Meeting: IESBA
Meeting Location: New York
Meeting Date: November 29–December 2, 7 & 15, 2022

Agenda Item

2

Engagement Team – Group Audits Independence

Objective of Agenda Item

1. To consider, with a view to approval, the final text of the proposed revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) relating to the definition of engagement team and group audits (ET-GA).

The Task Force welcomes any advance comments and drafting suggestions on the proposed text in Agenda Item 2-A. Please email them to szilviasramko@ethicsboard.org by November 25, 2022.

Task Force

2. Members:
   - Caroline Lee, Chair, IESBA Deputy Chair
   - Saadiya Adam, IESBA Member
   - Denise Canavan, former IESBA Technical Advisor
   - Andrew Pinkney, IESBA Technical Advisor

Activities since September 2022 IESBA Meeting

3. In September 2022, the IESBA and the IESBA Consultative Advisory Group (CAG) considered an analysis of the key comments from stakeholders on the Exposure Draft, *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits* (ED), and the Task Force’s responses and related proposals.

4. Since the September 2022 IESBA meeting, the Task Force has discussed the project with the PIOB and PIOB staff. The Task Force has also met with representatives of the following key stakeholders to discuss the Task Force’s proposals post-exposure and obtain their feedback:
   - International Forum of Independent Audit Regulators (IFIAR), Standard Coordination Working Group (SCWG).
   - International Organization of Securities Commissions (IOSCO), Committee 1 (C1).
   - The Forum of Firms.

5. The Task Force also met a few times with representatives of the International Auditing and Assurance Standards Board’s (IAASB) ISA 600 Task Force and IAASB staff to brief them on the significant
comments received on the ED and to seek their input on whether the proposed revisions to the text post-exposure would align with the principles of ISA 220 (Revised)\(^1\) and ISA 600 (Revised)\(^2\).

6. During the Board meeting, the Task Force Chair will brief the Board on the main feedback received from these outreach activities.

7. The Task Force has met a few times since the September 2022 Board meeting. During its meetings, the Task Force discussed all the comments from the Board, the IESBA CAG, and the outreach activities during the fourth quarter. Considering all the input received, the Task Force developed the revised text of the ET-GA provisions.

Matters for Consideration

8. **Agenda Item 2-A** includes the proposed revisions in mark-up from the version posted for the September 2022 IESBA meeting. **Agenda Item 2-A** also includes in grey boxes the Task Force’s responses to the comments received and explanations regarding the revisions to specific paragraphs. In addition, **Agenda Item 2-A** sets out the proposed effective dates for the revisions, with a transitional provision.

9. At its September 2022 meeting, the Board generally supported the Task Force’s responses to the significant comments received on the ED. However, the Board asked the Task Force to provide further information and analysis concerning the proposals relating to the independence considerations for members of the group audit team within, or engaged by, a component auditor firm outside the group auditor firm’s network. **Agenda Item 2-B** includes the background to, and analysis of, the Task Force’s proposals regarding this matter. The Appendices in **Agenda Item 2-B** provide diagrams to facilitate understanding of the Task Force’s proposed approach in response to the significant ED comments on this matter.

10. **Agenda Item 2-C** includes the proposed revisions to the text, marked-up from the ED.

Action Requested

11. IESBA members are asked to:

   (a) Consider the revisions and refinements to the proposed provisions in **Agenda Item 2-A**, including the proposed effective dates for the revisions;

   (b) Consider the Task Force’s analysis and proposals set out in **Agenda Item 2-B**;

   (c) Consider whether there are any other matters raised by respondents\(^3\) to the ED that should be discussed by the IESBA; and

   (d) Approve the revised provisions, amended as appropriate during the Board meeting, as a final pronouncement.

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\(^1\) International Standard on Auditing (ISA) 220, *Quality Management for an Audit of Financial Statements*.

\(^2\) ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

\(^3\) Respondents’ comment letters can be accessed [here](#).
Materials Presented

For Discussion

Agenda Item 2-A  Proposed Revised Text (Mark-up from September 2022)

Agenda Item 2-B  Issues and Task Force Proposals

Agenda Item 2-C  Proposed Revised Text (Mark-up from ED)

For Reference

Supplement to Agenda Item 2-B  Lists of entities in illustrative groups from Appendix 3 to Agenda Item 2-B