

Ref #762224

16 March 2020

International Ethics Standards Board for Accountants (IESBA)

Email: kensiong@ethicsboard.org

Dear Sir

SAICA SUBMISSION ON THE IESBA'S EXPOSURE DRAFT, PROPOSED REVISION TO THE CODE ADDRESSING THE OBJECTIVITY OF ENGAGEMENT QUALITY REVIEWERS

In response to your request for comments on the IESBA's Exposure Draft, *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA).

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely,

Juanita Steenekamp (CA (SA))
Project Director – Governance and Non-IFRS Reporting

RESPONSE TO REQUEST FOR SPECIFIC COMMENTS

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

Response:

SAICA agrees with the proposals on objectivity of an EQR, since this is intended to assist in improving audit quality.

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

Response:

SAICA considered the location of the guidance dealing with objectivity and whether it should have been included in section 540 dealing with long-association in the Conduct of Professional Ethics or section 112 dealing with objectivity but came to the conclusion that SAICA agrees with the location of the proposed guidance as it covers audits, reviews and other assurance engagements and it specifically discusses the threats to objectivity when acting as an EQR who would apply the conceptual framework.

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 as discussed in Section III.C above, and that the Code should not be prescriptive in this regard?*

Response:

SAICA agrees with the proposal to address the cooling-off period in the proposed ISQM 2 as the standard will be addressing EQRs and will ensure that the cooling-off is dealt with in the standard where the appointment and other requirements are discussed.

The Code is principle based and should, where possible, not set specific requirements or make rules.

The cooling off period for an EQR is important as it is intended to improve auditor independence, which impacts audit quality. Threats to independence are intended to be reduced to an acceptable level when the cooling-off period is applied appropriately. Although a cooling-off period requirement is warranted it should not be prescriptive as each case may be different.

GENERAL COMMENTS

- *Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.*

Response:

No comments.

- *Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMPs.*

Response:

The proposed section 120.14 A2 has reference:

“The following are examples of threat that might be created:

(a) Self-interest threat

- Two engagement partners who serve as an engagement quality reviewer for each other’s engagement.”

The Small and Medium Practices constituency raised the issue that the mere fact of 2 engagement partners service as engagement quality reviewers for each other’s engagement does not necessarily create a self-interest threat. This is relevant for smaller firms with limited qualified Engagement Quality Reviewers of a firm with limited industry specialists.

Section 120.14 dealing with the safeguards also has reference:

“120.14 A4 Examples of safeguards or actions that might address such threats include:

- Implementing a period of sufficient duration (a cooling-off period) before the professional accountant is appointed as engagement quality reviewer.
- Having an appropriate reviewer review specific areas of significant judgment. “

From the Small and Medium Practices perspective the safeguard of having an appropriate reviewer review specific areas of significant judgement requires that a firm appoint an EQR to review significant judgements and then to appoint another reviewer to review the EQR, would be extremely costly and time-consuming for small and medium firms. This should be carefully and appropriately considered.

- 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 proposals, and in particular on any foreseeable difficulties in applying them in their environment.

Response:

No comments.

- Translations – Recognizing that many respondents may intend to translate the final pronouncement for adoption in their environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed guidance.

Response:

No comments.