



FAQ2020-12 FREQUENTLY ASK QUESTIONS (as adopted by IRE Council on 21st January 2021)

LONG ASSOCIATION OF SENIOR STAFF (EXCLUDING KEY AUDIT PARTNER ROTATION) WITH AN AUDIT CLIENT

Index

1. PURPOSE	2
2. LIMITATIONS	2
3. QUESTIONS & ANSWERS	2
3.1 WHAT IS THE DEFINITION OF SENIOR STAFF INVOLVED IN AN AUDIT ENGAGEMENT?	2
3.2 WHICH CLIENTS ARE IMPACTED BY ROTATION RULES OF SENIOR STAFF?	2
3.3 WHAT IS THE MAXIMUM DURATION ON THE AUDIT ENGAGEMENT?	2
3.4 WHAT IS THE STARTING POINT OF THE CALCULATION OF THE DURATION ON THE ENGAGEMENT?	2
3.5 WHAT IS THE IMPACT OF INTERRUPTION ON THE AUDIT ENGAGEMENT (AND RESTART)?	2
3.6 WHEN TO APPLY THESE GUIDELINES?	3
3.7 WILL THERE BE A "GRANDFATHERING" CLAUSE?	3
3.8 ARE EXCEPTIONS TO THE GUIDELINES POSSIBLE AND UNDER WHICH CONDITIONS?	3
3.9 WHO IS IN CHARGE OF MONITORING THE SENIOR STAFF ROTATION?	3



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1. PURPOSE

When senior staff is involved in an audit engagement over a long period of time, familiarity and self-interest threats might be created (closeness with senior management and those charged with governance, may influence the audit approach/work or key decisions). The purpose of the present "Frequently Asked Questions" ("FAQs") is to provide additional information on practical aspects of independence rules, including rotation, on long association of senior staff, excluding key audit partner rotation, on audit engagements based on section 540 of the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted in Luxembourg by the "Commission de surveillance du secteur financier" ("CSSF").

2. LIMITATIONS

The clarifications and interpretations presented in this document summarise conclusions drawn from questions put to the *Institut des réviseurs d'entreprises* ("IRE") and are of a purely informative nature. The reader should always refer to national legislation, ISAs and IESBA Code as adopted for Luxembourg by the CSSF.

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3. QUESTIONS & ANSWERS

3.1 What is the definition of senior staff involved in an audit engagement?

By "Senior staff" it is understood audit professionals as presented in article 540.3.A3 letter a) of the IESBA Code. It may be interpreted as being audit managers, senior managers and directors.

3.2 Which clients are impacted by rotation rules of senior staff?

Audit clients that fall under the definition of European Public Interest Entities ("EU PIE") clients are subject to senior staff rotation provision.

3.3 What is the maximum duration on the audit engagement?

The maximum duration on the audit engagement is 12 consecutive years.

3.4 What is the starting point of the calculation of the duration on the engagement?

Calculation is starting at audit manager level and no consideration is given to junior staff period.

3.5 What is the impact of interruption on the audit engagement (and restart)?

Interruption on the engagement of at least 2 consecutive years allows to restart the calculation and is considered as a cooling off period.



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3.6 When to apply these guidelines?

It is expected that these guidelines will start to apply for period opening after January 1, 2022 with transitional measures.

3.7 Will there be a “grandfathering” clause?

Transitional measures will be applicable at least 2 years to avoid disruption on audit engagements.

3.8 Are exceptions to the guidelines possible and under which conditions?

A one year exception may be possible. However, proper safeguards measures must be put in place based on paragraph 540.3.A6 of the IESBA Code.

3.9 Who is in charge of monitoring the senior staff rotation?

Senior staff rotation is monitored at firm level. For senior staff who have served in different audit firms, cumulative period on the engagement should be considered.

End