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15 April 2016

The Technical Director
IESBA Technical Director

Dear Sir/Madam

ICAZ Submission - Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client

In response to your request for comments on **Exposure Draft "Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit"**, attached is the comment letter prepared by the Institute of Chartered Accountants of Zimbabwe. The comment letter is a result of deliberations of the Auditing and Professional Standards Committee (APSC), which comprises members from reporting organisations, regulators, auditors, IFRS specialists and academics.

We are grateful for the opportunity to provide our comments on this project.

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

Yours faithfully,

D Marange (EY)
Chairperson of the APSC

Elliot Wonenyika (CAA)
Project Director

Cc: Matthews Kunaka (ICAZ C.E.O)

Exposure Draft “Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client”

SPECIFIC COMMENTS

Question — Cooling-Off Period for the EQCR on the Audit of a PIE

- 1. Do respondents agree that the IESBA’s proposal in paragraphs 290.150A and 290.150B regarding the cooling-off period for the EQCR for audits of PIEs (i.e., five years with respect to listed entities and three years with respect to PIEs other than listed entities) reflects an appropriate balance in the public interest between:**
 - a) Addressing the need for a robust safeguard to ensure a “fresh look” given the important role of the EQCR on the audit engagement and the EQCR’s familiarity with the audit issues; and**
 - b) Having regard to the practical consequences of implementation given the large numbers of small entities defined as PIEs around the world and the generally more limited availability of individuals able to serve in an EQCR role?**

We do not **agree** with the proposal.

While we are in agreement with the need for a robust safeguard to ensure a “fresh look” considering the key role of the EQCR we consider the suggested cooling off period to be too long. It is important to first take into consideration the role of the EQCR and the manner their involvement is likely to result in threats to independence.

The role of the EQCR in an audit does not involve making significant judgements about the audit, but to provide limited consultation that does not result in impairment of the EQCR’s objectivity as guided by ISQC 1. The EQCR does not make significant decisions about the audit opinion and has minimal interaction with the audit client unlike the EP. Due to the less involvement and limited judgement made on the subject matter or subject matter information of the assurance engagement we do not see why there should have a cooling off period of five years as required for the EP.?

Implementation of the 5 year cooling off period may pose great difficult to SMPs as they may not have the resource capacity internally and may also not be able to outsource the services of an EQCR especially in developing countries,

We propose that the cooling off period be set at 3 years for listed PIE’s and 2 years for non-listed PIE’s

Question — Jurisdictional Safeguards

2. Do respondents support the proposal to allow for a reduction in the cooling-off period for EPs and EQCRs on audits of PIEs to three years under the conditions specified in paragraph 290.150D?

3. If so, do Respondents agree with the conditions specified in subparagraphs 290.150D (a) and (b)? If not, why not, and what other conditions, if any, should be specified?

We agree with the proposal.

If the EP and EQCR has been involved for a period less than the stipulated seven years it is also justifiable for the cooling off period to be less than the proposed five years. We however are of the opinion that the period should only be for two years since we suggested a maximum of a three year cooling off period for listed PIEs.

We also agree with conditions specified in subparagraphs 290.150D (a) and (b).

Question — Do respondents agree with the proposed principle "for either (a) four or more years or (b) at least two out of the last three years" to be used in determining whether the longer cooling-off period applies when a partner has served in a combination of roles, including that of EP or EQCR, during the seven-year time-on period.

We agree with proposed principle.