



American Institute of CPAs  
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## SENT VIA E-MAIL

May 9, 2016

International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, NY 10017

Re: Limited Re-exposure, *Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client*

Dear Members of the International Ethics Standards Board for Accountants:

The American Institute of Certified Public Accountants' (AICPA) Professional Ethics Executive Committee (PEEC) is pleased to submit this comment letter to the International Ethics Standards Board for Accountants (IESBA) on its limited re-exposure draft, *Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client* (the "Exposure Draft"). The AICPA is the world's largest member association representing the accounting profession, with more than 412,000 members in 144 countries and a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting; membership is also available to accounting students and CPA candidates. Throughout its history, the AICPA has been deeply committed to promoting and strengthening independence and ethics standards. Through the PEEC, the AICPA devotes significant resources to independence and ethics activities, including evaluating existing standards, proposing new standards, and interpreting and enforcing those standards.

### General Comments

We support the IESBA's objective of setting high-quality ethics standards for professional accountants around the world and facilitating the convergence of international and national ethics standards.

Overall, we support the proposals contained in the Exposure Draft. Please see our comments described below under the "Responses to Request for Specific Comment."

### Responses to Request for Specific Comment

#### *Cooling Off Period for the EQCR on the Audit of a PIE*

- 1. Do the respondents agree that the IESBA's proposal in paragraphs 290.150A and 290.150B regarding the cooling-off period for the EQCR for audits of PIEs (i.e., five years**

with respect to listed entities and three years with respect to PIEs other than listed entities) reflects an appropriate balance in the public interest between:

- a. Addressing the need for a robust safeguard to ensure a “fresh look” given the important role of the EQCR on the audit engagement and the EQCR’s familiarity with the audit issues; and
- b. Having regard to the practical consequences of implementation given the large numbers of small entities defined as PIEs around the world and the generally more limited availability of individuals able to serve in an EQCR role?

**If not, what alternative proposal might better address the need for this balance?**

We support the IESBA’s decision to increase the cooling-off period for the EQCR of a *listed entity* to five years which is consistent with the requirements for the EP. While we have some concern that having different cooling-off periods for the EQCR of a listed entity and that of a non-listed PIE may result in added complexity in applying the cooling-off requirements, we believe that there is a basis for reducing the cooling off period for the EQCR of a non-listed PIE to three years. Specifically, we believe the proposed approach provides for an appropriate balance and recognizes concerns expressed that in some jurisdictions, non-listed PIEs may be smaller sized entities audited by SMPs with a limited number of partners who can serve in the EQCR role.

#### *Jurisdictional Safeguards*

2. **Do respondents support the proposal to allow for a reduction in the cooling-off period for EPs and EQCRs on audits of PIEs to three years under the conditions specified in paragraph 290.150D?**

We support the IESBA’s proposal to reduce the cooling-off period for EPs and EQCRs on audits of PIEs to three years under the specified conditions. We agree that there are a significant number of jurisdictions that have more restrictive rotation requirements for these KAPs as well as jurisdictions that require mandatory firm rotation that should be taken into account. We believe it is appropriate for the Code to recognize these alternative robust safeguards implemented in other jurisdictions so that the requirements are not over-complicated and burdensome.

3. **If so, do Respondents agree with the conditions specified in subparagraphs 290.150D(a) and (b)? If not, why not, and what other conditions, if any, should be specified?**

We agree with the conditions specified in subparagraphs 290.150D (a) and (b). We are not aware of any other conditions besides that of a shorter rotation period, mandatory firm rotation or retendering at least every ten years that would be appropriate for allowing a reduction in the cooling-off period.

#### *Service in a Combination of Roles during the Seven-Year Time-on Period*

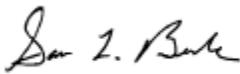
4. **Do respondents agree with the proposed principle "for either (a) four or more years or (b) at least two out of the last three years" to be used in determining whether the longer cooling-off period applies when a partner has served in a combination of roles, including**

**that of EP or EQCR, during the seven-year time-on period (paragraphs 290.150A and 290.150B)?**

We agree with the proposed approach to be used in determining whether the longer cooling-off period should apply when the partner has served in a combination of roles.

We appreciate this opportunity to comment. We would be pleased to discuss in further detail our comments and any other matters with respect to the IESBA's Exposure Draft.

Sincerely,



Samuel L. Burke, CPA  
Chair, Professional Ethics Executive Committee

cc: Brian Caswell, CPA, IESBA Member  
Lisa Snyder, CPA, CGMA, Director – Professional Ethics