

Meeting: IESBA

Meeting Location: Hybrid (New York)

Meeting Date: November 30-December 3, 8 & 16, 2021

Agenda Item

8

Long Association Post-Implementation Review (Phase 1)

Objectives of Agenda Item

1. To receive the Working Group's¹ final report on Phase 1 of the Long Association Post-Implementation Review (LAPIR Phase 1).
2. To exchange views on the Working Group's conclusions in support of its recommendation and agree on the need for any action following completion of LAPIR Phase 1.

Activities since Last IESBA Discussion

3. During Q4, the Working Group Chair presented significant comments received and key issues raised on the [LAPIR Phase 1 questionnaire](#) to, and sought feedback from, participants at the following meetings:
 - September 2021 IESBA Consultative Advisory Group (CAG) meeting
 - October 2021 IESBA–National Standards Setters (NSS) meeting
4. Both the CAG and the NSS were generally supportive of the Working Group's direction of travel on how to address the key issues raised. Significant comments raised by participants also align with those from respondents to the questionnaire. These comments include the following:
 - Extending the cooling-off period for engagement partners to 5 years may lead to audit market concentration.
 - There will be additional pressure on firms' resources, particularly for smaller jurisdictions, when the revised cooling-off period becomes effective if the "jurisdictional provision" in paragraph R540.19 of the Code expires as scheduled.
 - A few participants suggested that the jurisdictional provision should be extended until the outcome of Phase 2 of LAPIR is known or when there is more clarity from the European Union's efforts to revisit the audit reform. Such a view was contrasted with those of other participants whose jurisdictions either have already implemented the 5-year cooling-off period or will transition to it when the jurisdictional provision expires in December 2023.

¹ Members:

- Richard Fleck, Chair, former IESBA Deputy Chair
- Saadiya Adam, IESBA Member
- Sung-Nam Kim, IESBA Member
- Kristen Wydell, IESBA Technical Advisor

- There was no feedback from participants suggesting that the five-year term has been unworkable in jurisdictions that have implemented the longer cooling-off period.
5. The Working Group held teleconferences in Q4 to develop the agenda materials for this meeting.
 6. With regards to the final report, the Working Group has taken into account comments raised by IESBA members at the September 2021 IESBA meeting (refer to **Agenda Item 1-C** for the draft minutes of the session). In particular, the report includes additional information about the adoption status of the 5-year cooling off period across the jurisdictions represented by the respondents to the questionnaire.

Next Steps

7. If the IESBA agrees to the Working Group's recommendation, the Working Group recommends that the IESBA publish its decision. No further action will be required.
8. In accordance with the IESBA's Strategy & Work Plan 2019-2023, Phase 2 of LAPIR is expected to commence in Q2 2023. This next phase will, amongst other matters, review how effectively the other revised long association provisions in the Code have been implemented in practice, taking into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as mandatory firm rotation and mandatory retendering.

Material Presented

For Discussion

Agenda Item 8-A Long Association PIR – Phase 1 Final Report

Action Requested

9. IESBA members are asked to exchange views on the Working Group's final report (**Agenda Item 8-A**) and agree on what action, if any, should be taken in the light of the Working Group's recommendation.