

**Engagement Quality Reviewer Objectivity
Comments on ED Question 2**

ED Question 2:

If so, do you support the location of the proposed guidance in Section 120 of the Code?

The respondents' responses are divided into four groups:

- A. Full Support
- B. Support with amendments
- C. Does not support
- D. No comment

B. Support with amendments**1) Accountancy Europe**

We agree that there is no better location than Section 120, which is nevertheless not ideal. Section 120 is a conceptual framework that is not aimed at providing explicit guidance and addressing specific situations.

2) Audit Oversight Board Securities Commission Malaysia

The AOB has no objection to the location of the proposed guidance.

3) Auditor General of South Africa

We agree with the view that Section 120 of the Code is the most appropriate location given that the circumstance in question creates a threat to compliance with the fundamental principle of objectivity, thus the requirements and application guidance should be addressed in this section.

4) BDO International

Yes, we support the location of the proposed guidance in Section 120 of the Code as the information relates to the objectivity of the engagement quality reviewer.

5) Botswana Institute of Chartered Accountants

Yes, we support the location of the proposed guidance being within the subsection "Considerations for Audits, Reviews and Other Assurance Engagements" in Section 120 of the code as the section already deals with different considerations for audits, reviews and other assurance engagements particularly independence and professional scepticism.

6) Crowe Global

We support the location of the proposed guidance.

7) Deloitte Touche Tohmatsu Limited

Yes, we agree including the proposed guidance in Section 120 of the Code is an appropriate location.

8) Ernst and Young Global Limited

Yes, we support the location of the proposed guidance in Section 120 of the Code.

9) Financial Reporting Council

Yes – The FRC agrees that this additional guidance fits within the Conceptual Framework of the Code,

and the related material dealing with Independence and Professional Skepticism for Audits, Reviews and Other Assurance Engagements. We also welcome the commitment to ensure the Code will be updated to reflect any further relevant changes to the final version of ISQM 1.

10) Government Accountability Office

We support the location of the proposed guidance in section 120 of the Code.

11) Grant Thornton International Limited

GTIL supports the location of the proposed guidance in Section 120, The Conceptual Framework, Considerations for Audits, Reviews, and Other assurance engagements.

12) IFAC Small and Medium Practices (SMP) Committee

Yes, the SMPC supports the location of the proposed guidance in Section 120 of the Code.

13) Independent Regulatory Board for Auditors

We do support the location of the proposed guidance in Section 120 of the IESBA Code. However, we note that there may be some difficulty on deciding on an effective date for the proposed guidance to be included in Section 120 of the IESBA Code. Extant section 120 of the IESBA Code had an effective date at a point in time, whereas ISQM 2 will be effective for a period beginning on or after a date to be determined. For practical purposes and ease of implementation, we suggest that the effective date of the proposed IESBA Code amendment be aligned in full to the effective date of the final ISQM 2 to avoid any confusion.

14) Institut der Wirtschaftsprüfer in Deutschland e.V.

We agree with the positioning of the proposed guidance in Section 120 of the Code.

15) Institute of Chartered Accountants in England and Wales

The guidance does not easily sit in any one section. The focus on a particular assurance role lends itself to inclusion in Part 4 of the Code. However, as the guidance pertains to objectivity in general rather than the more specific issue of independence, we believe that Section 120 is an acceptable location for inclusion.

16) Institute of Chartered Accountants of Scotland

This is tricky as there does not appear to be a natural home in the Code for this proposed content. Therefore, on balance, the proposed location would appear to be justifiable on the grounds that there is not a more suitable location. We would, however, highlight that it may not be the first place that someone might look for content of this nature. Rightly or wrongly, users may be more inclined to look to the independence standards, although this risk will be mitigated to some extent by the use of the search facility in the eCode or other electronic version of the Code, to look for “engagement quality reviewer”.

At paragraph 120.14 1A, there would appear merit in including the full titles of ISQM 1 and ISQM 2, once these have been finalised by the IAASB.

We also believe that the wording in paragraph 120.14 A2 could be improved. We suggest the following: “Two engagement partners, **where each** ~~who~~ **serves** as an engagement quality reviewer ~~for each~~ **for the** other’s engagement.”

17) Institute of Public Accountants

The IPA supports the location of the proposed guidance in Section 120 of the Code.

18) Institute of Public Accountants Kenya

Yes, we support the location of the proposed guidance in Section 120 of the Code.

19) Institute of Singapore Chartered Accountants

Given that the proposed guidance relates to application of the conceptual framework to address the topic of objectivity of an EQR, we support the location of the proposed guidance in Section 120 of the Code.

As commented under Question 3, we believe that the Code should also prescribe a cooling-off period to specifically address the situation where an individual is appointed to an EQR role after serving as the engagement partner for a PIE client.

20) Instituto dos Auditores Independentes do Brasil

Yes. We understand that the section 120 is the most appropriate to allocate this proposed content. However, we believe that it should have an introduction related to the application of the concept framework by the firms prior to make the determination about the potential threats. This comment is aligned with our comments in the first question.

Additionally, we understand that the section 540 in the current Code related to “Long association of Personnel (including Partner Rotation) with an Audit Client” should also be updated in order to have references and inclusion of certain comments related to the proposed cooling-off period mentioned in this Exposure Draft (aligned with ISQM 2 – question below) due to the section 540 establishes mandatory key audit partner rotation, considering in certain instances when the audit partner might be the engagement partner and also the EQR (current engagement quality control reviewer). Currently, there is no reference in the section 540 and whether the reader just consider that section, could drive them for a misleading of the rule.

21) Japanese Institute of Certified Public Accountants

We support the IESBA proposals. We believe it is appropriate to add provisions relating to the Engagement Quality Reviews in Section 120 which deals with matters related to the conceptual framework as application materials dealing with considerations for audits, reviews and other assurance engagements, alongside Independence and Professional Skepticism .

22) Korean Institute of Certified Public Accountants

As the proposed ISQM 1 establishes a firm’s responsibilities for its system of quality management on audits, reviews and other assurance engagements to be designed, implemented and operated, it would be appropriate for the guidance to be situated at the end of the Considerations for Audits, Reviews and Other Assurance Engagements (Subsection of Section 120, The Conceptual Framework).

23) KPMG International

The placement in Section 120 amplifies the fundamental principle of objectivity and seemingly lessens the importance of the other fundamental principles. Further, the application material focuses on the narrow circumstance where PAs undertake the role of EQR, and ignores other roles PAs may undertake in an assurance engagement. If the IESBA retains the proposed language and location, users of the Code might inadvertently expect further guidance on changing roles to be included following paragraphs 540.14-540.17, given that the placement is not intuitive. As such, we suggest adding the following application material after paragraph 540.17 to cross reference to Section 120: “The provisions in Section 120, and not those in Section 540, address considerations related to the objectivity of the engagement quality reviewer, including service as the engagement quality reviewer after previously serving on the audit engagement.”

24) Malaysian Institute of Certified Public Accountants

MICPA has no objection of the location of the proposed guidance in Section 120 of the Code.

25) Malaysian Institute of Accountants

We support the location of the proposed guidance in Section 120 of the Code.

26) Moore Global Network Limited

We support the location of the proposed guidance.

27) National Board of Accountants and Auditors

We do agree with the proposed guidance to be located in Section 120 of the Code, this will help simplifying accessibility of all relevant materials pertaining to Engagement Quality Review (EQR).

28) New York State Society of Certified Public Accountants

After reviewing the International Code of Ethics for Professional Accountants (the Code) and considering alternative placements, we concur that Section 120, The Conceptual Framework, is the most appropriate section for the proposed application material.

29) PricewaterhouseCoopers International Limited

Yes, we agree with the location of the proposed guidance.

30) South African Institute of Chartered Accountants

SAICA considered the location of the guidance dealing with objectivity and whether it should have been included in section 540 dealing with long-association in the Conduct of Professional Ethics or section 112 dealing with objectivity but came to the conclusion that SAICA agrees with the location of the proposed guidance as it covers audits, reviews and other assurance engagements and it specifically discusses the threats to objectivity when acting as an EQR who would apply the conceptual framework.

31) Wirtschaftsprüferkammer

We support the location of the proposed guidance in Section 120 of the Code.

C. Does not support

32) Accounting Professional & Ethical Standards Board Limited (APESB)

APESB does not support the location of the proposed guidance in Section 120 of the IESBA Code, as this Section applies to all professional accountants. The proposed guidance relates to the specific role of an EQR and, therefore, is not relevant to the majority of professional accountants.

The positioning of the proposed provisions in paragraphs 120.14 A1 to 120.14 A5 comes under the heading Considerations for Audits, Reviews and Other Assurance Engagements. Although this is consistent with the fact that the term EQR is only located in Parts 4A and 4B and the Glossary of the IESBA Code, the EQR Objectivity Proposals EM notes the scope of the guidance applies to all engagements where an EQR is determined to be an appropriate response under proposed ED-ISQM 1.4. Therefore, if a firm determined that an EQR was an appropriate response for a non-assurance engagement, they may not refer to a section of the IESBA Code under Considerations for Audits, Reviews and Other Assurance Engagements.

APESB's view is that as EQRs predominantly relate to assurance engagements, Part 4A, Section 540 and Part 4B, Section 940 may be more appropriate locations for the proposed guidance. Alternatively, as EQRs could potentially be used as a response for a nonassurance or assurance engagement under

ISQM-1, Part 3 of the IESBA Code may be an appropriate location.

33) American Institute of Certified Public Accountants

PEEC believes the examples of threats and safeguards should be integrated into Section 300 “Applying the Conceptual Framework – Professional Accountants in Public Practice” and expanded to include not only an EQR but other appropriate reviewers.

34) Association of Chartered Certified Accountants and CA Australia and NZ

In our opinion, an opportunity exists to increase the prominence of the topic of EQR objectivity within the Code by including the proposed guidance on EQ reviews in a new standalone section within Part 3 Professional Accountants in Public Practice. This Part of the Code sets out requirements and application material for professional accountants in public practice when applying the conceptual framework set out in Section 120. Therefore, we encourage the IESBA to reconsider if it would be more appropriate to locate the guidance elsewhere within the Code.

35) Baker Tilly International

As set out in our general comments above, we believe that the guidance should be in a single location and that it is more appropriate that this guidance be incorporated into the new ISQM2 where the requirements relating to objectivity of EQRs are established.

If, however, following this consultation, the IESBA considers it essential to include guidance in the Code, we have the following observations. Given that the EQR guidance would relate only to Professional Accountants in Public Practice, we believe that including the proposed guidance in Section 300 may be more appropriate. As noted in 300.1, this section “sets out requirements and application material for professional accountants in public practice when applying the conceptual framework”.

We agree with the IESBA’s conclusions that this guidance would not be appropriate in the independence standards, or that it warrants a standalone section in the Code. Furthermore, if guidance is included in the Code, we also agree with the statement in the last sentence of para.15 of the explanatory memorandum and urge the IESBA to ensure that the scope of this guidance aligns fully with ISQM1 and ISQM2 when those standards are finalised.

36) Chartered Professional Accountants of Canada

Some support was received through our consultation for the proposed guidance to be located in Section 120. However, the majority did not believe that a professional accountant would look to Section 120 for requirements or application material respecting a cooling-off period.

In considering the structure of the Code, Part 3 Professional Accountants in Public Practice was preferred by most as the best location for requirements and application material regarding EQR objectivity. Specifically, it was felt that Section 320 Professional Appointments was a suitable location for a new subheading and topic area concerning matters relating to Engagement Quality Reviews. Further, it was acknowledged that professional accountants may turn to Part 4A Section 540 Long Association of Personnel (Including Partner Rotation) with an Audit Client for any cooling-off period requirements and it was believed that a reference (i.e., with a link for the eCode) in Section 540 to Section 320 regarding Engagement Quality Reviews would be helpful to the user.

37) CPA Australia

CPA Australia does not support the location of the proposed guidance in Section 120 of the Code. The CF applies equally to professional accountants across all disciplines of accounting. The CF is deliberately broad to enable such applicability. The proposed guidance relates to audit engagements;

specifically, the function of the EQR, and to include the guidance in Section 120 detracts from the more general discussion of the FPs in the CF.

CPA Australia is of the view that the proposals address movement of staff assigned to an audit engagement. Based on this view, the proposed guidance would be better placed in Part 4A, Section 540 Long Association of Personnel (including Partner Rotation) with an Audit Client.

38) External Reporting Board

The NZAuASB does not support placement of the proposed guidance in section 120 of the Code. Section 120 sets out the conceptual framework and applies to all professional accountants. The fundamental principles, of which objectivity is one, are addressed in section 110 with objectivity being discussed in subsection 112.

The NZAuASB's view is that the new material should be placed in section 540 Long Association of Personnel (including Partner Rotation) with an Audit Client. The purpose of the guidance is to address the movement between roles of various engagement team members, viz., partner rotation.