

IESBA Long Association ED

APESB Roundtable

RACV Club

Melbourne, 14 October 2014

- Welcome and opening remarks
- APESB's communication strategies
- Overview of IESBA's Long Association ED
- Roundtable Discussions
- Feedback from the tables
- Closing remarks

Welcome and Opening Remarks

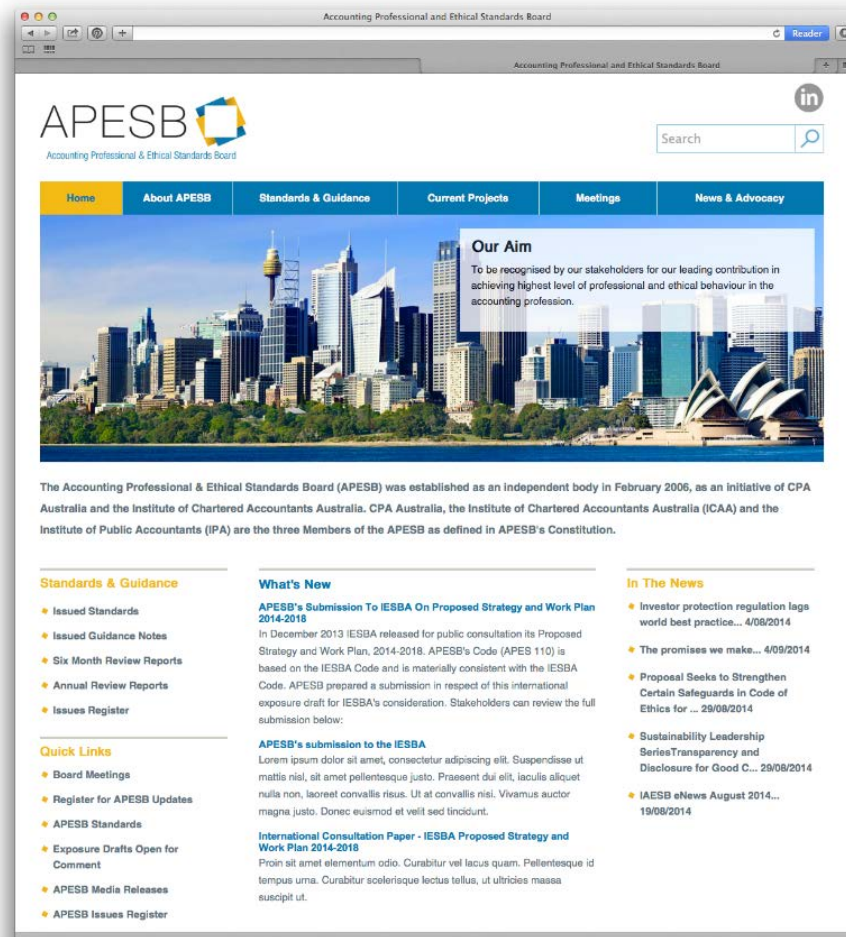
The Hon. Nicola Roxon
Chairman

APESB's Communication Strategies

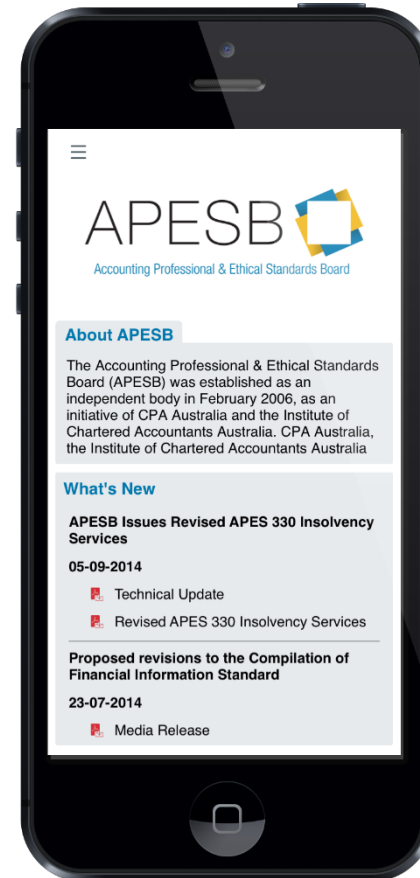
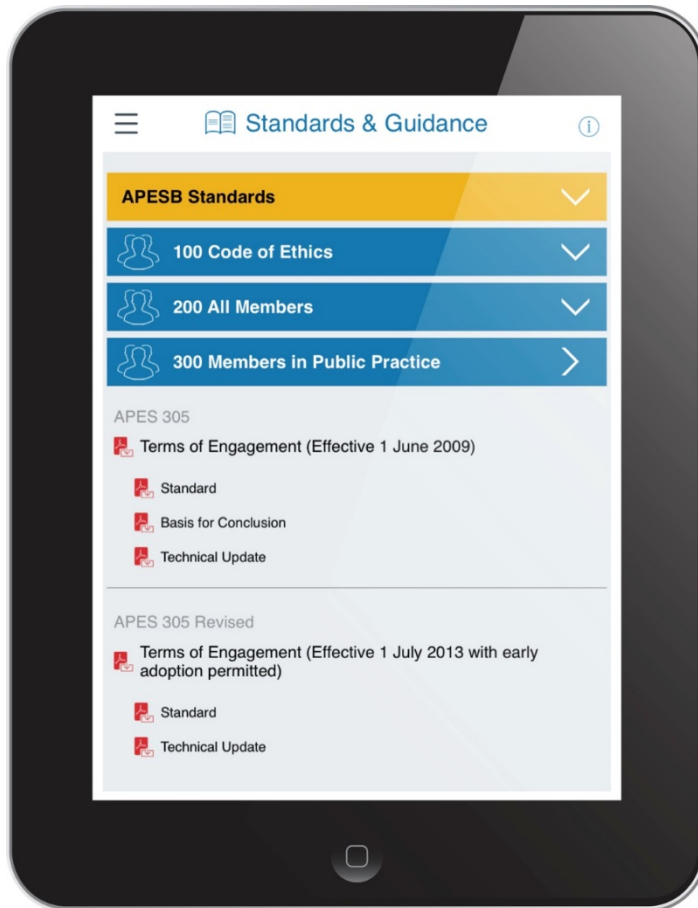
Channa Wijesinghe

Technical Director

New Responsive Website



New mobile apps



Overview of the IESBA's Long Association ED

Channa Wijesinghe

Technical Director

- Significant Matters
 - Strengthening the General Provisions
 - The rotation requirements for Key Audit Partners (KAPs) in respect of Public Interest Entities (PIEs)
 - Restrictions on activities during the cooling-off period
 - Obtaining the concurrence of Those Charged with Governance (TWCG)
- IESBA's expected timeline

Background and IESBA's rationale

- GFC and EU reforms.
- Jurisdictional developments indicate a lack of confidence on partner rotation (i.e. firm rotation and mandatory tendering).
- Stakeholder concerns that a KAP may serve 14 out of 16 consecutive years.
- IESBA's view - changes must be substantive.
- IESBA's extensive work (2013-14).

Strengthening the General Provisions

- Consideration of independence threats created by long association now extended to **all** personnel.
- Enhanced guidance on consideration of threats to independence.
- A proposed new safeguard of changing the role of the individual on an audit engagement.
- The firm to determine the cooling-off period of a rotated individual (excluding KAPs).
- Conforming changes done to Section 291 for assurance engagements of a recurring nature.

The rotation requirements for KAPs on PIEs

IESBA's proposals on rotation

- Maintain existing *time on* period of 7 years.
- *Time-off* period considerations:
 - 2 years – too short (i.e. 14 out of 16 years)
 - 3 years – not a substantive change but EU has adopted (i.e. 14 out of 17 years)
 - 4 years – no jurisdiction has adopted this period
 - 5 years – US, UK & Canada (for listed entities and includes EQCR)

The rotation requirements for KAPs on PIEs (continued)

- 5 year cooling-off period for LEPs on PIE audits after a seven year period as a KAP.
- 2 year cooling-off period maintained for other KAPs and EQCR.
- Mandatory rotation not required for non-PIE audits or non-KAPs on PIE audits.

Restrictions on activities during the cooling-off period

- Consultations with a KAP
- Prohibitions during the Cooling-off period
- A KAP may assume a leadership role in a firm.

Obtaining Concurrence of TWCG

A KAP must obtain the concurrence of TCWG to:

- Serve an additional year due to unforeseen circumstances;
or
- When an entity initially becomes a PIE and the KAP has served 6 or more years and wants to continue for two additional years.

IESBA's Expected Timeline

- Nov 2014 – ED comment period closes
- Jan 2015 – Full review
- Apr 2015 – First read post-ED
- Jun 2015 – Approve final
- Q4 – 2015 – APESB ED?
- Dec 2017 – IESBA Standard Effective for financial years beginning on or after 15 December 2017
- 2018 – A significant year, if the proposals are adopted

Roundtable Discussions

Allocation of questions to Table Teams

Allocation of Questions

Table	Perspective	Question number
1	Public Interest/Public Sector	2,3,5,7,8,11,12
2	Mid-tier and SMP	5,6,7,8,9,13, GC(a)
3	Big four firms	5,6,7,8,9,11,13
4	CFO/Client	2,5,7,8,10,12,GC(b)
5	Professional Bodies/ Consumer	1,2,3,5,6,7,8,

Feedback from the Tables

Closing Remarks

The Hon. Nicola Roxon
Chairman