



18 May 2012

Our Ref.: C/EC

International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
New York
New York 10017
USA

Dear Sirs,

[IESBA Exposure Draft of Proposed Change to the Definition of "Engagement Team"](#)

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong. We welcome the opportunity to provide you with our comments on the captioned International Ethics Standards Board for Accountants (IESBA) Exposure Draft.

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 *Using the Work of Internal Auditors* being recently revised are in conflict.

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).

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.



We trust that our comments are of assistance to you. If you require any clarifications on our comments, please do not hesitate to contact our Ambrose Wong at ambrose@hkicpa.org.hk.

Yours faithfully,

Chris Joy
Executive Director

CJ/AW/jn



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