

June 20, 2019

International Ethics Standards Board for Accountants
Re: Exposure Draft, IESBA's Proposed Revisions to Part 4B of the Code to Reflect
Terms and Concepts Used in ISAE 3000 (revised).
Submitted online.

To Whom It May Concern:

The Institute of Internal Auditors (IIA) is pleased to share feedback on the Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (revised). The IIA has supported sound governance and effective risk management in public- and private-sector organizations for more than 75 years. With more than 200,000 members worldwide, The IIA is part of a global voice that encourages strong internal controls and an enterprisewide approach to risk management.

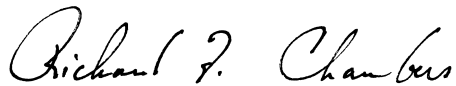
We welcome the chance to join practitioners and other stakeholders in providing comments on your proposed changes, and note the following:

1. Para R900.14 states that the firm performing an assurance engagement shall be independent of the assurance client. Yet R900.13 allows the firm to perform both assurance engagement and audit or review engagement for the same client. The paragraphs appear to conflict with each other, and we recommend the first, which keeps the roles independent.
2. Para R900.33 tries to make allowance for firms providing non-assurance services that overlap with the period of engagement for assurance services. Such allowances can be a threat to independence, as the safeguards would not be reduced to an acceptable level (R300.32).
3. R900.40 requires the firm to document conclusions on how it has addressed the threats to its independence. However R900.40A1 provides a loophole for firms who did not document how they arrived at their conclusion that their independence was not affected when they undertook the assignments.
4. Para R905.4 A2 provides examples of safeguards regarding self-interest threats due to overdue fees not paid by clients. The example of having an appropriate reviewer review the work performed does not address the threat and should not be included as one of the possible safeguards.
5. Para R907.3 A3 involves litigation between the client and a team member or firm. The proposal to remove the affected individual from the team does not eliminate the self-interest and intimidation threat from the client.

6. Para 910.8 A4 implies that the conflicted person (i.e., the person whose independence is affected due to financial interest in the client) is still a member of the team conducting the engagement. The conflicted person should be excluded from the team.
7. Para R910.8 A6 provides the example of removing the assurance team member with a personal relationship from the assurance team. However, this does not address the impossibility of removing a firm partner who may be conflicted.
8. Para 922.4 A3 provides for an appropriate reviewer to review the work performed by people who have been in service with the assurance client. We recommend the code should suggest a cooling off period before such persons are allowed to be involved with the same client.

The IIA wishes to thank the IESBA for the opportunity to comment on proposed revisions to Part 4B of the Code to reflect terms and concepts used in ISAE 3000 (revised). The IIA values greatly the relationship our two organizations have built over many years and wishes to express its unwavering support. Please do not hesitate to contact The IIA's Managing Director of Global Advocacy, Francis Nicholson, at francis.nicholson@theiaa.org for questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Richard F. Chambers". The signature is written in a cursive, flowing style.

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and Chief Executive Officer
The Institute of Internal Auditors