

ISA 220 (REVISED)

Definition of Engagement Team

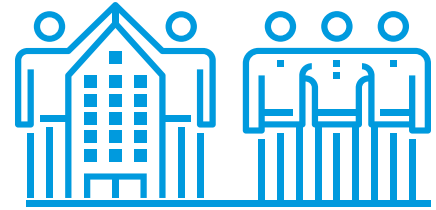


FACT SHEET

IAASB

International Auditing
and Assurance
Standards Board

DEFINITION OF “*ENGAGEMENT TEAM*” IN ISAs¹ AND ISQMs²



As part of the IAASB’s quality management project, the definition of “engagement team” was clarified and updated to improve quality management at the firm and engagement level.

The new definition is:

Engagement Team:

All partners and staff performing the audit engagement, and any other individuals who perform audit procedures on the engagement, excluding an auditor’s external expert and internal auditors who provide direct assistance on an engagement.

ISA 220 (Revised),³ paragraph 12(d)

An important change made to the definition was to clarify the previous reference to the inclusion of ‘any individuals engaged by the firm or a network firm who perform audit procedures on the engagement’ to ‘any other individuals who perform audit procedures on the engagement’. A similar definition is used in ISQM 1, paragraph 16(f) for other types of engagements.



What’s the impact of the change? ISA 220 (Revised) now recognizes that engagement teams may be organized in a variety of ways including being located together or across different geographic locations, or organized by the activity they are performing. Together with the other revisions in ISA 220 (Revised), the new definition recognizes that:

- The engagement team could include individuals from another firm, even if not a network firm, (e.g. to perform specific procedures, such as inspecting physical fixed assets at a remote location or performing an inventory count).
- The engagement team could include individuals from a service delivery center⁵ (e.g. to perform external confirmation procedures), or a service provider. The service delivery center may be part of the same firm or from another firm within the firm’s network.
- In a group audit, component auditors may be from the firm, a network firm, or a firm that is not a network firm.

¹ International Standards on Auditing

² International Standards on Quality Management

³ ISA 220 (Revised), Quality Management for an Audit of Financial Statements

⁴ International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

⁵ See ISA 220 (Revised), paragraph A18 for further explanation of service delivery centers.

This publication does not amend or override the ISAs, the texts of which alone are authoritative. Reading the publication is not a substitute for reading the ISAs. In conducting an audit in accordance with ISAs, auditors are required to comply with all the ISAs that are relevant to the engagement. The questions addressed in this publication are not exhaustive and the examples are provided for illustrative purposes only.

ISA 220 (Revised) also, therefore, recognizes that individuals who are involved in the audit engagement may not necessarily be engaged or employed directly by the firm, but their work needs to be appropriately directed, supervised and reviewed – as they are performing audit procedures. Accordingly, the revision to the engagement team definition sustains the principle that regardless of the location or employment status of such individuals, if they are performing audit procedures, they are part of the engagement team.



EXCLUSIONS FROM THE DEFINITION



However, as with the previous definition, the engagement team does not include an auditor's external expert and internal auditors who provide direct assistance on an engagement. This is because the engagement team are responsible for performing audit procedures in respect to the work of the external expert and internal auditors who provide direct assistance on the engagement.⁶

It should be noted that ISA 620 excludes individuals or organizations possessing expertise in accounting or auditing from the definition of an auditor's expert.⁷ Individuals with expertise in a specialized area of accounting or auditing who perform audit procedures on the audit engagement, are members of the engagement team (except if that individual's involvement with the engagement is limited to consultation, since consultation is dealt with separately in ISA 220 (Revised)).⁸

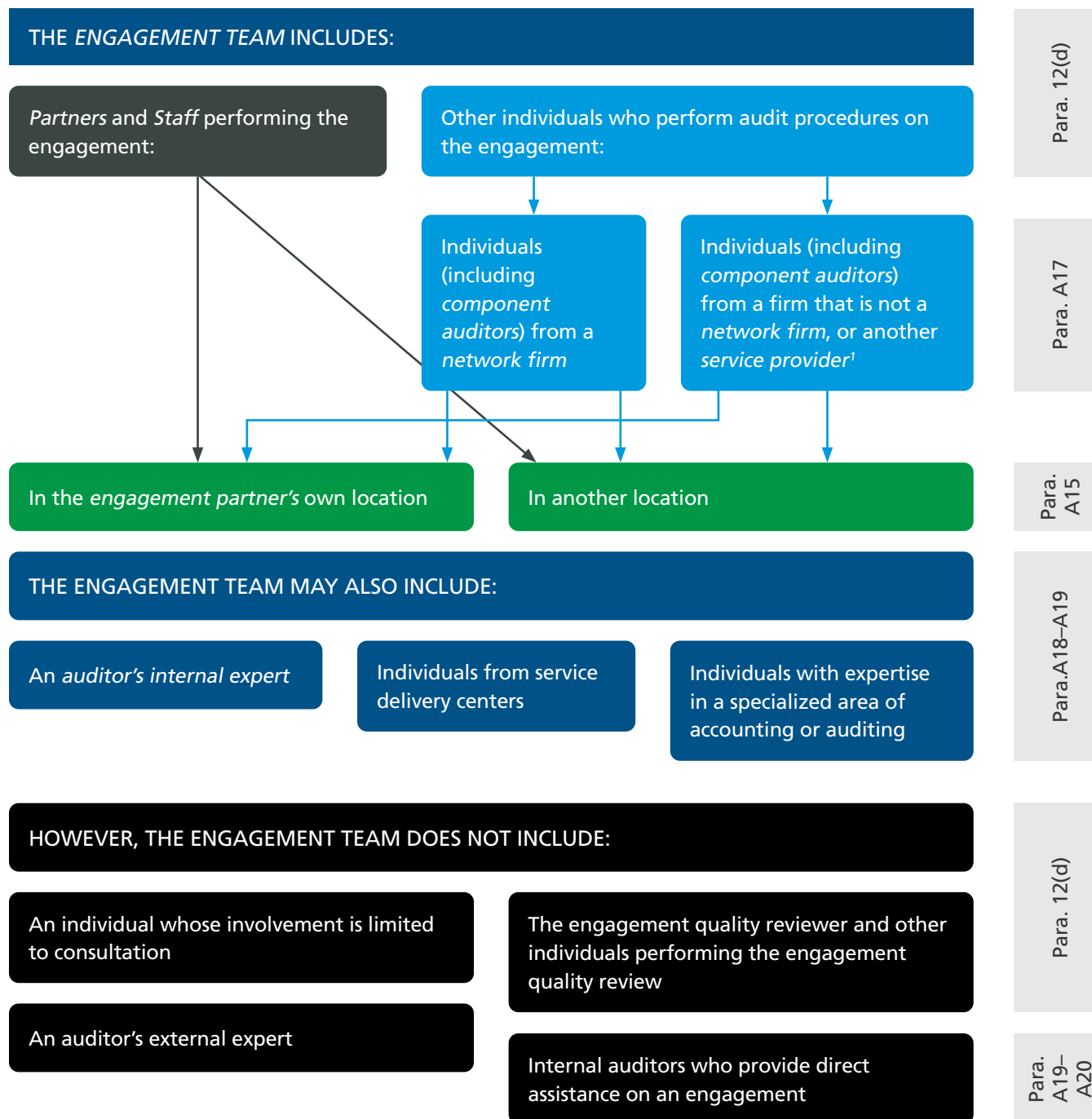
⁶ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, and ISA 620, *Using the Work of an Auditor's Expert*, contain requirements for the auditor in deciding to use the work of internal auditors and an auditor's expert, respectively.

⁷ISA 620, paragraph 6(a)

⁸ISA 220 (Revised), para. A19

WHO IS INCLUDED IN THE ENGAGEMENT TEAM?^{9,10}

The diagram below sets out who is included in the engagement team and who is specifically excluded. Terms in *italics* are defined in the IAASB's *Glossary of Terms*. The references on the right-hand side are to the relevant paragraphs in ISA 220 (Revised).



⁹ Defined in ISQM 1

¹⁰ See definition of *auditor's expert* in the *Glossary of Terms*.

COORDINATION WITH THE INTERNATIONAL ETHICAL STANDARDS BOARD FOR ACCOUNTANTS

In coordination with the IAASB, the IESBA is undertaking a project to align the definition of an engagement team in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) with the revised definitions of the same term in ISA 220 (Revised) and ISQM 1. This project is also addressing the implications of the change to the engagement team definition from an independence perspective.

Information on the IESBA project is available on the IESBA website.

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The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

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