

May 27, 2022

International Ethics Standards Board for Accountants

Via online submission: <https://www.ethicsboard.org/publications/proposed-revisions-code-relating-definition-engagement-team-and-group-audits>

Dear Sirs/Mesdames:

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

Thank you for the opportunity to comment on the above-noted Exposure Draft (the “ED”).

Overall, we support the International Ethics Standards Board for Accountants’ (the “IESBA”) project to revise the definition of engagement team (“ET”) and the independence requirements in the context of group audits in the International Code of Ethics for Professional Accountants (including International Independence Standards (“IIS”)) (the “Code”). We agree, in principle, with the proposed revisions to the Code relating to the definition of ET and the independence requirements in the context of group audits.

We provide our responses to some of the IESBA’s specific questions below.

Proposed Revised Definition of Engagement Team

Question 1: Do you agree with the proposed changes to the Code related to the revised definition of ET, including:

(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?

We support the proposed changes to the definitions of “engagement team”, “audit team”, “review team” and “assurance team” in the Code to align with the broader definition of ET in ISQM1.

We request further consideration by the IESBA as to whether further changes are required to the definition of “audit team” as it relates to those considered to be in the ‘chain of command’. The extant definition of “audit team” under the Code includes “All others with 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)...".

Firms may have a board or other supervisory body that sits above the Chief Executive Officer. Therefore, we recommend that the IESBA clarify whether members of a supervisory body (including any external members) would also be included as part of the "audit team" as they may be involved in recommending compensation of the engagement partner.

Further, we recommend that the IESBA provide guidance as to whether those individuals who may impact audit quality after completion of the audit engagement would be considered part of the "audit team". For example, we recommend that the IESBA release explicit guidance as to whether individuals involved in a firm's internal quality management reviews and regulatory inspections are part of the "audit team" given their influence over a specific audit engagement occurs subsequent to its completion. We believe this is an area where there may be inconsistencies in interpretations between firms.

Finally, we agree with the explanatory guidance in paragraphs 400.A – 400.D. In particular, we approve of the guidance clarifying that while an individual from a service provider would be covered by the IIS, the scope of the IIS should not be extended to cover the individual's organization. With the increased shift in accounting firms sourcing talent from shared services and outsourcing firms, the guidance appropriately excludes such shared services and outsourcing firms from having to comply with the IIS.

Breach of Independence by a Component Auditor ("CA") Firm

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

We agree with the proposals in Section 405 to address a breach of independence by a CA firm. We recommend adding a requirement to obtain concurrence from the group auditor firm when there is judgement applied by a CA firm outside of the group auditor's network in concluding that a breach has not occurred, including guidance on the steps required to obtain concurrence from the group auditor firm and group engagement partner. This ensures that the group auditor firm is protected from any inadvertent breaches of the IIS with respect to the group audit in the event of differences in opinions in the interpretation of the IIS.

MNP LLP ("MNP") is one of Canada's largest chartered professional accountancy and business advisory firm. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous, medical and legal professionals, not-for-profit organizations, municipalities and other public sector entities. In addition, our client base includes a sizable contingent of publicly traded companies.

We appreciate the opportunity to provide feedback on this ED and look forward to reviewing the IESBA's deliberations and responses to comments received. We would be pleased to offer our assistance to the IESBA in further exploring the issues raised in our response or in finding alternative solutions.

Yours truly,

MNP LLP

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