

IESBA Exposure Draft: ‘Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers’

13 March 2020

Introduction

ICAS is a professional body for more than 22,000 world class business men and women who work in the UK and in more than 100 countries around the world. Our members have all achieved the internationally recognised and respected CA qualification (Chartered Accountant). We are an educator, examiner, regulator, and thought leader.

Almost two thirds of our working membership work in business; many leading some of the UK's and the world's great companies. The others work in accountancy practices ranging from the Big Four in the City to the small practitioner in rural areas of the country.

We currently have around 3,000 students striving to become the next generation of CAs under the tutelage of our expert staff and members. We regulate our members and their firms. We represent our members on a wide range of issues in accountancy, finance and business and seek to influence policy in the UK and globally, always acting in the public interest.

ICAS was created by Royal Charter in 1854. The ICAS Charter requires its Boards to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Ethics Board has considered the IESBA Exposure Draft: 'Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers'.

Any enquiries should be addressed to James E Barbour, ICAS, Director, Policy Leadership.

Key Points

We are generally supportive of the IESBA proposals outlined in the Exposure Draft.

Specific ED Questions

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

We are supportive of the proposed guidance.

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

This is tricky as there does not appear to be a natural home in the Code for this proposed content. Therefore, on balance, the proposed location would appear to be justifiable on the grounds that there is not a more suitable location. We would, however, highlight that it may not be the first place that someone might look for content of this nature. Rightly or wrongly, users may be more inclined to look to the independence standards, although this risk will be mitigated to some extent by the use of the search facility in the eCode or other electronic version of the Code, to look for "engagement quality reviewer".

At paragraph 120.14 1A, there would appear merit in including the full titles of ISQM 1 and ISQM 2, once these have been finalised by the IAASB.

We also believe that the wording in paragraph 120.14 A2 could be improved. We suggest the following:

“Two engagement partners, ~~where each~~ who serves as an engagement quality reviewer ~~for each~~ for the other’s engagement.”

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?***

We believe that many users might expect to see the specific matter of a cooling-off requirement addressed by IESBA and not the IAASB. Therefore, there might be merit in making a specific reference in the proposed new Code material to the cooling-off requirement in ISQM 2, even if just to highlight that it exists. This of course assumes that ISQM 2 will include such a requirement.