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## ENGAGEMENT TEAM DETAILED COMMENTS

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1.	Engage ment Team	CGA-Canada concurs with the proposed change to the definition of the engagement team.	CGA - Canada	
2.	Engage ment Team	We support the IESBA intentions regarding the revised definition of engagement team to distinguish between persons who carry out the audit work (including experts) and those experts consulted with because of their expertise. Whilst we agree that the auditor will need to satisfy himself that the latter group of people are independent we do not believe that the full application of Section 290 to these persons is appropriate. Unfortunately we do not believe that the revised definition achieves the IESBA aims. It is our view that the most appropriate approach is to retain the current definition and include a section on the independence of experts.	CARB	
3.	Engage ment team	We support IESBA's intentions regarding the redefinition of engagement team in relation to experts. However, the proposed definition of engagement team also has unintended consequences since experts involved in the engagement may unnecessarily be subject to the independence provisions. We suggest that the definition of engagement team when using experts needs to distinguish between individuals who carry out audit and review engagements (including experts within the firm) and experts who are consulted. The auditor will need to evaluate the objectivity of experts engaged in the latter capacity but this would not require their compliance with the full requirements of Section 290. In practice, when auditors approach firms of experts, these firms will check whether or not any conflicts of interest exist.	CCAB	

4.	Engage ment team	We support the IESBA's intentions concerning the revision of the definition of engagement team in regard to experts. However, we believe the revised definition has unintended consequences in that experts involved in the engagement may unnecessarily be subject to the independence provisions. In our view, the definition needs to distinguish between individuals who carry out audit and review engagements (including experts within the firm) and experts who are consulted. The auditor will need to evaluate the objectivity of experts engaged in the latter capacity but this would not require their compliance with the full requirements of section 290. In practice, when auditors approach experts, they themselves assess whether or not any conflicts of interest exist.	ACCA	
5.	Engage ment Team	We support the intention of the IESBA regarding its proposed redefinition of "engagement team" in relation to experts and we appreciate the difficulties that the IESBA has faced in attempting to arrive at a workable definition. Despite this, it is our view that the proposed definition of engagement team may have unintended consequences since experts involved in the engagement may unnecessarily be subject to the independence provisions. We believe that the definition of engagement team when using experts needs to distinguish between individuals who carry out audit and review engagements (including experts within the firm) and experts who are consulted (i.e. outwith the firm). It should be the responsibility of the auditor to evaluate the objectivity of experts engaged in the latter capacity but this should not require their compliance with the full requirements of Section 290 as this is likely to be unworkable in practice. In practice, when auditors approach firms of experts, these firms will check whether or not any conflicts of interest exist before accepting the specific engagement.	ICAS	
6.	Engage ment team	We understand that the definition of engagement team has been changed with the intention of distinguishing between individuals who carry out audit work (including experts) and experts who are consulted in their capacity as experts. We support the intention but believe "that might otherwise be provided by a partner or staff of the firm" remains capable of misinterpretation. FEE proposes "All partners and staff of the firm and any individuals contracted by the firm that perform the assurance engagement" as an alternative definition. This may benefit from brief guidance on what 'performing an assurance engagement' encompasses.	FEE	

7.	Engage ment team	We believe there is likely to remain a lack of clarity under the new definition as to which external contractors are to be included, given that an accounting firm may have partners and staff from many different disciplines involved in performing services on an audit engagement. We note that the Experts Task Force of the IAASB is still undertaking work in this area and would encourage continued dialogue between that Task Force and the IESBA with a view to arriving at a definition which is entirely clear and consistent with the IESBA's objectives	FEE	
8.	Engage ment team	<p>We are concerned that including “experts” within the definition of “engagement team” will cause problems in practice.</p> <p>As financial statements and hence audits become increasingly complex, both preparers and auditors increasingly need to draw on experts to prepare and audit, respectively, the financial statements. For this reason, ISA 620 is being revised to update the standard so that it applies the new risk-based audit approach required by ISA 315 and 330 and so the increasing need for experts is addressed.</p> <p>The increasing need for experts in audits means that firms either employ more experts within the firm or the network or contract more experts in connection with engagements. To the extent that experts employed by the firm are involved in an audit, there is no disagreement among auditing or ethics standards setters or regulators that such experts need to be independent of the audit client. Furthermore, such experts, as employees of the firm or network are subject to the firm quality control requirements in ISQC 1 and the audit engagement quality control requirements in ISA 220.</p> <p style="text-align: right;">Cont'd</p>	IDW	
9.	Engage ment team	<p>However, there are practical difficulties in extending the independence and quality control requirements to so-called “outside experts” that are contracted by the firm (or network) in connection with an audit, as would be implied by the proposed definitions. These would be particularly problematical in fields where experts are relatively rare. Potentially, this could lead the larger firms to employ experts as part of the firm's personnel, which in turn would exacerbate the difficulties facing smaller firms seeking specific expertise, leading to further concentration of the audit market towards larger firms and networks.</p> <p style="text-align: right;">Cont'd</p>	IDW	

10.	Engage ment team	<p>We do not agree that experts that are neither employees of the firm nor “perform the engagement” necessarily need to be subject to such stringent independence requirements, since their expertise is provided to the auditor to enable the auditor to perform the engagement in a sufficiently objective manner for the purposes of the engagement: i.e., the auditor’s scrutiny of an expert’s objectivity and work (as required by ISA 620) functions as a safeguard, should there be independence issues. Such experts are not generally performing the engagement to any significant degree, i.e., in an audit of financial statements, for example, they do not generally plan the audit, perform risk assessment, design further audit procedures and draw conclusions from an evaluation of evidence to the extent that they influence the outcome of the assurance engagement. Indeed the expert does not carry responsibility for the audit; rather this responsibility rests solely with the auditor.</p> <p>A new definition of engagement team might read:</p> <p>“All partners and staff of the firm, and any individuals contracted by the firm, that perform the audit engagement.”</p> <p>Cont’d</p>	IDW	
11.	Engage ment team	<p>The IESBA may need to consider how partners and staff of the firm that are not on the engagement team but that provide other services in connection with the audit may need to be included in the definition of audit team.</p> <p>The proposed definition turns on one distinguishing concept as noted in principle (a) in the previous section: the distinction between “performing the engagement” and “providing other services, including expert services, in connection with the engagement”.</p> <p>In our view, “performing an engagement” ought to be defined in terms of planning an engagement, performing risk assessment procedures, designing and performing further engagement procedures, evaluating evidence obtained from engagement procedures, or drawing conclusions thereon. This should be distinguished from expert services, in which expertise is employed to provide advice or conclusions on issues otherwise unrelated to accounting or auditing that have an impact on the preparation of the financial statements or audit thereof, or on specific accounting or auditing issues without direct access to specific client circumstances.</p>	IDW	

12.	Engage ment team	<p>We note that the definition of “Engagement team” has been changed compared to the current Code. We understand the intention to distinguish between the persons who perform the audit work and those external experts that are not part of the team but only consulted in their capacity as experts. We support this intention, but we propose the following definition:</p> <p><i>“All partners and staff of the firm and any individuals contracted by the firm that perform the assurance engagement.”</i></p>	WpK	
13.	Engage ment Team	<p>Engagement team. NIVRA notes that the part of the sentence “that might otherwise be provided by a partner or staff of the firm” is unclear. We propose the following definition: “All partners and staff of the firm and any individuals contracted by the firm that perform the assurance engagement.”</p>	NIVRA	
14.	Engage ment Team	<p>As regards recourse to experts, we understand the purpose of the distinction made between those belonging to the engagement team and those belonging to the assurance team (i.e. acting as consultants), but we suggest that it is a distinction which is liable to lead to difficulties of interpretation when compared with the current exposure draft for a revised and clarified version of ISA 620. The definitions of the two terms would thus merit clarification in particular by the use of illustrative examples</p>	Mazars	
15.	Engage ment team	<p>The exposure draft includes a proposal to revise the definition of engagement team from, "All personnel performing an engagement, including any experts contracted by the firm in connection with that engagement" to "All partners and staff performing the engagement and any individuals contracted by the firm who provide services on the engagement that might otherwise be provided by a partner or staff of the firm".</p> <p>We note that the International Auditing and Assurance Standards Board (IAASB) is currently addressing the definition of engagement team in connection with its proposed revisions to certain auditing standards (in particular ISA 620 – tentatively re-titled “Using the Work of an Auditor’s Expert as Audit Evidence”) We would urge the IESBA and IAASB to ensure that the definitions adopted are consistent.</p>	Australia	

16.	Engage ment Team	We believe there is likely to remain a lack of clarity under the new definition as to which external contractors are to be included, given that an accounting firm may have partners and staff from many different disciplines involved in performing services on an audit engagement. We note that the Experts Task Force of the IAASB is still undertaking work in this area and would encourage continued dialogue between that Task Force and the IESBA with a view to arriving at a definition which is entirely clear and consistent with the IESBA's objectives.	KPMG	
17.	Engage ment Team	<p>We support the removal of the reference to “any experts” in the definition of “Engagement Team”. We acknowledge that experts are already addressed in ISA 620 “Using the Work of Expert”.</p> <p>While we support extending the definition to a broader group than partners of the firm and staff employed by the firm who serve on the team, it may not be clear that the term “firm” also includes “network firms”. More specifically, Section 290.2 states that for audit and review engagements, “<i>Firm</i>” includes network firm except where otherwise stated”. However, in the Definitions section, the term “Firm” does not include “network firm”. Indeed, the definition of “Firm” is: “(a) A sole practitioner, partnership or corporation of professional accountants; (b) An entity that controls such parties; and (c) An entity controlled by such parties”. For the purpose of Section 290, this omission in the Definitions section is misleading and contradicts Section 290.2. Accordingly, we recommend that the network firm statement included in Section 290.2 be incorporated in the Definitions section at the back of the Code for the purpose of Section 290.</p>	E&Y	

18.	Engage ment team	<p>IESBA proposes amending the definition of 'engagement team' to read: 'All partners and staff performing the engagement and any individuals contracted by the firm who provide services on the engagement that might otherwise be provided by a partner or staff of the firm.'</p> <p>The IESBA, in the Explanatory Memorandum (EM), indicates it would be inappropriate to treat all experts as members of the engagement team. For example, an expert about a particular matter, such as an external lawyer providing a legal opinion to the engagement team about a particular matter, should not be considered part of the engagement team. However, the IESBA is of the view that the definition of 'engagement team' should be broader than simply including partners of the firm and staff employed by the firm who serve on the team. The EM provides two examples of engaged experts who should be included on the engagement team: an expert in a particular field, such as a valuation specialist, and outside professionals at times of peak activity.</p> <p>The Committee suggests the IESBA clarify whether an expert providing actuarial services would be considered part of the engagement team. The IAASB may want to consider linking this definition in the code of ethics to ISA 620, Using the Work of an Expert to explain how the auditor should deal with the independence of external consultants working for the audit team and whether these consultants should be considered part of the engagement team</p> <p style="text-align: right;">Cont'd</p>	Basel	
19.	Engage ment Team	<p>Specifically, would IESBA consider an actuary, who does not belong to the staff of the audit firm but works on an audit, to be an expert about a particular matter or is the actuary providing a service that might otherwise be provided by a partner or staff of the firm? We believe that the proposed definition could be read in such a way that actuaries would not be considered part of the engagement team. Given the importance of the services provided by actuaries and the specialised nature of their services, this would not be acceptable in situations where the actuarial services are significant. To provide additional clarity around this issue, we recommend that the IESBA amend the new definition of 'engagement team' with the foregoing in mind.</p>	Basel	

20.	Engage ment team	<p>We understand that the IESBA is proposing to revise the definition of “engagement team” to clarify that experts and other outside professionals contracted by the firm to provide <i>audit support</i> activities (i.e., to perform services as part of the engagement team working under the direction, control, or supervision of the audit firm) should be considered to be part of the engagement team. We agree with this change but do not believe the revised definition reflects the IESBA’s intent:</p> <p><i>“All partners and staff performing the engagement and any individuals contracted by the firm who provide services on the engagement that might otherwise be provided by a partner or staff of the firm.”</i></p> <p>Specifically, we believe the definition is unclear and could have the unintended consequence of causing firms to include as a member of the engagement team an external expert, such as a valuation, tax, or actuarial expert, who provides advice that the firm relies on during the audit, merely because the firm has one or more partners or professional employees who could have provided the same advice. We recommend that the IESBA consider the following definition, which is consistent with the AICPA’s definition of “attest engagement team.” [ET section 92.02, <i>AICPA Code of Professional Conduct</i>]</p> <p><i>The engagement team includes all employees and contractors retained by the firm who participate in the engagement, irrespective of their functional classification (for example, audit, tax, or management consulting services). The engagement team excludes external experts contracted by the auditor, as discussed in ISA 620, Using the Work of an Expert, and individuals who perform only routine clerical functions, such as word processing and photocopying.</i></p>	AICPA	
21.	Engage ment Team	<p>We believe the intent of the proposed definition is to capture individuals contracted by the firm (e.g., temporary staff or individuals with a particular expertise required for the conduct of the audit) who will perform services as part of the engagement team working under the supervision of one or more engagement team members. We believe the intent does not include scoping in an organisation (or the individuals thereof) whose work is not subject to the direction, control, and supervision of the audit firm, such as a legal firm, actuarial firm, or valuation firm, and on whose formal advice or opinion the firm may rely on as “audit evidence.” For those types of organisations, the auditor will assess their objectivity and the objectivity of the personnel working on the assignment, which does not require evidence of compliance with the Code. Cont’d</p>	PwC	



22.	Engage ment Team	We are concerned that the proposed definition may be interpreted broadly to include the latter group of organisations and individuals described above to the extent the firm has one or more partners or staff who could and might otherwise have provided the same services. Thus, as presently worded the proposed definition may have unintended consequences. For example, a firm may utilise its own in-house counsel to provide legal advice concerning a matter relevant to the audit. This could suggest that external counsel providing similar advice should be treated as a member of the engagement team because that service could "...otherwise be provided by a partner or staff of the firm." The same can be said about actuarial, valuation, tax, and other services. Cont'd	PwC	
23.	Engage ment Team	We recommend modifying the proposed definition to explicitly exclude such experts from the definition of "engagement team" in a manner similar to the definition used by the AICPA. The AICPA defines an "attest engagement team" (in part) as "all employees and contractors retained by the firm who participate in the attest engagement...The attest engagement team excludes specialists as discussed in Statement on Auditing Standard No. 73, <i>Using the Work of a Specialist ...</i> ". The adoption of a similar definition, which would, perhaps explicitly, exclude contracted external experts as discussed in International Standard on Auditing 620, <i>Using the Work of an Expert</i> , would alleviate our concerns.	PwC	
24.	Engage ment team	We note the redefinition of the engagement team which we understand was agreed with IAASB in order to exclude experts contracted by the firm from the full rigour of the IFAC Code. We understand the practical reasons for doing this and will comment on the changes to ISA 620 that are intended to ensure that the auditor considers the independence of such experts in due course. We observe that the December ED definition may not achieve this objective. In particular the reference to 'services on the engagement that might otherwise be provided by a partner or staff of the firm' could mean that many external experts such as actuaries and lawyers are brought within the definition.	APB	

25.	Engage ment team	<p>We are not sure with the new definition that the boundaries between who is and who is not in the engagement team are clear and that the implications of this, and how it relates to the proposed exposure draft, ISA 620, Use of Experts, have been fully considered. For example, it is not clear whether an expert providing actuarial services to the engagement team would be considered as part of the engagement team: is this professional considered an expert about a particular matter or is this person providing a service that might otherwise be provided by a partner or staff of the firm?</p> <p>It could also be clarified how the auditor should deal with the independence of external consultants working for the audit team, when they are not considered to be part of the engagement team.</p>	CEBS	
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26.	Engage ment team	<p>We have two main problems with this definition.</p> <p>(a) Who exactly is it intended to capture?</p> <p>The last part of the definition is ambiguous – <i>individuals contracted by the firm who provide services on the engagement that might otherwise be provided by a partner or staff of the firm</i>. It is not clear whether experts are included in this or not. In a small practice, for example, partners and staff may only have accounting and auditing expertise. Therefore, the use of a taxation expert or a legal expert, or even an expert in a specialised area of accountancy, e.g. financial instruments, would not come under this definition as partners or staff of the firm could not provide these types of services. Hence, these experts would not be required to meet the independence requirements. However, in a large, international firm, any outside expert could be caught in the definition as it is possible that somewhere in the world, this international firm may have an expert in that particular field. In this case, almost all outside experts utilised on a particular engagement would have to meet all the requirements of section 290.</p> <p>The definition needs to be amended so that it is clear which parties it relates to.</p> <p>(b) Experts.</p> <p>If the intention of the definition is to capture outside experts used on an engagement, then this could cause difficulties in practice in obtaining appropriate expert resource. In some countries these difficulties would be insurmountable and this could potentially have an adverse effect on audit quality. ISA 620, Using the Work of an Expert, contains requirements relating to the independence of experts and we would suggest that this is the appropriate place to address this issue.</p> <p>The PPB therefore recommends that the definition be amended to explicitly exclude experts as defined in ISA 620.</p>	ICANZ	
27.	Engage ment Team	<p>It is suggested that the persons who are giving less 10 hours in the engagement team may not be included in the definition of Engagement team unless they are partners/ an expert hired by of the firm.</p>	ICAIIndia	

28.	Engage ment Team	<p>We propose the following amendment to the definition of the Engagement Team to make it more comprehensive and effective.</p> <p>The definition of Engagement Team has been revised and now includes:</p> <p>"..... and any individuals contracted by the firm who provide services on the engagement that might otherwise be provided by a partner or staff of the firm."</p> <p>From this definition would potentially escape individuals who have not directly been contracted but who rather provided services under the firm's contract with some other party etc. The definition may be modified as:</p> <p>"..... and any individuals contracted <u>directly or indirectly through some other party</u> by the firm who provide services on the engagement that might otherwise be provided by a partner or staff of the firm."</p>	ICAP	
29.	Engage ment Team	<p>We support the revision to indicate that not all experts form part of the engagement team and should therefore not be subject to the same independence requirements as the engagement team. The proposed definition refers to individuals who provide services that might otherwise be provided by a partner or staff of the firm. However, it is unclear which individuals might fall within this definition, e.g., audit firms often employ the services of legal experts, particularly within the network, but it cannot be contemplated that an external lawyer be part of the engagement team simply because the services of a lawyer could 'otherwise be provided by ... staff of the firm'. It may be useful if the definition distinguished between experts which 'fall under the direction, control and supervision of the audit or engagement partner' and those who do not. The external lawyer who provides independent legal advice would then fall outside of the definition, while those lawyers working within the firm will fall within the definition</p>	IRBA	

30.	Engage ment Team	<p>We agree that the definition of “engagement team” needs to be revised; however, we believe the proposed definition is still too broad. Professionals working on the audit should be subject to the same independence requirements irrespective of their legal relationship with the firm. Thus, if audit staff assigned to an engagement happen to be independent contractors rather than employees, they should be subject to the same requirements as those that apply to staff employed by the firm. We do not believe though that external experts should be swept into the definition.</p> <p>When engaging experts, a firm needs to assess the expert’s qualifications, including objectivity among many other things. It would be extremely difficult and impractical though to require compliance with Section 290 by external experts. Unless the definition clearly excludes external experts from the definition of the engagement team, engagement teams might be discouraged from using such experts, which could negatively impact audit quality.</p> <p>Consideration also needs to be given to the fact that the ultimate definition in the Code will influence other IFAC standards. For example, ISA 220 – <i>Quality Control for Audits of Historical Financial Information</i>, uses the definition of the “engagement team”. Thus, care must be taken that this definition is workable in the context of such other standards as well.</p>	DTT	
31.	Engage ment Team	<p>Engagement team – We believe the definition as proposed is not clear and may lead to confusion and inconsistency in its application. Also, it is not clear as to whether the Board intends for a third party expert and/or an external firm of experts to meet the proposed independence requirement.</p>	Grant Thornton	

32.	Engage ment Team	<p>We believe that the definition of an engagement team should be clarified. The proposed definition of an engagement team is as follows:</p> <p style="padding-left: 40px;">All partners and staff performing the engagement and any individuals contracted by the firm who provide services on the engagement that might otherwise be provided by a partner or staff of the firm.”</p> <p>We are not clear about the intended application of the phrase “that might otherwise be provided by a partner or staff of the firm”. Some firms have partners and staff who are able to fulfill a role that other firms can only fulfill by engaging an external expert: examples include valuation specialists, property valuers and actuaries. As drafted, the Code would require accounting firms that have partners or staff who are able to provide the services of an expert to ensure that any third party provider who may be engaged to assist an audit team meets the requirements of the Code, whilst firms without any experts in-house would not. Therefore, we believe that the definition creates confusion and its application would vary from firm to firm. Instead, we believe that experts, as defined by International Auditing Standards (ISA 620.3), contracted by a firm should not be included in the definition of an engagement team.</p>	Grant Thornton	
33.	Engage ment Team	<p>Questions for the Board to consider:</p> <ul style="list-style-type: none"> <li>• Should the application of this requirement vary by accounting firm or by office in the firm or by what is customary in a particular country of roles normally provided by an accounting firm?</li> <li>• Is it contingent upon what the partners and staff of a particular firm are capable of providing or the services that are normally offered by the firm?</li> <li>• What steps are reasonable for a firm to be expected to take where an expert is from another profession that has ethical practices that are not consistent with those set out in the IFAC Code?</li> </ul> <p>Where an expert’s firm is engaged to assist the accountant in fulfilling the accountant’s responsibilities under the auditing or review standards, does the accounting firm need to ensure that a firm of outside experts meets the Board independence standards or the individuals assigned by the firm of outside experts to assist the firm?</p>	Grant Thornton	

34.	Engage ment team	<p>We are concerned that including “experts” within the definition of “engagement team” will cause problems in practice, especially for SMPs. Recourse to experts in assurance engagements and thus within firms and networks is increasing, not least as a result of the new risk-based approach required by ISAs 315 and 330. In practice, external experts cannot be compelled to subject themselves to the requirements of ISQC 1 and ISA 220 nor the requirements of the Code. Firms that attempt to require compliance with these on a contractual basis will likely find experts unwilling to take on assignments. This would present acute problems in fields where experts are relatively rare. Potentially, this could lead the larger firms to employ experts as part of the firm's personnel, which in turn would exacerbate the difficulties facing smaller firms seeking specific expertise, leading to further concentration of the audit market towards larger firms and networks.</p> <p>We do not agree that experts that are neither employees of the firm nor “perform the engagement” necessarily need to be subject to such stringent independence requirements, since their expertise is provided to the auditor to enable the auditor to perform the engagement in a sufficiently objective manner for the purposes of the engagement: that is, the auditor's scrutiny of an expert's objectivity and work (as required by ISA 620) functions as an adequate safeguard should there be any independence issues. Such experts are not generally performing the engagement to any significant degree, that is, in an audit of financial statements, for example, they do not generally plan the audit, perform risk assessment, design further audit procedures and draw conclusions from an evaluation of evidence to the extent that they influence the outcome of the assurance engagement. Indeed, the expert does not carry responsibility for the audit rather this responsibility rests solely with the auditor.</p> <p>We suggest, therefore, the definition of engagement team is amended to read something like: “All partners and staff of the firm and any individuals contracted by the firm that performs the assurance engagement.” This definition would also benefit from brief guidance on what ‘performing an assurance engagement’ encompasses</p>	SMP	
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