

March 23, 2020  
Ref.: SEC/022/20 - DN

International Ethical Standards Board for Accountants (IESBA)  
545 Fifth Avenue, 14th Floor  
New York, NY 10017  
USA

Dear Sirs,

We, Ibracon – Instituto dos Auditores Independentes do Brasil (Institute of Independent Auditors of Brazil), appreciate the opportunity to comment on the Exposure Draft: Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers.

### **Request for Specific Comments**

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

Yes. The Code to provide guidance in relation to this matter is crucial in order to allow firms to implement in their Quality Management certain conditions and circumstances for maintaining the EQR objectivity. However, the suggested paragraphs in the Exposure Draft might be viewed as a rule rather than a guidance once they are just providing one example for each threat without exploring better the relevant factors for the fundamental principles of objectivity. The proposed guidance should provide conditions, circumstances, relevant factors and rationale where the firms should consider in their Quality Management for the identification of threats, how to evaluate and to address them. In addition, the guidance could bring relevant factors and circumstances of the size of the firm and the complexity of the audit clients such as when the audit client is a public interest entity. We can give as an example of limited conditions the suggested paragraph 120.14 A3, where the factors described might be addressing just the Self-review threat and not the others.

In the suggested paragraph 120.14 A4, the Code could bring other examples of safeguards, especially in regards to other threats rather than Self-review one. As an example, the firms could consider whether they have implemented robust independent internal quality reviews.

In order to support our comments, we emphasize the prescription of the section 540 in the current Code related to “Long association of Personnel (including Partner Rotation) with an Audit Client” where the essence of the threats for the fundamental principle of objectivity is similar of the matter presented in this Exposure Draft. In that section, the reader could understand there are more relevant factors to evaluate the level of the threats and also provide more concept, in order to allow the firms to make their judgment and evaluation taking into consideration a combination of two or more factors when might increase the level of the threats.

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

Yes. We understand that the section 120 is the most appropriate to allocate this proposed content. However, we believe that it should have an introduction related to the application of the concept framework by the firms prior to make the determination about the potential threats. This comment is aligned with our comments in the first question.

Additionally, we understand that the section 540 in the current Code related to “Long association of Personnel (including Partner Rotation) with an Audit Client” should also be updated in order to have references and inclusion of certain comments related to the proposed cooling-off period mentioned in this Exposure Draft (aligned with ISQM 2 – question below) due to the section 540 establishes mandatory key audit partner rotation, considering in certain instances when the audit partner might be the engagement partner and also the EQR (current engagement quality control reviewer). Currently, there is no reference in the section 540 and whether the reader just consider that section, could drive them for a misleading of the rule.

**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?**

Yes. We 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. However, we strongly recommend the inclusion of cross-references in both materials (ISQM 2 and the Code), in order to clarify the prescriptive in this regard and also in the section 540 as mentioned above.

**Request for General Comments**

**a) *Regulators and Audit Oversight Bodies* – The IESBA invites comments on the proposed guidance from an enforcement perspective from members of the regulatory and audit oversight community.**

No comments.

**b) *Small and Medium Practices (SMPs)* – The IESBA invites comments regarding the impact of the proposed guidance for SMPs.**

We mentioned in the first question that the Code should bring considerations and factors of the size of the firm and the complexity of the Audit Clients.

**c) *Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposed guidance, and in particular, on any foreseeable difficulties in applying it in their environment.**

Not applicable.

**d) *Translations* – Recognizing that many respondents may intend to translate the final pronouncement for adoption in their environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed guidance.**

No comments.

Best Regards,



**Francisco A.M. Sant'Anna**  
President



**Valdir Renato Coscodai**  
Technical Director