

Meeting: IESBA
Meeting Location: Hybrid
Meeting Date: Nov 30, December 1-3, 8 & 16, 2021

Agenda Item 5

Engagement Team – Group Audits Independence

Objectives

1. To receive an update on coordination activities with the International Auditing and Assurance Standards Board's (IAASB's) ISA 600¹ Task Force.
2. To consider, with a view to approving for exposure:
 - (a) Proposed changes to the definitions of “engagement team” and the related terms “audit team,” “assurance team” and “review team” as a result of changes to the definition of “engagement team” in the IAASB's Quality Management standards;
 - (b) Proposed changes to the International Independence Standards to address independence considerations in a group audit;
 - (c) Proposed conforming amendments arising from the ISA 600 project; and
 - (d) Proposed Quality Management-related amendments to the Code arising from the finalization of the IAASB's Quality Management standards.

IESBA staff welcomes any advance comments and drafting suggestions in **Agenda Item 5-B**. Please email comments to carlavijian@ethicsboard.org by **November 30, 2021**.

Task Force

4. Members:
 - Sylvie Soulier, Chair, former IESBA Member
 - Denise Canavan, former IESBA Technical Advisor
 - Caroline Lee, IESBA Deputy Chair
 - Andrew Pinkney, IESBA Technical Advisor
 - Jens Poll, IESBA Member

¹ Proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Activities since September 2021 IESBA Meeting

5. To develop the agenda materials for this meeting, the Task Force:
 - Met via video conference in Q4 2021 to consider the input received at the September 2021 Board and CAG meetings; and
 - Sought input from the ISA 600 Task Force as part of the coordination efforts.

Matters Raised at the September 2021 IESBA Meeting

6. At the [September 2021](#) Board meeting, the Task Force received several comments on the proposed text. The Task Force's responses to the significant matters raised are set out in **Agenda Item 5-E**. Explanations of the related changes are also indicated in the margins in **Agenda Item 5-B**.
7. Other changes to the proposed text are set out in **Agenda Item 5-B**, with explanations of the nature of the changes included in the margins.

Quality Management-related Amendments

8. In coordinating the development of the proposed Quality Management-related conforming amendments to the Code with the IAASB, certain matters were raised by IAASB Staff that IESBA Staff and the IESBA Coordination Lead to the IAASB considered to be substantive. As some of those matters appeared to overlap with matters being considered in the Engagement Team – Group Audits Independence (ET-GA) project, the IESBA agreed at the June 2021 meeting to ask the ET-GA Task Force to consider whether these matters could be addressed within the scope of the ET-GA project.
9. The Task Force has considered the various matters and has agreed to address some of them as part of the ET-GA project. Where a matter is beyond the scope of this project, the Task Force recommends that the Board review it as part of a potential future work stream.
10. The Task Force's proposed Quality Management-related amendments to the Code are indicated in **Agenda Item 5-D** together with explanations of the changes in the margins. Matters that are outside the scope of this project are also flagged in the margins.

Coordination with ISA 600 Task Force and Forward Timeline

11. The Task Force has liaised with the ISA 600 Task Force on the proposed revisions to ISA 600. The ISA 600 Task Force has indicated that it remains focused on presenting a final draft of ISA 600 (Revised) for IAASB consideration and final approval in December 2021.
12. Given that the ET-GA project is so closely linked to the ISA 600 project, the ET-GA Task Force has also sought feedback from the ISA 600 Task Force on a revised draft of Section 405. The ISA 600 Task Force's feedback has been reflected in **Agenda Item 5-B**.
13. As part of the coordination efforts with the ISA 600 Task Force, certain conforming amendments were also identified in Section 360 addressing non-compliance with laws and regulations (NOCLAR). See **Agenda Item 5-B**.

Approach to Board Session

14. During the session, Ms. Soulier will undertake a walk-through of the proposed revisions to draft text since the September 2021 board meeting. In doing so, she will explain the rationale for the main changes as well as highlight substantive matters for Board consideration.

Action Requested

15. IESBA members are asked to:
 - (a) Consider the substantive matters highlighted during the presentation;
 - (b) Consider the proposed amendments in **Agenda Items 5-B** and **5-D**; and
 - (c) Subject to any refinements, approve the proposed changes to the Code for exposure.

Material Presented

- | | |
|-----------------|---|
| Agenda Item 5-A | Presentation Slides – Engagement Team – Group Audits Independence |
| Agenda Item 5-B | Engagement Team – Group Audits Independence – Draft Text (Marked up against September 2021 Draft) |
| Agenda Item 5-C | Engagement Team – Group Audits Independence – Draft Text (Clean) |
| Agenda Item 5-D | ET-GA – Proposed Quality Management-related Amendments |
| Agenda Item 5-E | ET-GA Task Force Responses to Board Feedback on Draft Text |

Next Steps

16. Subject to Board approval of the Exposure Draft (ED), the Task Force anticipates that the proposed changes to the Code will be issued for public comment by the end of January 2022. The Task Force recommends a 90-day comment period.
17. The Board will then receive an update on significant comments received on the ED at the June 2022 meeting, with a full review of the ED comments at the September 2022 meeting.