

Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: September 14, 2016

Agenda Item

E

Long Association

Objectives of Agenda Item

1. To obtain CAG Representatives' views on:
 - (a) The IESBA's tentative decisions in response to the significant comments received on the re-Exposure Draft, [*Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client*](#) (the re-ED); and
 - (b) The Task Force's responses to the comment letter from IOSCO Committee 1, received after the closing date for comments.

Project Status and Timeline

2. Appendix 1 to this paper provides a history of previous discussions with the CAG on this topic.
3. The re-ED was issued in early February 2016 and the comment period closed on May 9, 2016. As of the cut-off date for agenda material for the June 2016 IESBA meeting, 35 responses had been received.
4. At the March 2016 meeting, the CAG received a report-back on the discussion on the project at the September 2015 CAG meeting.
5. At its June 2016 meeting, the IESBA considered the significant comments received on the re-ED and the Task Force's related responses (see, as Reference Paper, [Agenda Item 6-A](#) of the June 2016 IESBA meeting).
6. Subsequent to the June 2016 IESBA meeting, a comment letter was received from IOSCO Committee 1. The Task Force met via teleconference in July 2016 to consider Committee 1's comments and to finalize the wording of the revised provisions to be presented at the September 2016 IESBA meeting. The Task Force's responses to Committee 1's comments are set out in Agenda Item E-4.
7. At its September 2016 meeting, the IESBA anticipates finalizing the revised Long Association provisions under the extant structure and drafting conventions ("close-off" document). The close-off document will then be restructured under the new Structure format being developed under the Structure of the Code project for public comment on the restructuring only. The restructured text is expected to be approved for exposure at the December 2016 IESBA meeting. It will be packaged with the Exposure Draft of Phase 2 of the Structure of the Code project.

Matters for Consideration

8. At the September 2016 CAG meeting, the Task Force Chair will outline the significant comments received on the re-ED and the Task Force's responses to them, and the IESBA's related tentative decisions at its June 2016 meeting. To facilitate the discussion, presentation slides (Agenda Item E-1) and mark-up and clean versions of the revised Long Association provisions (Agenda Items E-2 and E-3) are provided. **Representatives are asked for views on the matters raised in the presentation.**
9. In Agenda Item E-4, the Task Force has set out its responses to the comments from IOSCO Committee 1 on the re-ED. These have not yet been considered by the IESBA. **Representatives are asked for views on the Task Force's responses to Committee 1's comments.**

Material Presented

Agenda Item E-1	Overview of Respondents' Feedback on Re-ED, the Task Force's Related Proposals, and Tentative IESBA Decisions (Presentation Slides)
Agenda Item E-2	Revised Long Association Provisions (Mark-up from Re-ED)
Agenda Item E-3	Revised Long Association Provisions (Clean)
Agenda Item E-4	IOSCO Committee 1 Comments and Task Force Responses

FOR IESBA CAG REFERENCE PURPOSES ONLY

Summary of Significant Comments on the re-ED and Task Force proposals [Agenda 6-A of June 2016 IESBA meeting](#)

Appendix 1

Project History

Project: Long Association

Summary

	CAG Meeting	IESBA Meeting
Project commencement	April 2013	December 2012 June 2013 September 2013
Development of proposed international pronouncement (up to exposure)	October 2013 March 2014 June 2014	December 2013 April 2014 July 2014
Exposure Draft	August 2014 – November 12, 2014	
Consideration of significant comments on Exposure Draft	March 2015 September 2015	January 2015 April 2015 June/July 2015 October 2015 November/December 2015
Re-exposure Draft	February 2016 – May 9, 2016	
Report-back to CAG	March 2016	
Consideration of significant comments on Re-exposure Draft	September 2016	June 2016

CAG Discussions: Detailed References

Project Commencement	<u>April 2013</u> See IESBA CAG meeting material here and CAG meeting minutes (section G).
Development of Proposed International Pronouncement (Up to Exposure Draft)	<u>October 2013</u> See IESBA CAG meeting material and CAG meeting minutes (section B). <u>March 2014</u>

to Exposure)	<p>See IESBA CAG meeting material and CAG meeting minutes (section D). <u>June 2014</u></p> <p>See IESBA CAG meeting material and CAG meeting minutes (section B). See report-back on June 2014 discussion.</p>
Consideration of Respondents' Comments and Development of Revised Proposals	<p><u>March 2015</u></p> <p>See IESBA CAG meeting material and CAG meeting minutes (section E). <u>September 2015</u></p> <p>See IESBA CAG meeting material and CAG meeting minutes (section B). See report back on September 2015 discussion.</p>

Appendix 2

Application of Provisions Regarding Service in a Combination of Roles

[Note: This table summarizes which cooling-off provisions would apply with respect to the various possible combinations of key audit partner roles within the 7-year time-on period – see slide 25, Agenda Item E-1.]

Number of Years During Time-on Period			Cooling-off (Years)	Sec. 290 Para Ref.
EP	EQCR	Other KAP		
7	–	–	5	155
6	1	–	5	158
6	–	1	5	158
5	2	–	5	158
5	1	1	5	158
5	–	2	5	158
4	3	–	5	158
4	2	1	5	158
4	1	2	5	158
4	–	3	5	158
3	4	–	5	160(a)
3	3	1	5	160(a)
3	2	2	5	160(a)
3	1	3	5	160(a)
3	–	4	2	161
2	5	–	3	160(b)
2	4	1	3	160(b)
2	3	2	3	160(b)

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Number of Years During Time-on Period			Cooling-off (Years)	Sec. 290 Para Ref.
EP	EQCR	Other KAP		
2	2	3	3	160(b)
2	1	4	2	161
2	–	5	2	161
1	6	–	3	159
1	5	1	3	159
1	4	2	3	159
1	3	3	3	160(b)
1	2	4	2	161
1	1	5	2	161
1	–	6	2	161
–	7	-	3	156
–	6	1	3	159
–	5	2	3	159
–	4	3	3	159
–	3	4	2	161
–	2	5	2	161
–	1	6	2	161
–	–	7	2	157