

November 13, 2014

Mr Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 5<sup>th</sup> Avenue, 6<sup>th</sup> Floor  
New York, New York 10017  
United States of America

Via Online Submission

Dear Mr Ken Siong

**COMMENTS ON IESBA EXPOSURE DRAFT:  
PROPOSED CHANGES TO CERTAIN PROVISIONS OF THE CODE  
ADDRESSING THE LONG ASSOCIATION OF PERSONNEL  
WITH AN AUDIT OR ASSURANCE CLIENT**

We thank you for the opportunity to comment on IESBA Exposure Draft: *Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client*.

In this regard, we are pleased to attach the Institute's comments as set out in Appendix I for your consideration.

Please do not hesitate to contact the undersigned or the Institute's Senior Technical Manager, Ms Hoh Kim Hyan, at +603-2698 9622 should you require any clarification.

Thank you.

Yours sincerely

by   
FOO YOKE PIN (Mr)  
Executive Director

**THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
(INSTITUT AKAUNTAN AWAM BERTAULIAH MALAYSIA)**

**International Ethics Standards Board for Accountants**

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

**Questionnaire**

---

The IESBA welcomes comments on all matters addressed in the exposure draft. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this exposure draft (especially those calling for change in current practice), it will be helpful for the IESBA to be made aware of this view.

---

**General Provisions**

**Question 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?

**MICPA's Comments:**

MICPA agrees that the proposed enhancements do provide more useful guidance for identifying and evaluating familiarity and self-interest threats created by long association and they appear adequate.

**Questions 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)?

**MICPA's Comments:**

Yes, MICPA concurs with the proposal that the General Provisions should apply to the evaluation of potential threats created by the long association of all individuals on the audit team (not just senior personnel).

**Questions 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?

**MICPA's Comments:**

MICPA agrees with the proposal for a firm to determine an appropriate time-out period if the firm decides that rotation of an individual is a necessary safeguard.

## **Rotation of KAPs (Key Audit Partner) on PIEs**

### **Questions 4**

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

#### **MICPA's Comments:**

MICPA agrees with the proposal to keep the time-on period at seven years for KAPs on the audit of PIEs.

### **Questions 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?

#### **MICPA's Comments:**

In recognizing that an extension from the current two year cooling-off period is required, MICPA believes that the proposed five year period is unduly long. In many instances, industry experience of suitable partners could be 'blocked' from being brought to bear on audits for an extended period, and the resultant could be a negative impact on audit quality. As such, MICPA suggests that a three year cooling-off period be considered instead.

### **Questions 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?

#### **MICPA's Comments:**

Yes, MICPA agrees that if the cooling-off period is extended to five years for the engagement partner; the requirement should apply to the audits of all PIEs.

### **Questions 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?

#### **MICPA's Comments:**

Yes, MICPA agrees.

### **Questions 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?

#### **MICPA's Comments:**

If MICPA's proposal to Question 5 above is accepted, then MICPA agrees with the proposal that the engagement partner be required to cool-off for three (3) years if he or she has served any time as the engagement partner during the seven year period as a KAP.

### **Questions 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?

**MICPA's Comments:**

Yes the new provisions contained in 290.150C and 290.150D are 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.

### **Questions 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?

**MICPA's Comments:**

Yes, MICPA agrees that an engagement partner should be permitted to undertake a limited consultation role with the audit team and audit client.

### **Questions 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?

**MICPA's Comments:**

Yes, MICPA agrees.

### **Questions 12**

Do respondents agree that the firm should not apply the provisions in paragraph 290.151 and 290.152 without the concurrence of TCWG (those charged with governance)?

**MICPA's Comments:**

Yes, MICPA agrees with the proposal.

### **Section 291**

#### **Questions 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"?

**MICPA's Comments:**

Yes, MICPA agrees.

## **Impact Analysis**

### **Questions 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?

**MICPA's Comments:**

Yes, MICPA agrees.

### **Request for General Comments**

In addition to the request for specific comments above, the IESBA is also seeking comments on the following general question:

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?

**MICPA's Comments:**

Yes, MICPA is of the view that the proposal would require firms to make significant changes to their systems and processes and agrees that the proposed effective date and transitional provisions should provide sufficient time to make the changes.