

IESBA Technical Director  
Mr. Ken Siong

By e-mail: [kensiong@ethicsboard.org](mailto:kensiong@ethicsboard.org)

10 November 2014

**Re: FSR – danske revisorer’s 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**

Dear Mr. Siong,

The Ethics Committee of FSR - danske revisorer is pleased to comment 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.

In general, we agree with the proposed changes to introduce further guidance. Our main concern is that we find it ill advised to introduce special and stricter rotation requirements for the cooling-off of engagement partners, cf. our specific comments on Question 5.

Kind Regards,

Lars Kiertzner  
Chief Consultant, State Authorized Public Accountant  
Secretary of the Ethics Committee, FSR - danske revisorer

**FSR – danske revisorer**  
Kronprinsessegade 8  
DK - 1306 København K

Telefon +45 3393 9191  
fsr@fsr.dk  
www.fsr.dk

CVR. 55 09 72 16  
Danske Bank  
Reg. 9541  
Konto nr. 2500102295

## Specific comments

### General Provisions

1. 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?

*The self-interest and the familiarity threats are properly considered. The intimidation risk may be considered as well.  
As we understand the new text, it provides further useful guidance.*

2. 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)?

*In principle yes. As we understand the new text, it provides useful guidance only. This might be clarified to avoid the risk of stricter interpretations.*

3. 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?

*In principle yes. As we understand the new text, it provides useful guidance only. This might be clarified to avoid the risk of stricter interpretations.*

### Rotation of KAPs on PIEs

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

*Yes, since this complies with the EU regulation.*

5. 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?

*In this, we strongly disagree.  
It seems ill advised to complicate international rules further in a context where local rules are becoming stricter worldwide. We would suggest that IESBA kept the existing rules, perhaps with a reference to applicable supplementary stricter local rules.*

*We agree, when the IESBA recognizes "that the two-tier approach may cause complexity for firms as layering two-tier requirements for different roles over local legislation and standards makes the requirements difficult to apply." This further complexity is unwarranted. Furthermore, it seems premature to consider this regulation worldwide when "only three jurisdictions that participated in the benchmarking survey have a five-year cooling-off period."*

6. 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?

*We agree that the same rules should apply for all PIEs – but not in the extension of the cooling-off period to five years for the engagement partner.*

7. 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?

*We suggest to leave the two-year cooling-off period for all KAPs unchanged.*

8. 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?

*In principle yes – but we strongly warn against the five-year cooling-off period for the engagement partner.*

9. 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.*

10. 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?

*In principle yes – but we strongly warn against the five-year cooling-off period for the engagement partner.*

11. 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?

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*In principle yes – but we strongly warn against the five-year cooling-off period for the engagement partner.*

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

Yes.

#### *Section 291*

13. 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.

#### *Impact Analysis*

14. Do respondents agree with the analysis of the impact of the proposed changes? In the light of the analysis, are there any other operational or implementation costs that the IESBA should consider?

*We do not agree in the analysis of the “Length of the cooling-off period”. No doubt, the suggested cooling-off period for engagements partners might support the perceived independence but mostly so by less informed stakeholders. Any initiative with stricter rules would actually have that effect – for a short period and “until next time it seems necessary to do something”. The alleged positive effect on audit quality and familiarity and self-interest threats are both unsubstantiated. It would be good advice to do some actual research into those issues – and not to make new stricter rules only based on the opinion of less informed stakeholders.*