

Mr. Ken Siong
IESBA Technical Director
Sent by email:
KenSiong@ethicsboard.org

Brussels, 1 April 2020

Subject: IESBA Consultation on Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers

Dear Mr. Ken Siong,

Accountancy Europe is pleased to provide you with its comments on the IESBA Exposure Draft (ED) on Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers.

We are not fully comfortable with the way forward. Whilst we support the importance of the objectivity of the EQR and agree that a cooling-off period might be required depending on facts and circumstances, we are not convinced that it is appropriate to mandate a specific one, nor that the IAASB should determine this cooling-off requirement. We think that the interaction with the long association provisions included in the Code will be difficult to manage in practice.

As you are aware, these international professional standards provisions need to combine with our European audit policy requirements that mandate external rotation, but also joint audit in some European countries. We are not convinced that the proposal of a cooling off for the EQR duly considered the European specificities.

For further information on this Accountancy Europe letter, please contact Noemi Robert on +32 (0) 28 93 33 80 or via email at noemi@accountancyeurope.eu or Harun Saki on +32 (0) 28 93 33 85 or via email at harun@accountancyeurope.eu.

Sincerely,



Florin Toma
President



Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

ANNEX - SPECIFIC COMMENTS

1. Do you support the proposed guidance addressing the topic of the objectivity of an EQR?

The proposed guidance addressing the topic of the objectivity of an EQR follows the fundamental principles and is in accordance with what stakeholders expect from an EQR. The exposure draft could have been more explicit on which problem we aim to solve with this new section, apart from filling a gap that the revision of the IAASB quality management standards revealed.

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

We agree that there is no better location than Section 120, which is nevertheless not ideal. Section 120 is a conceptual framework that is not aimed at providing explicit guidance and addressing specific situations.

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, and that the Code should not be prescriptive in this regard?

Whilst we fully support the importance of safeguarding the objectivity of the EQR and agree that a cooling-off period might be required depending on facts and circumstances, we are not convinced that it is appropriate to mandate a specific one. We think that the interaction with the long association provisions included in the Code will be unmanageable, especially for small and medium practices.

We are concerned that smaller practices may not be able to manage the complexity of the provisions, and consequently decide not to engage in the audit of public interest entities (PIEs) anymore. Recognising that audits of companies in some industry sectors require specific industry experience and expertise, it might even be difficult for larger audit firms to staff a certain audit with sufficiently experienced partners to provide high quality audits.

An impact assessment of the combination of all these requirements would need to be performed in order to ensure that such requirements would not deter smaller firms from providing audit services to PIEs. It would be very detrimental for the international standards boards to be seen as creating barriers of market entry that could generate market concentration in the long run.

The requirement of a cooling-off period adds additional complexity to the already very complex regime included in R540.14 to R540.17 that deals with the combination of key audit partner roles. Considering together these requirements with the proposed cooling off, it may turn out contradictory and unmanageable, highlighting the need to amend the long association section in a foreseeable future, where both concepts, the cooling-off and the combination, would need to be revisited in their totality.