

KEY AUDIT PARTNER DEFINITION – DETAILED COMMENTS

1.	Key audit partner	CGA-Canada concurs with the proposed addition of “key audit partner” as a defined term and with the proposed definition.	CGA - CANADA	
2.	Key audit partner	Key audit partner: NIVRA agrees.	NIVRA	
3.	Key audit partner	We agree with the proposals in this respect.	IRBA	
4.	Key audit partner	The definition of key audit partner could be enhanced by setting it in the plural, to emphasise that more than one partner on an engagement can be considered to be key.	FEE	
5.	Key audit partner	‘Key audit partner’ is unclear in respect of partners in charge of significant subsidiaries or divisions. Are all such partners to be considered key audit partners or is the statement at the end of the definition: “who are responsible for key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion” intended to restrict the scope to those dealing with group level matters? We believe the latter interpretation should be the correct one as a) it is such relationships which are most likely to generate familiarity threats and b) becoming partners in charge of subsidiary audits, not involved at group level, are often an important stage in developing future group audit partners. This is especially important in large groups where the group level audit engagement partner and other partners need a depth of industry knowledge. The absence of such knowledge would result in a significant threat to audit quality. It would be helpful to include the phrase “at group level”, which was included in the key audit partner definition in the European Commission Recommendation on Auditor Independence.	ICAEW	

6.	Key audit partner	We believe that the definition of key audit partner needs to be clarified to refer to group or consolidated accounts rather than financial statements on which the firm expresses an opinion. It is the relationship between the auditor and the client at the group level which is likely to raise the familiarity threat and this appears more in line with what is being described in the final sentence of the second last paragraph on page 8 of the explanatory memorandum.	ICAS	
7.	Key audit partner	The definition of key audit partner needs to be clarified to refer to group or consolidated accounts rather than financial statements on which the firm expresses an opinion. It is the relationship between the auditor and the client at the group level which is likely to give rise to the familiarity threat.	ACCA	
8.	Key audit partner	The definition of key audit partner needs to be clarified to refer to group or consolidated accounts rather than financial statements on which the firm expresses an opinion. It is the relationship between the auditor and the client at the group level which is likely to raise the familiarity threat.	CCAB	
9.	Key audit partner	We believe that it is at group level that the familiarity threat is likely to arise therefore we believe that the definition of key audit partner should be clarified to refer to group or consolidated accounts rather than financial statements on which the firm expresses an opinion.	CARB	

10.	Key audit partner	<p>The definition in the ED of key audit partner is quite wide since it includes the engagement partner, the individual responsible for the engagement quality control review and other audit partners on the engagement team, such as lead partners on significant subsidiaries or divisions, who are responsible for key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion.</p> <p>In the EC directive on statutory audits of annual accounts and consolidated accounts the definition of key audit partner only includes the statutory auditor(s) designated by a firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the firm, or in case of group audit, at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries, or the statutory auditor(s) who signs(sign) the audit report.</p> <p>In such small countries as Sweden with a limited number of professionals, rotation rules for other partners than the partner primarily responsible for carrying out the statutory audit may create practical problems. FAR SRS also believes that rotation will have a negative impact on the professional development for auditors. For instance when an auditor has been lead partner on a significant subsidiary or division it will not be possible for him or her to advance and become key audit partner for the parent company and the group because then it is time to rotate from the engagement. This will lead to, especially if the auditor is specialized, an involuntary interruption if there are no other similar engagements to accept. FAR SRS thinks this will affect the desire to make a career as an auditor. According to this and since FAR SRS does not believe that there is any evidence to support a need for a stricter rule on partner rotation than the one outlined in the directive FAR SRS does not agree to an extension of partner rotation requirements to key audit partners other than the engagement partner.</p> <p>Furthermore, from a SNIP point of view, it has become evident that the proposed stricter rule on partner rotation, will even further underline the consequence to those practitioners, of firm rotation in fact - resulting in a risk of potential damage to audit quality</p>	FAR	
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11.	Key audit partner	<p>DnR do not consent to the definition of key audit partner in the ED, as the definition is an extension compared with the definition in the EC Directive on Statutory Audits of Annual Accounts and Consolidated Accounts.</p> <p>In the ED a key audit partner is defined as: “The engagement partner, the individual responsible for the engagement quality control review, and other partners on the engagement team, such as lead partners on significant subsidiaries or divisions, who are responsible for key decisions or judgements on significant matters with respect to the audit of the financial statements on which the firm will express an opinion”.</p> <p>In the EC Directive the definition is: “key audit partner(s)’ mean(s):</p> <ul style="list-style-type: none"> a) the statutory auditor(s) designated by an audit firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on the behalf of the audit firm; or b) in the case of a group audit, at lest the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries; or c) the statutory auditors(s) who sign(s) the audit report”. <p>We suggest the definition of a key audit partner in the ED should be in compliance with the definition in the EC Directive. In our opinion this will be sufficient to provide for the auditor(s) independence.</p>	DnR	
12.	Key audit partner	<p>We note the definition of 'key audit partner' within the Code is not precisely the same as that used in the 8th Directive. To encourage greater convergence in this area, we would suggest the Code should use the same definition as that in the 8th Directive</p>	CEBS	

13.	Key audit partner	In general the PPB agrees with the definition. However, the requirement to rotate key audit partners every 7 years in the audit of an entity of significant public interest may create difficulties in practice. It creates the possibility that the engagement quality control reviewer and the lead audit partner may both come up for rotation in the same year. In this case, all client knowledge will be lost and this may create a greater risk than the potential loss of independence. Firms will need to manage this carefully, and it may be appropriate to include some discussion of this in the section beginning at paragraph 290.147.	ICANZ	
14.	Key audit partner	<p>The proposed definition of “key audit partner” seems to imply that “lead partners involved in the audit of significant subsidiaries or divisions” are viewed as “responsible for key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion”.</p> <p>In view of the above, it is suggested that the definition of “key audit partner”, be amended to read as follows:</p> <p>“The engagement partner, the individual responsible for the engagement quality control review, and other audit partner on the engagement team, such as lead partners on significant subsidiaries or divisions, who are responsible for key decisions or judgments on significant matter with respect to the audit of the financial statements on which the firm will express an opinion”.</p>	MIA	
15.	Key audit partner	We consider there is likely to be some confusion as to the meaning of “key audit partner” based on this definition and, therefore, in particular how it applies to the partner rotation rules. In order to clarify that it is audit partners responsible for audit judgments who are required to rotate, we would recommend including the word “audit” after “key” and before “decisions” in the third/fourth lines of the definition.	KPMG	

16.	Key audit partner	<p>We support the introduction of the concept of “Key Audit Partner” in recognition of the importance that some audit partners, other than the engagement partner, may have on the outcome of the audit. However, we believe that some modifications and clarifications are needed.</p> <p>The definition refers to “other audit partners on the engagement team”. However, the term “audit partner” is not defined. It would be helpful to clarify that “audit partners” do not include specialty partners such as tax partners or actuaries who participate in the audit engagement, nor partners “who provide consultation regarding technical or industry specific issues, transactions or events for the engagement”. Otherwise they would be subject to the provisions on employment relationships, partner rotation and compensation, which we believe is inappropriate. Cont’d</p>	E&Y	
17.	Key audit partner	<p>It is our understanding that the reference to "other audit partners" in the definition is not intended to include, quite correctly, non-audit partners on the engagement (such as the tax or other specialist partner) who provide input and advice to the audit partner(s) that the audit partner(s) may consider when making audit judgments. Further, we understand that lead partners on significant subsidiaries or divisions are included in the definition if indeed they are "responsible for key decisions or judgments on significant matters" with respect to the group audit. To promote consistency in the interpretation of this definition, we recommend that the Board clarify this, perhaps by way of a “basis for conclusions” or “feedback” document when the Code is issued.</p>	PwC	
18.	Key audit partner	<p>The ED should clarify in the definition of “key audit partner” that a tax partner in the audit firm who has participated in the tax aspects of the audit engagement does not fall into the category of “other audit partners on the engagement team” and should not be considered as a “key audit partner” for purposes of rotation.</p>	DTT	

19.	Key audit partner	The definition of Key Audit Partner should be limited to those partners who have direct and substantial contact with the client. The issue is the "familiarity threat" from having a close or longstanding relationship with the client. Other partners, whose involvement is only reviewing the tax provision or those responsible for significant matters with respect to the audit (those reviewing complex issues for example,) should not be included in this definition. We believe by including these other limited contact partners in the definition of Key Audit Partner, which would then require rotation, audit quality would suffer and the client's bill would increase substantially. These other partners are involved due to their special knowledge in an industry or on an accounting, legal or tax matter. The reason they are involved is due to the complexity of the area and by requiring rotation, a partner with less experience and less knowledge of the client will need to be involved.	CoCPA	
20.	Key audit partner	The definition of Key Audit Partner refers to "lead partners on significant subsidiaries or divisions, who are responsible for key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion". As currently worded, the definition could suggest that lead partners on all subsidiaries and divisions that are "in-scope" for the audit of the consolidated financial statements are key audit partners because all in-scope locations could be considered "significant". This would result in an excessive number of partners being subject to the rotation considerations increasing costs for the audit firm and audit client in exchange for uncertain benefits for audit quality. Further, the Explanatory Memorandum to the Exposure Draft appears to clarify that a key audit partner is one who is responsible for key decisions or judgments on significant matters in the context of the consolidated financial statements, but this concept is not expressed in the Code itself. We believe that the definition of Key Audit partner should be supplemented to clarify that (a) the lead partners of only the larger subsidiaries would typically be making key decisions or judgments and (b) the significance of key decisions or judgments are to be evaluated against the consolidated or group financial statements.	E&Y	
21.	Key audit partner	The Board also may wish to consider the following clarification to the definition itself: The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team, such as lead partners on significant subsidiaries or divisions, who are responsible for key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion.	PwC	

22.	Key audit partner	<p>We believe this requirement needs to be more specific in order for the requirement to be applied consistently. The potential impact of the requirement in relation to employment relationships, partner rotation and audit partner compensation restrictions for significant public interest entities, is too significant to be based on terms which are vague and lack clarity.</p> <p>Therefore, we disagree with the introduction of a new definition of a key audit partner for the following reasons:</p> <p>The criteria are too subjective and therefore they will not be applied consistently by the member bodies of IFAC. The terms “key decisions”, “significant matters” or “significant subsidiaries” are critical to the appropriate application of the Code so they need to be defined in order to ensure that the requirements associated with key audit partner can be consistently understood and applied.</p> <p>We agree that the engagement partner bears the responsibility for key decisions or judgments on significant matters. However, we do not agree that an “other audit partner” including the concurring partner, on the engagement team has an equivalent ultimate responsibility in relation to the firm’s audit opinion, so we question why they should be treated as equivalents through inclusion within the definition of “key audit partner”.</p>	Grant Thornton	
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23.	Key audit partner	<p>We also do not agree that the individual responsible for the engagement quality control review (often referred to as the concurring partner), should be subject to the requirements currently reserved for audits of listed clients, namely partner rotation and cooling off period. As discussed above, under our partner rotation comments, concurring partner is a voluntary appointment outside of listed companies. The ED is not consistent in this respect with either auditing standards or quality control standards promulgated by Board or other regulatory bodies.</p> <p>We would like to confirm our understanding of the definition as proposed that there is no intent on the part of IFAC to include national office partners that perform consultation services to a client engagement as part of the key audit partner definition. National office partners spending hours of service consulting on a significant issue should not be subject to any of the proposed requirements for key audit partners, specifically partner rotation and the cooling off period.</p> <p>Greater clarity is needed regarding the intended meaning of “partners on significant subsidiaries or divisions”. As written, it could be interpreted as applying to partners who are responsible for local audits of subsidiary entities but who have no involvement at the group audit level. This interpretation would then interact with the partner rotation requirement so as to require the rotation of audit partners who are only responsible for subsidiaries. Not only would this not be practicable but we also believe that it would not be necessary: partners operating solely at subsidiary level do not bear the same responsibility as partners operating at the group accounts level. As such the requirements surrounding key audit partners, namely the partner rotation requirement should be imposed only at the group level.</p>	Grant Thornton	
24.	Key audit partner	<p>Key audit partner – We believe that the “key audit partner” definition needs to be clarified and more clearly defined, specifically when including a “concurring partner” in the scope of the proposed definition. As currently proposed, we do not support the definition or the requirements surrounding employment relationships, partner rotation and compensation</p>	Grant Thornton	