

Comments Received From Board Members During Offline Review

Note to IAASB: The table below lists the comments received from Board Members during the offline review of the draft exposure draft in October 2019. The table also shows how the Staff responded to the comments received.

Board Member	ISA Reference	Comment	Staff Response
General Comments			
Chun Wee	Glossary	In the first time use of full name of the Code in the footnotes to the Glossary, abbreviation "IESBA Code" should be added so as to use thereafter without reference to full name of Code	Point accepted
Julie Corden	Glossary "Relevant Ethical Requirements" ISAE 3410 ¹ Paragraph 10	The word "International" should be added for consistency and proper reference	Point accepted
Julie Corden	Glossary "Relevant Ethical Requirements"	In the section on relevant ethical requirements (in the context of ISRS 4410 (Revised), ² the <i>International Ethics Standards Board for Accountants</i> ' is typically not italicized	Point accepted

¹ International Standards on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*

² International Standards on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*

Board Member	ISA Reference	Comment	Staff Response
Chun Wee	ISQC 1, ³ Paragraph 22(b)	Replace words “it is not” with “they are not”	Point accepted. The following amendment is proposed: “...can evaluate whether such threats are at an acceptable level and if not, address them by eliminating the circumstances, ...”
Julie Corden		Language of this paragraph needs to align closer with ISQC 1, paragraph 21.	
Chun Wee	ISQC 1, Paragraph A7 ISA 220, ⁴ Paragraph A4	Replace paragraph: “The fundamental principles of ethics establish the standard of behavior expected of a professional accountant.” With: “These principles establish the standard behavior expected of a professional accountant’	Point not accepted. The wording is consistent with phrases used in the IESBA Code.
Chun Wee	ISA 260 (Revised) ⁵ Paragraph 17(ii)	The word “threats” features too many times in sentence.	Point not accepted. The wording is consistent with phrases used in the IESBA Code.
Julie Corden	IAPN 1000, ⁶ Paragraph 78	Use of IESBA in front of full name is not consistent with other parts.	Point accepted
Definition of Relevant Ethical Requirements			

³ International Standard on Quality Control (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

⁴ International Standards on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

⁵ ISA 260 (Revised), *Communication with Those Charged with Governance*

⁶ International Auditing Practice Note (IAPN) 1000, *Special Considerations in Auditing Financial Instruments*

Board Member	ISA Reference	Comment	Staff Response
Chun Wee	Glossary “Relevant Ethical Requirements”	In respect of the revisions to the relevant ethical requirements (in the context of ISRS 4410 (Revised) ⁷), by removing reference to sections 290,291 of the IESBA Code relating to independence it may become unclear that independence is not a requirement for such engagements.	Point not accepted. IESBA advised avoiding detailed references to individual requirements of the Code where possible.
Chun Wee	Glossary “Relevant Ethical Requirements”	Considering the ongoing revisions to ISRS 4400 and the ongoing discussions in respect of independence, is there need to add in the definitions ‘Relevant ethical requirements (in the context of ISRS 4400)?	The revisions to the Handbook Glossary will be made as a result of the project to revise ISRS 4400. No change proposed.
Julie Corden	Glossary “Relevant Ethical Requirements”	The definition of the Relevant ethical requirements (in the context of ISQC 1) will soon be replaced with ISQM 1 project that is currently proposing changes.	The project proposal notes that ISQC 1 will be treated the same as other standards due to the length of time that the conforming amendments may be operative before ISQM 1 becomes effective. No change is proposed.
Julie Corden	Glossary “Relevant Ethical Requirements”	An EQCR is not required for all audits and reviews, or other engagements covered by ISQC 1. This is relevant for the definition of Relevant ethical requirements (in the context of ISQC 1, ISAs and ISRE 2400 ⁸).	Use of “engagement quality control reviewer” is consistent with the relevant ethical requirements in extant definitions of ISQC 1 paragraph 12 (q) and ISA 220. To make such a change would be outside the scope of this project. No change is being proposed here.

⁷ ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (Previously ISA 920)*

⁸ International Standards on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

Board Member	ISA Reference	Comment	Staff Response
		<p>ISAE 3000 (Revised), Paragraph 3 includes wording that is much better and should be used elsewhere.</p> <p><i>[Note to IAASB: For reference, the words in ISAE 3000 are "...the members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed)..."]</i></p>	<p>These comments will be flagged to ISQM 1 and ISA 220 Task Forces for consideration under the specific projects.</p>
Amendments to the Framework for Addressing Threats			
Chun Wee	ISQC 1, Paragraph A13	<p>There is a need to be more specific about the threats referred to in the revised paragraph.</p> <p>If we are trying to expand the consideration of the different threats arising from long association (apart from familiarity, there are potentially others like self-review, self-interest...), then these should be identified so that we are very clear what we meant.</p> <p>If we are indeed just referring to familiarity threat, then a reference just to such threat should be indicated.</p>	<p>As the Long Association IESBA project rewrote Sections 540 and 940 to introduce the "self-interest" threat in addition to the "familiarity" threat, there was concern that reference only to "familiarity" threat may not fairly reflect the changes to IESBA Code sections 540 and 940. No change is proposed.</p>
Julie Corden	ISQC 1, Paragraph 21(b)	<p>Use of term: "acceptable level" should be coordinated with ISQM 1 Task Force as there are discussion underway to develop an appropriate threshold for determining quality risks in ISQM 1 proposed, and introducing another level, as it pertains to threats to independence, in the intervening time will be very confusing</p>	<p>This matter will be flagged to ISQM 1 Task Force for their further consideration under the ongoing project. The change here is consistent with the objective of this project to align with the IESBA Code and the changes in respect how identified threats are addressed.</p>

IESBA Code Conforming Amendments – Comments Received from Board Members
IAASB Teleconference (November 7, 2019)

Board Member	ISA Reference	Comment	Staff Response
Julie Corden	ISQC 1, Paragraph 22(b)	Would personnel be able to evaluate if something is a threat at this point, or that there are events and conditions that indicate a threat?	The terminology is aligned with the revised IESBA Code.
Fiona Campbell	ISA 220, Paragraph 11(c)	<p>The edits in c) could be interpreted that auditors are required to address these threats in all instances – not only when assessed as not being at an acceptable level. This is not the case with the current wording</p> <p>Would recommend that point c is split & clarify additional steps are required when the threat is assessed as not being at the appropriate level.</p> <p>Also this work effort for the partner alone to evaluate the threats seems excessive. In many cases the evaluation of a threat needs to be done in consultation with independence personnel (and the firm). This does not recognize the important of the firm-level QC here. I would recommend at a minimum adding “Take appropriate actions to” in front of evaluation. This would then allow the partner to communicate identified threats to the firm for evaluation (and is consistent to extant).</p>	<p>Point accepted.</p> <p>See proposed edits.</p>
Julie Corden	ISA 260 (Revised), Paragraph 17(ii)	<p>I am wondering why we wouldn't just say:</p> <p>“The actions taken to eliminate identified threats to independence or reduce the threats to an acceptable level.”</p>	The wording is aligned with the terminology and new approach in the Code on how safeguards are applied. No change is proposed.

Board Member	ISA Reference	Comment	Staff Response
		I'm just having an issue that we are starting with the concept of threats that are not at an acceptable level.	
Julie Corden	ISA 260 (Revised), Paragraph A30	Could we delete: “varies with the circumstances of the engagement” and just end the sentence after “addressed”. Also, the requirement to discuss the threats that “are not at an acceptable level.” - in reality, we shouldn't have any threats that aren't at an acceptable level. This should be a communication about the threats to independence and how these threats have been addressed.	Points accepted. Some of the previous revisions have been reversed, and the matters included in the extant (a) and (b) paragraphs have been retained, albeit at a higher level so that it aligns with the revised IESBA Code.
Fiona Campbell		<p>The revised wording could be interpreted as saying how we communicate rather than what we communicate.</p> <p>The extant wording is clearer that this is about the matters to be communicated. Would prefer that the extant lead-in remain intact and only update the (a)/(b) words.</p>	
Julie Corden	ISA 620, ⁹ Paragraph A18	<p>: Such threats may be addressed by eliminating the circumstances, applying safeguards”</p> <p>Eliminate the threat?</p>	The wording is aligned with the terminology and approach in the new Code in respect of threats. No change is proposed.

⁹ ISA 620, *Using the Work of and Auditor's Expert*

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Board Member	ISA Reference	Comment	Staff Response
Fiona Campbell	ISAE 3000 (Revised), ¹⁰ Paragraph A31	Changes made to lead in, resulted in it no longer really reading as a lead in.	Point accepted. See proposed changes.
Julie Corden	ISAE 3410, Paragraph A6	Would just “applying safeguards” be sufficient	This is consistent with revised IESBA Code and also with paragraph revisions made elsewhere.
Other Comments			
Julie Corden	ISQC 1, Paragraph 21(b) ISAE 3000 (Revised), Paragraph A31 ISAE 3410, Paragraph A6	The following needs to be added: “where withdrawal is possible under applicable law or regulation”	Point accepted.
Julie Corden	ISQC 1, Paragraph A12	The requirement needs to make reference to “assurance engagement”	Point accepted.

¹⁰ ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

Board Member	ISA Reference	Comment	Staff Response
Julie Corden	ISA 600, ¹¹ Appendix I	Is there a need to refer to full name here again as it is already defined in paragraph above.	Point accepted. The text extracted from the appendix was not displaying correctly, so an amendment is proposed to show that the first reference to the Code is describing the fact pattern for the auditor's report, while the second reference is from the auditor's report itself.
Julie Corden	ISA 700 (Revised), ¹² Paragraph 40	<p>Is this for the audit opinion or just a letter to those charged with governance (TCWG)? would edit as follows:</p> <p>and where applicable, how the threats have been eliminated or actions taken to reduce the threats to an acceptable level; and</p> <p>I find this a bit odd to put in the audit opinion, and would hope this is a rare situation, however, it doesn't read that way to me. the previous wording seemed to imply that it would not apply in all cases.</p> <p>Does this also change the report for any other engagement that must apply these requirements?</p>	Points accepted. See proposed change.
Fiona Campbell		The removal of the where applicable implies that something has to be done in all instances.	

¹¹ ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of the Component Auditor)*

¹² ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

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		<p>The where applicable has been left in, in other similar par.</p> <p>This wording is based from the wording of the paragraph in the prior row. The wording does need to align so if changed based on our comment above, it would need to be changed here.</p> <p>Regardless, I agree that this implies that the auditor will always identify threats that are not an acceptable level. The “where applicable” should be reinstated. I would prefer “when” v. ‘where”.</p>	