

Mr. Ken Siong

Deputy Director

International Ethics Standards Board for Accountants (IESBA)

11 November 2014

Dear Mr. Siong,

**MIA comments on the IESBA Exposure Draft, Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client**

- 1 The Malta institute of Accountants (MIA) is pleased to provide you with its comments on the IESBA Exposure Draft, Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client (“the ED”).
- 2 As a general comment, we would like to emphasise the strategic importance of consistency between these proposed provisions and the new EU audit legislation as far as possible. We believe that IESBA needs to consider the revised statutory audit directive and the Regulation (537/2014) on specific requirements regarding statutory audit of public-interest entities in all its initiatives.
- 3 In this letter we will limit ourselves to comment on the general provisions in section 290 - Long Association of Personnel (Including Partner Rotation) with an Audit Client.
- 4 We think that the proposed enhancements to the general provisions in section 290 provide useful guidance for identifying and evaluating familiarity and self-interest threats created by long association. However we maintain that the Board should limit the application of this section to senior personnel alone and not to the entire audit team.

- 5 The kind of relationship that develops between a smaller firm and its SME client is such that it is one where the auditor is also a trusted advisor. In these cases we don't think that familiarity is entirely a bad thing. Furthermore the smaller audit firm may not have enough partners to achieve a meaningful rotation. Finally we believe that these measures as currently laid out could would impose a high level of bureaucracy on the smaller firm since it would need to have sophisticated mechanisms in place for identifying the treats to independence. We are not convinced that these firms need to have such mechanisms because of the nature of their audit engagements. For these reasons we think that the Board ought to better distinguish between the large and the small firms and that further guidance on SMPs would be in order.
  
- 6 As regards rotation periods, we think that there should not be a difference between the rotation periods that are specified in the Regulation 537/2014 and the IESBA Code. A related point is the rotation requirements should apply to Key Audit Partners as defined in article 2.16 of the revised statutory audit regulation (2006/43/EC).

For further information on this MIA letter, please contact the Institute on 2258 1900 or on email [mabela@miamalta.org](mailto:mabela@miamalta.org).

Yours sincerely,



Mark Abela

MIA Technical Director