



**SENT VIA E-MAIL:** [KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org)

March 20, 2020

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

*Re: Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*

Dear Members of the International Ethics Standards Board for Accountants:

The AICPA Professional Ethics Executive Committee (PEEC) respectfully submits the following comments to the IESBA on its Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers (proposal).

The AICPA is the world's largest member association representing the CPA profession, with more than 429,000 members in the United States and worldwide, and a history of serving the public interest since 1887. The AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting. The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, nonprofit organizations and federal, state, and local governments; provides educational materials to its members; develops and grades the Uniform CPA Examination; monitors and enforces compliance with the profession's technical and ethical standards; offers specialized credentials; builds the pipeline of future talent; and drives professional competency development to advance the vitality, relevance and quality of the profession.

Through PEEC, the AICPA devotes significant resources to ethics activities, including evaluating existing standards, proposing new standards, and interpreting and enforcing those standards.

### **Comments**

PEEC agrees that the objectivity of an engagement quality reviewer (EQR) is important to the effectiveness of an engagement quality review and that the IESBA code should provide some principles-based application guidance. PEEC believes the examples of threats and safeguards should be integrated into Section 300 "Applying the Conceptual Framework – Professional Accountants in Public Practice" and expanded to include not only an EQR but other appropriate reviewers.<sup>i</sup>

PEEC believes the objectivity of all members of the engagement team is important. PEEC is concerned that the proposal disproportionately focuses on the objectivity of the EQR over other members of the engagement team as well as other professionals that may be appointed in the role of "appropriate reviewer" for the engagement. PEEC is also concerned that the proposal could discourage firms, especially small and medium sized practices, from voluntarily using an

EQR or appropriate reviewer to address quality risks related to engagement performance. Accordingly, PEEC recommends the examples of threats included in the proposal be added as additional examples to the respective threats in paragraph 300.6 A1 and include the appropriate reviewer as another party. PEEC believes doing so will provide the necessary awareness of the threats to objectivity of an EQR and appropriate reviewer. The revised threats would read as follows (additions appear in **boldface italic**):

- Two engagement partners who serve as an EQRs **or appropriate reviewers** of each other's engagements.
- The accountant **who** serves as an EQR **or appropriate reviewer** of an audit engagement after serving as the engagement partner or other engagement team member.
- The accountant who serves as an EQR **or appropriate reviewer** has a long association or close relationship with, or is an immediate family member of, an audit team member.
- The accountant who serves as EQR **or appropriate reviewer** for an audit engagement also has a direct reporting line to the engagement partner.

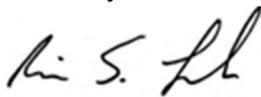
Aside from the cooling-off period, PEEC believes the substance of the examples of safeguards included in the proposal are addressed in paragraph 300.8 A2. So that the cooling-off period is addressed in the IESBA code, PEEC recommends adding the proposed cooling off example be added to paragraph 300.8 A2 with the following revisions.

- Implementing a period of sufficient duration before a professional accountant that was previously on the engagement team **can** be appointed as an EQR **or appropriate reviewer**.

PEEC believes this example is sufficiently broad to address the objectivity of all members of the engagement team who are appointed as appropriate reviewers as well as EQRs.

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 *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*.

Sincerely,



Brian S. Lynch, Chair  
Chair, Professional Ethics Executive Committee

cc: Andrew Mintzer, CPA, IESBA Member  
Myriam Madden, IESBA Member  
Toni Lee-Andrews, CPA, PFS, CGMA, Director – Professional Ethics

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<sup>1</sup> **Paragraph 300.8 A4:** An appropriate reviewer is a professional with the necessary knowledge, skills, experience and authority to review, in an objective manner, the relevant work performed or service provided. Such an individual might be a professional accountant.