

Proposed 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)

ICAS Response

5 October 2022

Introduction

ICAS welcomes the opportunity to comment on the International Auditing and Assurance Standards Board (IAASB)'s 'Proposed 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)

Our CA qualification is internationally recognised and respected. We are a professional body of over 23,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practices, financial services, industry, the investment community and the public sector. Almost two thirds of our working membership work in business, many leading some of the UK's, and the world's, great companies.

Our Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Any enquiries should be addressed to James E Barbour, Director, Policy Leadership:
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General comments

We are supportive of the IAASB's proposals.

Responses to consultation questions

Question 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?

Yes, we 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.

Please answer question 2A or 2B based on your answer to question 1:

Question 2A. 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?

We favour increased transparency in this regard but note the potential complications of an unconditional approach as highlighted in the ED. Therefore, on balance, we are supportive of the proposed conditional requirement approach.

(b) Do you support the IAASB's proposed revisions in the ED to ISA 260 (Revised)?

We are supportive of the IAASB's proposed revisions to ISA 260 (Revised).

2B. 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?

Not applicable.

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?

For the reasons explained in the ED we do not believe that the IAASB should consider such a revision to ISRE 2400 (Revised) at this time.

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? Matter for IESBA Consideration

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

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.

The UK Financial Reporting Council has not adopted ISRE 2400 (Revised).

With respect to ISRE 2410 (UK) (Revised), there is no specific requirement.

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 comments on this matter.

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 are supportive of the proposed effective date.

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