



Long Association of Senior Personnel with an Audit Client

The International Ethics Standards Board for Accountants (IESBA) has commenced a project to consider the provisions in its [Code of Ethics for Professional Accountants](#) that address the potential threats to independence created by using the same senior personnel on an audit engagement over a long period of time (contained in paragraphs 290.150-155).

The IESBA is interested in obtaining the views of stakeholders and interested parties on whether the current provisions continue to provide robust and appropriate safeguards against familiarity and self-interest threats arising from the long association of senior personnel with an audit client; or whether the provisions can and should be revised to help enhance the independence and skepticism of individuals on an audit team.

Familiarity and self-interest threats (referred to as “the threats” in this survey) are described in the Code as follows:

- Familiarity Threat - The threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work
- Self-interest Threat - The threat that a financial or other interest will inappropriately influence the professional accountant’s judgment or behavior

This survey does not include consideration of any issues relating to Mandatory Firm Rotation or Re-tendering.

The survey should take approximately 15 to 20 minutes to complete. All responses are anonymous.

Thank you for taking the time to complete the survey; we are interested in your opinions.

General Provisions

1. Do you think that the longer an individual serves on an audit team, the more the threats to objectivity and independence increase?

- No, I don't think any significant threats to independence are created by the long association of individuals on the audit team with the audit client.
- Yes

Comments

2. On a scale of 1 (very unimportant) to 5 (very important), please indicate how important you think the length of time an audit team member has been associated with an audit engagement is in assessing his/her independence?

- 1 2 3 4 5
very unimportant very important

3. Do you think that the role or seniority an individual has on an audit team impacts the extent of the threats to independence that may arise over a period of time?

- No
- Yes

Comments

4. Assume for a moment that the threats created by an individual who has served on the audit team for a long period of time are assessed as significant. Do you believe in such a case that requiring the individual to rotate off the audit team is a necessary safeguard for reducing significant threats to objectivity and independence? In answering this question, please consider the impact of changes in the audit engagement personnel on audit quality.

- No
- Yes

Comments

5. What other safeguards do you think could be effective in reducing the threats to independence created by the long association of audit team personnel to an acceptable level?

Comments

6. Do you have any views on whether there is an impact on audit quality in the immediate period following rotation of the audit engagement partner or the quality control review partner? If so, please also include any comments on how this can be addressed.

- No
 Yes

Comments

Rotation Requirements for Audit Clients That are Public Interest Entities

Under the current Code, certain audit partners are required to rotate off the audit of a public interest entity (including listed entities) after seven years of service in a specified role, or in a combination of roles. In this respect:

7. Which of these individuals are in roles that you think should be subject to rotation after a specified period, because the threats to independence that would be created by their long association with the audit client are so significant? Select all that apply.

- Lead audit engagement partner
- The partner assigned to undertake the quality control review of the audit engagement
- Other partners assigned to the audit engagement
- Managerial staff assigned to the audit engagement
- Junior staff assigned to the audit engagement
- None of the above—I don't support rotation requirements

8. If you selected "Other partners assigned to the audit engagement," how would you define the "other" partner roles that you think should be subject to rotation? That is, what characteristics of the role would lead you to conclude that their use on the audit team over a long period of time would create threats to independence so significant that rotation was required? You may wish to consider, for example, group audit situations and audit partner roles at a material subsidiary.

Comments

9. What do you think the predetermined rotation period(s) should be for each role? Please also provide the rationale for your choices.

	No rotation	3 years	4 years	5 years	6 years	7 years	Other
Lead audit engagement partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The partner assigned to undertake the quality control review	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other partners assigned to the audit engagement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Managerial level staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other individuals, please describe	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

10. Once rotated off the audit engagement, how long do you think the individual should be required to not participate in (i.e., be off) the audit engagement? Please also provide the rationale for your choices.

	No rotation	1 year	2 years	3 years	4 years	5 years	Other
Lead audit engagement partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The partner assigned to undertake the quality control review	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other partners assigned to the audit engagement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Managerial level staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other individuals, please describe	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

11. Do you think an individual who has rotated off the engagement should have any relationship with the client entity while rotated off? Select all that apply.

- Should have no relationship at all
- Could provide non-audit services
- Could act as the person responsible for the overall relationship between the firm and the client as long as not a member of the audit team and does not influence over the outcome of the audit
- Other, please describe

12. If the Code were to allow a predetermined rotation period to be extended under particular circumstances, what factors do you think should be satisfied for such an extension to be permissible, and how long should the extension be?

Comments

13. Do you think there should be any other exceptions to the requirement to rotate, and if so, in what circumstances?

- No
- Yes

Comments

14. Do you think that "those charged with governance" should be involved in the rotation decision? If so, how, and to what extent?

- No
- Yes

Comments

15. In respect of your answers above, what type of entities do you think rotation requirements should apply to? Select all that apply.

- Listed entities only
- Other public interest entities
- Other, please specify

16. Do you think that the length of time an individual has been a member of an audit team prior to becoming a partner (e.g., joining as a junior and growing up on the job) could create threats such that rotation might be appropriate at an earlier stage or that some of this time served prior to becoming a partner should count towards the period after which rotation is required? If so, please provide comments on any circumstances that you think may warrant this and when.

- No
 Yes

Comments

17. Do you have any comments on the benefits and/or challenges and/or practical implications of requiring rotation of audit partners after a specified period?

Comments

18. Finally, do you have any other comments on the topic of the threats to independence created by long association of personnel with an audit client?

Comments

Demographics

19. Select all that apply.

- I am a member of an audit committee
 I am a company director
 I am a representative of an IFAC member body
 I am a representative of a securities regulator
 I am a representative of an audit regulator
 I am a representative of a standard setter
 I am a professional accountant
 I am an auditor
 Other, please specify

20. Which best describes the organization(s) you belong to, regulate or serve?

- Listed/Public interest entity
- Small- or medium-sized entity
- Public sector
- Not for profit
- Other, please specify

21. In what country is your organization located?