

Engagement Team – Group Audits Independence Issues and Task Force Proposals

I. Background and Relevant Developments

IESBA Strategy Consultation

1. During the IESBA's consultation on its [Strategy and Work Plan 2019-2023 \(SWP\)](#), many respondents expressly supported an enhanced level of strategic and technical coordination with other standard-setting Boards (SSBs), particularly the International Auditing and Assurance Standards Board (IAASB), with transparency provided about the work and status of such efforts.
2. Among the responses to the SWP consultation paper, there was also an encouragement for the IESBA to consider a project to address practical questions encountered by group and component auditors in applying the International Independence Standards (IIS) in the context of an audit of group financial statements. The IESBA determined that it would be appropriate to explore the need for clarifications in this area, but to do so in coordination with the IAASB's project to revise its group audits standard (International Standard on Auditing (ISA) 600).¹

Implications of Revised Definition of Engagement Team for the Code and Related IAASB-IESBA Coordination

3. The definition of engagement team (ET) in the Code was developed based on the ET definition in extant ISA 220.² While the IAASB intended to change the definition in ISA 220 for quality management purposes in revising ISA 220, the inclusion of component auditors and service providers in the revised definition (see Section II below) raises a number of questions with respect to compliance of these individuals with the IIS in the context of a group audit. There is therefore a need to confirm or develop independence requirements applicable to those individuals covered by the extended definition as appropriate, taking into account their roles in the audit engagement and specific facts and circumstances.
4. In the light of the above and following coordination with the IAASB on the ISA 220 project, the IESBA agreed to address the implications of the change in the definition of ET from the Code's perspective with a view to making clear the independence requirements that apply to the various individuals who are part of the ET under the revised definition. The IAASB in turn agreed to make clear in ISA 220 (Revised)³ that the independence requirements applicable to members of the ET are specified in relevant ethical requirements which, as defined in ISA 220 (Revised), include the Code.

Independence of Component Auditors in the Context of a Group Audit

5. In view of the fact that individuals outside a firm's network who are performing the audit procedures are included within the ET under the revised definition, in the context of group audits performed in accordance with ISA 600 it is necessary that the IIS provide clear and consistent guidance with

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

² ISA 220, *Quality Control for an Audit of Financial Statements*

³ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, approved by the IAASB at its September 2020 meeting

respect to independence for component auditors outside the network. Additionally, there is a need to go beyond individuals included in the ET definition and consider the independence framework applicable to the *component auditor firms*. This is because proposed ISA 600 (Revised), like the extant ISA 600, establishes a requirement for the group engagement partner to take responsibility for obtaining a confirmation from component auditors that ethical requirements that are relevant to the group audit engagement, including those related to independence, have been fulfilled.⁴ If the component auditor does not meet the independence requirements that are relevant to the group audit, proposed ISA 600 (Revised) requires the group engagement team to obtain sufficient appropriate audit evidence relating to the work performed at the component without involving that component auditor.⁵

6. Some stakeholders, including firms, have highlighted the need to clarify the meaning of the phrase “ethical requirements, including those relating to independence, that are relevant to the group audit.” This concept is not currently addressed in the Code.
7. It is generally the case under the extant Code that if a component auditor is from the same network as the group auditor, it will apply the same independence requirements applicable to the group engagement team when auditing a component. So, for example, if the parent entity is a public interest entity (PIE),⁶ all network firms are required to comply with the provisions on non-assurance services (NAS) that apply to the PIE and its related entities (applying the related entity principle in paragraph R400.20).⁷
8. In contrast, the Code is effectively silent on the principles that should apply to a component auditor outside the group auditor’s network. Accordingly, subject to any different agreement between the group auditor and the component auditor, the component auditor will generally apply the independence requirements in the Code relevant to its audit client (i.e., the component). This would be the PIE provisions, where the component is a PIE, or more frequently, the non-PIE provisions if the component is not a PIE in its own right.

⁴ [Exposure Draft of Proposed ISA 600 \(Revised\)](#) (ED-ISA 600), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 20(c)

⁵ ED-ISA 600, paragraph 22

⁶ The Code defines a “public interest entity” as:

- (a) A Listed Entity; or
- (b) An entity:
 - (i) Defined by regulation or legislation as a public interest entity; or
 - (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation might be promulgated by any relevant regulator, including an audit regulator.

⁷ Paragraph R400.20 states the following:

As defined, an audit client that is a listed entity includes all of its related entities. For all other entities, references to an audit client in this Part include related entities over which the client has direct or indirect control. When the audit team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of the client is relevant to the evaluation of the firm’s independence from the client, the audit team shall include that related entity when identifying, evaluating and addressing threats to independence.

II. Definition of Engagement Team

9. The IAASB has revised the ET definition to clarify that it includes all individuals performing audit procedures on the audit engagement so that, regardless of where they are located or how they are related to the firm, they are appropriately directed and supervised and their work reviewed in accordance with ISA 220 (Revised).

ISA 220 (Revised)

10. In the final ISA 220 (Revised), the definition of ET is as follows:

All partners and staff performing the audit engagement, and any other individuals who perform audit procedures on the engagement, excluding an auditor's external expert⁸ and internal auditors who provide direct assistance on an engagement.⁹

11. ISA 220 (Revised) also provides the explanatory guidance to the revised definition:

A17. Engagement teams include personnel and may also include other individuals who perform audit procedures who are from:

- (a) A network firm; or
- (b) A firm that is not a network firm, or another service provider.

For example, an individual from another firm may perform audit procedures on the financial information of a component in a group audit engagement, attend a physical inventory count or inspect physical fixed assets at a remote location.

12. The final ISQM 1,¹⁰ approved by the IAASB at its September 2020 meeting, defines a service provider as follows:

An individual or organization external to the firm that provides a resource that is used in the system of quality management or in the performance of engagements. Service providers exclude the firm's network, other network firms or other structures or organizations in the network¹¹

13. Paragraph A105 of ISQM 1 provides the following guidance to the definition of "service provider:

A105. In some circumstances, the firm may use resources that are provided by a service provider, particularly in circumstances when the firm does not have access to the appropriate resources internally. Notwithstanding that a firm may use resources from a service provider, the firm remains responsible for its system of quality management.

⁸ ISA 620, *Using the Work of an Auditor's Expert*, paragraph 6(a), defines the term "auditor's expert."

⁹ ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, establishes limits on the use of direct assistance. It also acknowledges that the external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. Therefore, the use of direct assistance is restricted to situations where it is permitted.

¹⁰ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

¹¹ ISQM 1, paragraph 16(v)

Examples of resources from a service provider

- Individuals engaged to perform the firm’s monitoring activities or engagement quality reviews, or to provide consultation on technical matters.
- A commercial IT application used to perform audit engagements.
- Individuals performing procedures on the firm’s engagements, for example, component auditors from other firms not within the firm’s network or individuals engaged to attend a physical inventory count at a remote location.
- An auditor’s external expert engaged by the firm to assist the engagement team in obtaining audit evidence.

14. In ISA 220 (Revised), the IAASB has also provided application material which states that:
- The engagement team may be organized in a variety of ways. For example, engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing.¹²
 - Engagement teams may also include individuals from service delivery centers who perform audit procedures. For example, it may be determined that specific tasks that are repetitive or specialized in nature will be performed by a group of appropriately skilled personnel and the engagement team therefore includes such individuals. Service delivery centers may be established by the firm, the network, or by other firms, structures or organizations within the same network. For example, a centralized function may be used to facilitate external confirmation procedures.¹³
 - Engagement teams may include individuals with expertise in a specialized area of accounting or auditing who perform audit procedures on the audit engagement, for example, individuals with expertise in accounting for income taxes, or in analyzing complex information produced by automated tools and techniques for the purpose of identifying unusual or unexpected relationships. An individual is not a member of the engagement team if that individual’s involvement with the engagement is limited to consultation.¹⁴

Alignment of Term “Engagement Team” in the Code with Revised Definition in ISA 220 (Revised)

15. At the June 2020 Board meeting, the Task Force presented its preliminary thinking on an approach to align the definition of ET in the Code with the revised definition of ET in ISA 220 (Revised). This approach recognized that the extant definition of ET in the Code applies to both audit and other assurance engagements whereas the definition of ET in ISA 220 (Revised) applies only to audit engagements. It also recognized that the term ET is used in both the definitions of the terms “audit team” and “assurance team” in the Code (see Appendix 1). Therefore, for the term “engagement team,” simply substituting the definition in the Code with the IAASB’s revised definition in ISA 220 (Revised) would not be appropriate. The Task Force came to the view that it would be necessary to “bifurcate” the term ET into two different terms to target, on the one hand, audit engagements, and

¹² ISA 220 (Revised), paragraph A15

¹³ ISA 220 (Revised), paragraph A18

¹⁴ ISA 220 (Revised), paragraph A19

on the other hand, other assurance engagements. The term ET would then be withdrawn, with the word “team” used generically to denote a team of individuals who perform an engagement.

16. Under this approach, therefore, the Code would establish two separate terms with different scopes and applicability, as follows:

Term	Scope	Applicability in the Code
Audit engagement team	Audit engagements only ¹⁵	Part 4A
Assurance engagement team	Assurance engagements other than audit engagements	Part 4B

17. Insofar as *standalone engagements* are concerned, which is the basis on which the Code is currently drafted, these two terms would apply in Parts 4A and 4B, respectively, according to their proposed definitions. In the context of a group audit, component auditors, both within and outside the firm’s network, are considered in Section III below.
18. Given that the Code also uses¹⁶ or refers¹⁷ to the term “review team” and defines that term with reference to the ET for the review engagement, the Task Force also proposes that a third term, “review engagement team,” be introduced and defined.
19. The Task Force proposes that these three terms be defined as follows, with the definition of “audit engagement team” fully aligned with the definition of ET in ISA 220 (Revised):

Term	Proposed Definition
Audit engagement team	<p>All partners and staff performing the audit engagement, and any other individuals who perform audit procedures on the engagement, excluding an auditor’s external expert and internal auditors who provide direct assistance on an engagement.</p> <p>Engagement teams include personnel and might also include other individuals who perform audit procedures who are from:</p> <p>(a) A network firm; or</p> <p>(b) A firm that is not a network firm, or another service provider.</p> <p>For example, an individual from another firm might perform audit procedures on the financial information of a component in a group audit engagement, attend a physical inventory count or inspect physical fixed assets at a remote location.</p>
Assurance engagement team	All partners and staff performing the assurance engagement, and any individuals engaged by the firm or a network firm who perform

¹⁵ As per the Glossary of Terms, in Part 4A the term “audit engagement” applies equally to “review engagement.”

¹⁶ Paragraph 900.13

¹⁷ Paragraph 400.2

Term	Proposed Definition
	assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm.
Review engagement team	All partners and staff performing the review engagement, and any individuals engaged by the firm or a network firm who perform review procedures on the engagement. This excludes external experts engaged by the firm or by a network firm.

20. One effect of aligning the proposed definition of “audit engagement team” with the definition of ET in ISA 220 (Revised) would be to now make it explicit that the IIS apply to individuals from *service providers* who perform audit procedures on the engagement (other than external experts – see further discussion below). In substance, however, this would not represent a change in practice because the extant Code already defines individuals engaged by the firm or a network firm to perform audit procedures on the engagement to be part of the ET.

21. During the June Board discussion, two specific matters were raised for clarification regarding the revised definition of ET in ISA 220 (Revised), which indicates that an ET may include individuals who perform audit procedures from a service provider:

- Whether this would include an external expert (a specialist) the firm engages.

While ISQM 1 indicates that an external expert engaged by the firm is an example of a resource from a service provider, external experts engaged by the firm are specifically excluded from the definition of an ET, as emphasized in paragraph A21 of ISA 220 (Revised):

A21. An internal auditor providing direct assistance and an auditor’s external expert whose work is used in the engagement are not members of the engagement team.¹⁸ ISA 610 (Revised) 2013 and ISA 620 provide requirements and guidance for the auditor when using the work of internal auditors in a direct assistance capacity or when using the work of an external expert, respectively. Compliance with these ISAs requires the auditor to obtain sufficient appropriate audit evidence on the work performed by an internal auditor providing direct assistance and perform audit procedures on the work of an auditor’s expert.

- Whether a service provider would be outside the firm’s network, as distinct from a service delivery center (e.g., an offshore service center) which is normally part of the firm or the network.

See the definition of “service provider” in ISQM 1 in paragraph 12 above.

22. Two questions were also raised in June:

- Whether the definition of ET in ISA 220 (Revised), which is aimed at a quality management process, needed to be the same as the definition in the Code given that the use of the term in the Code is focused on the independence of the individuals who contribute to the overall audit opinion.

¹⁸ See ISA 620, paragraphs 12–13 and ISA 610 (Revised 2013), paragraphs 21–25

While the Task Force accepts that the term ET is used for different purposes in the Code and in the ISAs, it is of the view that using the same term in both sets of standards but with different definitions potentially might create confusion among users of the standards, especially given that the Code and the ISAs have historically used the same definition. As the revised definition of ET in ISA 220 (Revised) is focused on audit engagements, there is a need for different definitions for the ET for reviews and other assurance engagements. Accordingly, the Task Force's preferred approach is to develop new terms for audit, review and other assurance engagements.

- Why external experts would be excluded from having to comply with some level of independence.

The Task Force acknowledges that the Code currently does not impose independence requirements on external experts who participate in the audit. This position has mirrored the approach in ISA 220, which, by virtue of the exclusion of an external expert from the ET through the definition, does not subject that individual to the quality management requirements that apply to members of the ET. This approach recognizes that, given the specialized nature of external experts' work, it would not be appropriate to apply the same level of direction, supervision and review over them as applies to members of the ET. However, ISA 620¹⁹ addresses the auditor's responsibilities relating to the work of an external expert in obtaining sufficient appropriate audit evidence, including considerations relating to the objectivity,²⁰ competence and capabilities of that individual. The Task Force believes that addressing whether external experts should be subject to specific independence requirements is outside the remit of this project. However, the Board might consider the matter as part of a future project.

23. To illustrate how the Task Force's proposals regarding the terms "audit engagement team," "assurance engagement team" and "review engagement team" might be used in the Code based on their proposed definitions, the Task Force has prepared the strawman in **Agenda Item 9-B**.

Matters for IESBA Consideration

1. Do IESBA members support:
 - (a) The creation of the three new terms "audit engagement team," "assurance engagement team" and "review engagement team;" and
 - (b) The proposed definitions for these terms.
2. IESBA members are asked for any comments on the use of these terms as illustrated in the strawman in **Agenda Item 9-B**.

¹⁹ ISA 620, *Using the Work of an Auditor's Expert*

²⁰ ISA 620, paragraph 9, requires that in evaluating the objectivity of an external expert, the auditor makes inquiries about interests and relationships that may create a threat to that expert's objectivity.

III. Independence in a Group Audit Context

24. In thinking through independence in a group audit context, the Task Force approached this matter from two different perspectives:
- (a) Independence principles for individuals involved in the group audit engagement; and
 - (b) Independence principles for firms involved in the group audit engagement.

These are addressed below.

Independence Principles for Individuals

25. The key question is who is required to be independent of what in the group audit context. For individuals who are members of the group engagement team,²¹ the personal independence requirements in the IIS apply with respect to the group audit client. To determine which related entities are included with the group audit client, the related entity principle in paragraph R400.20 applies.
26. For a firm that is auditing a component and which belongs to the group auditor's network, individuals from that component auditor firm who participate in the audit of the component, where the component auditor's work is used for purposes of the group audit, are effectively also required to comply with the same personal independence requirements that apply to the group engagement team.²²
27. In the context of a group audit, the change in the definition of ET in ISA 220 (Revised) results in a need to clarify the independence requirements for individuals at the component level from outside the group auditor's network (and similarly from service providers). At the June 2020 Board meeting, a few questions were raised as to whether individuals from non-network component auditor firms who are performing procedures on the group audit engagement should be subject to the same personal independence requirements as individuals from network firms. The Task Force agreed that the same independence considerations that apply to individuals from component auditor firms within the network should apply to individuals carrying out audit procedures at the component level who are from non-network firms. This is because the work of the individuals from the non-network firms contributes to the audit opinion on the group financial statements just as much as the work performed by individuals from component auditor firms within the network. The Task Force also believes that taking a consistent approach to personal independence, whether an individual is from a network firm or non-network firm, will eliminate any perception that the independence of component auditors on the ET outside the network is less important than that of component auditors on the ET within the network. The Task Force believes that the proposed revised definitions in the IIS will achieve this but will also consider making this explicit in a new section to be drafted on the application of the IIS to non-network component auditors (and service providers) in the context of a group audit.

²¹ ED-ISA 600 defines the "group engagement team" as follows:

The group engagement partner and other members of the engagement team who are responsible for:

- (i) Establishing the overall group audit strategy and audit plan;
- (ii) Directing and supervising component auditors and reviewing their work;
- (iii) Evaluating the conclusions drawn from the audit evidence obtained as the basis for forming an opinion on the group financial statements.

²² Paragraph R400.51 of the Code states the following:

"A network firm shall be independent of the audit clients of the other firms within the network as required."

28. Appendix 2 (Section A) summarizes the independence principles for individuals, applying the related entity principle in paragraph R400.20 depending on whether the group audit client is a listed entity or an unlisted entity. Because the concept of a “component”²³ under ED-ISA 600 is no longer limited to a corporate entity, the Task Force is of the view that the IIS should also require independence of the individuals involved in the group audit engagement vis-à-vis any components that are not related entities (see Appendix 2.A).

Matter for IESBA Consideration

3. Do IESBA members agree with the Task Force’s proposals above regarding the independence principles for individuals involved a group audit engagement?

Independence Principles for Firms

29. The key issue when seeking to establish principles applicable to firm independence with respect to component auditors within and outside the group auditor’s network is the meaning of the phrase “ethical requirements that are relevant to the group audit engagement, including those related to independence,” a concept that is in both the extant ISA 600²⁴ and ED-ISA 600.²⁵ This concept is not currently explicitly addressed in the Code.
30. Since presenting its preliminary thinking on the issues relating to firm-level independence at the June 2020 Board meeting, the Task Force has further progressed its discussions regarding the requirements that should apply to component auditor firms and with respect to which entities within the group.
31. The Task Force first notes that no new principles are required for component auditors within the group auditor’s network because the Code already requires network firms to be independent.
32. With respect to component auditors outside the group auditor’s network, the Task Force has reached the following views regarding the independence principles at the component auditor firm level:
- If the group audit client is a PIE and the component is a non-PIE, for the purposes of the group audit the component auditor should comply with the PIE requirements of the Code with respect to the component and its controlled entities. Applying the related entity principle in paragraph R400.20, the conceptual framework would be applied with respect to all other related entities of the component entity.

²³ ED-ISA 600 (Revised) defines a “component” as follows:

A location, function or activity (or combination of locations, functions or activities) determined by the group engagement team for purposes of planning and performing audit procedures in a group audit.

Paragraph A4 of ED-600 notes that “the group engagement team uses professional judgment in determining the components for which audit procedures will be performed (by the group engagement team or component auditors on its behalf). The manner in which components are viewed for purposes of planning and performing a group audit may be influenced by the group structure, but may or may not be aligned with the way in which the group is organized, which could be, for example, by legal entities, geographic locations, or lines of business.”

²⁴ Extant ISA 600, paragraph 19(a)

²⁵ ED-ISA 600, paragraph 20(c), requires the group engagement partner to take responsibility for obtaining a confirmation from component auditors that the ethical requirements that are relevant to the group audit engagement, including those related to independence, have been fulfilled.

- If the group audit client is a non-PIE, for the purposes of the group audit the component auditor should comply with the non-PIE requirements of the Code with respect to the component and its controlled entities. As above, applying the related entity principle in paragraph R400.20, the conceptual framework would be applied with respect to all other related entities of the component entity.

In circumstances where the group audit client is a non-PIE and the component is a PIE, the Task Force came to the view that extending the PIE requirements throughout the group would be fundamentally inconsistent with the rationale for the Code to distinguish between PIE non-PIE audit clients for independence purposes. Accordingly, where the group audit client is a non-PIE, the component auditor should follow the non-PIE requirements.

Further, under proposed ISA 600 (Revised), components are no longer viewed as legal entities. For group audit purposes, a component auditor might be reporting on one aspect of business within the group (e.g., inventory at a controlled entity), but what is giving rise to the controlled entity being a PIE might not be relevant to the group audit. A component might also span across several legal entities with a mix of PIEs and non-PIEs. In such a case, the Task Force does not believe that it would be appropriate to regard the entire component as a PIE.

- In relation to financial interests in upstream entities where the group audit client is a PIE, for the component auditor firm only, such financial interests should be limited to the group audit client. The Task Force does not believe that the level of the threats to independence would warrant going upstream of the group audit client (if the group audit client itself were not the ultimate holding entity) given the further degree of separation.
- If the component is a PIE and is subject to a statutory audit, the PIE independence requirements would apply for the statutory audit of the component, whether or not the parent entity is a PIE. Conversely, if the component is a non-PIE and is subject to a statutory audit, the non-PIE requirements would apply for the statutory audit of the component, whether or not the parent entity is a PIE.

33. In addition to the above, the Task Force proposes that the independence requirements that apply to a non-network component auditor firm should also apply to firms within the component auditor firm's network.
34. A view was expressed at the June Board meeting that if a component auditor is an "important contributor" to the group audit, that component auditor should be subject to the full independence requirements relevant to the group audit. The Task Force believes that this is consistent with how it has approached considerations regarding the independence principles that should apply at the component auditor level. It also reflects the fact that not every component in a group may need an audit for purposes of the group audit.²⁶

²⁶ ED-ISA 600, paragraph 9(c), defines a component auditor as an auditor who, at the request of the group engagement team, performs audit procedures related to a component for purposes of the group audit. A component auditor is a part of the engagement team.

35. Appendix 2 (Section B) summarizes the Task Force’s views above regarding the independence principles that should apply with respect to firms in a group audit context and across the four different possible scenarios:
- (a) Group audit client is a PIE, component is a PIE
 - (b) Group audit client is a PIE, component is a non-PIE
 - (c) Group audit client is a non-PIE, component is a PIE
 - (d) Group audit client is a non-PIE, component is a non-PIE

Matter for IESBA Consideration

4. Do IESBA members agree with the Task Force’s views and proposals above regarding the independence principles with respect to firms involved in a group audit engagement?

IV. Matters for Further Task Force Consideration

36. Matters that the Task Force will further consider include:
- Where resources have been obtained from a service provider (other than a non-network component auditor) for the performance of audit procedures on the group audit, the independence principles that should apply at the service provider level.
 - The independence implications of how components are now conceptualized in proposed ISA 600 (Revised).
 - The independence considerations for engagement quality reviewers (EQRs) sourced from outside the firm and the network,²⁷ given that the extant definitions of the terms “audit team,” “review team” and “assurance team” (see Appendix 1) scope in only EQRs within the firm or the network.
 - A review of the breaches provisions when there is a breach of independence at a non-network component auditor firm.

V. Next Steps

37. Ongoing coordination is planned with the ISA 220 and ISA 600 Task Force as the Task Force continues to develop independence requirements proposals based on the revised definition of ET.
38. Subject to the Board’s feedback on the Task Force’s views and proposals, the Task Force will develop proposed changes to the Code for the Board’s consideration at the December 2020 IESBA meeting.

²⁷ ISQM 2, *Engagement Quality Reviews*, defines an EQR as “a partner, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review.”. (The definition of “engagement quality control reviewer” in extant ISQC 1 also scopes in an external individual.)

APPENDIX 1

Definitions of “Assurance Team,” “Audit Team,” and “Review Team” in Extant Code

- Assurance team
- (a) All members of the engagement team for the assurance engagement;
 - (b) All others within a firm who can directly influence the outcome of the assurance engagement, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement;
 - (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and
 - (iii) Those who provide quality control for the assurance engagement, including those who perform the engagement quality control review for the assurance engagement.
- Audit team
- (a) All members of the engagement team for the audit engagement;
 - (b) All others within a firm who can directly influence the outcome of the audit engagement, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and
 - (iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and
 - (c) All those within a network firm who can directly influence the outcome of the audit engagement.

In Part 4A, the term “audit team” applies equally to “review team.”

- Review team
- (a) All members of the engagement team for the review engagement; and
 - (b) All others within a firm who can directly influence the outcome of the review engagement, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and
 - (iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and
 - (c) All those within a network firm who can directly influence the outcome of the review engagement.

APPENDIX 2

Summary of Proposed Independence Principles for Individuals and Firms

(Note: Group Audit Client means the audit client whose group financial statements are subject to audit)

A. Independence Principles for Individuals

Which Individuals		Group Audit Client Listed	Group Audit Client Not Listed
Group engagement team		<ul style="list-style-type: none"> • Independence required of: <ul style="list-style-type: none"> ○ The group audit client and all its related entities ○ Any other components scoped in under ISA 600 (Revised) 	<ul style="list-style-type: none"> • Independence required of: <ul style="list-style-type: none"> ○ Group audit client, controlled related entities and other components scoped in under ISA 600 (Revised) ○ Parent only in relation to financial investments (if group audit client is material to parent) • Other related entities: apply conceptual framework
Component auditors:	Inside the network	As above	As above
	Outside the network		

B. Independence Principles for Firms

Which Firm	Group Audit Client PIE Component PIE	Group Audit Client PIE Component Non-PIE	Group Audit Client Non-PIE Component PIE	Group Audit Client Non-PIE Component Non-PIE
Group Auditor Firm	<ul style="list-style-type: none"> PIE requirements applicable to group audit client Independence required of any other components scoped in under ISA 600 (Revised) 		<ul style="list-style-type: none"> Non-PIE requirements applicable to group audit client Independence required of any other components scoped in under ISA 600 (Revised) 	
Component Auditor Firm within the Group Auditor Firm's Network	As above	As above	For Component Auditor Firm and Network Firms: <ul style="list-style-type: none"> Independence required of the component and its controlled related entities to the non-PIE standard set out in the Code Apply conceptual framework for all other REs of the component 	
	(If acting as the statutory auditor of the component, PIE requirements and any relevant jurisdictional requirements apply)	(If acting as the statutory auditor of the component, non-PIE requirements and any relevant jurisdictional requirements apply)	(If acting as the statutory auditor of the component, PIE requirements and any relevant jurisdictional requirements apply)	(If acting as the statutory auditor of the component, non-PIE requirements and any relevant jurisdictional requirements apply)
Component Auditor Firm/Network Firms outside the Group Auditor Firm's Network	<ul style="list-style-type: none"> For Component Auditor Firm and Network Firms within Component Auditor Firm's Network: <ul style="list-style-type: none"> Independence required of the component and its controlled related entities to the PIE standard relevant to the group audit 		For Component Auditor Firm and Network Firms within Component Auditor Firm's Network: <ul style="list-style-type: none"> Independence required of the component and its controlled related entities to the non-PIE standard set out in the Code 	

Which Firm	Group Audit Client PIE Component PIE	Group Audit Client PIE Component Non-PIE	Group Audit Client Non- PIE Component PIE	Group Audit Client Non- PIE Component Non-PIE
	<ul style="list-style-type: none"> ○ Apply conceptual framework with respect to all other related entities of the component • For Component Auditor Firm only: <ul style="list-style-type: none"> ○ No financial interests in the group audit client 		<ul style="list-style-type: none"> • Apply conceptual framework for all other REs of the component 	
	(If acting as the statutory auditor of the component, PIE requirements and any relevant jurisdictional requirements apply)	(If acting as the statutory auditor of the component, non-PIE requirements and any relevant jurisdictional requirements apply)	(If acting as the statutory auditor of the component, PIE requirements and any relevant jurisdictional requirements apply)	(If acting as the statutory auditor of the component, non-PIE requirements and any relevant jurisdictional requirements apply)