



Paris La Defense, 31 May 2022

To: Ken Siong  
IESBA Senior Technical Director

Dear Mr Siong,

**Comment letter on IESBA Exposure Draft – Proposed Revisions to the Code relating to the definition of Engagement team and Group audits**

MAZARS is pleased to submit this letter in response to your invitation to comment on the Proposed Revisions to the Code relating to the definition of Engagement team and Group audits.

MAZARS is an international, integrated, and independent partnership, specialising in audit, accountancy, advisory, tax and legal services. As of 1st January 2022, we have over 26,000 professional staff including more than 1,100 partners, in over 90 countries worldwide, trusted and committed in serving major international groups, entrepreneurial and small businesses, private investors and public bodies at every stage of their development.

You will find in attachment to this letter the detailed comments to the questions raised in the exposure draft dated February 2022.

We would be pleased to discuss our detailed comments with you and remain at your disposal, should you require further clarification or additional information.

Yours sincerely,

Jean-Luc Barlet  
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# PROPOSED REVISIONS TO THE CODE RELATING TO THE DEFINITION OF ENGAGEMENT TEAM AND GROUP AUDITS

## General comment

In general, we strongly agree with the adjustments proposed by the IESBA in the definition of engagement team especially regarding group audits. We are of the opinion that the proposed changes will create a more robust and comprehensive set of independence rules for audit firms, component audit firms and their respective teams which is important for the public interest.

The scheme which is presented on page 17 is very useful. We suggest including this scheme in the Basis for Conclusions when finalising the adjustments in the Code of Ethics.

## Specific comments, following the questions raised by IESBA

### *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?

### Response Mazars:

- Included in the definition of Engagement team are those who provide consultation regarding technical or industry etc. We suggest adding a threshold based on a) the time spent on consultation; and/or b) the significance of the consulted issue. Resulting in the situation that consultations of minor or less importance can be ignored.
- The definition of Component auditor firm refers to ‘performing audit work’. Normally audit includes review (and other assurance work). We advise that you make clear in the Code of Ethics that this definition is limited to audit work and does therefore not include other assurance work (as we assume this is meant).
- In our view the definition of Audit team for the group and Engagement team (Section 990) seems not in line with the (clear) explanation included in 400.C. We suggest giving a clearer explanation of both definitions.

- A definition of Engagement team for the group is missing. We suggest including such a definition in the final version of the adjustments to the Code of Ethics.
- Regarding Note 1 (page 14) we suggest clarifying in the Basis for conclusions that components related to proportionate consolidation or accounted for on the equity method are fully within the scope of a component audit client.

*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)?

**Response Mazars:**

No comment

*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)?

**Response Mazars:**

No comment

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?

**Response Mazars:**

- The proposed definition of Key audit partners in 405.11A1 includes the wording ‘**might** determine’ in relation to the identification of a key audit partner at a component level. We wonder whether this is relevant because a Key audit partner-status ‘automatically’ exists following the explanation in its definition as it relates to individuals who makes **key decisions** or judgements **on significant matters**.
- In R405.10 it is described that a component auditor firm outside the group auditor firm’s network, in the case of a group audit client that is a Public Interest Entity, has to be independent of the

component audit client in accordance with the requirements, set out in this Part of the ED, that are applicable to audit clients that are public interest entities. However, for us it is not clear to what extent the independence rules have to be applied. For example, are the rotation rules for Engagement Partner applicable to PIEs to be followed? We suggest that you clarify what is meant by the “proportionate approach that avoids unintended consequence of potentially limiting supply of CA firms for audits of components for group audit purposes” which you referred to in your global webinar.

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?

**Response Mazars:**

No comment

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?

**Response Mazars:**

No comment

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?

**Response Mazars:**

In paragraph 400.31.b it is mentioned that previous services provided to the audit client by the firm or network firm are to be considered as potential threats to independence. It is not clear is what term should be considered in assessing this potential threat.

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?

**Response Mazars:**

No comment

*Proposed Consequential and Conforming Amendments*

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

**Response Mazars:**

A definition of Engagement team for the group is missing. We suggest including such definition in the final version of the adjustments to the Code of Ethics.

*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?

**Response Mazars:**

No comment