



CUSCS
香港中文大學專業進修學院
School of Continuing and Professional Studies
The Chinese University of Hong Kong

24 October 2014

Mr. Simon Riley
Acting Director
Standard Setting
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Dear Mr. Riley,

Comment on IESBA Exposure Draft on Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client

In response to your letter as of 25 August 2014, we are pleased to provide our views on the captioned Exposure Draft as shown in the attached document.

If you need further information, please feel free to contact our Programme Leader, Ms. Maggie Tsong at 3943-9123 or by email at mtsong@cuhk.edu.hk. Thank you.

Yours faithfully,

Ella Chan
Director

Encl.

cc: Maggie Tsong
Programme Leader, Business & Management Division

Comment on IESBA Exposure Draft on Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client

In response to the questions proposed in the Exposure Draft, the following comments are given for the Committee's consideration:

General Provisions

Question 1

We agree that the proposed enhancements to the general provisions could provide more useful guidance for identifying and evaluating familiarity and self-interest threats created by long association. The proposed changes not only give additional factors for consideration, it also points out the combination of two or more factors may increase or reduce the significance of the threats. Regarding the suggestion made in paragraph 290.149 on safeguarding the treats by "changing the role of the individual on the audit team", we do not think it is useful as individual team's members could still exercise influence over other members even they are bearing different role in the team.

Question 2

We support the proposed changes to apply the General Provisions to all individuals in the audit team rather than just for the senior personnel. It could not only give more confidence to the public on the independence in appearance of audit team, but it also minimizes the risk of having audit fraud.

Question 3

We don't think a time-out period is necessary for the firm due to the consideration of financial implication for small sized audit firms.

Rotation of KAPs on PIEs

Question 4 & 5

We agree at the proposed time-on period of 7 years and the extended cooling-off period of 5 years for the engagement partner on the audit of PIEs as other jurisdiction in Austria, the UK & Canada has the same arrangement.

Question 6

The extension to five years cooling-off period should be applied to the audits of all PIEs as we share the same view that there is not much difference between listed companies and PIEs.

Question 7

It is suggested to have a longer cooling-off period for the EQCR and other KAPs on the audit of PIEs, say extend to at least 3 years from the existing 2 years. Even though the influence of EQCR and other KAPs over the PIEs is lesser, the 2 years cooling-off period seems not sufficient to minimize the risk of familiarity threats over the PIEs.

Question 8

We agree at the proposal that the engagement partner is required to cool-off for 5 years if he has served at any time as the engagement partner during the 7 year period as a KAP.

Question 9

It is good to have the new provisions contained in 290.150C and 290.150D which could help reminding the firm that the principles in the General Provisions must always be applied.

Question 10

After the 2 years cooling-off period, we agree that the engagement partner could be allowed to undertake a limited consultation role with the audit team and audit client, provided that the contact will not exert any influence over the outcome of current audit or reduce the independence of mind or in appearance.

Question 11

It is appropriate to have the additional restrictions placed on activities that can be performed by a KAP during the cooling-off period and we agree at such proposal.