

Meeting: IESBA CAG Meeting

Meeting Location: Virtual

Meeting Date: October 13, 2020

Agenda Item

G

Engagement Team – Group Audits Independence

Objectives of Agenda Item

1. To receive an update on coordination activities with the International Auditing and Assurance Standards Board's (IAASB's) ISA 220¹ and ISA 600² Task Forces.
2. To provide feedback on the Task Force's proposed approach to addressing the issues in the project and other identified matters.

Task Force

3. Members:
 - Sylvie Soulier, Chair, former IESBA Member
 - Denise Canavan, former IESBA Technical Advisor
 - Andrew Pinkney, IESBA Technical Advisor
 - Jens Poll, IESBA Member

Project Status and Timeline

4. At its March 2020 meeting, the IESBA approved a [project proposal](#) to:
 - (a) Provide clear and consistent guidance in the International Independence Standards (IIS) with respect to independence for the various parties within the scope of the revised definition of the term "engagement team" in proposed ISA 220 (Revised), especially in a group audit context; and
 - (b) Revise the IIS so that they are robust, comprehensive and clear when applied in a group audit context, including with respect to independence for non-network component auditors.
5. The CAG considered and provided feedback on the project proposal at its March 2020 meeting.
6. At its June 2020 meeting, the IESBA considered the Task Force's preliminary views and proposed approach to addressing the relevant issues.
7. Task Force representatives have liaised with the IAASB's ISA 220 and 600 Task Forces in accordance with the established framework for coordination between the two Boards.

¹ Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

² Proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

8. An Exposure Draft of proposed changes to the Code is being targeted for IESBA consideration and approval at its March 2021 meeting.

Report Back on March 2020 CAG Discussion

9. Appendix 1 to this paper includes extracts from the minutes of the March CAG meeting and an indication of how the Task Force/IESBA has responded to CAG Representatives' comments.

Material Presented

Agenda Item G-1 Engagement Team – Group Audits Independence – Issues and Proposals

Agenda Item G-2 Engagement Team – Group Audits Independence – Strawman Draft

Matters for CAG Consideration

10. Representatives are asked to:
 - (a) Consider the Task Force's views and proposals as set out in **Agenda Items G-1 and G-2**; and
 - (b) Provide input on the Matters for Consideration in **Agenda Item G-1**.

Appendix 1

Below are extracts from the minutes of the March 2020 CAG meeting and an indication of how the Task Force and/or IESBA has responded to the CAG’s comments.

Matters Raised	Task Force/IESBA Response
<ul style="list-style-type: none"> Mr. Hansen inquired about the meaning of “audit procedures” in the proposed revised engagement team definition. 	<p>During the meeting, Ms. Soulier responded that this is a term for the IAASB to clarify.</p>
<ul style="list-style-type: none"> Mr. Dalkin applauded the coordination efforts between the IESBA and IAASB. He asked if the WG had assessed the impact of the revised definition of “engagement team” on the Code beyond independence. 	<p>During the meeting, Ms. Soulier noted that the Task Force is considering the matter as part of the project.</p>
<ul style="list-style-type: none"> Mr. Pavas questioned the proposal to delete the word “engaged” from the definition of engagement team, and noted that in his view leaving it out will create confusion. 	<p>During the meeting, Ms. Soulier explained that this change to the definition is for the IAASB’s ISA 220 Task Force to explain. She added that in essence, it does not matter how individuals on the engagement team are related to the firm as long as they perform audit procedures on the engagement.</p>
<ul style="list-style-type: none"> Ms. Robert questioned if the WG should not first assess the impact of the revised definition on the Code before accepting it, given the planned approval of ISA 220 (Revised) by Q2 2020. 	<p>During the meeting, Ms. Soulier responded that effort would be made to align the effective date for the revisions arising from the IESBA’s project to those for ISAs 220 (Revised) and 600 (Revised).</p>
<ul style="list-style-type: none"> Ms. Zietsman applauded the coordination effort and noted that the definition captures the reality of today’s world where firms’ delivery models have changed. Hence, it was important to evolve ISA 220 to recognize new models of audit. She commented that from the PCAOB perspective, the issues relating to group audit stem from the supervision of other auditors. 	<p>Point noted.</p>
<ul style="list-style-type: none"> Ms. Robert expressed support for the project proposal, noting the importance of staying principles-based given the danger of going into exhaustive detail. 	<p>Point noted.</p>
<ul style="list-style-type: none"> Mr. Kashiwagi supported the coordination efforts with the IAASB, noting that the 	<p>Point noted.</p>

Matters Raised	Task Force/IESBA Response
importance of those efforts. He also expressed support for the project proposal.	