

Listed Entity and Public Interest Entity (PIE) – Question 4

Transparency About the Relevant Ethical Requirements for Independence for Certain Entities Applied in Performing Reviews of Financial Statements

4. If the IAASB were to amend ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, do you support using an approach that is consistent with ISA 700 (Revised) as explained in Section 2-C?

4.1. Agree

2. Regulators and Audit Oversight Authorities

03. Botswana Accountancy Oversight Authority (BAOA)

Yes, The Authority supports using an approach that is consistent with ISA 700 where a conditional requirement would apply. This will enable consistency and comparability.

06. Independent Regulatory Board for Auditors – South Africa (IRBA)

Yes. This will ensure consistency in the IAASB's standards.

3. National Auditing Standard Setters

12. Federación Argentina de Consejos Profesionales de Cs. Económicas (FACPCE)

4. We support the use of an approach consistent with ISA 700 (Revised) to amend ISRE 2400, as explained in Section 2-C

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

We agree to use an approach that is consistent with ISA 700 (Revised) to amend ISRE 2400 (Revised) for addressing transparency about the relevant ethical requirements for independence applied for certain entities. If different approaches are used, the disclosure of independence requirements for audit and review engagements would be inconsistent which may create confusion for users of the reports.

16. Malaysian Institute of Accountants - Auditing and Assurance Standards Board (MIA)

Yes, for consistency purposes.

4. Accounting Firms

18. Deloitte LLP

Similar to supporting the conditional requirement in proposed ISA 700 (Revised), we support only requiring disclosure in the auditor's review report when a jurisdiction's relevant ethical requirements require public disclosure of the application of differential independence requirements.

20. Grand Thornton International Limited

We support consistency of disclosures, where possible, between auditor's reports and practitioner's review reports.

23. RSM International Limited

Yes, as set out in our response to Question 3, we support consistency between ISAs and ISRE 2400 and therefore we recommend a similar approach to the revisions.

6. Member Bodies and Other Professional Organizations

25. Botswana Institute of Chartered Accountants

Yes, we support a consistent approach to be followed in ISRE 2400 (Revised) as explained in Section 2-C.

28. Federation of Accounting Professions of Thailand

Yes, it is more logical to adopt the same approach.

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

Yes, the approach to amending ISRE 2400 (Revised) should be consistent with the approach taken with respect to ISA 700 (Revised).

34. Malaysian Institute of Certified Public Accountants (MICPA)

We support using an approach that is consistent with ISA 700 (Revised) i.e. the conditional requirement.

36. Saudi Organization for Chartered and Professional Accountants (SOCPA)

Yes, we believe that the proposed approach (conditional requirement) serves reasonably the purpose of the amendments.

37. The South African Institute of Chartered Accountants (SAICA)

Yes, we support a consistent approach to be followed in ISRE 2400 (Revised) as explained in Section 2-C.

Q4.2. Agree with comments

2. Regulators and Audit Oversight Authorities

05. Financial Reporting Council – UK (FRC)

The FRC would support an approach which is consistent with ISA 700 (Revised) as set out in the Exposure Draft. However, we would draw attention to our comments on the proposed approach to revising ISA 700 (Revised).

3. National Auditing Standard Setters

08. American Institute of Certified Public Accountants (AICPA)

Response 4: As stated in our Response 3, we do not support the IAASB considering an amendment to ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for PIEs. However, if the IAASB decides to amend ISRE 2400 (Revised), an approach that is consistent with ISA 700 (Revised) as explained in Section 2-C would be appropriate.

11. Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)

Part 4A of the IESBA Code applies to both audit and review engagements and therefore the revisions to the IESBA Code regarding public interest entities, including the transparency requirement, also apply to review engagements conducted in accordance with the ISREs, i.e. ISRE 2400 (Revised) – Engagements to Review Historical Financial Statements and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

With respect to ISRE 2400, we consider that in France, the number of cases of review of historical financial statements of public interest entities performed by a practitioner who is not the auditor of the entity's financial statement is very limited and even extremely rare. Consequently, we consider that there is no urgency to revise this standard, which was recently revised. Furthermore, if ISRE 2400 is to be revised, we consider that it should be done at the same time as ISRE 2410 and in a consistent manner.

With respect to ISRE 2410, the standard is outdated. It was not clarified in 2006 and there are some inconsistencies with standards that have been further revised, such as ISA 570 (Going concern). We therefore consider that the priority is to initiate a full revision of the outdated ISRE 2410 before amending the standard to reflect the changes resulting from the revisions of the IESBA code.

The complete revision of ISRE 2410 and the revision of ISRE 2400 resulting from the revisions of IESBA code should therefore be incorporated into the IAASB work plan.

14. Institut der Wirtschaftsprüfer in Deutschland e.V.(IDW)

If the IAASB were to amend ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, we would support using an approach that is consistent with ISA 700 (Revised) as explained in Section 2-C.

15. Japanese Institute of Certified Public Accountants (JICPA)

As stated in our response to 3, we do not consider a revision to ISRE 2400 necessary. However, if the IAASB were to amend ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, we support using an approach that is consistent with ISA 700 (Revised) as explained in Section 2-C.

4. Accounting Firms

21. KPMG IFRG Limited

If the IAASB were to proceed with such amendments to ISRE 2400 (Revised), we agree that these should be made on a consistent basis with those proposed for ISA 700 (Revised), as illustrated at paragraph 33 of the Explanatory Memorandum.

22. PriceWaterhouseCoopers

Yes, we support a requirement equivalent to that proposed for ISA 700 (Revised).

The change necessary to ISRE 2410 should seek to achieve the same outcome, while needing to accommodate the pre-Clarity drafting style.

6. Member Bodies and Other Professional Organizations

26. Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)

Yes, subject to similar concerns as we raised in response to questions 1 and 2. While consistency in approach is important, it is also necessary to consider the need for jurisdictional flexibility in where the independence disclosures may be made, to take a holistic approach and to consider whether additional information added to the review report is actually addressing the stated need for transparency.

27. CPA Australia

Please refer to our response to Question 1 above. If the IAASB proceeds with the proposed amendments to ISA 700, we would suggest consistent amendments to be made to ISRE 2400 (Revised). Given the proposed amendments impact engagement with PIE entities, ISRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, which is widely used by listed companies, should also be updated to be aligned to the changes made to ISA 700.

Please refer to our response to Question 3 above.

30. Institute of Chartered Accountants of Nigeria

Yes, we support the IAASB using an approach that is consistent with ISA 700 (Revised) in making the relevant amendment to ISRE 2400. However, we wish to draw the attention of the Board to comment made in section 2(a) above on the need for the entity to take some responsibility in disclosing if they are PIE in accordance with the definition of the relevant regulations within their jurisdiction.

31. Institute of Chartered Accountants of Scotland (ICAS)

If, however, the IAASB were to amend ISRE 2400 (Revised), we would be supportive of a consistent approach.

32. International Federation of Accountants' Small and Medium Practices Advisory Groups (SMPAG)

However, if despite this, the IAASB did decide to make conforming amendments to ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, the SMPAG would support using an approach that is consistent with ISA 700 (Revised).

In addition, we also suggest consideration of a revision to ISRE 2410 (Revised) using the approach that is consistent with ISA 700 (Revised) as this standard is commonly used for listed entity interim review engagements.

Q4.3. Disagree

3. National Auditing Standard Setters

09. Australian Auditing and Assurance Standards Board (AUASB)

The AUASB believes that consistency across audit and review reports is desirable. As Part 4A of the IESBA Code applies to both audit and review engagements, the revisions to the IESBA Code regarding listed entity and PIE, including the transparency requirement, also apply to review engagements conducted in accordance with the ISREs.

Therefore, the AUASB believes it would be appropriate for the IAASB to consider updates to both ISRE 2400 and ISRE 2410 as part of Track 2 of this project, to address transparency about the relevant ethical requirements for independence applied for certain entities, using an approach consistent with the proposed narrow scope amendments to ISA 700.

The AUASB does not agree with the IAASB's rationale set out in Section 2-C of the Explanatory Memorandum for considering updating ISRE 2400 but not ISRE 2410. In the limited circumstances where a review of a PIE's financial statements is required, we consider such a review will likely be undertaken in accordance with ISRE 2410 rather than ISRE 2400. Therefore, should the IAASB decide to update the review engagement standards in a manner consistent with the approach proposed for ISA 700, we consider it is more relevant and appropriate to update ISRE 2410 in the first instance. However, our preference is for both review standards to be amended.

As both ISRE 2400 and ISRE 2410 are out of date, we believe it would be appropriate for the IAASB to add a project to its workplan to undertake a comprehensive revision of the suite of review standards in order to modernize the standards and ensure the standards reflect all current IAASB standards, as appropriate.

4. Accounting Firms

19. Ernst & Young Global Limited

As explained in our response to Q3, we do not believe amending ISRE 2400 (Revised) is necessary. Should the IAASB determine that amendments to the practitioner's review report are necessary, we believe further consultation is needed on any proposed enhancements because there is not currently a requirement for an affirmative statement about the practitioner's compliance with relevant ethical requirements in the reporting requirements of ISRE 2400 (Revised). Specifically, there is no Basis for Opinion section in a review report and compliance with relevant ethical requirements is currently positioned within the description of the practitioner's responsibilities. Assuming the objective would be for an affirmative statement of compliance by the practitioner, the positioning and wording of such a statement in the review report would need further consideration with input from stakeholders.

6. Member Bodies and Other Professional Organizations

33. Korean Institute of Certified Public Accountants (KICPA)

(KICPA comment) KICPA doesn't agree with the proposed amendment to ISRE 2400 (Revised) for the reason described in our answer to question 1.

Q.4. Neither agree nor disagree

3. National Auditing Standard Setters

10. Canadian Auditing and Assurance Standards Board

We have not considered whether there would be any unintended consequences. We understand that if the IAASB decides to revise ISRE 2400 (Revised), the revisions would be publicly exposed for comment.

Q4.5. No specific comments

1. Monitoring Group

01. International Forum of Independent Audit Regulators (IFIAR)

02. International Organization of Securities Commission (IOSCO)

2. Regulators and Audit Oversight Authorities

04. Committee of European Auditing Oversight Bodies (CEAOB)

07. National Association of State Boards of Accountancy (NASBA)

In furtherance of that objective, NASBA supports the IAASB in this initiative. We have reviewed the Exposure Draft and have no comments to offer.

3. National Auditing Standard Setters

17. New Zealand Auditing and Assurance Standards Board (XRB)

5. Public Sector Organizations

24. Office of the Auditor General of Alberta

We have no comment on questions 3, 4, 5, 6 or 7.

6. Member Bodies and Other Professional Organizations

35. Pan African Federation of Accountants (PAFA)

N/A

38. South African Institute of Professional Accountants

N/A