



To: **HKSA members**  
**All other interested parties**

## **HKSA INVITES COMMENTS ON IFAC EXPOSURE DRAFT OF ETHICS CODE REVISION ON AUDIT PARTNER ROTATION**

The International Federation of Accountants (IFAC) has issued an exposure draft (ED) of a proposed revision to the IFAC Code of Ethics for Professional Accountants to clarify guidance pertaining to lead engagement partner rotation for audits of listed entities.

Paragraph 8.151 of section 8 “Independence for assurance engagements” of the extant IFAC Code states that the lead engagement partner should be rotated after a pre-defined period, normally, no more than seven years, and after such rotation, should not resume the role of the lead engagement partner until a further period of time, normally two years, has elapsed. The purpose of this provision is to provide a “time-out period” to address the familiarity threat created by using the same lead engagement partner on an audit of a listed entity for a prolonged period of time.

However, the present wording may be interpreted in such a way that the lead engagement partner, who has been rotated off, would be able to assume the role of another partner on the engagement. The proposed revision is to make it clear that an individual who has completed a pre-defined period in the role of the lead engagement partner for an audit of a listed entity should not participate in the assurance engagement until a further period, normally two years, has elapsed.

As the new HKSA Independence Requirements (Statement 1.203A “Independence for assurance engagements” < <http://www.hksa.org.hk/professionaltechnical/ethics/standards/index.php> > and Guidance 1.308 “Independence for assurance engagements” < <http://www.hksa.org.hk/professionaltechnical/ethics/guidance/index.php> >) are based on and achieve compliance with the IFAC Code, the HKSA Ethics Committee invites members and interested parties to comment on the IFAC’s latest proposed revision. The HKSA Ethics Committee would like to hear from both those who do agree and those who do not agree with the proposal contained in the IFAC ED. Comments should be supported by specific reasoning and should preferably be submitted in written form.

Upon the finalization of the IFAC ED, the HKSA Ethics Committee intends to revise the HKSA Independence Requirements to adopt the new IFAC guidance so that HKSA Independence Requirements maintain conformity with current IFAC Code at all times.

The IFAC ED has been posted on the Hong Kong Society of Accountants’ (HKSA) website at: < [http://www.hksa.org.hk/professionaltechnical/ethics/exposedraft/IFAC\\_COE\(audit\\_partner\\_rotation\).pdf](http://www.hksa.org.hk/professionaltechnical/ethics/exposedraft/IFAC_COE(audit_partner_rotation).pdf) >. The IFAC ED can also be found on-line at the IFAC’s website at: < <http://www.ifac.org/ethics/> >.

To allow your comments on the IFAC ED to be considered and included in the HKSA’s submission to the IFAC, they are requested to be received by the HKSA on or before **16 January 2004**. Comments may be sent by mail, fax or e-mail to:

Deputy Director (Ethics & Assurance)  
Hong Kong Society of Accountants  
4<sup>th</sup> Floor, Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

Fax number (+852) 2865 6776  
E-mail: [commentletters@hksa.org.hk](mailto:commentletters@hksa.org.hk)

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

*(November 2003)*