

International Ethics Standards Board for Accountants  
529 Fifth Avenue  
New York, NY  
10017

31 May 2022

Dear Sirs

**Comment Letter: Proposed Revisions To The Code Relating To The Definition of Engagement Team and Group Audits**

PKF International Limited (“PKFI”), administers the PKF network of legally independent member firms. The PKF International network consists of member firms operating in over 100 countries providing assurance, taxation and business advisory services. PKF International Limited is a member of the Forum of Firms and is dedicated to consistent and high-quality standards of financial reporting and auditing practices worldwide. This letter represents the observations of PKF International Limited, but not necessarily the views of any specific member firm or individual.

We welcome the opportunity to comment to the International Ethics Standards Board for Accountants (IESBA) on the proposed revisions to its International Code of Ethics for Professional Accountants (including International Independence Standards) (the “Code”). Specifically, this letter comments on the proposed revisions to the Code relating to the definition of the engagement team and group audits. We are supportive of the revisions proposed by the IESBA.

Our individual responses to the IESBA’s request for comments are set out in Appendix 1.

We would like to thank the IESBA for the considerable efforts and wide-ranging consultation process undertaken in developing the proposed revisions to the Code.

Yours faithfully



**Jamie Drummond**  
Head of Assurance  
PKF International Limited

## Appendix 1

### Request for specific comments

#### *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:
  - (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:**

We agree with the proposed revisions in relation to 1 (a) and (b) above. However, in our view, the explanatory guidance could be further enhanced by inclusion of additional guidance on the relevance of the distinction between an “engagement team” and the “audit team”, “review team” and “assurance team”. While definitions of these revised terms are provided in the explanatory paragraphs 400.A – 400.D and in the Code’s revised glossary, the definitions themselves may not be sufficient to provide clarity on why these separate terms have been included within the revised Code and on why the distinction between the terms is important. In our view, without a fuller explanation of the purpose and relevance of these revised definitions in the Code, a lack of understanding could arise with the risk that, in practice, the revised definitions are not consistently applied in the correct manner.

#### *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?

**Response:**

We are supportive of making these proposed 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. However, we believe that the wording used in the revised definitions may not be sufficiently explicit on this point. We recommend that the IESBA should consider if more explicit wording could be used within the respective definitions to make it clearer that EQRs can be sourced from outside a firm and its network.

#### *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?

**Response:**

We agree with the proposed new defined terms that are used in Section 405 in addressing independence considerations in a 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?

**Response:**

We agree with the proposals in Section 405 relating to (a) and (b) above.

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:**

We agree with the specific proposals in Section 405 regarding (a) and (b) above.

#### *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 – 405.13 A2 sufficiently clear and appropriate?

**Response:**

In our view, 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 – 405.13 A2 is sufficiently clear and appropriate.

#### *Changes in Component Audit 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:**

In our view, 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 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?

**Response:**

We agree with the proposals in Section 405 to address a breach of independence by a CA firm.

#### *Proposed Consequential and Conforming Amendments*

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

**Response:**

We agree with the proposed consequential and conforming amendments as detailed in Chapters 2 to 6.

#### *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:**

We support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISA 600 (Revised).