LONG ASSOCIATION
POST-IMPLEMENTATION REVIEW PHASE 1

FINAL REPORT

DECEMBER 2021

IESBA
LONG ASSOCIATION POST-IMPLEMENTATION REVIEW WORKING GROUP
# Table of Contents

I. **SUMMARY OF WORKING GROUP RECOMMENDATION** .............................................. 3

II. **BACKGROUND** ........................................................................................................... 4  
   - The Long Association Project ..................................................................................... 4  
   - Jurisdictional Provision ............................................................................................... 5

III. **LAPIR PHASE 1** ........................................................................................................ 7  
    - IESBA’s Strategy and Work Plan, 2019 - 2023 .......................................................... 7  
    - Information Gathering ............................................................................................... 7

IV. **KEY ISSUES AND WORKING GROUP REVIEW** ....................................................... 8  
    - Breakdown of Respondents ....................................................................................... 8  
    - Overview of Responses ............................................................................................. 9  
    - Key Issues ..................................................................................................................11  
    - Working Group Responses .......................................................................................12

V. **RECOMMENDATION** ..................................................................................................14
I. SUMMARY OF WORKING GROUP RECOMMENDATION

1. Following its review of the information received under Phase 1 of the Long Association Post-Implementation Review (LAPIR), the LAPIR Working Group\(^1\) recommends that:

- The IESBA should take no action to extend or otherwise vary the jurisdictional provision (paragraph R540.19 of the IESBA Code\(^2\)) and that the jurisdictional provision should be allowed to expire for audits of financial statements for periods beginning on or after December 15, 2023 in accordance with the close-off document, *Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client* (Long Association Close-Off Document).

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\(^1\) Members:

- Richard Fleck, Chair, former IESBA Deputy Chair
- Saadiya Adam, IESBA Member
- Sung-Nam Kim, IESBA Member
- Kristen Wydell, IESBA Technical Advisor

\(^2\) The *International Code of Ethics for Professional Accountants (including International Independence Standards)*
II. BACKGROUND

The Long Association Project

1. In the case of both audit and assurance engagements, it is in the public interest and required by the Code that members of audit and assurance teams and firms be independent, both of mind and in appearance, of their audit and assurance clients.\(^3\)

2. Long association of personnel on an audit engagement with an audit client can adversely impact objectivity and professional skepticism, which in turn are important contributors to audit quality. The independent auditor constitutes the principal external check on the integrity of financial statements. Hence, the length of an individual’s relationship with the audit client becomes a visible factor when evaluating the auditor’s independence of mind and in appearance.

3. The IESBA acknowledged that a perception issue existed with respect to the previous long association provisions of the Code, particularly as an individual could serve as a key audit partner (KAP) to an audit client that is a public interest entity (PIE) for 14 out of a total of 16 consecutive years. Accordingly, the IESBA agreed that it was in the public interest to undertake a project to consider whether the provisions remained appropriate to address the threats to independence created by long association (Long Association Project).

4. In August 2014, the IESBA published its proposals in the exposure draft (ED), Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client. In December 2015, the Board:
   - Concluded on many aspects of its proposals in the former Sections 290\(^4\) and 291,\(^5\) which included retaining the seven-year time-on period for all KAPs and reaffirming that the cooling-off period for engagement partners (EPs) auditing PIEs should be increased from two to five years.
   - Determined there was a need to re-expose three key issues relating to the Board’s proposals which, amongst other things, addressed circumstances where jurisdictions have established legislative or regulatory requirements addressing long association that were different from those proposed by the IESBA.

5. In February 2016, the Board issued the re-exposure draft (re-ED), Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client, which also included a Basis for Conclusions summarizing the significant issues raised by respondents on the proposals in the August 2014 ED that were addressed and finalized by the Board in December 2015.

6. In September 2016, the Board reached agreement on the provisions pertaining to the remaining three matters that were included in the re-ED. Subsequently, in early November 2016, the Public Interest

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\(^{3}\) Independence of mind is the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

\(^{4}\) Former Section 290, Independence – Audit and Review Engagements (Part 4A in the extant restructured Code)

\(^{5}\) Former Section 291, Independence – Other Assurance Engagements (Part 4B in the extant restructured Code)
Oversight Board (PIOB) expressed a number of concerns regarding the proposed revised provisions, primarily their perceived complexity and concerns about permitted exceptions. As a result of discussions between senior representatives of the Board and the PIOB, the PIOB’s concerns were narrowed down to three key areas, namely:

(a) The jurisdictional provision developed to address the position where legislative or regulatory requirements had been implemented in individual jurisdictions that were different to those proposed by the IESBA;

(b) The exception that would permit, under certain conditions, an audit engagement team for a PIE to consult with an individual who previously acted as EP or engagement quality control reviewer (EQCR) on the audit engagement if the individual has taken on a primary role as a technical specialist in the firms; and

(c) The need for transitional provisions relative to the effective date.

7. In December 2016, the Board finalized changes to the revised provisions to respond to the PIOB’s concerns. The final provisions included a revised jurisdictional provision and the corresponding transitional period of five years from the revisions’ effective date of December 15, 2018.

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### Audit Partner Rotation Provisions for PIEs

**Effective from December 15, 2018**

- Retain time-on period for key audit partners (KAPs) for PIEs at maximum 7 years
  - ☐ Engagement partner (EP)
  - ☐ Engagement Quality Control Reviewer (EQCR)
  - ☐ Other KAPs
- Cooling-off period for
  - ☐ EPs extended from 2 to 5 years
  - ☐ EQCRs extended from 2 to 3 years
  - ☐ Other KAPs remained at 2 years
- Introduced a jurisdictional provision (Para. R540.19)
  - ☐ Exception to mandatory cooling-off period for EPs
  - ☐ Expires December 15, 2023

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### Jurisdictional Provision

8. Some respondents to the ED had raised concerns regarding the interaction of the proposals with local requirements, particularly in jurisdictions that had also implemented mandatory firm rotation (MFR) or had a shorter time-on period for KAPs. The IESBA acknowledged that, in some cases, overlaying the ED proposals on existing regulatory requirements might have unintended consequences and make the requirements applicable in that jurisdiction stricter than those in the

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6 In December 2021, the Board will discuss the comments received on the Exposure Draft, [Proposed Quality Management-related Conforming Amendments to the Code](#). Amongst other matters, it will consider the proposal to align the term “engagement quality control reviewer” in the extant Code to the new term “engagement quality reviewer” in the IAASB’s International Standards on Quality Management (ISQMs) 1 and 2, which were issued in December 2020.
Code, or make it too complicated to interpret and apply the additional requirements. The IESBA felt that both these outcomes might detract from its goal of promoting widespread adoption and implementation of the Code. The IESBA also did not believe that it would be possible to deal with “equivalence” between the PIE requirements in the Code and different jurisdictional requirements to address the threats created by long association.

9. In response to these concerns, the IESBA considered whether the existence of regulatory safeguards, or a package of safeguards, set at the jurisdicational level to address threats created by long association might provide an alternative to elements of the PIE rotation requirements in the Code. The IESBA agreed that if a jurisdiction, after following appropriate due process, had reached a robust, but different, approach to that in the Code, it would be reasonable and in the public interest for the Code to recognize that alternative, provided that the approach met a minimum set of requirements.

10. Accordingly, the IESBA re-exposed this issue in the ED released in February 2016 and proposed that where an independent standard setter, regulator or legislative body had implemented an independent regulatory inspection regime and either (a) established requirements for a time-on period shorter than seven years, or (b) implemented MFR or mandatory retendering (MRT) at least every ten years, the cooling-off periods of five consecutive years specified for the EP and EQR (in the latter case, as was proposed for audits of listed entities) could be reduced to three consecutive years.

11. Following consideration of the comments received, the Board agreed to some refinements to its proposal at its September 2016 meeting. However, subsequent to this meeting, the PIOB questioned whether the jurisdictional provision was necessary, in addition to its broader concerns about overall complexity. The PIOB noted that by allowing a reduction in the cooling-off period for EPs to three years, the jurisdictional provision would weaken the overall partner rotation regime in the Code. It noted that stricter rules in national legislation, such as MFR, would prevail and apply.

12. In the light of the PIOB’s concern, the Board reconsidered the position regarding the jurisdictional provision and agreed to the following three changes:

- Replacing the revised jurisdictional provision with a simpler formulation that would achieve the objective of the original provision, i.e., that where an appropriately qualified body has established a cooling-off period for an EP of less than five years, the higher of that period or three years may be substituted for the cooling-off period of five years. The only condition is that the applicable time-on period does not exceed seven years.
- Clarifying that the appropriate national body, in addition to being a body authorized by a legislative body or regulator, might be a body recognized by such legislative body or regulator.
- Permitting a transitional period of up to five years from the effective date of December 15, 2018 during which the jurisdictional provision would remain available. This transitional approach was intended to facilitate an eventual changeover to the cooling-off period of five years for EPs in those jurisdictions where the appropriate national body has currently specified a cooling-off period of less than five years. The Board believed that the revised formulation achieved the outcome desired under the original provision while being responsive to the public interest concerns raised by the PIOB.
13. The jurisdictional provision as approved by the IESBA (paragraph 290.163 in the Long Association Close-Off Document) was subsequently restructured as paragraph R540.19 in the current Code as part of the IESBA’s Structure of the Code Project.

III. LAPIR PHASE 1

IESBA’s Strategy and Work Plan, 2019 - 2023

14. In finalizing the Long Association project, the IESBA committed to reviewing the revisions to take account of, among other matters, relevant legislative or regulatory developments relating to other regimes around the world intended to address long association as well as experience of the application of the new provisions in practice.

15. As stated in the IESBA Strategy and Work Plan 2019-2023 (SWP), the LAPIR is to be carried out in two phases:

Phase 1

This phase will review the implementation status of the five-year cooling-off requirement for EPs on audits of PIEs, and any issues arising from the implementation of such requirement before the expiry of the transition period for the jurisdictional provision.

Phase 2

Due to commence in Q2 2023, this phase will review how effectively the other revised long association provisions in the Code have been implemented in practice, taking into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as MFR and MRT. To achieve synergies, the LAPIR Phase 2 will be undertaken in conjunction with the post-implementation review of the restructured Code.

Information Gathering

16. The IESBA released LAPIR Phase 1 questionnaire in April 2021. Among other things, this questionnaire aimed to establish:

- The level of adoption of the five-year cooling-off period by jurisdictions and firms as required by Section 540 of the Code;
- The extent to which those jurisdictions and firms that have not adopted a five-year cooling-off period have done so in reliance upon the jurisdictional provision (paragraph R540.19);
- Whether jurisdictions that have not adopted a five-year cooling-off period in reliance upon the jurisdictional provision intend to adopt a five-year cooling-off period on the expiration of the

Paragraph R540.19

Where a legislative or regulatory body (or organization authorized or recognized by such legislative or regulatory body) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraphs R540.11, R540.14 and R540.16(a) provided that the applicable time-on-period does not exceed seven years.
jurisdictional provision for audits of financial statements for periods beginning on or after December 15, 2023; and

- Whether transition to the five-year cooling-off requirement is expected to give rise to any potential issues or concerns when the jurisdictional provision expires for audits of financial statements for periods beginning on or after December 15, 2023.

17. Following closure of the comment period which was extended by one month to June 30, 2021, a total of 32 responses were received.

18. The Working Group also provided an update on the responses received on the questionnaire to the IESBA Consultative Advisory Group (CAG) and the National Standard Setters (NSS) in September and October 2021, respectively, and sought input from the participants. The comments received from the CAG and NSS participants align with those received from respondents to the questionnaire.

IV. KEY ISSUES AND WORKING GROUP REVIEW

Breakdown of Questionnaire Respondents

19. A total of 32 respondents provided feedback to the questionnaire, consisting of 28 respondents from 20 jurisdictions and 4 global audit firms.

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>No. of Responses</th>
</tr>
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<tbody>
<tr>
<td>Regulator/ Audit Oversight/ MG</td>
<td>4</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1</td>
</tr>
<tr>
<td>Europe</td>
<td>1</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>2</td>
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<tr>
<td>Independent NSS</td>
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<tr>
<td>Asia Pacific</td>
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<tr>
<td>Public Sector Organization</td>
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<tr>
<td>Asia Pacific</td>
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<td>PAO/NSS</td>
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<tr>
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<td>Europe</td>
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<td>Latin America &amp; Carribean</td>
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<td>Firm</td>
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<tr>
<td>Asia Pacific</td>
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<tr>
<td>Middle East &amp; Africa</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
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</tbody>
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Overview of Responses

20. The respondents’ feedback indicated that of the 20 jurisdictions represented, there are:

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<table>
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<tbody>
<tr>
<td>A</td>
<td>67 jurisdictions which have already adopted a five-year cooling-off period for EPs for the audits of PIEs.</td>
</tr>
<tr>
<td>B</td>
<td>87 jurisdictions which will or are likely to transition to the five-year cooling-off period when the jurisdictional provision expires in December 2023.</td>
</tr>
<tr>
<td>C</td>
<td>2 jurisdictions where the relevant bodies have not yet determined if the revised partner rotation requirements of the extant Code should be adopted.</td>
</tr>
<tr>
<td>D</td>
<td>4 jurisdictions which will not or are unlikely to transition to the five-year cooling-off period at the expiry of the jurisdictional provision.</td>
</tr>
</tbody>
</table>

Group A (67 jurisdictions, 910 respondents)

21. None of the respondents in these jurisdictions reported any significant issues that suggest the five-year cooling-off period has been unworkable.

22. One respondent pointed out that it was not aware of any substantial issues encountered to date, recognizing that it may be too early to properly assess the effectiveness and impact of the new regime given that it has only been 3 years since the five-year cooling-off period became effective. This respondent reiterated some of the same concerns it raised during the Long Association project about the potential impact of the longer cooling-off period, particularly on auditor resource and audit quality. It also encouraged the IESBA to review the long term sustainability of the five-year cooling-off period.

Group B (87 jurisdictions, 123 respondents)

23. Whilst some have raised concerns about the longer cooling-off period, respondents generally indicated that their jurisdictions will transition to the five-year cooling-off period when the jurisdictional provision expires for audits of financial statements for periods beginning on or after December 2023. A few respondents have also expressed the view that five years are a sufficient period for firms to make the necessary transition to the longer cooling-off period.

24. Two jurisdictions have already applied the longer cooling-off period to EPs for the audits of some of their PIEs. The Working Group anticipates that these jurisdictions will also transition to the longer cooling-off period.

25. One NSS respondent pointed out that whilst it did not have any direct evidence of issues that may arise from the transition, it had received inputs from its constituents regarding some potential issues. Although this respondent has recommended the IESBA to consider extending the term of the...
jurisdictional provision, additional information received by the Working Group suggests that the jurisdiction is likely to adopt the five-year cooling-off period.

**Group C (2 jurisdictions, 11 2 respondents)**

26. One of the two jurisdictions\(^{12}\) does not currently have any partner rotation requirement. Instead, there are sector-specific legal requirements for MFR for the audits of PIEs. However, the respondent in this jurisdiction indicated that there have been on-going discussions to adopt a partner rotation regime as this is a preferred mechanism by the profession.

27. The other jurisdiction\(^{13}\) has not yet adopted the Code’s revised partner rotation requirements. However, the respondent from this jurisdiction pointed out that its regulatory requirements of three-year time-on, three-year cooling-off partner rotation and mandatory auditor resignation on a periodic basis effectively translate into automatic compliance with the Code’s seven-year time-on, five-year cooling-off rotation requirement. This respondent encouraged the IESBA to consider accepting long association safeguards at local levels that sufficiently reduce the potential threats to independence as an alternative to the partner rotation requirement in the Code.

**Group D (4 jurisdictions, 14 4 respondents)**

28. All four jurisdictions are member states of European Union (EU) and are subject to the partner rotation requirement under the EU Regulation 537/2014 (Audit Regulation) which requires a time-on period of 7 years and a minimum cooling-off period of 3 years.

29. Respondents from these EU member states indicated that their jurisdictions will not or are unlikely to extend the cooling-off period for EPs to 5 years to align with the Code’s requirement when the jurisdictional provision expires for audits of financial statements for periods beginning on or after December 2023. Two of the respondents have expressed the view that the cooling-off period of three years set out in Article 17(7) of the Audit Regulation cannot be varied by individual member states.

**Global (4 respondents)**

30. Four of the firms that responded to the questionnaire were global firms.

31. One of the global firm respondents did not anticipate any issues or concerns from its network firms in transitioning to the longer cooling-off period. The common key concern raised by the other three global firm respondents relate to the impact on their smaller network firms.

32. One global firm respondent also highlighted that the longer cooling-off period may lead to an inconsistent approach to long association, with Forum of Firms (FoF) member firms following the Code’s requirement whilst other firms following only the local standards and requirements, such as in the case of some EU member states. Another global firm respondent expected its network firms to comply with their network policies which align with the Code. In some cases, this may result in a local practice of five-year time on and five-year time off.

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\(^{11}\) Korea, Uganda

\(^{12}\) Uganda

\(^{13}\) Korea

\(^{14}\) Austria, Germany, Netherlands, Sweden
Key Issues

Stress on Resources

33. The key concerns raised by respondents largely relate to the additional stress on firms’ resources to comply with the longer cooling-off requirement when the jurisdictional provision expires, which they felt may adversely impact audit quality or contribute to a concentration of the audit market and reduction of competition.

34. Amongst other matters, the following comments were raised:
   - If there is an insufficient number of audit partners in a firm to manage partner rotation successfully it may result in a de facto mandatory audit firm rotation. Some of the roles may need to be performed from different geographical locations or outsourced. This issue is more critical particularly for specialized industries.
   - Regard should be given to the continuing impact of the COVID-19 pandemic on staff movement due to border restrictions and other personal reasons.
   - The expansion of the PIE definition may place even greater stress on resources as the proposed effective date is essentially December 2024 audits, one year after the jurisdictional provision is due to expire.

35. A number of respondents have highlighted the impact on firm resources within smaller jurisdictions and regions, especially for smaller firms. It was pointed out that such impact may lead to audit market concentration and reduced competition, a trend that some regulators are attempting to counter. In this regard, 3 of the 4 global firm respondents have raised this issue as a particular concern for their smaller network firms.

Different Long Association Regimes

36. A few respondents have expressed the concern that different long association requirements between the Code and the local standards, laws or regulations may cause confusion, increasing complexity and compliance costs.

37. Respondents from the EU member states in particular pointed out that the Audit Regulation has stipulated a partner rotation regime that provides a time-on period of no longer than 7 years, followed by a cooling-off period of no less than 3 years. A few of the respondents further expressed their understanding that the cooling-off period cannot be legally varied by the national law of individual EU member states.

Suggested Solutions

38. A few respondents have suggested that the term of the jurisdictional provision be further extended.

39. In this regard, two IESBA members and one CAG representative have also suggested that the IESBA consider extending the term of the jurisdictional provision until Phase 2 of LAPIR has been finalized. This would allow jurisdictions to continue to rely on the jurisdictional provision until the IESBA has reviewed the efficacy and impact of the five-year cooling-off period in conjunction with jurisdictional developments on other long association measures and regimes.

40. Other suggestions raised by respondents for the IESBA’s consideration include:
• Allowing other suitable regimes and safeguards (e.g., MFR) that address the threats created by long association to be used as alternatives to the partner rotation regime at local level.

• Adding an exemption to paragraph R540.5 based on the number of audit partners, similar to the exemption set out in paragraph R540.9 with respect to the time-on period.

Working Group Responses

41. In developing its responses and recommendations, the Working Group has taken into the account the following:

• The IESBA's rationale for permitting a transitional period of up to five years from the effective date of December 15, 2018 during which the jurisdictional provision would remain available. As stated in the Long Association Close-off Document, this transitional approach was intended to facilitate an eventual changeover to the cooling-off period of five years for EPs in those jurisdictions where the appropriate national body has currently specified a cooling-off period of less than five years.

• Consideration of regulatory developments relating to other regimes around the world intended to address long association, such as MFR and MRT, which are scheduled to be reviewed under Phase 2 of LAPIR in accordance with the IESBA's SWP.

• The changing landscape of the role of audit firms, including calls for reforms and strengthening of regulations as well as recent regulatory reviews of the audit profession in a number of major jurisdictions across the globe.

• The five-year cooling-off period in accordance with paragraph R540.5 of the Code only applies to the audits of PIEs, a large proportion of which are conducted by FoF member firms.

Stress on Resources

42. The Working Group recognized the concerns shared by some respondents regarding the stress on firm resources needed to support the longer cooling-off period and the potential impact the COVID-19 pandemic might have on such resources.

43. The following factors and considerations have been taken into account by the Working Group:

• General concerns about staffing resources were considered by the IESBA as part of the Long Association project. The Working Group was of the view that the respondents had not raised any new concerns in this regard that would warrant further consideration by the IESBA as part of Phase 1 of LAPIR.

• The jurisdictional provision was included as an exception during a transitional period. It was intended to be a signal to stakeholders as to the importance attached to the issue of long association. At the same time, the purpose of the provision was to provide sufficient time for firms and other stakeholders to take the necessary steps in anticipation of adopting the stricter regime. Against that background, if the IESBA reverses that signal now, it risks weakening the incentive that the Code gives to firms to adjust their resources over time so they are able to comply with the Code.

• Extending the cooling-off period for a further 2 years should not cause significant resource issues as firms are likely to have arranged for a partner who replaces an engagement partner
to stay on for more than 3 years given the maximum time-on period is 7 years. Also, in practice EPs who have rotated off would have moved on to other engagements and therefore are unlikely to return after 3 years.

- The impact on firms' resources must be balanced against the public interest for a “fresh look” from an EP on the audit of a PIE.
- Feedback received by IESBA staff in the past suggests that some from the regulatory community already questioned the length of time given to firms to transition to the five-year cooling-off period and did not expect that time to be extended.
- Respondents in jurisdictions where the five-year cooling-off requirement has been adopted did not raise significant concerns about the efficacy of the Code’s revised partner rotation regime. With the exception of the respondents in the EU, there was no strong indication from respondents whose jurisdictions currently have a three-year cooling-off period in place that their respective jurisdictions will not be able to transition to the five-year cooling-off period in compliance with the Code when the jurisdictional provision expires on the stated date.

44. The Working Group recognized that it may be more challenging for smaller firms or firms in smaller jurisdictions to comply with the longer cooling-off period given a potentially smaller pool of available resources. However, in addition to the considerations set out above, the Working Group also noted that:

- The impact could be limited given that many PIE audits are performed by FoF member firms which may have access to additional resources across their networks.
- Smaller firms or firms in smaller jurisdictions should consider seeking an exemption from the relevant local independent regulatory bodies in accordance with paragraph R540.9. The Working Group is of the view that the use of this exception is a more appropriate response as it allows the issue to be addressed at the local level rather than extending the jurisdictional provision across all jurisdictions under Phase 1 of LAPIR.

Different Long Association Requirements

45. With regards to the issues relating to jurisdictions having a combination of partner rotation and other measures such as MFR and MRT to address threats created by long association, the Working Group is of the view that:

- Whilst these measures are interconnected, they address different types of threats. Whereas partner rotation addresses individual threats (partners), MFR addresses institutional threats (firms).
- The link largely relates to matching partner rotation cycles with MFR cycles to ensure effective use of eligible partners. In this regard, long association measures such as MFR, MRT and joint audit will be reviewed as part of Phase 2 of the LAPIR.

46. With regards to jurisdictions in the EU:

- The Working Group is of the view that there will not be a breach of the EU’s partner rotation requirement if an EU member state regulates a longer cooling-off period or if a local body includes a longer cooling-off period in their local ethics Code.
Whilst acknowledging the current long association regime in the EU was the outcome of careful consideration by its legislators, the Working Group considers that increasing the cooling-off period for EPs to five years by a member state or the local professional accountancy bodies would not be a cause for concern given the enhanced protection against the threats created by long association that will be provided by the increase of the cooling-off period from three years to five years.

The Working Group noted the suggestion that the longer cooling-off period may create additional hindrances for some jurisdictions in the EU to adopt the Code because of its potential impact on smaller firms. In response, the Working Group encourages stakeholders in these jurisdictions to consider the more stringent partner rotation requirement in the Code as an opportunity to further strengthen their local measures to address the threats created by long association.

Working Group Conclusions

47. Based on the information received, the Working Group is of the view that there is insufficient cause for the IESBA to extend the term of the jurisdictional provision set out in paragraph R540.19.

48. In reaching this conclusion, the Working Group took into account the following matters:

- The jurisdictional provision was set up only as a transitional arrangement so as to give local bodies sufficient time (five years) to implement the partner rotation requirement for EPs and for firms to plan their resources accordingly.
- Whilst agreeing that the longer cooling-off period places additional pressure on a firm’s resources, there is insufficient evidence to suggest that five years was not an adequate transition period.
- Other than respondents from the EU member states, responses from other respondents suggest that the five-year cooling-off period for EPs will be either maintained or implemented in the majority of the jurisdictions when the jurisdictional provision expires for audits of financial statements for periods beginning on or after December 2023, despite some concerns raised.
- Extending the term of the jurisdictional provision until after Phase 2 of LAPIR has concluded will mean that, in practice, the provision would be extended for at least another 5 years and that would not be in the public interest.
- The additional challenges faced by smaller firms or firms in smaller jurisdictions should not be addressed by changes to the general principle. Instead, it should be addressed, as already provided for within the Code, through the exemption provision in paragraph R540.9.

49. With regards to the other suggested solutions, the Working Group is of the view that these should be deferred to Phase 2 of the LAPIR for consideration by the IESBA.

V. RECOMMENDATION

50. The LAPIR Working Group recommends that IESBA should take no action to extend or otherwise vary the jurisdictional provision and that the jurisdictional provision should be allowed to expire for audits of financial statements for periods beginning on or after December 15, 2023 in accordance with the Long Association Close-Off Document.