

Definition of Engagement Team Compilation of Exposure Draft Comments (Expressions of Support)

X ref	Respondent	Comment
1.	ICAB	We are pleased to state that we are in agreement with IESBA on the definition of “Engagement Team” as given in the Exposure Draft.
2.	FAR	FAR has no objection to the proposed change.
3.	UKNAO	In the light of the changes to ISA 610 approved by the IAASB in December 2011 we agree with the proposed amendment to the definition of engagement team, which provides clarity.
4.	ZICA	We support the proposed change to the definition of “Engagement Team”, Internal Auditors providing direct assistance, should not be considered as part of Engagement Team. In our view the Internal Audit function is and remains part of an entity’s internal control mechanism and should be viewed in that light.
5.	NAAAU	We think that the proposed amendment to the Code of Ethics on definition of the “Engagement Team” removes the perceived inconsistency between the use of internal auditors to perform external audit procedures under ISA 610 and the requirement under the Code for external auditors to be independent of the audit client.
6.	MIA	The Institute supports the need to revise the Definition of Engagement Team so as to avoid any incompatibility between the Code and the revised ISA 610 “Using the Work of Internal Auditors”. We agree that there is ambiguity in the extant Code as to whether or not the internal auditors who provide direct assistance on the audit engagement are to be regarded as members of the audit engagement team. It is our view that the proposed revision to the Definition of Engagement Team brings clarity with regard to the role of the internal auditor.
7.	ICPAK	In our ethical mission to develop sustainable institutional capacity to support the competence and integrity of our members and to enhance the contribution of the accountancy profession globally, we endeavor to uphold the Code of Ethics which establishes ethical requirements for professional Accountants. In this regard, we are keen in supporting the direction of harmonizing the Code of Ethics and

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		<p>the revised International Standard on Auditing (ISA) 610, <i>Using the Work of Internal Auditors</i> for clarity and consistency purposes.</p> <p>We agree and support the proposed change to the Code to revise the definition of “engagement team” that individuals within an audit client’s internal audit function providing direct support on the engagement should be excluded from the engagement to guard against threat to independence.</p>
8.	ICPAS	<p>We agree with the proposed change to the definition of “engagement team”. The proposed amendment to specifically exclude individuals within an audit client’s internal audit function providing direct assistance on the engagement in accordance with ISA 610 <i>Using the Work of Internal Auditors</i> from the definition of an “engagement team” would help to clarify and remove the possibility where adherence to the requirements in ISA 610 could potentially conflict with the Code.</p>
9.	KICPA	<p>We believe that individuals in the internal audit function providing direct assistance do not meet the definition of a member of the engagement team under the extant Code because they are not partners or a member of the professional staff of the firm or network firm, nor are they engaged by the firm or network firm. However, we support the IESBA’s aim to clarify its intention responding to a number of comments on IAASB’s ED of a revised ISA 610.</p>
10.	GAO	<p>We agree with the proposed change to the Code to revise the definition of “engagement team.” We believe that the change is necessary for consistency between the revised ISA 610 and the Code. As we noted in our letter dated November 1, 2010, GAO supports the provision of a framework for determining whether and to what extent the internal audit function can be leveraged by external auditors in assessing audit risk and in obtaining audit evidence. In our view, the proposed change to the Code is necessary to assist auditors in adopting the revised ISA 610.</p>
11.	GTI	<p>Grant Thornton is supportive of the proposed revision to the definition of engagement team as it clarifies internal auditors providing direct assistance to the external auditor does not meet the definition of engagement team under the IESBA Code. This revision will help avoid any perceived incompatibility between the Code and the ISAs.</p>
12.	DTT	<p>We fully support the proposed change in the definition of engagement team. We agree that it is not appropriate to require internal auditors to comply with the Code;</p>

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13.	KPMG	<p>We have considered the explanation set out in the Exposure Draft for the proposed change in the definition of “engagement team” which is to clarify that individuals within the internal audit function providing direct assistance to auditors are not intended to be captured by the definition of engagement team under the Code. We note that the purpose of the change is to help avoid any perceived incompatibility between revised ISA 610 which will allow the use by auditors of direct assistance from internal audit and the Code which requires engagement team members to be independent of the audit client.</p> <p>In view of this objective, we support the proposed clarification to the definition of engagement team in the IESBA Code of Ethics. We also support having the IAASB make a similar change to the definition of engagement team in the ISAs and ISQC 1 so as to align with the IESBA Code.</p>
14.	NBA	<p>We support the change in the definition of engagement team. This change clarifies that internal auditors who provide direct assistance are no members of the engagement team. We agree with IESBA that this clarification is helpful.</p> <p>Direct assistance provided by internal auditors has been a part of practice in the Netherlands for the past decades. It is important to practitioners that IESBA through the definition in the Code of Ethics as proposed and the IAASB through ISA 610 as approved in its December meeting provide clarity about the use of direct assistance.</p>
15.	EYG	<p>The current definition of engagement team is silent as to whether internal auditors providing direct assistance to the external auditor would fall within the scope of the definition in the Code. The new definition being proposed in the exposure draft is as follows:</p> <p>“All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm. It also excludes individuals within an audit client’s internal audit function providing direct assistance on the engagement in accordance with ISA 610 <i>Using the Work of Internal Auditors</i>.”</p> <p>We agree with the need for clarification on this point. The concerns of those who have highlighted the apparent inconsistency referred to above are valid and point to the need to ensure that the objectivity of the external auditors is not impaired by the use of internal auditors for direct assistance. The revised ISA 610 recognizes this need and establishes significant additional requirements for such situations. We believe that the safeguards provided by these new requirements are sufficiently robust to ensure that the objectivity of the external auditor is not undermined when internal auditors are used in a direct assistance capacity. Accordingly, we support the IESBA’s proposal</p>

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		to revise the definition of the engagement team to explicitly exclude internal auditors providing direct assistance. In particular, we believe it is important to reference ISA 610 in the definition to make it clear that internal auditors providing direct assistance would be excluded from the independence requirements of the Code only if such direct assistance is provided in accordance with the requirements of revised ISA 610.
16.	CICPA	CICPA is supportive of the proposed changes put forward in the Exposure Draft. We agree that the proposed changes will clarify the term "engagement team" and eliminate the perception that the Code and the ISA are in conflict.
17.	CARB	<p>We support the proposal that the definition of 'Engagement Team' be changed as suggested below, to clarify the apparent inconsistency between the use of internal auditors to perform the external audit procedures and the requirement under the Code of Ethics for external auditors to be independent of the audit client.</p> <p>It is proposed that the definition of 'engagement team' be changed to:</p> <p><i>Engagement team</i> – All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or <u>by</u> a network firm. <u>It also excludes individuals within an audit client's internal audit function providing direct assistance on the engagement in accordance with ISA 620 Using the Work of Internal Auditors.</u></p>
18.	BDO	We agree with the proposed revision to the definition of engagement team clarifying that individuals within an audit client's internal audit function providing direct assistance on the engagement in accordance with ISA 610, <i>Using the Work of Internal Auditors</i> are excluded from the definition of 'Engagement team'.
19.	AICPA	We agree with the IESBA that individuals within an audit client's internal audit function providing direct assistance on the engagement in accordance with ISA 610, <i>Using the Work of Internal Auditors</i> should be excluded from the definition of "Engagement team" and should not be required to meet the independence requirements that apply to members of the engagement team. Accordingly, we support the proposed revision to the definition of engagement team that clarifies such individuals would not be considered part of the engagement team.
20.	CGAC	CGA-C is supportive of the goal to address the inconsistency between the use of internal auditors to perform external audit procedures

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		<p>and the requirement under the Code for external auditors to be independent of the audit client.</p> <p>Specific Comments:</p> <p>CGA-C is in agreement that the IESBA amend the definition in order to avoid any perception that the Code is in conflict with the ISA. The definition, as proposed, is succinct and clarifies the uncertainty in relation to whether or not the definition would capture the participation of individuals who are members of the internal audit function that provide direct assistance to the external auditors. As suggested, the revision ensures that it is well understood that these individuals are not to be considered part of the engagement team for the purposes of Code application.</p> <p>We further concur with the suggested timetable of finalization of the revision during the first half of 2012.</p>
21.	CICA	<p>We thank you for the opportunity to provide our comments on the ED. We agree that individuals within an audit client's internal audit function providing direct assistance on the external audit engagement in accordance with ISA 610 should not be considered part of the engagement team. Unlike members of the engagement team, the audit firm does not employ members of the internal audit function or engage them on a contractual basis. They cannot meet the independence requirements of the Code because they have an employment relationship with the audit client that creates self-interest and familiarity threats to independence. However, when these threats are not considered significant, a client's internal audit function can provide valuable assistance to the audit firm as long as appropriate boundaries are placed around their duties.</p> <p>We concur with the ED's objective of avoiding any perception that the Code is in conflict with the ISAs. We believe the proposed definition of <i>Engagement Team</i> achieves this objective.</p>
22.	DSFJ	<p>I agree with this proposal about the definition of engagement team and I consider very important in this moment with new rules and standards about audit, finance and account elaborated of regulators and implemented in many jurisdictions.</p> <p>The audit must be integrated with this process, for this I understand that this definition consolidated with high quality, responsibility and transparency aspects that could be impact about conflicts interest and public interest as aspect related about sustainability of the organizations¹.</p>

¹ <https://www.globalreporting.org/resource/library/G4-PCP1-Full-Report.pdf>

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		<p>I suggest, if board agrees, observed the discussion about A Public Interest Framework for the Accountancy Profession IFAC Policy Position Paper #4², I do not know if results integrated some considerations about Engagement Team but I consider important to observed and the new discussion about modifications rules Internal Audit elaborated for The Institute of Internal Auditors in this discussion has some paragraphs related about Engagement Team³.</p>
23.	CNCC-OEC	<p>We understand that the proposed change in the Code is the consequence of the revision in December 2011 by IAASB of ISA 610 : Using the work of internal auditors, in order to avoid conflict between the standard and the Code. The ED concludes that individuals in the internal audit function providing direct assistance do not meet the definition of a member of the engagement team because they are not partners or a member of the professional staff of the firm or network firm. The ED proposes a change to the current definition of engagement team to state that individuals in an internal audit function providing direct assistance do not meet the definition of the IESBA Code.</p> <p>We agree with the principal that individuals within an audit client's internal audit function must be excluded from the definition of a member of the engagement team as proposed in the ED.</p> <p>Moreover, we draw your attention on the fact that using internal auditors in direct assistance is prohibited in France by article 16 of the French code of ethics which requires that staff working for the auditor be independent from the audited entity.</p>
24.	CND-CEC	<p>It should be preliminarily noted that internal auditing is one of the components of the internal control system of the entity, aimed at verifying, monitoring and assessing the appropriateness and effectiveness of the entity's procedures related to organization, management, accounting and internal control.</p> <p>The internal auditing function, which is present in organizational contexts differing in purpose, size, complexity and structure (company, public or private entity and others), is carried out by individuals who may be either internal or external to the entity. This function supports the governance structure of the entity and is clearly different from the statutory audit function, whose aim is to express an independent opinion on financial statements.</p> <p>This difference of functions and objectives remains also if, in the particular circumstances, some activities carried out by internal auditors</p>

² <http://www.ifac.org/publications-resources/public-interest-framework-accountancy-profession>

³ <https://global.theiaa.org/standards-guidance/recommended-guidance/practice-guides/Pages/GTAG2.aspx>

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		<p>can assist the external auditor in establishing the nature, time and extent of the audit procedures, as indicated in the International Standard on Auditing, (ISA) n. 610 (as recently revised by the IAASB). As a matter of fact, the revised ISA 610 includes some special safeguards in order to protect the independence of the external auditor in using the work of internal auditors who provide direct assistance to the external auditor, by strengthening the objectivity and independence of these individuals.</p> <p>The proposed change to the IFAC Code's definition of "engagement team" is aimed at clarifying that internal auditors providing direct assistance to external auditors, are not to be considered part of the engagement team; the purpose is to make the definition of the IFAC Code consistent with the International Standard on Auditing, (ISA) n. 610.</p> <p>On account of the above, we deem appropriate to specify that, when the audited entity has an internal auditing function, the individuals carrying out of this function can never be part of the engagement team, irrespective of the fact that they:</p> <ul style="list-style-type: none"> - provide direct assistance to the external auditor; or - are employed by, or are external collaborators of, the audited entity.
25.	IBR-IRE	<p>IBR-IRE supports the analysis of IESBA that individuals in the internal audit function providing direct assistance in accordance with ISA 610 (Revised), Using the Work of Internal Auditors, do not meet the definition of a member of the engagement team. IBR-IRE agrees with this point of view which is believed to be in the public interest.</p> <p>IBR-IRE believes that individuals in the internal audit function providing direct assistance in accordance with ISA 610 (Revised) cannot be partners or a member of the professional staff of the firm or network firm and, consequently, don't need to fulfil the requirements of a statutory auditor.</p> <p>Therefore, IBR-IRE is favourable to IESBA's decision to clarify the definition of "Engagement Team" to avoid any inconsistency that may exist between the IESBA <i>Code of Ethics for Professional Accountants</i> and ISA 610 (Revised), Using the Work of Internal Auditors.</p> <p>IBR-IRE believes the proposed change to the definition of "Engagement Team" to be appropriate and has no specific comments</p>
26.	FEE	<p>FEE (the Federation of European Accountants) is pleased to provide you with its comments on the IESBA Exposure Draft on the Proposed Change to the Definition of "Engagement Team" ("the ED").</p> <p>Further to the revision by the IAASB of ISA 610 <i>Using the Work of Internal Auditors</i>, we note the proposed change in the ED to amend</p>

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		<p>the Code in order to avoid that the Code is in conflict with ISA 610, particularly if the proposed change intends clarifying that individuals in the internal audit function do not meet the definition of a member of the “engagement team”.</p> <p>In the ED it is concluded that individuals in the internal audit function providing direct assistance do not meet the definition of a member of the engagement team because they are not partners or a member of the professional staff of the firm or network firm. The IESBA proposes a change to the definition of engagement team to state that individuals in an internal audit function providing direct assistance do not meet the definition of the engagement team under the Code.</p> <p>The proposed change in the ED is consistent with the FEE Comments on the IAASB Exposure Draft on proposed ISA 610 (Revised) issued on 15 November 2010¹. In relation to this particular aspect, FEE suggested that it would be relevant to clearly state as part of a definition that internal audit staff are not to be considered as members of the engagement team.</p> <p>¹ See the FEE Comment Letter at http://www.fee.be/publications/default.asp?library_ref=4&content_ref=1307</p> <p>Moreover, since we believe that internal audit staff are not members of the engagement team, this means that they are not in general, thus not only when providing direct assistance to the external auditor but also when not providing direct assistance to the external auditor. Therefore, we agree that individuals within an audit client’s internal audit function must be excluded from the definition of a member of the engagement team as proposed in the ED in accordance with ISA 610 but also regardless of whether they are providing direct assistance or not on the audit engagement. The IESBA could use the proposed change in the ED as an opportunity to expand the clarification of the definition of “engagement team” in the Code in this respect.</p>
27.	FSR	<p>We support revising the definition of “Engagement Team” to avoid that the Code is in conflict with ISA 610 on Using the Work of Internal Auditors.</p> <p>We participate in the Ethics Working Party of Federation des Experts Comptables Europeens (FEE).and therefore we have followed the preparation of the comment letter from FEE, which we support.</p> <p>Like FEE we find that the word “direct” in the additions to the definition of Engagement Team implies a too narrow scope of the exclusion of internal auditors. “providing direct assistance” should be expanded to cover also indirect assistance. We suggest the wording “... and internal auditors whether providing direct assistance or not direct assistance on the engagement”.</p>

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28.	ICJCE	<p>We note the proposed change in the ED to amend the Code in order to avoid that the Code is in conflict with ISA 610. In the ED it is clearly stated that the definition of a member of the engagement team does not include the internal audit staff providing direct assistance to auditors.</p> <p>Although we are of the opinion that this change is not necessary because the definition of engagement team is sufficient, we consider this suggestion appropriate.</p> <p>If included we would suggest to also state that the exclusion of the internal audit staff from the definition of Engagement team refers to any kind of work performed and not only the provision of direct assistance to the auditor.</p>
29.	HKICPA	<p>The HKICPA is supportive to the IESBA's proposal on changing the definition of "engagement team" to make it clear that internal auditors providing direct assistance to an external auditor are not considered to be part of the audit engagement team under the IESBA Code of Ethics for Professional Accountants (the Code) and eliminate the perception that the Code and International Standard on Auditing (ISA) 610 <i>Using the Work of Internal Auditors</i> being recently revised are in conflict.</p> <p>The HKICPA agrees with the IESBA's analysis that individuals in the internal audit function do not meet the definition of a member of the engagement team because they are not partners or a member of the professional staff of the firm or network firm, nor are they engaged by the firm or network firm. Accordingly, the HKICPA supports the proposed change to the definition of "engagement team" and consider that it helps to avoid any perceived incompatibility between the Code and ISA 610 (Revised).</p> <p>We understand that this amendment to the Code was proposed with the assumption that there are restrictions in place on internal auditors providing direct assistance to external auditors in ISA 610 (Revised). Such restrictions include the requirement to communicate to those charged with governance the planned use of internal auditors to provide direct assistance so as to reach a mutual understanding that such use is not excessive in the circumstances. Accordingly, we would recommend the IESBA to align the effective dates of the revised Code and ISA 610 (Revised), which is effective for audits of financial statements for periods ending on or after 15 December 2013.</p>
30.	ICAS	<p>We appreciate the work which the IAASB has done in this area as it is essential that the external auditor's perceived independence is not compromised through any use of internal audit personnel.</p> <p>In light of the agreed changes to ISA '610 'Using the Work of Internal Audit' we are supportive of IESBA's proposed change to the</p>

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		definition of 'engagement team' and for clarifying that: <i>"It excludes individuals within an audit client's internal audit function providing direct assistance on the engagement in accordance with ISA 610 Using the Work of Internal Auditors."</i>
31.	JICPA	We express basic support for the Exposure Draft which clarifies that individuals in an internal audit function providing direct assistance do not meet the definition of "engagement team".
32.	PwC	We agree with the principle of the proposed change.
33.	SAICA	The need for clarification on this definition is clear, and the intent underlying the IESBA's proposed change is unobjectionable.
34.	ICAA	Overall, the Institute is supportive of the proposed change to the definition of "engagement team".
35.	ACCA	<p>The proposed change provides an instance of grammatical clarity (inserting the word 'by') and then specifically excludes individuals within an audit client's internal audit function from the definition of 'engagement team', so long as they are providing direct assistance on the engagement in accordance with ISA 610 (Revised). The objectives of the proposed change, as stated in the explanatory memorandum, are:</p> <ul style="list-style-type: none"> • to address an apparent inconsistency between the use of internal auditors under ISA 610 (Revised) to perform external audit procedures and the requirement under the Code for external auditors to be independent of the audit client • to rectify a possible unintended consequence of the recent revision of ISA 610, whereby internal auditors performing external audit procedures would, by definition, be part of the engagement team.
36.	APESB	APESB is supportive of the changes proposed in the Exposure Draft which aim to clarify that internal auditors providing direct assistance to the external audit function in accordance with ISA 610 <i>Using the Work of Internal Auditors</i> (ISA 610) are not to be considered as part of the Engagement Team and accordingly are not required to meet the independence requirements that apply to Engagement Team members.
37.	IOSCO	The International Organization of Securities Commissions' Committee on Issuer Accounting, Audit and Disclosure (Committee 1) appreciates the opportunity to comment on the IESBA's Exposure Draft, <i>Proposed Change to the Definition of "Engagement Team"</i> (the

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		<p>Paper). As an international organization of securities regulators representing the public interest, IOSCO is committed to enhancing the integrity of international markets through promotion of high quality accounting, auditing and professional standards.</p> <p>Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting, auditing and disclosure concerns, and pursuit of improved global financial reporting. Our comments in this letter reflect those matters on which we have achieved a consensus among the members of Committee 1; however, they are not intended to include all comments that might be provided by individual members on behalf of their respective jurisdictions.</p> <p><i>Purpose of the Project</i></p> <p>We appreciate the IESBA being responsive to concerns expressed by a number of respondents to the IAASB's exposure draft of ISA 610 (Revised), <i>Using the Work of Internal Auditors</i> (revised ISA 610) and thus undertaking this project to review which individuals who contribute to the completion of an audit fall within the term 'engagement team' for purposes of the application of the IFAC Ethics Code.</p>