

**Definition of Engagement Team—
Outcome of January 2013 IESBA Consultative Advisory Group (CAG) Discussion**

Overall Outcome

1. Overall, the IESBA CAG was broadly supportive of how the IESBA and IAASB had both responded to the significant comments on the exposure draft (ED) of the proposed change to the Code's definition of engagement team. Most of the CAG Representatives who commented, including the Representative from the International Organization of Securities Commissions (IOSCO), acknowledged the time, effort and care both Boards had taken in responding to those ED comments, and believed that an appropriate balance had been struck among the competing views in relation to the matter of use of internal auditors to provide direct assistance on the external audit (Direct Assistance).
2. Importantly, CAG Representatives expressed support for the amendments to the engagement team definition (see the Appendix) and the Direct Assistance material in ISA 610 (Revised)¹ that the IESBA and IAASB had, respectively, tentatively agreed at their December 2012 meetings.
3. The CAG, therefore, was generally satisfied that the two Boards and their task forces had had detailed and thorough discussions of the ED comments, and had come to a satisfactory outcome on their respective documents.

Specific CAG Comments

4. The IOSCO Representative expressed appreciation that the two Boards had taken care to understand and address IOSCO's comments on the ED. The Representative commented as follows:
 - He reiterated that there is a diversity of views in IOSCO 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. The Representative wondered why, if that were the case, the IAASB was deferring the effective date of the Direct Assistance material in ISA 610 (Revised).

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

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

The IAASB Task Force Chair agreed, noting that any clarification to paragraph A40 would be of an editorial nature rather than a change in substance.

5. Another CAG Representative highlighted the need for the IAASB to consider whether it would be necessary to align the definition of engagement team in ISQC 1² with the revised definition in the Code, a matter of which the IAASB is already aware and will address in due course.
6. With respect to the engagement team definition, the only substantive CAG comment was a request 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.³ The Task Force's response had been that this question is outside the scope of the project. The IESBA Task Force Chair explained that because this question is not relevant to the issue of Direct Assistance, it has not been addressed as part of this project.
7. Nevertheless, the IESBA Task Force agreed that consideration of the question may be warranted although separately from this particular project, and recommends that the Planning Committee consider the matter in due course.

Task Force Recommendation

8. In light of the outcome of the CAG discussion, **the IESBA Task Force recommends that the IESBA approve the proposed revised engagement team definition, as amended at the December 2012 IESBA meeting.**

Effective Date

9. At its December 2012 meeting, the IESBA had tentatively agreed to align the effective date for the revised engagement team definition with that for the final ISA 610 (Revised) (including Direct Assistance), i.e., for audits of financial statements for periods ending on or after December 15, 2014. The IESBA Task Force recommends that the IESBA adopt this effective date, with early adoption permitted.

Due Process Matters

SIGNIFICANT MATTERS IDENTIFIED BY THE IESBA TASK FORCE

10. In the IESBA Task Force's view, the significant matters it has identified as a result of its deliberations since the beginning of this project, and its considerations therein, have all been reflected in the issues papers presented to the IESBA at its meetings. In the Task Force's view, there are no significant matters it has discussed in this project that have not been brought to the IESBA's attention.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

11. The IESBA Task Force believes that the changes to the engagement team definition in the Appendix:

² ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

³ 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."

- (a) Are in response to matters raised by respondents to the ED;
 - (b) Assist in clarifying the definition and its application; and
 - (c) Do not fundamentally or substantively change the original proposal.
12. Accordingly, the Task Force believes that re-exposure is not necessary.

Appendix

Revised Engagement Team Definition

Mark-up version: Amendments tentatively agreed at the December 2012 IESBA meeting

Engagement team—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.

~~†~~The term “engagement team” also excludes individuals within ~~an audit~~ the client’s internal audit function who provide~~ing~~ direct assistance on ~~the an audit~~ engagement when the external auditor complies with the requirements of in accordance with ISA 610 (Revised 2013), *Using the Work of Internal Auditors*.⁴

Clean version

Engagement team—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.

The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), *Using the Work of Internal Auditors*.⁵

⁴ ISA 610 (Revised 2013) establishes limits on the use of direct assistance. It also acknowledges that the external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. Therefore, the use of direct assistance is restricted to situations where it is permitted.

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