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March 16, 2020

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

Dear Mr. Siong:

**Re: January 2020 Exposure Draft, *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers***

I am writing on behalf of the Public Trust Committee (PTC) of the Chartered Professional Accountants of Canada (CPA Canada) in response to your request to comment on the Exposure Draft entitled *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers* (“*the Exposure Draft*”).

CPA Canada is the national body of Canada’s accounting profession, with more than 217,000 members both at home and abroad. It conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. CPA Canada issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian CPA profession nationally and internationally.

The PTC is responsible for overseeing the regulatory structures and processes across provincial jurisdictions in Canada. The PTC’s goals include achieving consistency between the provincial CPA bodies in Canada and ensuring that the processes and standards in Canada meet or exceed the international standards.

Overall, as provided below, we are supportive of the proposed application material as presented in the Exposure Draft however we believe there should be cooling-off requirements and we do not believe that Section 120 is the most appropriate location in the Code for this material. Through our consultation efforts, we did receive views that varied regarding the specific questions for comments and we have referenced these perspectives where it may be helpful for IESBA to be aware.

Please find below our responses to the requested matters for input from Respondents as outlined in the Explanatory Memorandum’s Guide for Respondents.

***Request for Specific Comments:***

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

We support the addition of the proposed guidance to the Code addressing the topic of the objectivity of an EQR. The objectivity of the EQR is critical to the effectiveness of the engagement quality review (EQ review) and we believe the proposed guidance provides helpful information about the types of threats to compliance with the fundamental principle of objectivity that may be created in certain circumstances when a professional accountant is appointed as EQR.

However in considering the proposed application material addressing factors that are relevant in evaluating the level of the potential threats and the identified examples of safeguards or actions that may address potential threats, we received majority feedback from our consultation that there should also be requirements added to the Code for a cooling-off period for an engagement partner or other engagement team member before becoming the EQR for the particular audit engagement where the client is a public interest entity<sup>1</sup>.

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

Some support was received through our consultation for the proposed guidance to be located in Section 120. However, the majority did not believe that a professional accountant would look to Section 120 for requirements or application material respecting a cooling-off period.

In considering the structure of the Code, Part 3 Professional Accountants in Public Practice was preferred by most as the best location for requirements and application material regarding EQR objectivity. Specifically, it was felt that Section 320 Professional Appointments was a suitable location for a new subheading and topic area concerning matters relating to Engagement Quality Reviews. Further, it was acknowledged that professional accountants may turn to Part 4A Section 540 Long Association of Personnel (Including Partner Rotation) with an Audit Client for any cooling-off period requirements and it was believed that a reference (i.e., with a link for the eCode) in Section 540 to Section 320 regarding Engagement Quality Reviews would be helpful to the user.

*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?*

Through our consultation, some support was received for IESBA's position and particularly in trying to maintain the Code as principles-based and without unnecessary prescription.

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<sup>1</sup> Public interest entity as used in this document has the meaning as assigned in the Glossary, International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code).

However, it was noted that specific and prescriptive requirements exist currently within the Code with the majority of the view that requirements should be added to the Code for a cooling-off period for an engagement partner and for other engagement team members before becoming the EQR for the particular audit engagement where the client is a public interest entity. Locating specific EQR related cooling-off requirements within the Code would be consistent with the Long Association requirements and application material such that a professional accountant would find these matters in one anticipated source being the Code. Further, it was felt that this would avoid potential confusion from differing source locations and increase compliance.

Specifically, it is recommended that in addition to application material the Code should include:

- A required minimum cooling-off period of two years before an individual who has served as the engagement partner could become the EQR for the audit of the same public interest entity, and
- A requirement for consideration of a cooling-off period for others who have served as engagement team members to be determined considering their former roles and responsibilities in addition to the nature and complexity of the public interest entity audit engagement and without a minimum duration.

***Request for General Comments:***

*(b) Small and Medium Practices (SMPs)*

We received some feedback observing that EQRs in firms may be managers and not partners raising a concern as to whether and how a potential intimidation threat can be reduced to an acceptable level. Although not limited to SMPs as a possible concern, it was observed that larger firms may have greater support mechanisms and alternatives in such instances and that additional information for SMPs in this respect may be helpful.

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We thank you for the opportunity to comment on this Exposure Draft and we appreciate that further revisions to these proposals may result through the feedback provided by stakeholders and as IESBA continues its close coordination regarding this matter with the IAASB.

Yours truly,



Jamie Midgley, FCPA, FCA  
Chair, Public Trust Committee