

Institute of Certified Public Accountants of Kenya
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Our Ref: PSC/PSD/TS/ED12/2016

Friday, 6 May 2016

Ken Siong
Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 5th Avenue, New York
USA

Email: kensiong@ethicsboard.org

Dear Ken,

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

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft, Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client, issued by the International Ethics Standards Board for Accountants (IESBA).

We believe that the proposal in the exposure draft reflects a position where all non-listed PIEs are in effect deemed to be of less public interest than listed PIEs—this is inconsistent with the definition of a PIE and is likely to be confusing for stakeholders. For instance, in our jurisdiction, there exist large commercial banks and insurance entities which are not listed but have greater public interest than many small listed entities, and therefore regulators demand more accountability from them.

We are also opposed to the proposed 5 year cooling off period for an EQCR who is not normally directly involved in the audit judgements and interaction with the client and will prove to be a significant challenge for smaller and medium sized firms to implement. We suggest a 3 year cooling off period applied consistently for all PIEs (whether listed or not) for the EQCR.

If the Board decide to proceed with the proposals, our comments and detailed responses to the questions for respondents as set out in the consultation paper are detailed hereafter.

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Should you require any additional information, please contact the undersigned on icpak@icpak.com or nixon.omindi@icpak.com.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Nixon Omindi', is positioned below the text 'Yours Sincerely,'. The signature is written in a cursive, flowing style.

Nixon Omindi
For Professional Standards Committee

Questions for Respondents

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 BASIS FOR CONCLUSIONS AND EXPLANATORY MEMORANDUM 20
 - 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?

If not, what alternative proposal might better address the need for this balance?

Overall we are supportive that the EQCR requires a cooling period that is sufficiently long to promote a proper 'Fresh Look'

However, we are not in agreement with the distinction between listed entities and other non-listed PIEs. All PIEs whether listed or not have a similar degree of public accountability – this distinction also adds to complexity in the understanding and implementation of the proposals.

We are also of the view that a 5 year cooling off period is longer than it needs to be for an EQCR who is not normally directly involved in the audit judgements and interaction with the client and will prove to be a significant challenge for smaller and medium sized firms to implement.

Accordingly, our suggestion would be for a 3 year cooling off period applied consistently for all PIEs (whether listed or not) for the EQCR.

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 are agreeable with the proposals as set-out in the ED.

Service in a Combination of Roles during the Seven-year Time-on Period

4. 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 (paragraphs 290.150A and 290.150B)?

We are agreeable with the proposals set out in the ED