

Russian Collegium of auditors

Comments on Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client

The proposed changes are logical. Positive fact is that the terms are determined only for PIEs, but as for their other clients, audit firms could determine the terms of cooling-off period individually.

Request for Specific Comments:

The IESBA would welcome views on the following specific questions:

General Provisions

Do the proposed enhancements to the general provisions in paragraph 290.148 provide more useful guidance for identifying and evaluating familiarity and self-interest threats created by long association? Are there any other safeguards that should be considered?

YES

This paragraph could also consider the treats, created by the interest of those charged with government to influence individuals of audit team.

Should the General Provisions apply to the evaluation of potential threats created by the long association of all individuals on the audit team (not just senior personnel)?

YES, General Provisions should apply in this case, but taking into account the extent to which the individual has the ability to influence the outcome of the audit. For the junior staff these treats could be in great extent (but not fully) neutralized by the control safeguards applied by senior stuff.

If a firm decides that rotation of an individual is a necessary safeguard, do respondents agree that the firm should be required to determine an appropriate time-out period?

YES

Rotation of KAPs on PIEs:

Do respondents agree with the time-on period remaining at seven years for KAPs on the audit of PIEs?

YES

Do respondents agree with the proposal to extend the cooling-off period to five years for the engagement partner on the audit of PIEs? If not, why not, and what alternatives, if any, could be considered?

NO

Firstly, such a requirement is not justified by the actual risks. The key changes in modern business world occur much faster.

Secondly, in small audit firms such a requirement would be quite difficult to perform.

If the cooling-off period is extended to five years for the engagement partner, do respondents agree that the requirement should apply to the audits of all PIEs?

YES

Do respondents agree with the cooling-off period remaining at two years for the EQCR and other KAPs on the audit of PIEs? If not, do respondents consider that the longer cooling-off period (or a different cooling-off period) should also apply to the EQCR and/or other KAPs?

YES

Do respondents agree with the proposal that the engagement partner be required to cool-off for five years if he or she has served any time as the engagement partner during the seven year period as a KAP?

NO

Such a requirement is not justified by the actual risks. The key changes in modern business world occur much faster.

Are the new provisions contained in 290.150C and 290.150D helpful for reminding the firm that the principles in the General Provisions must always be applied, in addition to the specific requirements for KAPs on the audits of PIEs?

YES

After two years of the five-year cooling-off period has elapsed, should an engagement partner be permitted to undertake a limited consultation role with the audit team and audit client?

YES

Do respondents agree with the additional restrictions placed on activities that can be performed by a KAP during the cooling-off period? If not, what interaction between the former KAP and the audit team or audit client should be permitted and why?

NO

For example, prohibition to consult the client may be excessive, in case of cumulative knowledge and experience of an audit client's business after years of cooperation, management and controls environment experience, technical or industry-specific issues, etc. The decision to restrict interaction of a key audit partner with the client during the cooling-off period, as well as the responsibility for such a decision, if it is necessary, could make the senior manager of an audit firm, who documents the reasons, evaluates created threats and chooses appropriate safeguards to counteract these treats.

Do respondents agree that the firm should not apply the provisions in paragraphs 290.151 and 290.152 without the concurrence of TCWG?

NO

It is unacceptable to yield to pressure of a client, but his opinion should be considered when making a decision.

Section 291

Do respondents agree with the corresponding changes to Section 291? In particular, do respondents agree that given the differences between audit and other assurance engagements, the provisions should be limited to assurance engagements “of a recurring nature”?

YES, but such factors as the nature, frequency and extent of interaction with a client should be taken into account when evaluating the treats. It lets implement this requirement more flexible, as well for rarely recurring engagements.