



Grant Thornton

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Proposed Revisions to the Code Addressing the Objectivity of Engagement Quality Reviewers

To the members of the International Ethics Standards Board for Accountants:

Grant Thornton International Ltd. (GTIL) appreciates the opportunity to comment on the exposure draft, Proposed Revisions to the Code Addressing the Objectivity of Engagement Quality Reviewers, approved for publication by the International Ethics Standards Board for Accountants (the IESBA or the Board).

GTIL is an umbrella organisation that does not provide professional services to clients. Professional services are delivered by GTIL member firms around the world. Representative GTIL member firms have contributed to and collaborated on this comment letter with the public interest as their overriding focus.

We support the Board's proposals and believe they will enable IFAC in its mission to serve the public interest and allow the Board to achieve its objective of strengthening the IESBA Code (the Code) by continuing to set high-quality standards that will enhance the profession.

Request for Specific Comment

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

GTIL supports the proposals in Section 120 addressing the topic of the objectivity of an EQR. We believe compliance with the Code is fundamental for professional accountants, to meet their responsibility to act in the public interest, and that the Code and the fundamental principles outline the behaviours associated with public expectations of professional accountants, regardless of the role they are acting in.

However, with respect to a familiarity threat as discussed in section 120.14 A2c of the proposal, the current definition of familiarity threat in the Code does not contemplate relationships between the professional accountant and other professional accountants in

their firm/network. A familiarity threat is normally applicable to a long or close relationship between the professional accountant and the client, rather than with the audit team.

The use of a familiarity threat in this context appears to be inconsistent with how a familiarity threat is used in other instances in the extant Code and does not support the example in the exposure draft. Furthermore, we believe it would be challenging to request partners to avoid familiarity with each other, particularly for smaller and medium-sized firms.

Therefore, GTIL recommends the Board revise the definition of familiarity threat to address internal relationships of the professional accountant. Alternately, the Board could consider adding application material to address these situations.

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

GTIL supports the location of the proposed guidance in Section 120, The Conceptual Framework, Considerations for Audits, Reviews, and Other assurance engagements.

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?

GTIL does not agree that it would be more appropriate for the IAASB to determine whether a cooling-off requirement should be introduced in proposed ISQM 2.

When assessing the eligibility of an individual to be appointed as engagement quality reviewer, the firm's quality management policies and procedures set forth criteria for the eligibility of an individual to be appointed as an engagement quality reviewer. These criteria include compliance with relevant ethical requirements, such as the IESBA Code.

Objectivity of a professional accountant, regardless of the role they are serving in, is a fundamental principle of ethics, and compliance with the fundamental principles is achieved by application of the conceptual framework and other requirements of the Code.

Therefore, GTIL believes any cooling-off requirements recommended to eliminate or effectively reduce any threats to the EQR's objectivity, are more appropriately addressed and positioned in the Code. This approach would be similar to the mandatory rotation requirements for key audit partners (Section 540) when addressing threats to objectivity attributed to long association with an audit client.

Furthermore, we do not agree with the rationale that if such a requirement were put in the Code, failure to implement the required cooling-off period would result in a breach of the Code.

Breaches of the Code are failures to comply with the independence requirements in the Code for audit and review engagements. Threats to objectivity of the EQR in these instances, are not attributed to any service/relationship with the client or employing organization and would not be considered a breach of an independence requirement for the audit.

GTIL would like to thank the IESBA for this opportunity to comment. As always we welcome an opportunity to meet with representatives of the IESBA to discuss these matters further. If you have any questions, please contact Gina Maldonado-Rodek, Director - Global Independence at gina.maldonado-rodek@gti.gt.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Peneycad', with a large loop at the end.

David Peneycad – Global Chief Operating Officer
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