

**Final Minutes of the Meeting of the
IESBA Consultative Advisory Group (CAG)
Held on January 21, 2013 via Teleconference**

Present: **Representatives of Member Organizations**

Richard Fleck (Chair)	Financial Reporting Council (FRC), UK
Markus Franz Grund	Basel Committee on Banking Supervision
Kristian Koktvedgaard	BusinessEurope
Glenn Darinzo	Institute of Internal Auditors (IIA)
Koichiro Kuramochi	International Organization of Securities Commissions (IOSCO)
Gaylen Hansen	National Association of State Boards of Accountancy (NASBA)
David Morris	North American Financial Executives Institute
Dominique Pannier	Organisation for Economic Cooperation and Development (OECD)
Ajith Ratnayake	Sri Lanka Accounting and Auditing Standards Monitoring Board
Linda de Beer	World Federation of Exchanges and IAASB CAG

Observer

Brian Bluhm	IFAC Small and Medium Practices (SMP) Committee
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Public Interest Oversight Board (PIOB)

Eddy Wymeersch	PIOB Chair
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IESBA

Jörgen Homquist	IESBA Chair
Robert Franchini	IESBA Member and Engagement Team Task Force Chair

International Auditing and Assurance Standards Board (IAASB)

Diana Hillier	Former IAASB Deputy Chair and ISA 610 Task Force Chair
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IESBA Staff

Ken Siong	IESBA Technical Director
Chris Jackson	IESBA Technical Manager
Karlene Mulraine	IESBA Technical Manager

IAASB Staff

James Gunn IAASB Technical Director

Regrets: Conchita Manabat Asian Financial Executives Institutes
Matthew Waldron CFA Institute
Dr. Juan Maria Arteagoitia European Commission (EC)
Marie Lang European Federation of Accountants and Auditors for SMEs
Jean-Luc Peyret European Federation of Financial Executives' Institutes
Georges Couvois European Federation of Financial Executives' Institutes
Hilde Blomme Fédération des Experts Comptables Européens
Philip Johnson Fédération des Experts Comptables Européens
Obaid Saif Hamad Al Zaabi Gulf States Regulatory Authorities
Richard Thorpe International Association of Insurance Supervisors (IAIS)
Bengt Hallqvist International Corporate Governance Network (ICGN)
Nigel James IOSCO
Andrew Baigent International Organisation of Supreme Audit Institutions (INTOSAI)
Martin Baumann U.S. Public Company Accounting Oversight Board (PCAOB)
Simon Bradbury World Bank
Irina Lopez World Bank

A. Opening Remarks

Mr. Fleck welcomed all participants to the meeting, outlining the background to, and purpose of, the teleconference. He welcomed in particular Mr. Wymeersch, observing on behalf of the PIOB, Mr. Franchini, the Engagement Team Task Force Chair, and Ms. Hillier, the ISA 610 Task Force Chair.

B. Definition of Engagement Team

Mr. Franchini introduced the topic, providing an overview of the significant comments received on the exposure draft (ED) of the proposed change to the definition of the term “engagement team” in the IESBA *Code of Ethics for Professional Accountants* (the Code). Both he and Ms. Hillier briefed the CAG on the IESBA’s and IAASB’s interactions on the project at their December 2012 meetings. They then highlighted the key issues for the CAG’s consideration as summarized in the meeting material.

CAG representatives commented as follows:

- Mr. Pannier expressed support for the Engagement Team Task Force’s responses to the issues as outlined in the meeting material, noting his view that the proposed amended definition was as clear as possible. He believed that the use of internal auditors to provide direct assistance on the external audit (“direct assistance”) has not had an adverse impact on audit quality. In addition, he observed that the proposed revised ISA 610¹ now contained multiple instances where the safeguards against inappropriate or undue use of direct assistance had been strengthened. Accordingly, he was of the view that the IESBA and the IAASB should move on to complete their respective projects.
- Mr. Hansen expressed his support and appreciation for the effort both Boards had made in responding to the ED comments. With respect to the proposed amended definition, he noted that it is clear that internal auditors are excluded from the engagement team when the external auditor complies with the proposed revised ISA 610. However, he wondered whether this would imply that internal auditors are included in the definition if the external auditor does not comply with the proposed ISA. Mr. Franchini noted that if the external auditor did not comply with the proposed ISA, the external auditor would be deemed to be in violation of the Code.
- Mr. Hansen also questioned why the first paragraph of the proposed definition referred to assurance procedures whereas the second paragraph referred to an audit engagement. Mr. Franchini explained that the extant definition refers to the entire Code, particularly Sections 290 and 291 dealing with assurance engagements, whereas ISA 610 deals only with audits.
- Mr. Kuramochi expressed appreciation that the two Boards had taken time and care to understand and address IOSCO’s comments on the ED. He commented as follows:
 - He reiterated that there is a diversity of views in IOSCO regarding the matter of direct assistance, and that there are some members who believe that direct assistance is fundamentally incompatible with the concept of an independent external audit.
 - He noted there is a perception that the revision of ISA 610 with respect to direct assistance is not changing practice in those jurisdictions that use it. He wondered why, if that were the case, the IAASB would be deferring the effective date of the direct assistance material in ISA 610 (Revised).

¹ ISA 610 (Revised), *Using the Work of Internal auditors*

In this regard, Ms. Hillier explained the IAASB's belief that the revision to ISA 610 will change practice as the safeguards in relation to the use of direct assistance have been strengthened in the standard. Accordingly, there could be practical implementation problems if auditors were to be expected to apply the revised standard for the upcoming year-end audits, especially given the time national standard setters may need to adopt and implement the new standard.

- In the light of the IAASB's tentative agreement to elevate the first sentence in paragraph A40 of ISA 610 (Revised) to a requirement, he felt that consideration of the remaining sentence in the paragraph may be warranted to ensure that it stands alone.

Ms. Hillier agreed, noting that any clarification to paragraph A40 would be of an editorial nature rather than a change in substance.

- With respect to the definition, Mr. Kuramochi asked for clarification regarding the IESBA Task Force's response in the December 2012 IESBA issues paper to a comment on exposure suggesting that the Code's definition should be made consistent with that in the IAASB's standards.² The Task Force's response had been that this question is outside the scope of the project. Mr. Franchini explained that because this question is not relevant to the issue of direct assistance, it had not been addressed as part of this project. However, the IESBA Task Force would be recommending that the IESBA consider the matter separately.
- Mr. Morris expressed support for the proposed changes, noting that an appropriate balance had been struck between the competing views of those who disagree with the concept of direct assistance and those who support it given that it is existing practice in some jurisdictions. He was of the view that the proposed revised ISA had now reached a balance that he could support.
- Mr. Koktvedgaard highlighted the need for the IAASB to consider whether it would be necessary to align the definition of engagement team in ISQC 1³ with the revised definition in the Code. Ms. Hillier noted that the IAASB was already aware of this matter and would address it in due course.
- Ms. de Beer noted that she had observed all the deliberations at the IAASB on the topic and was fully supportive of the proposed revised definition and the revised direct assistance material in ISA 610.

Mr. Fleck concluded the session, noting that overall there was broad support from the representatives for the two Boards' documents. He expressed the view that the two task forces had undertaken a thorough and detailed analysis of the significant comments on the ED in developing their responses.

Mr. Wymeersch had no comments to add.

C. Closing Remarks

Mr. Fleck thanked all representatives for their participation, and closed the meeting.

² The Code's extant definition in particular makes reference to any individuals engaged by the firm or a network firm who perform "assurance" procedures on the engagement, whereas the definition in ISQC 1 does not include the word "assurance."

³ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*