

May 25, 2012

Response submitted to www.ifac.org/ethics

RE: Response to the International Ethics Standards Board for Accountants (IESBA)
Exposure Draft, *Proposed Change to the Definition of "Engagement Team"*

Dear Sir/Madam:

The Institute of Internal Auditors (IIA) appreciates the opportunity to provide comments on the Exposure Draft, Proposed Change to the Definition of "Engagement Team" in the context of direct assistance, developed and approved by the International Ethics Standards Board for Accountants (IESBA).

Our comments are based on discussions conducted by a core team of audit professionals who serve on The IIA's Professional Issues Committee (PIC). These professionals consist of Chartered Accountants, Certified Public Accountants and Certified Internal Auditors worldwide who have worked in the public and private sectors, internal and external auditing, and small, medium, and large domestic and multinational companies.

This topic is most relevant to our constituents. Under certain circumstances, the external auditor may obtain direct assistance from the internal auditors to carry out audit procedures which otherwise, would be performed directly by the external auditors. In such circumstances, the internal auditors would work under the direction, supervision and review of the external auditor. There is a concern that the internal auditors could be viewed as a member of the engagement team and therefore, are subject to the independence provision of the Code of Ethics for Professional Accountants (the Code).

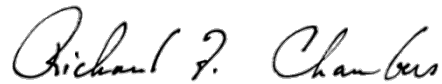
We concur with the proposal to change the definition of "Engagement Team" as stated below; however, we recommend adding a reference to co-sourced/outsourced staff.

"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, or co-sourced/outsourced staff 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.**"

This definition and our proposed addition clarifies that individuals in an internal audit function or staff retained by internal audit in co-sourcing or outsourcing arrangements providing direct assistance are not part of the engagement team under the Code and therefore, are not required to meet the independence requirements that apply to members of the engagement team. This should help to avoid perceived incompatibility between the Code and the International Standards on Auditing (ISAs) on the independence requirements.

The IIA welcomes the opportunity to discuss our response with you. We offer our assistance to the IESBA in the continued development of this definition.

Best regards,

A handwritten signature in black ink that reads "Richard F. Chambers". The signature is written in a cursive, flowing style.

Richard F. Chambers, CIA, CGAP, CCSA, CRMA
President and Chief Executive Officer

About The Institute of Internal Auditors

The IIA is the global voice, acknowledged leader, principal educator, and recognized authority of the internal audit profession and maintains the International Standards for the Professional Practice of Internal Auditing (Standards). These principles-based standards are recognized globally and are available in 29 languages. The IIA represents more than 170,000 members across the globe and has 105 Institutes in 165 countries that serve members at the local level.