumstances while still setting a baseline.
27. The Task Force is recommending an alternative approach only in respect of applying the longer five-year cooling-off period for EPs and EQCRs where required. All other requirements of the long

association provisions would continue to be applicable to all audit engagements, regardless of any specific jurisdictional requirements.

28. The Task Force is proposing that the Code provide one specific alternative to the five-year cooling-off period in circumstances where a jurisdictional regulatory or legislative body, following appropriate due process and based on jurisdictional circumstances, has determined that the EP or EQCR serves a time-on period that is shorter than seven years, or has implemented mandatory firm rotation and retendering at least every ten years in addition to rotation of the EP and EQCR.
29. In such circumstances, the Task Force is proposing¹² that the EP and EQCR (where required) be required to cool off for a minimum of three consecutive years rather than five. This provides one specific alternative approach, rather than an exception, and also does not permit the status quo of allowing the EP or EQCR to cool off for only two years. (See Agenda Items B-3 and B-4.)

Matter for Consideration

2. Do CAG Representatives, based on the Board's analysis, support the proposed provision?

¹² Paragraph 290.150D

Appendix

SMPC Comments

1. Immediately before the April 2015 Board meeting, the Task Force received a letter from the SMPC. The Task Force has carefully considered the representations made in the SMPC letter. Although the Task Force has sympathy with the SMPC's position, it does not consider that there are any new representations in the letter which persuade the Task Force that the views of the SMPC were not previously communicated and considered, nor that the conclusions that the Board reached at its April 2015 meeting were not fully informed. The full text of the SMPC letter can be accessed [here](#). At its June/July 2015 meeting, the Board had the opportunity to consider the SMPC's comments with respect to its further deliberations concerning the long association proposals, including noting the SMPC's support for:
 - An alternative approach to allow compliance with local jurisdiction rules instead of the cooling-off requirements in paragraph 290.150A; and
 - Reconsideration of the requirements, for example, to apply only to listed entities or even reconsideration of the 7/3 option.
2. Mr. Caswell, IESBA's SMPC liaison and Task Force member, presented to the SMPC at its meeting on June 8, 2015. Among other matters, SMPC members expressed:
 - Continuing concern about the impact of the current proposals on SMPs in jurisdictions where there are large numbers of PIEs.
 - Continuing concern about the impact on SMPs regarding the proposed restrictions on activities during the cooling-off period.

May 2015 IESBA- NSS Meeting

3. Mr. Hannaford presented a project progress report to the NSS. Among other matters:
 - Some participants expressed concern about the proposed extension of the cooling-off period for EPs from two to five years, given the perceived disproportionate impact on SMPs, the potential adverse consequences for market competition, and the lack of empirical evidence to justify the change. It was suggested that an alternative could be to establish a minimum cooling-off period of, say, three years, with an option for jurisdictions to go stricter to suit their particular circumstances.
 - Other participants highlighted the key principle the proposed change is intended to address, namely a fresh look. It was noted that investors value the benefit of the fresh look much more highly than the perceived adverse impact on audit quality when the EP rotates off the audit engagement. However, it was suggested that consideration could be given to allowing for some flexibility for a less strict cooling-off period, for example, with the concurrence of TCWG.

Participants also discussed the approach to the cooling-off period for the EQCR:

- Some participants commented that any proposal to extend the cooling-off period for the EQCR would not be credible without empirical evidence showing that this would benefit audit quality.

- Other participants favored extending the cooling-off period to five years to be consistent with that for EPs. It was felt that leaving it at two years would send a poor message about the importance of the EQCR role at a time when regulators are viewing that role as increasingly important. It was also felt that, as for the EP, the key issue that should be addressed is that of a fresh look.
 - It was noted that the argument that EQCR roles vary across jurisdictions is not credible. Additionally, it was noted that while the EQCR may not face a familiarity threat in terms of working with management, such a threat may arise as a result of being too familiar with the financial statement information, hence the need for a fresh look.
4. The comments from NSS participants illustrate the spectrum of responses which were made relative to the ED but did not raise any new matters for the Task Force to consider.

Fédération des Experts Comptables Européens

5. Since the April 2015 Board meeting, a [letter](#) has been received from FEE outlining its concern that IESBA not undermine provisions that are already in place at jurisdictional level. FEE called for the Board to take these recent European developments pertaining to the EU audit legislation into account in its efforts to strive for global convergence.
6. FEE commented that:
- The recent EU regulatory reform was subject to extensive legislative proceedings and consultations. The resulting requirements, which include both firm rotation and partner rotation, are regarded by its legislators as a robust and appropriate response to address the familiarity threat to an auditor's independence that may arise from long association with an audit client.
 - A holistic approach should be taken, based on an analysis of the interaction of the different approaches and measures that exist to mitigate the familiarity threat, e.g. mandatory firm rotation, KAP rotation, and rotation of EPs and senior personnel.
 - The IESBA "should not undermine provisions that are already in place at the jurisdictional level to address long association and which are seen by many as more demanding when combined."