

Exposure Draft

February 2022 Comments due: May 31, 2022

International Ethics Standards Board for Accountants®

Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits

Proposed Revised Definition of Engagement Team

1. Do you agree with the proposed changes to the Code related to the revised definition of ET, including: (see Chapters 1, 4 and 6)

(a) The revised definitions of the terms “engagement team,” “audit team,” “review team” and “assurance team;” and

(b) The explanatory guidance in paragraphs 400.A – 400.D?

Answer 1

We agree with the proposed changes

Independence Considerations for Engagement Quality Reviewers

2. Do you agree with the changes to the definitions of “audit team,” “review team” and “assurance team” to recognize that EQRs may be sourced from outside a firm and its network (see Chapter 6)?

Answer 2

Yes, we agree with the changes in the definitions, aligned with ISQM1 and ISQM2 and the recognition that EQRs can come from inside or outside the firm.

Independence in a Group Audit Context

3. Do you agree with the proposed new defined terms that are used in Section 405 in addressing independence considerations in a group audit (see Chapters 1 and 6)?

Answer 3

We agree, this definition covers all those who can directly influence the results of the group Audit

4. In relation to the proposals in Section 405 (Chapter 1), do you agree with the principles the IESBA is proposing for: (a) Independence in relation to individuals involved in a group audit; and (b) Independence in relation to firms engaged in a group audit, including CA firms within and outside the GA firm's network?

Answer 4

Yes, we share the principles proposed by the IESBA and that follow these criteria:

a. A group engagement partner assumes responsibility for verifying that those participating in the engagement comply with independence standards.

b. An audit firm of a component, if it is also an auditor of the financial statements of the component, may need to comply with two different standards of independence, and the standard applicable to the group engagement should prevail for the audit of the component.

c. All members of the group audit team shall be independent of the group audit client in accordance with these standards.

d. A group audit firm will be independent of the group audit client.

and.

e) A group audit firm network firm shall be independent of the group audit client.

5. Concerning non-network CA firms, do you agree with the specific proposals in Section 405 regarding: (a) Financial interest in the group audit client; and (b) Loans and guarantees?

Answer 5

5). We agree that non-network CA companies should not hold a significant direct or indirect financial interest in the entity on whose group financial statements the group auditing firm expresses an opinion. Likewise, we agree with the proposed actions in the event that the component auditor finds a non-compliance with respect to this restriction.

(b) Yes. We agree that non-network CA companies comply with the relevant provisions regarding the existence of loans and guarantees.

Non-Assurance Services

6. Is the proposed application material relating to a non-network CA firm's provision of NAS to a component audit client in proposed paragraph 405.12 A1 – 405.12 A2 sufficiently clear and appropriate?

Answer 6

The material is clear and appropriate.

Changes in Component Auditor Firms

7. Is the proposed application material relating to changes in CA firms during or after the period covered by the group financial statements in proposed paragraph 405.13 A1 – 405.13 A2 sufficiently clear and appropriate?

Answer 7

The material is clear and appropriate.

Breach of Independence by a Component Auditor Firm

8. Do you agree with the proposals in Section 405 to address a breach of independence by a CA firm?

Answer 8

Yes. We agree that the process for addressing a breach of independence is more direct and effective when the component auditor (CA) is a member firm of the group auditor's (GA) network of firms. Some limitations or practical problems may arise when the CA is outside the GA signature network.

We agree that it would not be in the public interest to question the reliability of all the work done in a group audit, if the non-compliance in relation to one component was inadvertent and insignificant. Prompt communication of the situation to the Group Audit Partner (GEP), along with an assessment of the significance of the non-compliance, its potential effects and any actions to address it, are essential.

We agree with the guidelines suggested by the IESBA, and the interaction between Section 405 of the Code of Ethics and ISA 600 (Revised).

One issue that may be explored by the IESBA is the potential reporting - by the AG - of a breach of independence by a CA outside its network, to a regulator or audit supervisor. This regulatory or supervisory body should evaluate the case

raised, giving rise to any discharge by the CA and consideration by the TCWG of the audited entity, and eventually take the appropriate disciplinary measures, measures that the GA auditor cannot take because the CA is outside your network. An additional issue to consider is how to deal with these disciplinary issues when the CA is from a different jurisdiction than the AG (for example, from another country with its own regulations).

Proposed Consequential and Conforming Amendments

9. Do you agree with the proposed consequential and conforming amendments as detailed in Chapters 2 to 6?

Answer 9

Yes. We believe that the proposed amendments detailed in Chapters 2 to 6 are necessary to align the wording of the international standards and the amended text of the Code of Ethics. We have not identified other amendments that are necessary in addition to those indicated

Effective Date

10. Do you support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISA 600 (Revised) on the assumption that the IESBA will approve the final pronouncement in December 2023?

Answer 10

We agree with the IESBA in aligning the effective date of the final provisions with the effective date of ISA 600 (Revised) assuming that the IESBA approves the final pronouncement in December 2023.