

ED Question 10

10. Do you support the exception provided in paragraph R410.20?

The respondents' responses are divided into four groups:

1. Support with minor amendments
2. Support with reservations
3. Does not support
4. No comment

1. Support with minor amendments

Regulators and Oversight Authorities, Including MG members

8. National Association of State Boards of Accountancy (NASBA)

If IESBA adopts the proposed provision, NASBA agrees that the proposed exception should be provided.

Public Sector Organizations

11. Office of the Auditor General of New Zealand (AGNZ)

We support the exception provided in paragraph R410.20.

12. Auditor General of South-Africa (AGSA)

Yes, Independent regulatory bodies are well placed to make a determination as to whether there is a compelling reason for an auditor of a PIE to continue beyond five years. Specific guidance in this regard should be provided to the Independent regulatory bodies.

Independent National Standard Setters

15. Accounting Professional & Ethical Standards Board Australia (APESB)

APESB is supportive of this exception; however, we believe that this paragraph could be enhanced by referring to the requirements of applicable laws and regulations, as noted in APESB's response to question 9 above.

16. New-Zealand Auditing & Assurance Standard Board (XRB)

The NZAuASB supports the exception in circumstances when there is a compelling reason, in the public interest, for the engagement to continue. We expect such circumstances to be extremely rare.

Sub paragraph (b) refers to a "pre-issuance review". While we note that "pre-issuance review" is defined in paragraph R410.17 some of our stakeholders questioned whether this is intended to be a different type of review than the engagement quality review referred to in paragraph R410.17. As noted in response to question 7, the type of review required when an audit client is not a public interest entity is not specified. For clarity, the NZAuASB recommends consistent use of wording throughout Section 410 and that defined and described terms be added to the glossary.

Professional Accountancy Organizations (PAO's)

17. Joint Submission by Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (ACCA-CAANZ)

We welcome the recognition that there may be compelling reasons for a firm to continue to be an auditor of a PIE after five consecutive years of fee dependency. However, we are concerned that the proposed

exception provided in paragraph R410.20 may be impractical to implement for the reasons given in our response to Question 8.

18. Accountancy Europe (AE)

Yes, we support the exception provided since the Code should be principles-based and flexible enough to be accepted and applied globally. IESBA could also consider providing additional guidance for jurisdictions where there is a lack of independent regulatory or professional institutions.

21. Botswana Institute of Chartered Accountants (BICA)

We agree with the proposal subject to amendment of the period as indicated above.

22. Chartered Accountants of Ireland (CAI)

We agree with the exception in this paragraph.

24. CPA Australia (CPAA)

CPA Australia supports the IESBA's recognition that there may be compelling circumstances for a firm to remain the auditor of a PIE beyond 5 consecutive years of fee dependency. With reference to our views expressed in response to Question 7, we recommend that option (a) be drafted to allow for limitations which may be relevant to some PAOs. Furthermore, with reference to our response to Question 8, option (b) may be difficult to apply for smaller audit firms, which may have the effect of restricting market participation.

CPA Australia supports the concept of consultation as it requires the firm to exercise professional judgement and apply the fundamental principles and conceptual framework to arrive at an appropriate course of action.

25. Chartered Professional Accountants Canada Public Trust Committee (CPAC)

If allowed in a jurisdiction, we would be generally supportive of the exception recognizing, however, a professional body review may not be a possible option.

26. European Federation of Accountants and Auditors for SMEs (EFAA)

We support the exception.

28. Hong Kong Institute of Certified Public Accountants (HKICPA)

Yes, we support the exception provided.

30. Inter-American Accounting Association (IAA)

Yes, we support it. In consistency with our agreement to number 9, above, we agree that the auditor continues to audit a client that is a public interest entity despite the limitations contemplated in paragraph R410.19 if: the firm obtains, by consultation, a response from an independent regulatory body or a professional union in its jurisdiction (country) that it agrees that the appellant firm continues as auditor of a public interest entity, and the firm has to hire a professional accountant who is not a member of the firm to conduct a prior review before the firm issues its report on the financial statements for the sixth year, and for any other year thereafter.

32. Institute of Chartered Accountants in England and Wales (ICAEW)

Yes, we support both the requirement and the exception. In the audit of a public interest entity, perception is of critical importance and, in the absence of extenuating circumstances, we do not believe that an extended period of perceived dependence is tenable.

The exception in R410.20 seems to cover necessary circumstances, though in stating that we are assuming that reasonable transitional provisions would be applied by the Board on initial application of these new requirements.

33. Institute of Chartered Accountants Ghana (ICAG)

We support the exception of having the independent regulatory body or professional body in the relevant jurisdiction to weigh in if it concurs that having the firm continue as the auditor would be in the public

interest. Their knowledge of the particular environment will be invaluable in assessing whether it makes sense for the firm to continue with the audit client or resign.

35. The Institute of Chartered Accountants of Scotland (ICAS)

We agree with the exception provided in paragraph R410.20. We agree that it is helpful to have a mechanism whereby the auditor can seek approval to continue with an engagement after five consecutive years if it is in the public interest.

37. Institute der Wirtschaftsprüfer (Germany) (IDW)

Yes. However, in regard to proposed R410.20 (b) we refer to our response to q. 7.

40. Institute of Singapore Chartered Accountants (ISCA)

We support the exceptions in paragraph R410.20 to allow an audit firm to continue as the auditor for a PIE audit client after 5 consecutive years if there is a compelling reason with regard to the public interest.

We believe that the exception would cater for circumstances in which no other appropriate audit firm is available to perform the audit for the PIE audit client as proposed in paragraph 410.20 A1.

However, we question the appropriateness of IESBA's proposal for the firm to consult with a professional body in the relevant jurisdiction to obtain concurrence for the firm to continue as the auditor for a PIE audit client, if fees from a PIE audit client crosses the 15% threshold for 5 consecutive years. In Singapore, only relevant regulatory bodies have the authority to assess whether the appointment of audit firm will be in the public interest. It also raises the question whether professional bodies would be equipped to perform such consultation even if they are authorized to do so. Accordingly, we recommend that IESBA considers restricting such consultation and concurrence to be provided by an independent regulatory body.

41. Japanese Institute of Certified Public Accountants (JICPA)

We support the exception.

We believe that even in cases where fee dependency has continued to exceed the threshold value, conditions specific to individual countries may mean that the public interest is served by the auditor not resigning. Accordingly, as per our response to question 9, we are opposed to the addition of resignation clauses, but even in the event of resignation clauses becoming a requirement, we would consider it necessary for exceptions to be provided.

Also, with regard to the method of counting the five years, we believe it should be made clear that the fiscal year in which application of the revised provisions begins is counted as the first year.

43. National Board of Accountants & Auditors – Tanzania (NBAAT)

We support the proposed exception, we propose adding that a firm can continue with the audit engagement if it is a legislative jurisdictional requirement.

44. Malaysian Institute of Accountants (MIA)

We support the exception provided in paragraph R410.20 but there should be further consideration for jurisdictions with potential impediments to the firm's ability to seek the concurrence of a regulator or obtain the services of another professional accountant.

45. Malaysian Institute of Certified Public Accountants (MICPA)

We agree with the exception provided paragraph R410.20 with the compelling reason having regard to the public interest as stated in 410.20 A1.

As indicated in Question 9, the period should be 7 years and not 5 years.

48. South African Institute of Chartered Accountants (SAICA)

SAICA supports the exception, as compelling reasons might exist for the particular firm to continue with the engagement. The professional accountant would need to be independent and unrelated to any partners in the firm.

49. Wirtschaftsprüferkammer (Germany) (WPK)

We support the exception provided in paragraph R410.20.

Firms

50. Baker Tilly International (BKTi)

Although it may be difficult in practice to justify the 'compelling reason' to a regulatory body, we support the idea that there may be exceptional circumstances which is consistent with a principles-based set of standards. With regards to part (b) of this provision, our concerns and questions around the Independent Professional Accountant in Q6 and Q8 are again relevant.

54. Ernst & Young Global Limited (EY)

Yes, we support the exception provided in proposed paragraph R410 .20 .

We also would encourage the IESBA to clarify if there could be other compelling reasons when an exception could be taken and the firm could continue to be the auditor – for example, when those charged with governance (TCWG) and those taking part in decisions determine there are circumstances wherein TCWG consider re-appointment of the audit firm to be in the best interests of the entities' stakeholders.

55. Grant Thornton International Limited (GTIL)

GTIL supports the exception provided in paragraph R410.20, however we recognize that there will be challenges and impediments in the application of the exception in certain jurisdictions.

56. KPMG IFRG Limited (KPMG)

With acknowledgement of our concern regarding the underlying requirement to terminate the audit relationship, we have no opposition to the exception provided in paragraph R420.20, but believe it may not be practical to presume a regulatory or professional body would weigh in on such a matter.

58. Moore Global Network Limited (MOORE)

We would agree that the independent regulatory body should approve whether a firm is allowed to continue beyond this period due to compelling reasons. Although this may create an uneven playing field globally if some regulators become more accommodating to extending the time-period than others.

60. PricewaterhouseCoopers International Limited (PWC)

We support this exception subject to our comment in response to Question 9.

Others

63. IFAC Small and Medium Practices Committee (IFAC SMPC)

Yes, we are supportive of the exception as provided in paragraph R410.20.

2. Support with reservations

Regulators and Oversight Authorities, Including MG members

5. Independent Regulatory Board for Auditors (IRBA)

No. We would prefer that no exception be provided in the IESBA Code. A period of six years should be a sufficient time to reduce the 15% threshold. However, we do acknowledge that unforeseen circumstances do exist. If this paragraph is kept, a few clarifications will be required.

The phrase "independent regulatory body" is different from "regulatory body" used elsewhere in the IESBA Code. Clarification is needed on whether this refers to an audit regulator or any independent regulator. If this includes regulators outside of audit focus, consideration needs to be given to the appropriate understanding of the IESBA Code provisions to allow for decision-making.

Professional Accountancy Organizations (PAO's)

20. Association of the Italian Audit Firms (ASSIREVI)

Please see our response to question 9. above.

31. Institute of Chartered Accountants of Bangladesh (ICAB)

Yes, we support the IESBA's approach to the revisions in proposed paragraph R410.20 which stated an exception that the firm may continue to be the auditor of PIEs after five consecutive years if there is a compelling reason to do so having regard to the public interest, provided that the firm consults with an independent regulatory body or professional body in the relevant jurisdiction and it concurs that having the firm continue as the auditor would be in the public interest.

However, we have difference of opinion on the proposed revision in proviso (b). We think it should not be mandatory of engaging a professional accountant who is not a member of the firm expressing the opinion on the financial statements to perform a pre-issuance review in case of such continuation of audit after fifth year. This may impact on the firm's independence and confidentiality.

42. Korean Institute of Certified Public Accountants (KICPA)

In principle, we agree with the exception in the paragraph 410.20. Just as pointed out in our answers to the Q7, it is illegal for a professional accountant who is not a member of the firm to engage in the audit works, thereby making it impossible to apply the safeguards, as proposed in the paragraph R410.20(b). Thus, its application is not possible in Korea, as we see.

Firms

51. BDO International Limited (BDO)

If R410.19 remains in the proposed standard, we believe that an exception is appropriate. However, we believe instead of a firm being required to consult with an independent regulatory body or professional body (R410.20 (a)), we believe it would be more appropriate for consultation with TCWG to occur.

3. Deloitte Touch Tohmatsu Limited (DTTL)

Please refer to our response to Question 9.

3. Does not support

Regulators and Oversight Authorities, Including MG members

2. Committee of European Auditing Oversight Bodies (CEAOB)

ED paragraphs R.410.20 and R.410.24 (c) are not applicable in the EU context as, even in exceptional circumstances, the EU rules do not permit authorisation for an audit firm to continue as an auditor after 5 consecutive years if the total fees received each year from a PIE audit client exceed 15% of the total fees received by the firm.

4. Irish Auditing & Accounting Supervisory Authority (IAASA)

In Ireland and other EU states, ED paragraphs R.410.20 and R.410.24 (c) are not applicable even in exceptional circumstances, as EU rules do not permit authorisation for an audit firm to continue as an auditor after 5 consecutive years if the total fees received each year from a PIE audit client exceed 15% of the total fees received by the firm.

10. United Kingdom Financial Reporting Council (UKFRC)

No. We do not accept that there will be circumstances where there is only ever one viable firm that could carry out an audit engagement of a particular PIE in the public interest. If it's possible to find an appropriate independent engagement quality reviewer who is not a member of the audit firm it should be possible to find another firm that could undertake the engagement. We understand that this may necessitate increased costs, for example for travel and subsistence of the auditors, but that should be an accepted cost of being a PIE in such a location. This is primarily an issue of competition and choice and we believe such matters should be the responsibility of the relevant regulatory body in the jurisdiction to address. IESBA appears to recognise this in sub-paragraph (a) which stipulates that the firm should consult with, and obtain the agreement of, an independent regulatory body or professional body in the relevant jurisdiction

9. Malaysian Audit Oversight Board, Securities Commission (MAOB)

No.

Professional Accountancy Organizations (PAO's)

23. Compagnie Nationale des Commissaires aux Comptes (CNCC)

Consistent with our response to question 9 above, we believe that it would be better that the firm consult first with the audit committee of the client to check that the audit committee is aware of the situation and is satisfied with the auditor's independence. And then, if the public interest dimension of the client is such that it is strategic or systemic to the economy, the auditor could consult an independent regulatory body or a professional body. But it should not be the case for all PIEs.

29. Instituto dos Auditores Independentes do Brasil (Ibracon)

In connection with our responses in question 9 above, these exceptions could also be considered as safeguards to be applied in order to reduce the independence threats to an acceptable level.

39. Institute of Public Accountants (Australia) (IPA)

We disagree with the exception. If the principle is sound, there should be no need for an exception. Furthermore, it would create an additional level of complexity in the terms of the involvement of an accounting body or a regulator. Also, inconsistent decision-making could occur in different jurisdictions, setting unwarranted precedents.

38. Mexican Institute of Public Accountants (IMCP)

No

Firms

57. Mazars Group (MAZARS)

Please see response to point 9 above

61. RSM International Limited (RSM)

As above, we do not agree with the requirement R410.19. If agreed with those charged with governance an effective action in assessing the threats might be to consult with a regulatory body for guidance.

4. No comment

Regulators and Oversight Authorities, Including MG members

1. Bangladesh Financial Reporting Council (BFRC)

3. Capital Market Authority – Saudi Arabia (CMASA)

6. International Forum of Independent Audit Regulators (IFIAR)

7. International Organization of Securities Commissions (IOSCO)

Preparers and Those Charged with Governance

14. Japan Audit & Supervisory Board Members Association (JASBMA)

Public Sector Organizations

13. United States Government Accountability Office (GAO)

Professional Accountancy Organizations (PAO's)

19. American Institute of Certified Public Accountants Professional Ethics Executive Committee (AICPA)

27. Institute for Accountancy Profession in Sweden (FAR)

34. The Institute of Chartered Accountants of India (ICAI)

36. Institute of Certified Public Accountants of Uganda (ICPAU)

46. New York State Society of CPAs (NYSSCPA)

47. Royal Netherlands Institute of Chartered Accountants (NBA)

Firms

52. Crowe Global (CROWE)

Others

62. US Center for Audit Quality (CAQ)

64. Porus Pavri (PP)