

30 May 2022

International Ethics
Standards Board
For Accountants

Dear Sirs

COMMENTS ON PROPOSED REVISIONS TO THE CODE RELATING TO THE DEFINITION OF ENGAGEMENT TEAM AND GROUP AUDITS

The Botswana Accountancy Oversight Authority (BAOA) values this opportunity to comment on the Exposure Draft, Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits.

The BAOA is responsible for providing oversight to accounting and auditing services and promotion of the standard, quality, and credibility of providing financial and non-financial information by entities, including Public Interest Entities (PIEs). This is attained through standard setting, financial reporting monitoring, audit practice reviews, corporate governance reviews, enforcement of compliance and oversight over Professional Accounting Organisations, and education and training of professional accountants in Botswana.

Please refer to our Appendix to this letter to see our comments on the questions raised in the Exposure Draft.

Kindly e-mail us at dmajinda@baoa.org.bw or phone directly on +267 361 3008, if further clarity is required on any of our comments.

Yours faithfully

Duncan Dankie Majinda
Chief Executive Officer

Appendix

REQUEST FOR SPECIFIC COMMENTS QUESTION 1: Proposed Revised Definition of Engagement Team

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**
- b) “assurance team;” and The explanatory guidance in paragraphs 400.A – 400.D.**

Response

- We agree with the proposed changes to the revised definitions of the terms “engagement team”, “audit team”, “review team” and “assurance team”.
- The revised definition seeks to incorporate all possible members who are involved as Engagement Team members in order to Increase accountability and ensure that all those involved understand the objective of the engagement quality control review and how their contribution may influence the outcome of the engagement.
- The definition, also as explained in paragraph 400.A – 400.B is appropriate as it covers both the network firm and even those team members falling outside the network firm as long as they perform some audit work for the group audit purposes. It further recognises that some of these specialised service providers may be subscribing to different professional bodies outside the audit profession.

REQUEST FOR SPECIFIC COMMENTS QUESTION 2: Independence Considerations for Engagement Quality Reviewers

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)?

Response

- Yes, we agree with the changes to the definitions of audit team, review team and assurance team to recognise that EQCRs may be sourced from outside a firm and its network.
- The change recognises that an EQCR not only includes others within the firm who can directly influence the outcome of the assurance/audit engagement but also others engaged outside the firm and network who can equally directly influence the outcome of the assurance/audit engagement by performing an engagement quality review consistent with the objective of an engagement quality review. This would help in defining all key members as part of the engagement team even if they are from outside the firm.

REQUEST FOR SPECIFIC COMMENTS QUESTION 3: Independence in a Group Audit Context

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)?

Response

- Yes, we agree with the proposed new defined terms. The new terms have expanded the definition of Group audit client in relation to the Code. These new definitions will remove some ambiguity and misinterpretations.

REQUEST FOR SPECIFIC COMMENTS QUESTION 4: Independence in a Group Audit Context

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.**

Response

- Yes, we agree.
- a) The proposed principles of the IESBA in relation to independence of individuals involved in a group audit describes the independence requirements applicable to the audit team, which is important in defining what constitutes 'independence'.
- b) We are also in support of the definition of audit team for a group audit to be extended to include individuals within a non-network Consultative Advisory firm who can directly influence the outcome of the group audit. Although the individuals are involved on a consultative basis and are not part of the network firm, their involvement can influence the final results of the audit.

REQUEST FOR SPECIFIC COMMENTS QUESTION 5: Independence in a Group Audit Context

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.**

Response

- Yes, we agree.
 - a) The explicit prohibition of financial interest in the group audit client will help in eliminating or reducing threats during audit assignments.
 - b) The specific proposals are aligned to Section 511 of the code, this is important in dealing with loans and guarantees as this will ensure that public interest is better served with minimal threats.
- It is, therefore, appropriate that such interest be identified and disclosed, and where possible such firms should not be engaged in the Audit.

REQUEST FOR SPECIFIC COMMENTS QUESTION 6: Non-Assurance Services

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.

Response

- We agree with the proposed changes because the main risk being self-review threat is sufficiently explained. In addition, the explanation includes examples of what may result in a self-review threat.

REQUEST FOR SPECIFIC COMMENTS QUESTION 7: Changes in Component Auditor Firms

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?

Response

- Yes, we agree that the proposed paragraph is clear and appropriate.
- The application material is appropriate as it explains in detail the circumstances which may result in a threat to the independence of a CA. The fact that the periods which the CA needs to consider includes those before accepting to perform the work for the group auditor is also appropriate.

REQUEST FOR SPECIFIC COMMENTS QUESTION 8: Breach of Independence by a Component Auditor Firm

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

Response

- Yes, we agree. The proposed remedial actions to be considered and undertaken by the Component Auditor are considered appropriate. The proposal to give the group auditor the responsibility to conclude on the threat to independence is also appropriate to ensure that another auditor who is not directly affected by the threat reviews circumstances surrounding the threat to independence. This would

help to ultimately take a decision of whether reliance can be placed on the CA's work.

REQUEST FOR SPECIFIC COMMENTS QUESTION 9: Proposed Consequential and Conforming Amendments

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

Response

- The proposed consequential and conforming amendments as detailed in chapters 2 to 6 would result in improved audit quality as some aspects of the audit work that would have been otherwise been critical to the audit work of the Group Audit would have been excluded, i.e., the broadening of component to include business units.

REQUEST FOR SPECIFIC COMMENTS QUESTION :10 Effective Date

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?

Response

- Yes, we agree with the proposed effective date.
- We are of the view that the final provisions should be aligned with the effective date of ISA 600 (Revised), this would enable users of the ISAs to familiarise themselves with both standards and assess the impact of the proposed changes on their audit work.