

15 April 2016

Chief Executive,
External Reporting Board,
PO Box 11250,
Manners Street Central,
Wellington 6142,
Via Email: submissions@xrb.govt.nz

Limited Re-Exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client

The Australian and New Zealand firms that comprise Crowe Horwath Australasia welcome this opportunity to provide comment on the aforementioned exposure draft of the International Ethics Standards Board for Accountants (IESBA).

On the whole, we are committed to supporting the international Code of Ethics as it applies to assurance practitioners, while ensuring those standards are balanced in the public interest and reflect our local conditions.

Our comments to the selected specific questions outlined in the IESBA's 'Basis for Conclusion and Explanatory Memorandum' are presented below.

Cooling-Off Period for the EQCR on the Audit of a PIE

1. Do 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?

2/..

We do not agree with the IESBA's proposal in regard the cooling-off period for the EQCR on the audit of a PIE.

The IESBA has failed to provide a compelling argument to justify this proposal, other than to acknowledge that the proposal is a compromise solution to address the concerns of a minority group of stakeholders. The nature and interests of this group of stakeholders has not been clearly articulated in the exposure document and the IESBA has not given sufficient weight to the substantial body of respondents that previously supported the proposal to retain a two-year cooling off period for the EQCR on the audit of a PIE.

Furthermore, the IESBA has not presented any objective evidence as to the practical consequences of implementing this proposal (both in terms of the ability of smaller entities to implement these requirements and the potential that audits of PIEs would inevitably become concentrated in a few, larger audit firms). Therefore, the IESBA cannot justify that the proposal as balanced in the public interest.

We support the original proposal of a 2-year cooling off period for the EQCR of all PIEs.

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?*
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 support the proposal in paragraph 290.150D.

Yours sincerely



Kevin Frohbus

National Technical Director – Audit & Assurance