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Submitted via website

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

Dear Mr Siong

Chartered Accountants Ireland is pleased to respond to the above consultation and overall we are supportive of changes which align the international standards and provide guidance to aid consistent application. We have responded to the questions raised below and are happy to discuss any matters arising.

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?***

We agree with the revised definitions in respect of “engagement team” and “review team”. However, clarification is needed in respect of “audit team” and “assurance team” definitions. “Audit team” and “assurance team” include those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement. Examples would be useful of those consultations that do not fall within this definition – for example, a consultation regarding an independence breach.

Further guidance should include what is meant by the term “engaged by the firm” and examples would help clarify different situations.

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)?

We agree with revised definitions.

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)?

We feel that the notes from Paragraph 40 of the Explanatory Memorandum for the Exposure Draft would be useful if included in the application guidance.

The proposed definition for “audit team for the group audit” includes “individuals within a component auditor firm outside the group auditor firm’s network who can directly influence the outcome of the group audit”. It is unclear who this is intended to include, application guidance on this point would be welcomed.

Regarding the terms “component auditor firm” and “group auditor firm”, the terms used in ISA 600 (Revised) are “component auditor” and “group auditor”. It is unclear why the terms have been slightly changed in the proposed amendments and we believe consistency between standards is helpful.

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?*

Section 405 requires the group auditor to be independent. It would be helpful if this requirement was reflected in and expanded on in the application material, for example Section 405.2.A1

Paragraph 405.11 A1; there is a risk that this section is interpreted as only applying to PIEs as it currently sits within the PIE sections of the standard. It would be helpful if it was moved to follow sections R405.8.

Otherwise, we agree with the proposals.

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?*

We agree with the proposals.

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?

Section R600.14 states that “Before providing a non-assurance service to an audit client, a firm or a network firm shall determine whether the provision of that service **might create** a self-review threat by evaluating whether **there is a risk** that:

- (a) The results of the service will **form part of or affect** the accounting records, the internal controls over financial reporting, or the financial statements on which the firm will express an opinion; **and**
- (b) In the course of the audit of those financial statements on which the firm will express an opinion, the audit team will **evaluate or rely** on any judgments made or activities performed by the firm or network firm when providing the service.”

Section R600.16 states that “A firm or a network firm shall not provide a non-assurance service to an audit client that is a public interest entity if the provision of that service might create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion”

In our view, the application guidance in sections 405.12 A1 and 405.12 A2 Non-Assurance Services is not clear on how the requirements in sections R600.14 and R600.16 apply to the component auditor when the group audit client is a PIE.

The application guidance covers advocacy threat and design and implementation considerations but does not consider the advice and recommendation type services discussed in R600.17.

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?

The proposed application material is sufficiently 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?

The flowcharts in Appendices 1 and 2 contain helpful guidance. We recommend that they are included in the standard as application guidance

Proposed Consequential and Conforming Amendments

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

In Section 360: we feel that application guidance would be helpful to illustrate the requirements for components as newly defined.

We note that the extant section R360(b) refers to components, the proposed revisions refer to legal entity or business unit but not component. Is the intention to exclude component in this section unlike section R 360(a)?

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?

We are in agreement with the proposed effective date.

Request for General Comments

In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

- *Small- and Medium-sized Entities (SMEs) and SMPs – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.*
- *Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an audit inspection or enforcement perspective from members of the regulatory and audit oversight communities.*
- *Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.*
- *Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.*

We have no further comments to make if you have any questions on any of the comments in this response, please do not hesitate to contact me at anne.sykes@charteredaccountants.ie.



Anne Sykes

Secretary

Assurance and Audit Technical Committee

Chartered Accountants Ireland