

IESBA Coordination Update: Proposed Revision to the IESBA Code¹ Addressing the Objectivity of Engagement Quality Reviewers (EQRs)

Objectives of Agenda Item

1. The objectives of this Agenda Item are to:
 - (a) Update the Board about the IESBA EQR Task Force's proposed revision to the IESBA Code addressing the objectivity of EQRs; and
 - (b) Obtain the Board's feedback on whether the proposed revisions to the IESBA Code are aligned with the provisions relating to the objectivity of EQRs in proposed ISQM 2.²

IESBA Coordination Update

2. The comment period for IESBA's Exposure Draft (ED), [*Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*](#), closed on March 16, 2020. In an effort to provide timely feedback, the EQR Task Force Chair and staff shared with the ISQM 2 Task Force Chair and staff an initial analysis of the responses to their ED via a coordination videoconference on March 31, 2020. In light of the comments received on the ED and discussion with the IAASB representatives, the IESBA representatives indicated that the EQR Task Force would explore how best to be responsive to the significant comments received on the ED while being mindful of the position the IAASB has reached following extensive deliberation regarding the matter of an individual being appointed as an EQR after previously serving as the engagement partner. The proposed revisions in the IESBA Code would also include appropriate cross-referencing to proposed ISQM 2. This IESBA coordination update was shared by the ISQM 2 Task Force Chair with the Board at the [April 1, 2020 IAASB videoconference](#).
3. Leading into the June 2020 IAASB meeting, two coordination videoconferences were held on April 21 and May 19. During these videoconferences, the IESBA representatives provided updates on the EQR Task Force's deliberations and proposals, which will be presented at the June 2020 IESBA meeting. The proposals include:
 - Broadening the scope of the guidance in the ED on objectivity to "appropriate reviewers"³ as defined in the IESBA Code, and not just EQRs. This would recognize that there may be a broader range of individuals a firm may appoint as a quality reviewer and that objectivity considerations should apply equally to them.
 - Relocating the guidance to a new section in the IESBA Code: Section 325, *Objectivity of Appropriate Reviewers*.
 - Adding an appropriate cross-reference to proposed ISQM 2 at the end of the new Section 325 in the IESBA Code to highlight the specification of a cooling-off period with respect to

¹ International Ethics Standards Board for Accountants (IESBA), *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

² Proposed International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*

³ The IESBA EQR Task Force proposes an amendment to the description of an "appropriate reviewer" as follows:

"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 by a firm or an individual professional accountant. Such an individual might be a professional accountant. An engagement quality reviewer appointed under [proposed] ISQM 2 is an appropriate reviewer."

the matter of an individual being considered for appointment to the EQR role after having served as the engagement partner.

4. The ISQM 2 Task Force is of a view that the proposed revisions to the IESBA Code addressing the objectivity of appropriate reviewers are aligned with the provisions relating to the objectivity of EQRs in proposed ISQM 2.
5. For more details on the proposed revision to the IESBA Code addressing the objectivity of EQRs, please refer to following relevant agenda papers for the IESBA's June 2020 meeting:
 - Agenda Item 5-A (Issues Paper); and
 - Agenda Item 5-B (Draft Changes to Section 325 (Marked-up from ED)).

Matters for IAASB Consideration

1. Does the Board agree that the proposed revisions to the IESBA Code addressing the objectivity of appropriate reviewers align with the provisions relating to the objectivity of EQRs in proposed ISQM 2? If not, why?
2. With respect to the alignment, are there further changes (if any) that are needed in:
 - (a) The proposed revision to the IESBA Code addressing the objectivity of appropriate reviewers?
 - (b) The provisions relating to the objectivity of EQRs in proposed ISQM 2?

Material Presented

- Agenda Item 8-A-1 Slide Presentation–IESBA Coordination Update: Proposed Revision to the IESBA Code Addressing the Objectivity of EQRs