ISQM 2 – Question 4(a): Need for a Cooling-Off Period and Related Guidance Thereon – Agree

Question 4(a) in the EM to ED-ISQM 2 asked respondents:

What are your views on the need for the guidance in proposed ISQM 2 regarding a “cooling-off” period for that individual before being able to act as the engagement quality reviewer?

4 National Auditing Standard Setters

14_ISQM 2_CNCC-CSOEC
We do not have any comments concerning the guidance in proposed ISQM2 regarding the “cooling-off” period for that individual before being able to act as the engagement quality reviewer.

18_ISQM 2_JICPA
We agree to the need for the guidance.

5 Accounting Firms

24_ISQM 2_BTVK
We believe that such guidance is appropriate.

30_ISQM 2_ETY
It is necessary to include guidance regarding the “cooling off”

37_ISQM 2_MZRSUS
We support of the principles and flexibility in ED-ISQM 2 for firms to establish relevant and responsive cooling-off periods.

45_ISQM 2_RSMI
We agree that a “cooling-off” period is essential to independence and objectivity. For an engagement partner to move directly into the role of engagement quality reviewer is a threat to those principles because they may be influenced by decisions made when they were responsible for the audit.

6 Public Sector Organizations

48_ISQM 2_INTOSAI
Yes

49_ISQM 2_NAOM
Agreed.

7 Member Bodies and Other Professional Organizations

60_ISQM 2_CAI
The Ethical Standard for auditors in Ireland currently mandates a two year cooling off period for engagement partners before they can act in as an engagement quality reviewer role therefore we concur with the guidance as set out in the proposed ISQM 2.
We believe this is necessary for the engagement quality reviewer to remain objective. The engagement quality reviewer needs to maintain total objectivity from the engagement, which would preclude a former engagement partner from being the EQR without the appropriate cooling off period.

They are appropriate.

We are supportive of the inclusion of a new requirement for the firm to establish policies or procedures that include limitations on the eligibility of an individual to be appointed as engagement quality reviewer for an engagement on which the individual previously served as the engagement partner.

We are for the need for the guidance regarding a cooling-off period, since the objectivity of engagement quality reviews could be ensured via the period.

An engagement partner is not likely to be able to perform the role of the engagement quality reviewer immediately after ceasing to be the engagement partner because it is not likely that the threats to the individual’s objectivity with regard to the engagement and the engagement team can be reduced to an acceptable level. Hence, policies or procedures of establishing a specified cooling-off period during, which the engagement partner is precluded from being appointed as the engagement quality reviewer is necessary.

It is possible

8 Individuals and Others

It is possible