Basis for Conclusions
Prepared by the Staff of the IAASB
October 2023

International Standards on Auditing

Narrow Scope Amendments to:

- ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; and
- ISA 260 (Revised), *Communication with Those Charged with Governance,*

as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs)

IAASB International Auditing and Assurance Standards Board

About the IAASB

This document has been prepared by the Staff of the International Auditing and Assurance Standards Board. It does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the International Standards on Auditing or other of the IAASB's International Standards.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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 Foundation for Ethics and Audit (IFEA).

For copyright, trademark, and permissions information, please see page 24.

ISA®

IAASB International Auditing and Assurance Standards Board®

BASIS FOR CONCLUSIONS: NARROW SCOPE AMENDMENTS TO ISA 700 (REVISED) AND ISA 260 (REVISED) AS A RESULT OF THE REVISIONS TO THE IESBA CODE THAT REQUIRE A FIRM TO PUBLICLY DISCLOSE WHEN A FIRM HAS APPLIED THE INDEPENDENCE REQUIREMENTS FOR PIEs

CONTENTS

I. Introduction

1. The Staff of the IAASB has prepared this Basis for Conclusions. It relates to, but does not form part of, the narrow scope amendments to ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements,* and ISA 260 (Revised), *Communication with Those Charged with Governance,* as a result of the revisions to the IESBA Code[1] that require a firm to publicly disclose when a firm has applied the independence requirements for Public Interest Entities (PIEs).

2. These narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) were approved by the Board at its June 2023 quarterly meeting with affirmative votes of 17 out of 18 IAASB members.

II. Background

Development of the Project Proposal

3. In December 2021, the IESBA concluded its project on the Definitions of Listed Entity and Public Interest Entity, which included revisions to Part 4A of the IESBA Code and its glossary relating to listed entity and PIEs (the IESBA PIE Revisions).[2] The revisions, which become effective for audits and reviews of financial statements for periods beginning on or after December 15, 2024, include a new transparency requirement for a firm to publicly disclose when it has applied the independence requirements applicable to PIEs (IESBA's transparency requirement).[3]

4. Recognizing the importance of coordination between the two Boards to achieve convergence, to the greatest extent possible, between key concepts in the IAASB's and the IESBA's standards, the two Boards have coordinated extensively on the topic of listed entity and PIE. This has included Staff coordination, the participation of the IAASB and the IESBA correspondent members in the respective Boards' Task Forces, plenary discussions involving representatives of the IAASB and the IESBA at the respective Board's meetings, incorporating specific questions to seek views from stakeholders in the IAASB and the IESBA exposure drafts, joint IAASB-IESBA Consultative Advisory Group (CAG) discussions and joint IAASB-IESBA Jurisdictional/National Standard Setter (NSS) sessions.

5. In March 2022, the IAASB approved a project proposal to undertake a narrow scope project as a result of the IESBA project on the definitions of listed entity and PIE. The following are the project objectives that support the public interest which are being undertaken through two separate Tracks of the project:

   Track 1:

   - Determine whether the auditor's report is an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied for certain entities when performing an audit of financial statements (i.e., to operationalize IESBA's transparency requirement).

---

1 The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

2 See the IESBA's Final Pronouncement: *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*

3 See paragraphs R400.20–R400.21 of the IESBA PIE Revisions.

Track 2:

- Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs[4] and ISAs to maintain their interoperability.
- Establish an objective and guidelines to support the IAASB's judgments regarding specific matters for which differential requirements for certain entities are appropriate.
- Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.

6. Because the revisions to the IESBA Code become effective for audits and reviews of financial statements for periods beginning on or after December 15, 2024, the IAASB recognized the need to be nimble in addressing the narrow scope actions to operationalize IESBA's transparency requirement under Track 1 of the project. Accordingly, these actions have progressed on a faster-moving track with the aim of aligning the effective date of the Track 1 narrow scope amendments to that of the IESBA PIE Revisions.

7. This Basis for Conclusions deals only with the amendments to ISA 700 (Revised) and ISA 260 (Revised) in undertaking Track 1 of the IAASB's narrow scope project on listed entity and PIE.

Exposure Draft

8. At its June 2022 meeting, the IAASB approved the Exposure Draft (ED): *Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for PIEs*. The ED was issued in July 2022, for a 90-day public comment period that closed on October 4, 2022.

9. In total, 38 comment letters were received on the ED from all geographical regions. Comment letters included responses from regulators and audit oversight authorities, national auditing standard setters, accounting firms, public sector organizations, member bodies and other professional organizations. The responses also included comment letters from two Monitoring Group (MG) members.[5]

10. Respondents were asked for feedback on five specific questions and two general questions (translations and effective date). The five specific questions in the ED included a specific question to assist the IESBA with its information gathering and to inform its consideration of whether any further action may be necessary in relation to review engagements[6] (see paragraphs 61-62).

---

4 International Standards on Quality Management

5 The MG comprises the Basel Committee on Banking Supervision (BCBS), the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors (IAIS), the International Forum of Independent Audit Regulators (IFIAR), the International Organization of Securities Commissions (IOSCO) and the World Bank. IFIAR and IOSCO submitted responses to the ED.

6 Paragraph 400.2 of the IESBA Code explains that Part 4A (which includes the transparency requirement in paragraphs R400.20–R400.21) applies to both audit and review engagements unless otherwise stated, and that the terms "audit," "audit team," "audit engagement," "audit client," and "audit report" apply equally to review, review team, review engagement, review client, and review engagement report.

Public Interest Issues Addressed

11. In developing the narrow scope revisions to ISA 700 (Revised) and ISA 260 (Revised), the IAASB considered the qualitative standard-setting characteristics set out in paragraph 31 of the project proposal and those included in the Public Interest Framework (PIF)[7] as criteria to assess the responsiveness of the amendments to the public interest. The box below outlines the qualitative standard-setting characteristics that were at the forefront, or of most relevance, in developing the narrow scope amendments, including why such characteristics are of importance for the proposals in Track 1 of the project.

Qualitative Standard-Setting Characteristics Considered

- *Coherence* – among the overall body of the IAASB's and the IESBA's standards (e.g., by acknowledging and not potentially undermining the revisions to the IESBA Code – either through being inconsistent or through failing to draw appropriate attention to the revised requirements in the IESBA Code when it is appropriate to do so).
- *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments (e.g., by supporting the IESBA's efforts to enhance transparency about the independence requirements applied in performing the audit, given the heightened expectations of stakeholders regarding the independence of the auditor in performing audits of PIEs, and by recognizing situations when the IESBA Code requires an action that also has relevance to the IAASB's standards).
- *Clarity and conciseness,* including overall *understandability* – addresses minimizing the likelihood of differing interpretations when concepts across the IAASB's and the IESBA's standards differ or are misaligned (e.g., by including requirements and application guidance to support that the IAASB's and the IESBA's standards operate in harmony, and without confusion, given that many jurisdictions utilize both).
- *Implementability* and ability of being *consistently applied and globally operable* – focuses on improving transparency when the relevant ethical requirements require public disclosure about the independence requirements applied for certain entities (e.g., by providing a clear mechanism to operationalize the IESBA's transparency requirement through the auditor's report to support the timeliness, accessibility, and consistency of the communication for users considering the variety of circumstances that may occur across jurisdictions).

12. The table below sets out the actions relevant to Track 1 of the project and the project objective that supports the public interest and how they have been addressed by the narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised). It also highlights the qualitative standard-setting characteristics that were at the forefront, or of most relevance, when determining how to address the proposed actions.

[7] See the Monitoring Group report *Strengthening the International Audit and Ethics Standard-Setting System* (pages 22–23 of the PIF's section on "What qualitative characteristics should the standards exhibit?").

<table>
<tr><th>Proposed Actions in the Project Proposal

(Ref. Section VI, paragraph 31)</th><th>Narrow Scope Amendments</th></tr>
<tr><td colspan="2">Project Objective: Determine whether the auditor’s report is an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied for certain entities when performing an audit of financial statements.</td></tr>
<tr><td colspan="2">Qualitative Standard-Setting Characteristics Considered:[8]
Coherence Relevance Clarity and conciseness Implementability</td></tr>
<tr><td>Enhanced transparency in the auditor’s report
Enhance and clarify ISA 700 (Revised) if it is determined that the auditor’s report is an appropriate mechanism to disclose that relevant ethical requirements for independence for certain entities have been applied in the audit of the financial statements, such as the independence requirements for PIEs in the IESBA Code.
In considering how this may be accomplished, the project will give consideration to:
• The appropriate location of the communication in the auditor’s report. For example, such communication may expand upon the required statement in accordance with paragraph 28(c) of ISA 700 (Revised), i.e., that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, as well as identifying the jurisdiction of origin of the relevant ethical requirements or referring to the IESBA Code.
• Whether ISA 700 (Revised) could include a requirement or application material, and whether additional information and illustrations are necessary to explain the additional independence requirements applied and demonstrate how such disclosure would be made.
• Whether any amendments to ISA 260 (Revised) are appropriate to address the auditor’s communication with those charged with governance about the form and content of the auditor’s report.
• Whether the illustrative reports in the other ISAs need to be revised to reflect the changes in ISA 700 (Revised).</td><td>ISA 700 (Revised)
Requirements:
• Amending paragraph 28(c) of ISA 700 (Revised) to operationalize IESBA’s transparency requirement by expanding the auditor’s extant statement about independence if the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities.
Application Material:
• New application material to support the application of the requirement.
• The illustrative auditor’s reports 1 and 2 in the Appendix to ISA 700 (Revised) have been updated to reflect the changes in the requirement.
ISA 260 (Revised)
Requirements:
• New general requirement to enhance transparency with those charged with governance (TCWG) about the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including whether independence requirements specific to audits of financial statements of certain entities are applied.
Application Material:
• New application material to support clarity and implementability of the requirement, by highlighting scenarios that could arise and providing examples from the IESBA Code.</td></tr>
</table>

8 The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, when determining how to address each proposed action.

III. The Auditor's Report as a Mechanism for Public Disclosure

Background

13. In finalizing the revisions to paragraph R400.20 of the IESBA PIE Revisions, the IESBA reaffirmed its earlier view that it is not appropriate to include examples of public disclosure mechanisms to comply with the transparency requirement given that the IAASB had yet to consider, under its own due process, whether the auditor's report is an appropriate mechanism for providing transparency about the independence requirements applied for certain entities. Instead, the IESBA clarified that the public disclosure should be made "*in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders*." The IESBA believed that this refinement represented a more principles-based approach and would assist firms when considering the appropriate disclosure mechanism to comply with the transparency requirement.[9]

14. The ED proposed narrow scope amendments to ISA 700 (Revised) to support operationalizing the IESBA's transparency requirement. The IAASB was of the view that this would enable consistency and comparability in auditor reporting globally when the relevant ethical requirements require transparency about the independence requirements applied for certain entities, such as for audits of financial statements of PIEs in the IESBA Code. In addition, the IAASB noted that there are no other mechanisms in the IAASB Standards that deal with communication to all intended users of audited financial statements.

Summary of Comments Received on Exposure

15. Respondents generally supported that the auditor's report is an appropriate mechanism for providing transparency about the relevant ethical requirements for independence applied for certain entities given that it is:

    - A clear mechanism to operationalize IESBA's transparency requirement.
    - The optimal mechanism for providing the disclosure in terms of timeliness, accessibility, and consistency for intended users of audited financial statements.
    - Preferable to other potential mechanisms (e.g., disclosure on websites or via other channels). Respondents commented that such alternatives are not within the IAASB's remit and expressed views that, even if addressed by jurisdictional regulators or national standard setters, other mechanisms are likely to be subject to significant jurisdictional variation that may not result in a consistent approach or address user needs in terms of accessibility of such information.

16. Although supportive of the auditor's report as a mechanism to provide the transparency disclosure, respondents commented that the revisions to ISA 700 (Revised) should allow for flexibility when jurisdictions have other appropriate public disclosure options at their disposal. In addition, respondents noted that an auditor's report may not be publicly available or may have limited distribution and so cautioned that disclosing in the auditor's report that the relevant ethical requirements applicable to certain entities were applied may not always result in the auditor complying with the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions.

---

[9] See paragraph 142 of the IESBA's *Basis for Conclusions: Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*.

17. Suggestions were provided for the IESBA to clarify as to whether the intention of the requirement in paragraph R400.20 of the IESBA PIE Revisions is to ensure transparency for those users who read the auditor's report, or the transparency requirement is intended to the public at large. Also, suggestions were made for the IESBA to explicitly acknowledge, either directly in the IESBA Code or in its supplemental implementation materials, that the auditor's report is an appropriate mechanism to provide the public disclosure required by paragraph R400.20 of the IESBA PIE Revisions. This was seen as necessary to provide clarity for firms and other stakeholders that IESBA's transparency requirement is sufficiently addressed through disclosing in the auditor's report that the relevant ethical requirements for independence for certain entities were applied.

18. Some respondents also expressed concern regarding the increased complexity and length of the auditor's report from the cumulative changes being considered to the auditor's report through various IAASB projects.[10] In addition, concerns were expressed about the auditor providing original information about the entity in the auditor's report that has not been disclosed previously by management or TCWG. Suggestions were also provided not to provide the transparency disclosure in the Basis for Opinion section of the auditor's report because users may misinterpret the disclosure as indicating that the nature of the audit for a PIE is different and that some auditors are "more independent" than others.

19. Respondents who did not support the auditor's report as an appropriate mechanism, encouraged the IESBA to undertake further research and information gathering as a basis for providing guidance to help clarify the possible mechanisms, other than the auditor's report, that would meet the transparency requirement in the IESBA Code. Suggestions included firms publicly disclosing which audits are audits of PIEs in their own annual reports, a public announcement such as a notice on the audit firm's website, audit firm's transparency report, social media announcements or that no specific mechanisms should be required (i.e., that the appropriate mechanism should be determined by each jurisdiction, based on their own disclosure frameworks and legislative requirements or it should be left to marketplace innovation to address the manner in which the disclosure is provided).

IAASB Decisions

20. Given the broad support from respondents, the IAASB reaffirmed its view that the auditor's report is an appropriate mechanism for publicly disclosing when the auditor has applied the relevant ethical requirements for independence for certain entities, such as those for PIEs in the IESBA Code, and provides a clear mechanism to operationalize the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions.

21. In forming its view, the IAASB considered stakeholders' views that flexibility should be allowed for jurisdictions when other appropriate public disclosure options are available to provide the transparency disclosure. However, the IAASB noted that from the feedback received, practices in jurisdictions to provide the transparency disclosure through other means are not widespread[11] and include different mechanisms (e.g., independence declarations provided to the directors of the audited entity or transparency reports) that will likely impact the consistency and timeliness in which such information is disseminated to users. In addition, the IAASB agreed with respondents' views that there

[10] In addition to its narrow scope maintenance of standards project on listed entity and PIE, the IAASB is also considering changes to enhance transparency in the auditor's report about fraud and going concern in an audit of financial statements.

[11] This was the case in Australia and in the European Union.

are limited other viable mechanisms for providing the transparency disclosure in a timely, accessible, and consistent manner.

22. In finalizing the revisions to paragraph R400.20 of the IESBA PIE Revisions, the IESBA considered how the transparency requirement can be complied with by a firm if the auditor's report is not made available to the public. In this regard, the IESBA considered the option of limiting the disclosure requirement to only those stakeholders who have access to the auditor's report on the basis that it would be of no benefit to those who do not have such access to know if additional independence requirements have been applied. The IESBA appreciated, however, that this may be seen to be concluding on the appropriate means of disclosure before the IAASB has considered the matter. On balance, therefore, the IESBA determined that requiring firms to make the disclosure in "*a manner deemed appropriate*" is sufficient given that the IAASB was yet to consider this matter under its own due process.

23. The IAASB notes respondents' comments who expressed concern that the auditor's report may have limited distribution and the risk that this will result in the auditor not complying with the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions. As part of its ongoing coordination activities with the IESBA on the topic of listed entity and PIE, the IAASB has provided the IESBA a summary of respondents' comments and suggestions in this regard. The IESBA recognized that, following the conclusion of the IAASB's deliberations on whether the auditor's report is an appropriate mechanism to operationalize the transparency requirement, the IESBA will consider the need for any further action on the matter, including whether further guidance or possibly conforming amendments to the IESBA Code would be warranted.[12]

24. The IAASB also deliberated and concluded on the following matters:

- In response to concerns from respondents about length, complexity, and diminished utility of the auditor's report, the IAASB believed that the amendments proposed to ISA 700 (Revised) in the ED do not significantly exacerbate these issues because of the limited extent of the changes proposed to the auditor's report. The IAASB considered that it would not be in the public interest to delay this project to consider the cumulative impact of the changes to the auditor's report from other IAASB projects that are contemplating possible changes to the auditor's report. The IAASB also considered that Track 1 of the project is being progressed on a faster-moving timeline to align with the IESBA's effective date, and respondents broadly supported the proposed effective date (see paragraphs 59-60).
- The IAASB confirmed its view that the Basis for Opinion section of the auditor's report is the most appropriate location to provide the disclosure, as it would expand upon the required statement in accordance with paragraph 28(c) of ISA 700 (Revised), i.e., that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, as well as identifying the jurisdiction of origin of the relevant ethical requirements or referring to the IESBA Code.
- In response to concerns from respondents that providing the disclosure in the auditor's report would result in the auditor providing original information about the entity that has not previously been disclosed by management or by TCWG, the IAASB formed the view that the transparency

[12] See paragraphs 141–143 of the IESBA's *Basis for Conclusions: Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*.

disclosure requires the auditor to provide the information in the context of the audit (i.e., whether the auditor applied the relevant ethical requirements for independence for PIEs) and as such it does not constitute new or original information about the entity itself. In addition, the application material in paragraph A35A of ISA 700 (Revised) draws appropriate attention that the IESBA Code requires public disclosure, unless making such disclosure would result in disclosing confidential future plans of the entity.

IV. Narrow Scope Amendments to ISA 700 (Revised)

Background

25. In the ED, the IAASB proposed amending paragraph 28(c) of ISA 700 (Revised) to include a requirement that applies only when the relevant ethical requirements require public disclosure that differential independence requirements for audits of financial statements of certain entities were applied. If this is the case, then the auditor is required to indicate in the auditor's report that the relevant ethical requirements for independence for those entities were applied.

26. The IAASB supported this approach when proposing the requirement in the ED because:

- It did not impose an obligation on the auditor to disclose in the auditor's report that the relevant ethical requirements for independence for certain entities were applied if the underlying relevant ethical requirements do not require the auditor to do so. This supported a flexible approach that enables jurisdictions that do not adopt the IESBA Code to determine, in establishing their ethical requirements, whether it is appropriate to have a transparency requirement in their ethical requirements, and whether the transparency requirement should specify circumstances when it is not appropriate to provide such disclosure (e.g., when the disclosure would result in revealing confidential future plans of the entity).
- Mandating disclosure in all circumstances could expand the disclosure to circumstances when relevant ethical requirements, including jurisdictional law or regulation, impose independence requirements on certain entities that are not PIEs, or for only one category of PIEs. For example, jurisdictional law or regulation may contain specific independence requirements for financial institutions.
- Describing the independence requirements applied when there are multiple ethical codes, law or regulation applicable in the circumstances, could become complex if the auditor is also required to explain whether differential independence requirements for certain entities contained in the ethical codes, law or regulation were applied.

Summary of Comments Received on Exposure

27. Respondents generally agreed with the revisions to paragraph 28(c) of ISA 700 (Revised) as proposed in the ED. However, some respondents, including the two MG members, expressed their support for an alternative approach, i.e., a requirement that would mandate the transparency disclosure in the auditor's report in all cases, provided that the relevant ethical requirements do not specifically prohibit such disclosure. These respondents believed that in doing so, this would:

- Provide the greatest level of transparency for intended users to understand which independence standards were applied, without needing to seek such information within the body of the financial statements or elsewhere.

- Raise stakeholders' confidence in audits of financial statements performed under the ISAs and clearly communicate the importance of auditor independence to strengthen investor and user confidence.
- Enhance trust in the IAASB and its efforts to achieve the highest standards possible by requiring unconditional adherence to the transparency requirement.

28. There was also support for the neutral wording used in the requirement (i.e., not to use the term "PIE" in the requirement) given the IAASB will explore, as part of Track 2 of the project, whether the PIE definition should be adopted in its standards. However, some respondents questioned that the term "differential" is not a commonly understood term that may cause misunderstanding (also in terms of its translation), as well as that the use of the phrase "certain entities" in the requirement can be inappropriately interpreted to apply to other or broader categories of entities than those intended or be inconsistently applied across jurisdictions.

29. Respondents supported the revisions to the illustrative examples of the auditor's report in the Appendix to ISA 700 (Revised) highlighting that the examples help to understand the objective of the requirement and how to operationalize compliance with it. However, some respondents suggested refinements to the wording proposed in the Basis for Opinion paragraph of the illustrative auditor reports in ISA 700 (Revised), that included:

    - Clarifying that the independence requirements for certain entities relate to the audits of the financial statements of PIEs and not the PIEs themselves.
    - Removing the word "also" when providing the statement in illustration 1 that the auditor has fulfilled their other ethical responsibilities in accordance with the jurisdictional ethical requirements and the IESBA Code. The word "also" was seen as unnecessary and by its removal respondents believed this would align with the other illustrative reports in ISA 700 (Revised) and elsewhere across the ISAs.
    - Clarifying the proposed wording in the illustrative reports as it could imply that there is a separate body of relevant ethical requirements for PIEs versus that there are specific requirements for PIEs included within a larger body of relevant ethical requirements.

30. Respondents also suggested:

    - Clarifying how the application of the transparency disclosure applies to group audit engagements.
    - Providing application material to mitigate against the risk that users may incorrectly identify an entity as a PIE when it is not, as may be the case when the auditor voluntarily applied the differential independence requirements for audits of PIEs in an audit engagement of a non-PIE.
    - Developing guidance and examples for specific matters, and to support the implementation of the narrow scope revisions (e.g., examples that illustrate the application of the proposed revisions to the Basis for Opinion section of the auditor's report).

IAASB Decisions

Approach to the Revisions in ISA 700 (Revised)

31. In determining the revisions to paragraph 28(c) of ISA 700 (Revised), the IAASB deliberated about pursuing an alternative approach than the approach proposed in the ED. This included requiring a statement in the auditor's report that would apply in all circumstances when differential independence requirements for audits of financial statements of certain entities were applied, even if the relevant ethical requirements do not require the auditor to publicly disclose that such differential independence requirements were applied.

32. The IAASB recognized that this alternative approach would achieve operationalizing IESBA's transparency requirement and would promote consistency in the auditor's reports for circumstances when such relevant ethical requirements were applied. However, the IAASB decided against such a requirement given there were practical difficulties and complexities that may arise if such an approach is pursued, as further discussed in paragraph 26 above and as highlighted by respondents to the ED.

33. The IAASB considered the broad support from respondents, across stakeholder groups, for the proposed rationale to amending paragraph 28(c) of ISA 700 (Revised) proposed in the ED, and on balance, confirmed that this approach remains appropriate. The IAASB believes that the approach of linking the applicability of the requirement to the relevant ethical requirements requiring public disclosure is appropriate because it:

    - Mitigates the risk of the requirement being interpreted more broadly than intended (i.e., providing the disclosure for entities that do not reflect significant public interest in the financial condition of such entities and are not considered to be PIEs as discussed in the IESBA Code).
    - Enables greater clarity about the applicability of the requirement (i.e., that it is intended to apply to PIEs), thereby supporting consistent interpretation and implementation across different jurisdictions.
    - Represents an appropriate proportional response for a global standard as it enables jurisdictions to determine, in establishing their ethical requirements, how to best approach the transparency requirement.

Use of the Term "Differential" in the Proposed Revisions

34. In response to concerns from respondents that the term "differential" may cause misunderstanding (including in terms of its translation), the IAASB replaced this term with "specific" to explain the nature of the independence requirements for certain entities applied. The IAASB believed that the term "specific" is more appropriate, given it is a commonly used term across the text of the ISAs.

35. The IAASB also made further refinements to the requirement in paragraph 28(c) of ISA 700 (Revised), to enhance its understandability, such as using more direct language and active voice in the drafting, and to simplify the conditional element of the requirement (i.e., separating the requirement into two sub-paragraphs (i)-(ii) and replacing the phrase "in circumstances when" with "if").

Use of the Phrase "Certain Entities" in the Proposed Revisions

36. The IAASB considered whether the term PIE can be used in the proposed revision to explain the type of entities precisely for which the differential independence requirements apply. However, the IAASB formed

the view that it is necessary to remain neutral given that PIE is a term only used in the application material of the ISAs[13] and if used in the requirement, it would need to be defined. The IAASB decided that, because the adoption of IESBA's definition of PIE in the ISQMs, ISAs and the IAASB Glossary of Terms will only be considered as part of Track 2 of the narrow scope project, for Track 1 of the project, it would be appropriate to provide supporting application material to explain the phrase "certain entities." The supporting application material:

- Refers to the IESBA Code as an example of relevant ethical requirements with additional independence requirements for certain entities (i.e., PIEs); and
- Explains what is meant by "certain entities" (i.e., those specified by the relevant ethical requirements, such as PIEs in the IESBA Code).

37. In addition, the IAASB noted that because relevant jurisdictional ethical requirements may contain differential independence requirements that apply to categories of entities other than PIEs, and that such requirements may require the auditor to publicly disclose when such differential independence requirements have been applied, it is appropriate to refer to "certain entities" in the requirement.

38. The IAASB also considered, but decided against, including the clarifying phrase from the application material (i.e., certain entities "specified in the relevant ethical requirements") into the text of the requirement. Doing so may inadvertently imply that all independence requirements have the same setup as the IESBA Code, when this may not always be the case. Because the ISAs are framework neutral, the IAASB believed that the requirement should accommodate various jurisdictional relevant ethical requirements.

Auditor's Report Prescribed by Law or Regulation

39. The IAASB noted that the proposed revisions to ISA 700 (Revised) only addressed paragraph 28(c) which prescribes requirements for the auditor's report for audits conducted in accordance with ISAs and did not extend to paragraph 50(e) of ISA 700 (Revised) addressing requirements for the auditor's report prescribed by law or regulation.

40. The IAASB believed that paragraph 50(e) of ISA 700 (Revised) should also be updated to be consistent with the proposed revisions to paragraph 28(c) of ISA 700 (Revised), as this is necessary to continue to facilitate that an auditor's report, as contemplated in paragraph 50 of ISA 700 (Revised), can refer to "International Standards on Auditing" and to avoid any discrepancy in terms of the minimum elements of an auditor's report.

Illustrative Auditor's Reports of ISA 700 (Revised)

41. In response to comments from respondents, the IAASB clarified the statement in the Basis for Opinion section to indicate that the relevant ethical requirements for independence relate to the audits of the financial statements of PIEs and not the PIEs themselves.

42. In addition, the IAASB reaffirmed its view that:

- It is appropriate to retain the word "also" in illustration 1 of ISA 700 (Revised) when providing the statement that the auditor fulfilled their other ethical responsibilities in accordance with jurisdictional

---

13 See paragraph A40 of ISA 700 (Revised) and A15 of ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

requirements and the IESBA Code. This was because the drafting for the statement is shown as a separate sentence, and the use of the word "also" reflects the requirement of paragraph 28(c) of ISA 700 (Revised) that refers to both a statement that the auditor is independent of the entity in accordance with the ethical requirements relating to the audit and that the auditor has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

- Given the title of the IESBA Code already indicates that it includes the *International Independence Standards*, it is sufficiently clear that there is not a separate body of relevant ethical requirements for PIEs, but rather implies that these are included (or form part of) the provisions of the IESBA Code.

Application of the Transparency Disclosure to Group Audit Engagements

43. In December 2022, the IESBA approved its proposed revision to the IESBA Code relating to the definition of engagement team and group audits.[14] Among other matters addressed, the IESBA reaffirmed that, as a principle, the independence provisions of the IESBA Code that apply at the group level should also apply throughout the group.[15] Therefore, for group audit purposes, if the group audit client is a:
    - PIE, then the PIE provisions apply also for component auditors involved in the group audit, even though a component may be a non-PIE.
    - Non-PIE, then the PIE provisions do not apply for component auditors involved in the group audit, notwithstanding that a component audit client might be a PIE.

44. In addition, ISA 600 (Revised)[16] requires that the group engagement partner take responsibility for component auditors having been made aware of the relevant ethical requirements that are applicable to the group audit engagement. The group engagement partner is also required to take responsibility for confirming whether the component auditors understand and will comply with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement.

45. Illustration 2 in the Appendix of ISA 700 (Revised) depicts a circumstance relevant to a group audit engagement. When developing revisions to the Basis for Opinion paragraph in this illustration, the IAASB formed the view that it is technically appropriate not to refer to "consolidated" financial statements when referring to the relevant ethical requirements that apply to the audit, as this may inadvertently imply that there are relevant ethical requirements that apply to "audits of consolidated financial statements" of PIEs.

46. The IAASB did not believe further changes to the Opinion section of illustration 2 in the Appendix of ISA 700 (Revised) should be pursued as the wording remains aligned with the other illustrations in the ISAs where ISA 600 (Revised) applies. However, the IAASB believed that it is helpful to provide an example in this Basis for Conclusions (shown in the box below) that illustrates the wording that can be used in the Opinion section of the auditor's report if the auditor decides that users may be confused if the wording here is not aligned with the reference to "financial statements" in the Basis for Opinion paragraph when describing the relevant ethical requirements applied by the auditor. This approach, although different from

[14] See IESBA's Final Pronouncement: *Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*

[15] See paragraphs 113-114 of the IESBA's Basis for Conclusions: *Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*

[16] ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 25.

the illustrations in the ISAs when ISA 600 (Revised) applies,[17] complies with the requirements for the auditor's report in ISA 700 (Revised) (in particular paragraphs 24(b)-(c) and 45 of ISA 700 (Revised)).

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

…

Risk of Misunderstanding the Nature of the Entity

47. In response to comments from respondents, the IAASB included new application material to mitigate the risk that users may inadvertently deduce that the entity is a PIE when it is not, as may be for circumstances when the auditor has determined to voluntarily apply the independence requirements specific to certain entities to another entity and the relevant ethical requirements require public disclosure.

48. In considering the placement of the new application material, the IAASB formed the view that it would be more appropriate to address this matter in the context of the narrow scope amendments being proposed to ISA 260 (Revised), with a link in paragraph A35A of ISA 700 (Revised) to the relevant paragraphs of ISA 260 (Revised). Accordingly, paragraph A29 of ISA 260 (Revised) draws attention to this circumstance and provides guidance that the auditor's actions may include discussing with management or TCWG whether there is any need for additional disclosure to address the risk of misunderstanding.

Other Matters

49. In response to comments from respondents to support the implementation of the proposed revisions to paragraph 28(c) of ISA 700 (Revised), additional examples are provided in the Appendix to this Basis for Conclusions that illustrate different circumstances that may occur in practice in addition to those presented in illustrations 1 and 2 of ISA 700 (Revised).

V. Narrow Scope Amendments to ISA 260 (Revised)

Background

50. The IAASB considered that revisions to ISA 260 (Revised) are also necessary given that communications with TCWG address matters related to independence and the form and content of the auditor's report. Because the communication of matters related to independence is already dealt

[17] See the illustrative auditor's reports in the Appendices of ISA 600 (Revised), ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report* (illustrations 2–4), and ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* (illustrations 6–7).

with in paragraph 17 of ISA 260 (Revised),[18] the ED included new application material in paragraph A29 of ISA 260 (Revised) to correspond with the narrow scope revisions being proposed to ISA 700 (Revised).

51. In addition, in the context of the project objectives relating to Track 2 of the project, the Board discussed in December 2022 the initial results of a case-by-case analysis of existing differential requirements [19] (see IAASB meetings page, Agenda Item 6). As part of the IAASB's deliberations in December 2022 on Track 2 of the project about extending the applicability of the existing differential requirements in the ISQMs and ISAs to apply to PIEs, the IAASB supported bifurcating the requirement in paragraph 17 of ISA 260 (Revised) as follows:[20]

    - A requirement that would apply to audits of financial statements of all entities to communicate with TCWG a statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence. In addition, the IAASB supported that the communication with TCWG should include specificity whether any differential independence requirements specific to audits of certain entities were applied.
    - A requirement that would apply only to PIEs to communicate with TCWG about matters related to independence addressed by subparagraphs 17(a)(i)-(ii) of ISA 260 (Revised), such as relationships that bear on independence.

Summary of Comments Received on Exposure

52. Respondents generally agreed that the proposed application material in paragraph A29 of ISA 260 (Revised) provided an appropriate basis to facilitate increased transparency to TCWG when the auditor applied independence requirements specific to audits of financial statements of certain entities. However, some respondents, including the two MG respondents, believed that the proposed revisions to ISA 260 (Revised) should be strengthened by including an explicit requirement (rather than providing application material) for the auditor to communicate with TCWG the independence requirements applied, mirroring the IAASB's proposals for paragraph 28(c) of ISA 700 (Revised).

53. Respondents also commented that there is inconsistency between the applicability of the requirement in paragraph 17 of ISA 260 (Revised) that applies to audits of listed entities, and the proposed revisions in the application material which provide an example of relevant ethical requirements, such as the independence requirements that apply to audits of financial statements of PIEs in the IESBA Code. Because PIEs may include a wider set of entities than listed entities, respondents encouraged the IAASB to further address the noted inconsistency as part of Track 2 of the project when considering the applicability of the differential requirements for listed entities in the ISQMs and ISAs.

---

18 In the case of listed entities, paragraph 17(a) of ISA 260 (Revised) requires that the auditor communicate with TCWG a statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

19 The differential requirements in the ISQMs and ISAs are designed to apply only to listed entities.

20 See paragraphs 33–34 of Agenda Item 6 presented to the Board in December 2022 and the approved IAASB minutes from December 2022. It is important to note that at the time of issuing of this Basis for Conclusions, the IAASB has not had any further discussions in relation to Track 2 of the project; hence, any decisions by or direction provided by the Board in December 2022 are subject to change.

IAASB Decisions

54. The IAASB agreed with respondents' views that the proposals in the ED should be strengthened by including an explicit requirement to enhance transparency to TCWG about the independence requirements applied, including whether differential independence requirements for certain entities are applied.

55. In determining how this can be accomplished, the IAASB considered whether the requirement in paragraph 17 of ISA 260 (Revised) should be addressed under Track 1 of the narrow scope project, instead of Track 2 as discussed in paragraph 51 above. However, the IAASB noted that it would not be appropriate to address the requirement in Track 2 of the project because any proposals finally agreed by the Board in terms of the scope of existing differential requirements, the proposed revisions to such requirements, as well as other implications,[21] still need to be exposed for public consultation.

56. Given these considerations, the IAASB added a new general requirement in paragraph 16A of ISA 260 (Revised) that applies to audits of all entities to address explicit communication with TCWG about the relevant ethical requirements, including those related to independence, applied for the audit engagement, and whether differential independence requirements specific to audits of certain entities are applied.

57. The IAASB also considered the interrelationship between the new requirement in paragraph 16A of ISA 260 (Revised) that applies to audits of all entities, and the requirement in paragraph 17(a) of extant ISA 260 (Revised) that applies only to listed entities in terms of providing a statement to TCWG that the auditor complied with the relevant ethical requirements regarding independence. The IAASB noted that it is the Board's intent to reconsider the applicability of the requirement in paragraph 17(a) of ISA 260 (Revised), by bifurcating the requirement as explained in paragraph 51 above. In the interim, until such matters are further considered under the IAASB's due process as part of Track 2 of the project, the application material in paragraph A32 of extant ISA 260 (Revised) provides relevant guidance to the auditor that the applicability of the requirements relating to auditor independence that apply in the case of listed entities may also be appropriate in the case of some other entities (e.g., those entities that may be of significant public interest, such as banks, insurance companies, and pension funds or other entities such as charities).

58. The IAASB also decided to expand the application material in paragraph A29 of ISA 260 (Revised) to support clarity and implementability by highlighting the scenarios which could arise within the relevant ethical requirements and linking these to the IESBA Code by way of example. This included providing the application material discussed in paragraphs 47-48 above to address the risk of misunderstanding of the nature of the entity.

VI. Effective Date

59. In their responses, stakeholders recognized the need to align the effective date with the IESBA PIE Revisions and broadly supported the proposals in the ED that the amendments to ISA 700 (Revised) and ISA 260 (Revised) become effective for audits of financial statements for periods beginning on or after December 15, 2024.

60. Given this support, the IAASB determined that the narrow scope amendments to ISA 700 (Revised)

---

21 For example, corresponding changes to align paragraph 40(b) of ISA 700 (Revised) as part of the Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report and the illustrative auditor reports of other affected ISAs.

and ISA 260 (Revised) are effective for audits of financial statements for periods beginning on or after December 15, 2024. This would provide for an implementation period of approximately 15 months after PIOB approval of due process or 18 months after IAASB approval of the final pronouncement. In reaching its view, the IAASB considered that a longer effective date is unnecessary due to the limited nature of the amendments and because it would not be in the public interest to have a prolonged misalignment with the IESBA Code in this regard. The IAASB also believes that this timeframe is adequate to allow jurisdictions sufficient time for translation of the final text of the amendments to the respective ISAs, for national adoption processes to occur, and for practitioners to update templates and associated internal materials.

VII. Revision of ISRE 2400 (Revised)[22]

Background

61. The IESBA's discussions on the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions were primarily focused on audit engagements. As such, the IESBA did not specifically discuss whether the requirement should also apply to reviews of financial statements and the IESBA's exposure draft[23] did not include specific questions regarding the application of the transparency requirement to review engagements.

62. Accordingly, as discussed in paragraph 10 above, to inform the IESBA's further considerations with respect to review engagements, a specific question was included in the ED seeking input from IESBA's respondents as to whether there are any jurisdictions that require the review report to include a statement that the practitioner is independent of the entity in accordance with the relevant ethical requirements relating to the review engagement.

63. The ED also included questions that sought views from respondents about whether a revision to ISRE 2400 (Revised) should be undertaken to address transparency about the relevant ethical requirements for independence applied for certain entities, such as for PIEs in the IESBA Code, and if so, whether respondents support a consistent approach to the revisions in the practitioner's report with the proposals for the auditor's report. The purpose of this information gathering was undertaken to inform the IAASB whether a revision of ISRE 2400 (Revised) should be pursued as part of Track 2 of its narrow scope project on listed entity and PIE.

64. In February 2023, the IESBA discussed respondents' feedback relevant to transparency for review engagements,[24] and deliberated whether the scope of paragraph R400.20 of the IESBA PIE Revisions should be restricted to only audit engagements. Upon deliberation, the IESBA supported maintaining the applicability of the scope of the transparency requirement to both audit and review engagements. The IESBA's rationale included:

    - Ensuring consistency across requirements applicable to audits and review engagements of PIEs, as a relevant public interest argument. It was also noted that the rationale for the transparency requirement to inform stakeholders which independence requirements have been applied is relevant for both audit and review engagements.

---

22 International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

23 See the IESBA's Exposure Draft: *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*

24 See Agenda Item 1-A discussed by the IESBA at its February 2023 meeting and the approved IESBA minutes from February 2023.

- Changing the scope of the transparency requirement to limit it to audit engagements would mean limiting a requirement previously approved by the IESBA. In addition, exempting review engagements from the transparency requirement may be perceived as the IESBA moving backwards from a public interest perspective.
- As jurisdictions are in the process of implementing the IESBA PIE Revisions, further changes could create confusion.
- It may be more appropriate to consider this issue as part of the post-implementation review in the IESBA's next strategy period.

Summary of Comments Received on Exposure

65. There were mixed views from respondents to the ED whether the IAASB should consider a revision of ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities. However, respondents broadly supported that if the IAASB were to amend ISRE 2400 (Revised), a consistent approach should be applied as for the amendments to paragraph 28(c) of ISA 700 (Revised).

66. Generally, there was recognition by respondents that reviews of PIEs' historical financial statements under ISRE 2400 (Revised) are rare in practice, and it is not common among jurisdictions to require a practitioner to state in their report that they are independent of the entity in accordance with the relevant ethical requirements relating to the review engagement.[25] However, respondents noted that given that Part 4A of the IESBA Code applies to both audit and review engagements, a revision of ISRE 2400 (Revised) is necessary to ensure compliance with the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions.

67. Respondents also commented that the IAASB should pursue a revision of ISRE 2410[26] as a priority because it is more likely that an interim review engagement would be performed by the independent auditor for listed entities or PIEs, rather than a review of historical financial statements as required by ISRE 2400 (Revised). However, respondents also recognized that since ISRE 2410 is still in pre-clarity format, any further revisions should be part of a comprehensive revision of the standard considered by the IAASB as part of its future workplan decisions.

68. Although some respondents believed it is important to have a consistent approach across the ISAs and the ISREs to address transparency about the relevant ethical requirements for independence applied for certain entities, others believed that providing the transparency disclosure in the practitioner's report may undermine the decisions taken previously by the IAASB as part of the project to revise the Auditor Reporting Standards[27] in terms of not aligning review and auditor's reports.

---

[25] Among the 30 respondents that responded to Question 5 of the ED that included matters for the IESBA's consideration, only three jurisdictions (Australia, New Zealand, and the United States) were identified as having requirements for a practitioner to state in the practitioner's report that the practitioner is independent of the entity in accordance with the relevant ethical requirements relating to the review engagement.

[26] ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

[27] As part of the project to revise the Auditor Reporting Standards, completed by the IAASB in September 2014, the IAASB determined not to amend the reports for reviews and other assurance engagements to align them with the new elements introduced to the auditor's report. For further information, see the Auditor Reporting project page.

IAASB Decisions

69. In view of the IESBA's decision to maintain the scope of the transparency requirement to apply for both audit and review engagements, the IAASB decided that it is in the public interest to consider a revision of ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, in order to maintain the coherence and interoperability with the requirements in the IESBA Code.

70. The IAASB considered that the revisions to ISRE 2400 (Revised) discussed in paragraph 69 above could be accomplished by either:

- Pursuing the revisions as part of Track 2 of the project, with the benefit that they would become effective sooner, [28] or
- Forming part of a comprehensive project to revise ISRE 2400 (Revised) subject to future workplan decisions, with the benefit that the revisions to the practitioner's report can be considered more holistically, to address matters which go beyond the scope of the narrow scope amendments contemplated by Track 2 of the project.

71. On balance, given there would be a shorter (i.e., possibly two-years) misalignment gap from the time that the IESBA PIE Revisions are effective, the IAASB agreed to revise ISRE 2400 (Revised) as part of Track 2 of the project to address transparency about the relevant ethical requirements for independence applied for certain entities. In forming its view, the IAASB also considered respondents' comments that circumstances would be rare in practice when a review of historical financial statements for a PIE would be undertaken given that such entities are more likely to be subject to audits. [29] The Board also believes that in the interim period, until the revisions become effective, when undertaking a review engagement in accordance with ISRE 2400 (Revised), the practitioner is not precluded from providing the disclosure in the practitioner's review report in a manner consistent with the proposed revisions to paragraph 28(c) of ISA 700 (Revised).

72. The IAASB also considered respondents' comments that it is more likely that an interim review engagement would be performed by the independent auditor for a listed entity or a PIE under ISRE 2410. Given the IAASB's decision not to amend ISRE 2410[30] as part of the scope of the listed entity and PIE project, the Board acknowledged the feedback from respondents that any resulting revisions to ISRE 2410 would have to be part of a broader project to revise that standard. This would be determined as part of the IAASB's future workplan decisions.

[28] The anticipated effective date for the narrow scope amendments contemplated for Track 2 of the project is December 2026.

[29] Through its ongoing engagement with NSS, the IAASB is undertaking further information gathering to understand how frequently a review of historical financial statements in accordance with ISRE 2400 (Revised) is undertaken for PIEs in jurisdictions, including in what circumstances and for which entities a review in accordance with ISRE 2400 (Revised) is required. This information gathering will inform the IAASB actions under Track 2 of the project.

[30] In determining the scope of the actions contemplated by the listed entity and PIE project, the IAASB decided not to amend ISRE 2410 as a result of this project since, consistent with previous decisions of the IAASB, ISRE 2410 is in a pre-clarity format and has not been subject to conforming amendments arising from the IAASB's projects in recent years to avoid giving the impression that this standard is up to date.

Appendix – Illustrative Impact to the Auditor's Report as a Result of the Revisions to ISA 700 (Revised)

Illustrative Circumstances					Should a statement be provided in accordance with paragraph 28(c) of ISA 700 (Revised) that the auditor applied independence requirements specific to audits of financial statements of certain entities?
E.g.	**Relevant ethical requirements that apply**	**Independence requirements specific to audits of certain entities**	**Relevant ethical requirements require public disclosure**	**Type of entity**	
1	The IESBA Code	Yes, there are independence requirements for PIEs	Yes	PIE	Yes We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.
2	The relevant ethical requirements are those of the jurisdiction	Yes, the jurisdictional ethical code has independence requirements for PIEs	Yes	PIE	Yes We are independent of the company in accordance with the ethical requirements that are relevant to audits of the financial statements of public interest entities in *[jurisdiction]*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
3	The relevant ethical requirements are those of the jurisdiction	Yes, the jurisdictional ethical code has independence requirements for PIEs	No	PIE	No – use extant wording We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in *[jurisdiction]*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Illustrative Circumstances					Should a statement be provided in accordance with paragraph 28(c) of ISA 700 (Revised) that the auditor applied independence requirements specific to audits of financial statements of certain entities?
E.g.	**Relevant ethical requirements that apply**	**Independence requirements specific to audits of certain entities**	**Relevant ethical requirements require public disclosure**	**Type of entity**	
4	The IESBA Code and there is jurisdictional law applicable to financial institutions that includes independence requirements for the auditor	Yes The IESBA Code includes independence requirements for PIEs The jurisdictional law only applies to audits of financial institutions	Only the IESBA Code requires public disclosure The jurisdictional law does not require the auditor to publicly disclose that they have applied the law	The entity is a financial institution and qualifies as a PIE	Yes, but only regarding the IESBA Code We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements in *[jurisdiction].* We have also fulfilled out other ethical responsibilities in accordance with these requirements and the IESBA Code.

The structures and processes that support the operations of the IAASB are facilitated by International Foundation for Ethics and Audit™ (IFEA™).

The IAASB, IFEA and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

International Auditing
and Assurance
Standards Board

529 Fifth Avenue, New York, NY 10017
T + 1 (212) 286-9344 **F** +1 (212) 286-9570
www.iaasb.org