

The Institute of Chartered Accountants of Bangladesh (ICAB)

ICAB's Comments on "Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client" through August 2014 Exposure Draft by IESBA

We have gone through the overall Exposure Draft issued by International Ethics Standard Board for Accountants (IESBA) at August 2014 on Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client.

Our Comments on the Requested Specific Questions are as follows:

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?**

Answer:

Yes, we think 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.

We also think that the proposed safeguards are pointed out logically. However, arrangement of training and regular discussion for individual on general professional values and ethics including on different ethical dilemmas created by long association of personnel can be considered.

- 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)?**

Answer:

Yes

- 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?**

Answer:

Yes

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?**

Answer:

Yes

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?

Answer:

Yes, in case of listed entities. In case of PIEs other than listed entities, three years may be OK.

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?

Answer:

In case of listed entities, five years cooling-off period can be applied. In case of other PIEs three years may be OK

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?

Answer

Yes

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?

Answer:

The more the cooling off period, the better independence we can expect. However, it (five years cooling of period) may be tough for Small and Medium Practices (SMPs). So, we think that the engagement partner be required to cool-off for three years if he or she has served any time as the engagement partner during the seven year period as a KAP.

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?

Answer:

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?

Answer:

Yes. In case of SMPs it even may be expected.

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?

Answer:

Yes

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

Answer:

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”?

Answer:

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?

Answer:

Yes.

IESBA can organize training regionally on updated Code of Ethics including the impact of proposed changes in the code. So, additional costs are relevant in such a case.

Our Comments on the Requested General Questions are as follows:

(a) *Small and Medium Practices (SMPs)* –The IESBA invites comments regarding the impact of the proposed changes for SMPs.

Our comments- Although the proposed changes are logical based on current context, the changes may not be comfortable for SMPs.

(b) *Preparers (including SMEs) and users (including Regulators)* – The IESBA invites comments on the proposed changes from preparers, particularly with respect to the practical impacts of the proposed changes, and users.

Our comments - Although the proposed changes are logical based on current context, the changes may not be comfortable for SMPs.

(c) *Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposed changes, in particular, on any foreseeable difficulties in applying them in a developing nation environment.

Our comments - Although the proposed changes are logical based on current context, the changes may not be comfortable for implementation in case of some developing countries.

(d) *Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed changes.

Our comments - Although there are significant changes, we think the translation would not be a tough job once it will be adopted.

(e) *Effective date* – Recognizing that the proposed changes are substantive, would the proposal require firms to make significant changes to their systems or processes to enable them to properly implement the requirements? If so, do the proposed effective date and transitional provisions provide sufficient time to make such changes?

Our comments - Yes, we think the proposal require firms to make significant changes to their systems or processes to enable them to properly implement the requirements.

As the proposed changes are substantive, the proposed effective date and transitional provisions provide sufficient time (may be on or after 1 January 2017)to make such changes.