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KICPA's Comments on IESBA's Exposure Draft on Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers

Dear Ken Siong,

The KICPA is pleased to have an opportunity to comment on the Exposure Draft issued by the International Ethics Standards for Accountants (IESBA), regarding the Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers. The KICPA is a strong advocate of the IESBA for your relentless efforts to serve the public interest by setting high-quality, internationally appropriate ethics standards for professional accountants, including auditor independence requirements.

<KICPA Comments>

- 1) *Do you support the proposed guidance addressing the topic of the objectivity of an EQR?*

In relation with the objectivity of an EQR, we support that general ethical requirements in the IESBA Code address threats to objectivity that might be created, thereby enabling CPAs to be cautious about the issue. Just as proposed in the guidance, however, it would not be appropriate for the Code to specifically address circumstances in which threats could be created, factors to be considered in evaluating the level of the identified threats, and actions that might be safeguards to address such threats.

We believe it would be reasonable for the Code to include just general requirements with specified requirements to be referred to as in the ISQM 2 that covers the EQR in a comprehensive manner.

The Code could consider providing a reference as follow: “A CPA who performs audits, reviews or other assurance engagements could be exposed to threats that make him/her fail to comply with objectivity requirements, due to his/her previous involvement/engagements. For one, an individual could be appointed as the EQR immediately after having served as the engagement partner or having served on the engagement team. Those threats, safeguards and specific actions are described in the ISQM 2.

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

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).

3) *Do you agree with the IESBA that it would be more appropriate for the IAASB to determine whether a cooling-off requirement should be introduced in proposed ISQM 2 as discussed in Section III.C above, and that the Code should not be prescriptive in this regard?*

Given that the eligibility criteria for the EQR are established in the proposed ISQM 2, it would be better for the cooling-off requirements that hold similar nature with the criteria to be located together in the ISQM 2.

We are with the IESBA in that it would be more appropriate for the violation of cooling-off requirements to be dealt with from the perspective of a quality issue to be remediated through the firm's system of quality management, instead of being seen as the breach of the Code. In addition, it seems unnecessary for the requirements to be repeated in the Code, as commented on the question 1.

We hope our comments would be helpful in your efforts to revise the Code Addressing the Objectivity of Engagement Quality Reviewers. Please feel free to contact us via jjsilverk@kicpa.krr for further inquiries.