

Thomas R. Seidenstein

IAASB Chair  
International Auditing and Assurance Standards  
Board  
529 5th Avenue, 6<sup>th</sup> floor  
10017, New York  
US

Paris, October 4, 2022

Ref: YOL.BNB.CBA. 20220297

**Subject: IAASB ED Proposed Narrow Scope Amendments to: ISA 700 and ISA 260 as 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)**

Dear Sir,

The Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil National de l'Ordre des Experts-Comptables (CNOEC) are pleased to provide you with their comments on the Proposed narrow scope amendments to ISA 700 and ISA 260 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).

The Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil National de l'Ordre des Experts-Comptables (CNOEC) support the revisions to Part 4A of the IESBA Code relating to the independence for audit and review engagements.

We consider that the auditor's report can be one of the appropriate places to publicly disclose that the auditor has applied relevant ethical requirements for independence for certain entities, especially for PIEs, in performing the audit of financial statements. This is what is done in France. As a matter of fact, the European regulation on the audit of PIEs requires that the statutory auditors' state in their audit reports that they are independent according to the European regulation on PIEs (more precisely that they have not provided services which are forbidden by art 5.1 of the European regulation on the audit of PIEs). Therefore, we agree with the proposed ED, under the condition that it keeps providing that the application of the local law - as long as it responds to the same objectives as the ED; i.e: conveying to the Public that the auditor has complied with independence rules applicable to PIEs- allows the auditor to comply with the ISA.



Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

In addition, it must be noted the European regulation also requires PIE audit firms to issue a transparency report which includes

- a list of public-interest entities for which the statutory auditor or the audit firm has carried out statutory audits during the previous financial year;
- a statement concerning the statutory auditor's or the audit firm independence practices, which also confirms that an internal review of independence compliance has been conducted.

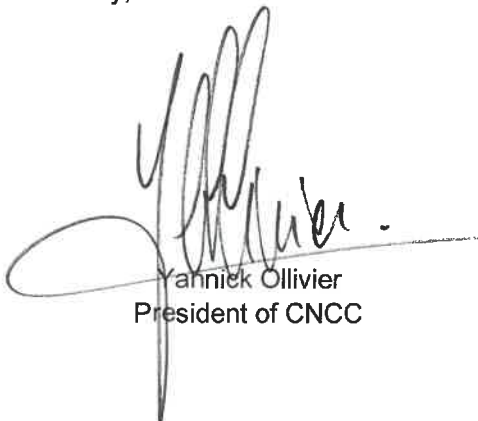
The transparency report is also an appropriate mechanism to publicly disclose the independence requirements applied by the firms.

Given that Part 4A of the IESBA Code applies to both audit and review engagements, the IAASB is also considering whether the ISREs should be revised. While we believe that the ISREs should be revised at the same time and in a consistent manner, we also believe that the priority should be to initiate a full revision of the outdated ISRE 2410 before amending the standard to reflect the changes resulting from the revisions to the IESBA Code.

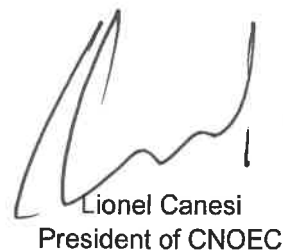
Responses to specific questions raised in the Exposure Draft are set out below.

If you have any questions about our views on these matters, please do not hesitate to contact us.

Yours faithfully,



Yannick Ollivier  
President of CNCC



Lionel Canesi  
President of CNOEC

## Specific Questions

### *Transparency about the relevant ethical requirements for independence for certain entities applied in performing audits of financial statements*

1. Do you agree that the auditor's report is an appropriate mechanism for publicly disclosing when the auditor has applied relevant ethical requirements for independence for certain entities in performing the audit of financial statements, such as the independence requirements for PIEs in the IESBA Code?
2. A) *If you agree*
  - (a) Do you support the IAASB's proposed revisions in the ED to ISA 700 (Revised), in particular the conditional requirement as explained in paragraphs 18-24 of the Explanatory Memorandum?
  - (b) Do you support the IAASB's proposed revisions in the ED to ISA 260 (Revised)?

2. B. *If you do not agree*

What other mechanism(s) should be used for publicly disclosing when a firm has applied the independence requirements for PIEs as required by paragraph R400.20 of the IESBA Code?

Revisions to the IESBA Code introduced an independence transparency requirement for public interest entities (PIEs). Thus, when a firm has applied the independence requirements for public interest entities in performing an audit of the financial statements of an entity, the firm shall publicly disclose that fact in a manner deemed appropriate, considering the timing and accessibility of the information to stakeholders (paragraph R400.20 of IESBA Code).

In the exposure draft, the IAASB is exploring whether the auditor's report would be a suitable location of such disclosure and, if so, how this could be accomplished. The auditor's report is indeed a key mechanism for communication to users about that was performed.

As far as the French statutory audit profession is concerned, the auditors' report already publicly disclose that the auditor has applied relevant ethical requirements for independence for certain entities, such as PIEs, in performing the audit of financial statements. As a matter of fact, the European regulation on the audit of PIEs requires that the statutory auditors' states in their audit reports that they are independent according to the European regulation on PIEs (more precisely that they have not provided services which are forbidden by art 5.1 of the European regulation on the audit of PIEs).

In addition, it must be noted that, the French commercial code (article R.823-21) requires the PIE audit firms to issue a transparency report. Article R.823-21 of the French commercial code, resulting from the transposition in the French law of article 13 of the European Regulation (EU Regulation N° 537/2014 of the European parliament and of the council of the 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) requires that a statutory auditor or an audit firm that carries out statutory audits of public-interest entities makes public an annual transparency report at the latest four months after the end of each financial year. That transparency report must be published on the website of the statutory auditor or the audit firm and must remain on the website for at least five years from the day of its publication on the website. The annual transparency report includes in particular

- a list of public-interest entities for which the statutory auditor or the audit firm has carried out statutory audits during the previous financial year;
- a statement concerning the statutory auditor's or the audit firm independence practices, which also confirms that an internal review of independence compliance has been conducted.

L 6

Article R.823-21 of the French commercial code requires that the statutory auditor inform the French regulator (Haut Conseil au Commissariat aux Comptes "H3C") of the publication of the report and, if applicable of the update of the report.

The Public is therefore appropriately informed.

***Transparency about the relevant ethical requirements for independence for certain entities applied in performing review of financial statements***

3. Should the IAASB consider a revision to ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code?
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?

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.

**Matter for IESBA consideration**

5. To assist the IESBA in its consideration of the need for any further action, please advise whether there is any requirement in your jurisdiction 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.

As in France, the review of interim financial of listed entities is based on ISRE 2410, there is no requirement in our jurisdiction 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.

L Y.

***Request for general comments***

The IAASB is also seeking comments on the following matters:

6. Translations—Recognizing that many respondents may intend to translate the final pronouncement for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing this ED.

We have no specific issue to report

7. Effective Date—Given the need to align the effective date with IESBA, do you support the proposal 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 as explained in paragraph 26?

We support the proposal 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.