

# 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

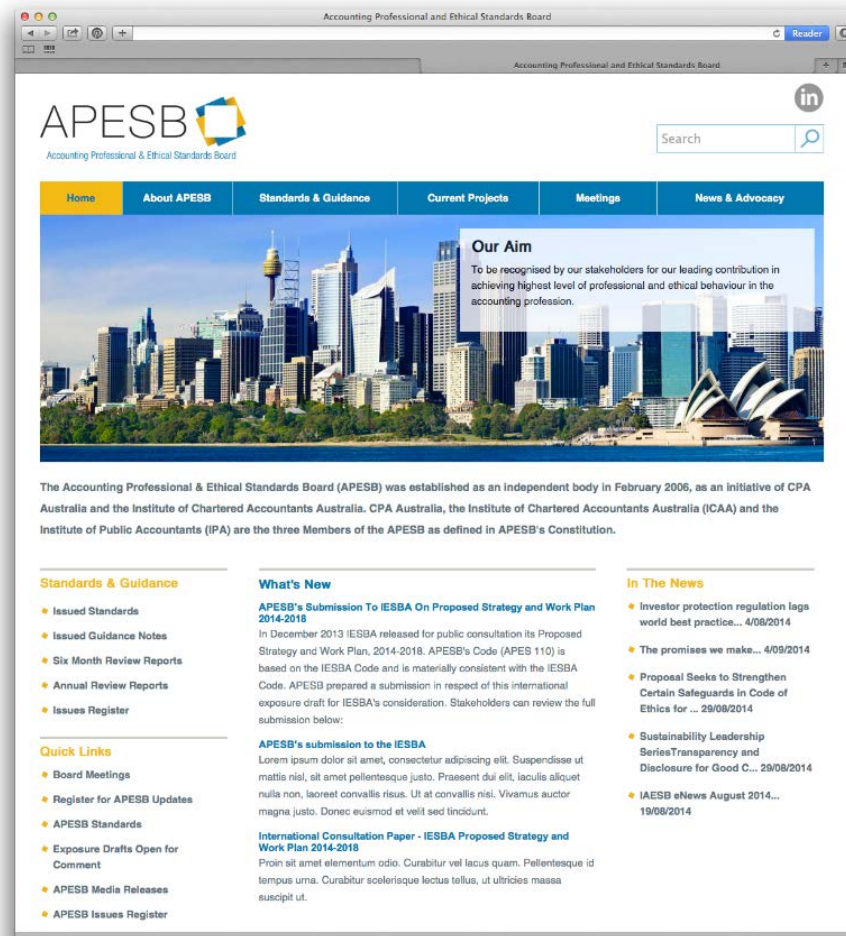
*The Hon. Nicola Roxon*  
*Chairman*

# APESB's Communication Strategies

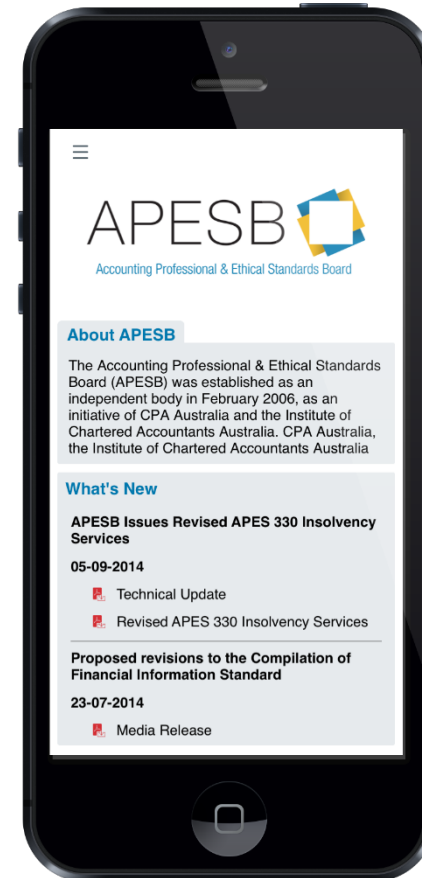
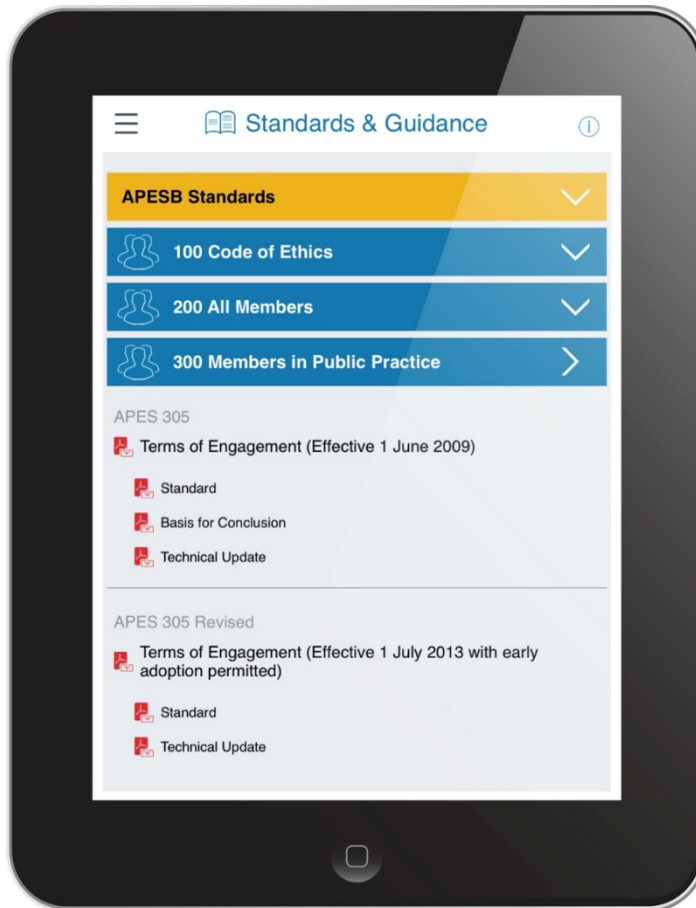
*Channa Wijesinghe*

*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*