Compilation of Comments to ET/GA ED – Question 10

Note to IESBA Meeting Participants

This reference document includes the compilation of the comments from the 49 comment letters submitted in response to the following **Question 10** of Exposure Draft, *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits* (ED):

"Effective Date

Do you support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISA 600 (Revised) on the assumption that the IESBA will approve the final pronouncement in December 2023?"

For the analysis of all significant comments and the Task Force's responses, please refer to Agenda Items 5-A and 5-B.

Regulators and Oversight Authorities, Including MG members

1. Botswana Accountancy Oversight Authority (BAOA)

Yes, we agree with the proposed effective date.

We are of the view that the final provisions should be aligned with the effective date of ISA 600 (Revised), this would enable users of the ISAs to familiarise themselves with both standards and assess the impact of the proposed changes on their audit work.

2. Committee of European Auditing Oversight Bodies (CEAOB)

3. International Forum of Independent Audit Regulators (IFIAR)

4. International Organization of Securities Commissions (IOSCO)

5. Independent Regulatory Board for Auditors (South Africa) (IRBA)

Yes, the IRBA strongly recommends that the IESBA's finalisation of the proposed revisions to the Code be aligned with the effective date of ISA 600 (Revised), that is, for audits of financial statements for periods beginning on or after 15 December 2023.

6. National Association of State Boards of Accountancy (US) (NASBA)

NASBA supports the proposed effective date of the final provisions with the effective date of ISA 600 (Revised).

7. United Kingdom Financial Reporting Council (UK FRC)

We strongly support IESBA's proposal to align the effective date for the final provisions with the effective date for ISA 600 (Revised). We consider it highly desirable to do so, due to the linkages between the amendments to the IESBA Code and ISA 600 (Revised).

Public Sector Organizations

8. United States Government Accountability Office (GAO)

We believe that it will be helpful to align the effective date of the final provisions with the effective date of ISA 600 (Revised).

Independent National Standard Setters

9. Accounting Professional & Ethical Standards Board Australia (APESB)

APESB supports the IESBA's proposal to align the effective date of the final provisions for the definition of engagement team and group audits with the effective date of ISA 600 (Revised).

10. New Zealand Auditing & Assurance Standard Board (NZAuASB)

Yes, the NZAuASB supports the proposals and does not have any further comments.

Professional Accountancy Organizations

11. Joint Submission -- Association of Chartered Certified Accountants/Chartered Accountants Australia and New Zealand (ACCA CAANZ)

Yes, we support aligning the effective date with ISA 600 (Revised) provided that IESBA will approve the final pronouncement in December 2023.

12. Accountancy Europe (AE)

13. American Institute of Certified Public Accountants' Professional Ethics Executive Committee (AICPA PEEC)

Although PEEC appreciates IESBA's goal to harmonize the effective date with the ISA 600 (Revised) effective date, this time frame does not allow adequate time for the necessary due process to occur. Please see our comments above under the subheading "International Convergence."

14. Botswana Institute of Chartered Accountants (BICA)

We support the Board's proposal to coordinate the effective date for the final provisions from this project with the effective date of ISA 600 (Revised).

15. Chartered Accountants Ireland (CAI)

We are in agreement with the proposed effective date.

16. CPA Australia (CPAA)

CPA Australia is supportive of aligning the effective date of the final provisions with the effective date of ISA 600 (Revised) on the assumption that the IESBA will approve the final pronouncement in December 2023.

17. Chartered Professional Accountants of Canada Public Trust Committee (CPAC)

The PTC is supportive of the IESBA's proposal to align the effective date of the final provisions with the effective date of ISA 600 (Revised) on the assumption that the IESBA will approve the final pronouncement in December 2022.

18. Compagnie Nationale des Commissaires aux Comptes (CNCC)

We agree.

19. European Federation of Accountants and Auditors for SMEs (EFAA)

We support aligning the effective date.

However, as we state in our 'General Comments' above we are concerned about the adverse impact on SMPs.

20. Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE)

We agree with the IESBA in aligning the effective date of the final provisions with the effective date of ISA 600 (Revised) assuming that the IESBA approves the final pronouncement in December 2023.

21. Hong Kong Institute of Certified Public Accountants (HKICPA)

We do not have any comments to this question.

22. Instituto dos Auditores Independentes do Brasil (Ibracon)

We support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISA 600 (Revised) on the assumption that the IESBA will approve the final pronouncement in December 2023.

23. Institute of Chartered Accountants of Scotland (ICAS)

Whilst in principle we appreciate, and are supportive, of aligning the effective date with ISA 600 (Revised) we do question whether this leaves sufficient time for firms to implement the necessary changes.

24. Institute of Chartered Accountants in England and Wales (ICAEW)

Yes, we support the proposal to align the effective date given that the changes proposed are prompted by revisions to ISA 220 and ISA 600. We understand that IAASB plans to issue some "bridging guidance" to explain how ISA 220 can be applied with extant ISA 600 for periods beginning on or after 15 December 2022, but before 15 December 2023 (before ISA 600 (Revised) becomes effective). Further bridging guidance might therefore be needed from IESBA to explain how the matters addressed in this exposure draft are to be addressed in that 'transition' period too.

25. Institute of Certified Public Accountants of Uganda (ICPAU)

We support the proposal to align the effective date of the final provisions relating to the definition of engagement team and group audits with the effective date of ISA 600 (Revised).

26. Institut der Wirtschaftsprüfer (Germany) (IDW)

In principle we agree that different effective dates would be unhelpful. However, we urge the Boards to work more closely together in determining a suitable effective date for connected projects, rather than one Board setting an effective date essentially for the other to follow. In this case ISA 600 (Revised) was finalized a whole year before IESBA anticipates finalizing this Proposal. An effective date for audits of financial statements for periods beginning on or after December 15, 2023, will be challenging in practice as we agree with IESBA's supposition that some of the proposals may entail significant changes to the policies and methodologies of firms and networks that perform or are otherwise involved in group audits, including increased costs, e.g., with respect to the deployment of updated policies and procedures, and awareness raising and training initiatives.

This "haste" for affected firms to be ready is a further factor that may make it "easier" for group auditors not to use the work of a non-network component auditor.

27. Institute of Singapore Chartered Accountants (ISCA)

28. Japanese Institute of Certified Public Accountants (JICPA)

We agree with the proposal to align the effective date of the final provisions with the effective date of ISA600 (Revised).

29. Korean Institute of Certified Public Accountants (KICPA)

We support the proposal in terms of the need to align the effective date of the final provisions with the effective date of ISA 600.

30. Malaysian Institute of Accountants (MIA)

The revision to the definition of the engagement team in ISA 220 (Revised), making all component auditors part of the engagement team and the resultant implications concerning the application of the IIS in Part 4A of the IESBA Code, make it necessary to align the effective date of ISA 600 (Revised) and the IESBA's final pronouncement.

On the assumption that the IESBA will approve the final pronouncement in December 2022 (as indicated in paragraph 92 of the Explanatory Memorandum), we support the proposal to align the effective date of the final pronouncement with the effective date of ISA 600 (Revised).

31. Royal Nederlandse Beroepsorganisatie van Accountants (NBA)

32. New York State Society of CPAs (NYSSCPA)

33. South African Institute of Chartered Accountants (SAICA)

SAICA agrees with IESBA's objective of aligning the effective date with the ISA 600 (Revised) effective date of 15 December 2023. However, consideration will need to promptly be given to the issues that are raised in the comment letter.

34. South African Institute of Professional Accountants (SAIPA)

We support the IESBA proposal to align the effective date of the final provisions with the effective date of ISA600 (Revised)

35. The Society of Certified Accountants and Auditors of Kosovo (SCAAK)

We support aligning the effective date.

36. Federation of Accounting Professions, Thailand (TFAC)

Yes, we support.

37. Wirtschaftsprüferkammer (Germany) (WPK)

We support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISA 600 (Revised) since they are so closely related, although we have concerns about the impact of the proposal, on SMPs in particular.

Firms

38. Association of Italian Audit Firms (ASSIREVI)

Assirevi agrees with the IESBA's proposal regarding the alignment of the effective date of the "Engagement Team - Group Audits" provisions to the effective date of ISA 600 (Revised) – i.e., for audits of financial statements beginning on or after December 15, 2023. This coordination would allow the application of Independence Standards in the context of the group audit resulting from this project and would contribute to maintaining and strengthening public trust and confidence in group audits.

Assirevi's main concerns, however, pertain to the practical implications of the need to ensure this coordination for firms and individuals involved in an engagement to perform an audit of group financial statements. Specifically, as already mentioned in our comments to questions n. 4 and n. 5, the potential impact of the required changes to audit firms' systems of quality management will require audit firms (not limited to those which identify themselves as component auditors) to appropriately implement new independence policies and procedures. This would certainly imply a material effort and significant costs (e.g.: as firms adjust their independence processes and systems, they will also need to adjust their training and support operations): in this respect, the December 15, 2023 deadline certainly seems extremely tight to allow audit firms to effectively and efficiently comply with the new GA independence requirements.

39. BDO International Limited (BDO)

The revision to the definition of the engagement team in ISA 220 (Revised), making all component auditors part of the engagement team and the resultant implications concerning the application of the IIS in Part 4A of the IESBA Code make it necessary to align the effective date of ISA 600 (Revised) and the IESBA's final pronouncement.

On the assumption that the IESBA will approve the final pronouncement in December 2022 (as indicated in paragraph 92 of the EM), BDO supports the proposal to align the effective date of the final pronouncement with the effective date of ISA 600 (Revised).

BDO draws your attention to paragraph 45 of this comment letter for our recommendation for transitional arrangements relating to the proposed non-assurance provisions.

40. Deloitte Touche Tohmatsu Limited (DTTL)

Deloitte Global supports the proposed effective date to align with the effective date of ISA 600 (Revised).

41. Grant Thornton International Ltd (GTIL)

GTIL supports the IESBA's proposal to align the effective date of the final provisions with the effective date of ISA 600 (Revised) on the assumption that the IESBA will approve the final pronouncement in December 2023.

42. Ernst & Young Global Limited (EY)

Yes, we are supportive of the IESBA's proposed effective date.

43. KPMG IFRG Limited (KPMG)

We support the proposal to align the effective date with that of ISA 600 (Revised).

44. Mazars Group (MAZARS)

45. MNP LLP (MMP)

46. PKF International Limited (PKF)

We support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISA 600 (Revised).

47. Pitcher Partners (PP)

On the assumption that the other matters raised above are resolved, the alignment of release is logical, however, without appropriate resolution of the queries raised above we would not support the release of the revisions.

48. PricewaterhouseCoopers International Limited (PWC)

Given these changes are prompted by the revisions to ISA 220 and ISA 600, it seems sensible to seek to align the effective date of the proposed changes with the effective date of ISA 600 (Revised). We understand that the IAASB plans to issue "bridging guidance" to explain how ISA 220 (Revised) can be applied with extant ISA 600 for periods beginning on or after 15 December 2022, but before 15 December 2023 i.e., periods in which ISA 220 (Revised) (and the revised definition of engagement team) become effective, but before ISA 600 (Revised) becomes effective. It would be beneficial to firms if the IAASB and IESBA worked in collaboration to enable relevant considerations on applying the extant Code with ISA 220 (Revised) to also be reflected in any such guidance, in advance of the proposed changes to the Code coming into effect.

Others

49. IFAC Small and Medium Practices Advisory Group (IFAC SMPAG)

Although we have concerns about the impact of the proposal on SMPs in particular, we do agree that any changes should have a consistent effective date with ISA 600 (Revised) since they are so closely related. Going forward, we would urge the two Boards to coordinate the timing of interconnecting projects such that time available for implementation before the effective dates is not overly short. One reason for this is due to the amount of time needed for jurisdictions to translate the standards.