



**The Japanese Institute of
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March 17, 2020

Mr. Ken Siong
Senior Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor,
New York, NY 10017
USA

Dear Mr. Siong:

Re: JICPA comments on the IESBA Exposure Draft, *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*

The Japanese Institute of Certified Public Accountants (JICPA) appreciates this opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) Exposure Draft, *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewer*.

Our responses to the specific questions raised by the IESBA are as follows:

I. Request for Specific Comments

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

(Comment)

We are in agreement with regard to the addition of general provisions, relating to the objectivity of an EQR, to the IESBA Code of Ethics.

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

(Comment)

We support the IESBA proposals.

We believe it is appropriate to add provisions relating to the *Engagement Quality Reviews* in Section 120 which deals with matters related to the conceptual framework as application materials

dealing with considerations for audits, reviews and other assurance engagements, alongside *Independence and Professional Skepticism* .

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?

(Comment)

We agree with the IESBA that the Code should not be prescriptive with regard to cooling-off period based on the principles-based approach and that it would be more appropriate for the IAASB to determine a cooling-off requirement.

In R540.20(a), it is stated that key audit partners shall not provide quality control for the audit engagement for the duration of the relevant cooling-off period. For that reason, we believe that prescribing matters related to the cooling-off period in the Code is more advantageous in terms of enabling comparisons with other roles, and also ensures perspicuity.

Nevertheless, in line with the assumption that the reviewing function is part of the quality control system of the firm, issues related to the cooling-off period for an EQR are handled as deficiencies in the quality control system. For that reason, we believe that the IESBA proposal is consistent with having lines of defense within the quality control system for firms.

II. Request for General Comments

(a) *Regulators and Audit Oversight Bodies* – The IESBA invites comments on the proposed guidance from an enforcement perspective from members of the regulatory and audit oversight communities.

(Comment)

Not applicable.

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

(Comment)

We do not have any specific comments.

(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 guidance, and in particular, on any foreseeable difficulties in applying it in their environment.

(Comment)

Not applicable.

(d) *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.

(Comment)

We do not have any specific comments on the wording used in the Exposure Draft from the perspective of translation into Japanese.

However, English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.

We hope the comments provided above will contribute to the robust discussions at the IESBA.

Sincerely yours,

Toshiyuki Nishida

Executive Board Member - Ethics Standards

The Japanese Institute of Certified Public Accountants