

May 30, 2022  
Ref.: SEC/014/22 - DN

International Ethical Standards Board for Accountants (IESBA)  
545 Fifth Avenue, 14th Floor  
New York, NY 10017  
USA

Dear Sirs,

We, Ibracon – Instituto de Auditoria Independente do Brasil, appreciate the opportunity to comment on the Exposure Draft: Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits.

### **Request for Specific Comments**

Our responses to the specific questions raised in the ED are presented as follows.

#### ***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 proposed changes to the Code related to this question. In addition, the Group Auditor (GA) should establish processes and controls to confirm that both ET and CA outside a firm and as part of its network comply with the necessary requirements to perform an appropriate audit or review work. Finally, we suggest clarifying in paragraph 400.A whether ET also includes all partners of a CA which is not part of the GA network firm.

#### ***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)?**

We agree with the proposed changes to the Code related to this question. However, it is important to include in the Code that the firms should confirm that the EQRs sourced from outside a firm and its network comply with all required conditions determined in the Code. The GA should establish processes and controls to confirm that the EQRs sourced from outside a firm and its network comply with the required conditions determined in the Code to perform an appropriate audit or assurance work.

#### ***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 agree with the new proposed defined terms that are used in Section 405 in addressing independence considerations in a group audit. In addition to the proposed new defined terms, the “Group Audit Client” (GAC) includes “its related entities as specified in paragraph R400.20 and any other components that are subject to audit work.” There might be other components (entities) that could be considered in the audit work for the Group audit, however, those components could not be considered “related parties” of the audit client taking into consideration the definition of audit client determined in the Code (e.g. an investee that is neither material nor audit client has control over it – it means that it not a related party and therefore independence would not be required -, but the GA decides to perform any audit procedures based on its judgement). We suggest the inclusion of examples related to any other components that are subject to audit work and that might be created a misleading on the definition of the audit client as determined in the

Code. In addition, given the definition of Public Interest Entity may be slightly different among the firms due to their judgement (in accordance with paragraph 400.8 of the Code), the Code should clarify that the GA is the primary responsible for defining whether the GAC is a PIE or a non-PIE and communicate the CA on this definition.

**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?**

We agree with the principles the IESBA is proposing for question 4. (a) Independence in relation to individuals involved in a group audit. However, in relation to question 4. (b), including the CA firms from outside the GA firm's network, we understand that additional examples should be included in Section 405 (e.g., the extension of the independence requirements for the CA including its partners, professionals, non-assurance services, possible safeguards, etc.).

**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?**

Similar to question 4 above, we understand that additional examples should be included in the respective section taking into consideration the extension of the independence requirements for the CA including its partners, professionals, non-assurance services, possible safeguards, etc.).

#### ***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?**

We agree with the proposed application material relating to this question. However, we understand that presenting illustrative examples in the proposed material could provide a better understanding of as well as clarify its application.

#### ***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?**

We agree with 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. The paragraphs are sufficiently clear and appropriate.

However, there might be instances where an existing service or relationship will no longer be permissible and the completion or transitioning to another service provider might not be possible in a timely manner when a firm is nominated as CA, without causing significant disruption to the audit client. In these cases, we understand that the Code should consider to grant an appropriate time (e.g., no more than six months) to the CA to complete or transfer the service or relationship to another service provider, taking into consideration appropriate safeguards, the circumstances of relationships, existent procedures, and controls of the CA among others.

#### ***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?**

We agree with the proposals in Section 405 to address a breach of independence by a CA firm, including the communication by the GA with Those Charged with Governance of the Group Audit Client.

***Proposed Consequential and Conforming Amendments***

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

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?**

We 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.

**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.

No comments.

- ***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.

No comments.

- ***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.

No comments.

- ***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.

No comments.

Best Regards,

  
**Valdir Renato Coscodai**  
President

  
**Rogerio Lopes Mota**  
Technical Director