

03 October 2022

International Ethics
Standards Board
For Accountants

Dear Sirs

COMMENTS ON 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 REQUIRED A FIRM TO PUBLICLY DISCLOSE WHEN A FIRM HAS APPLIED THE INDEPENDENCE REQUIREMENTS FOR PUBLIC INTEREST ENTITIES (PIEs)

The Botswana Accountancy Oversight Authority (BAOA) values this opportunity to comment on the Exposure Draft, 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).

The BAOA is responsible for providing oversight to accounting and auditing services and promotion of the standard, quality, and credibility of providing financial and non-financial information by entities, including Public Interest Entities (PIEs). This is attained through standard setting, financial reporting monitoring, audit practice reviews, corporate governance reviews, enforcement of compliance and oversight over Professional Accounting Organisations, and education and training of professional accountants in Botswana.

Please refer to our Appendix to this letter to see our comments on the questions raised in the Exposure Draft.

Kindly e-mail us at dmajinda@baoa.org.bw or phone directly on +267 361 3008, if further clarity is required on any of our comments.

Yours faithfully



Duncan Dankie Majinda
Chief Executive Officer

APPENDIX

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

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 the most 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.

In certain instances, if the auditor's report is in the public domain, for example, where the client publishes the auditor's report or the audited financial statements are published on its website, this would have been publicly disclosed, as other users or the public that would not ordinarily have access to the auditor's report would be able to read it. This may apply to listed entities and any other public interest entities as defined under different jurisdictions.

We caution against creating an impression that disclosing the relevant ethical requirements as applicable to PIEs in the auditor's report will result in the auditor complying with the requirements of the Revised IESBA Code, which requires public disclosure of that fact. It should also be taken into consideration that not all auditor's reports are available to the public. We would require clarification as to whether the intention is to ensure that the users that actually read the auditor's report are the intended targets of the required disclosure, or it is the general public at large that is targeted.

With there being no clarity on whether disclosure in the audit report alone would meet what the IESBA envisioned in paragraph R400.20 of the Revised IESBA Code, we propose that the IAASB makes it clear in the application material of the revisions to ISA 700 (Revised) that "where the auditor's report is not available in the public domain, the practitioner may still need to take appropriate steps to publicly disclose that they have applied the independence requirements for public interest entities as described in the IESBA Code".

Examples of other ways that can be considered to ensure that the transparency requirement reaches many members of the public include the audit firm's website and/or the transparency report, if it is prepared and becomes publicly

available within a reasonable time, taking into account the timing of the issuing of the auditor's report.

Question 2

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

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?

Yes, we are supportive of IAASB's conditional requirement approach to disclosure in the audit report as part of its proposed revisions to ISA 700 (Revised), in particular the conditional requirement as explained in paragraphs 18-24 of the Explanatory Memorandum.

We are also of the view that the requirements should only apply when the relevant ethical requirements require public disclosure, and agree that there may be complexities, if this is not applied conditionally.

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

We also support the proposed revisions in the ED to ISA 260 (Revised) because this will now correspond with the revisions to ISA 700 (Revised).

However, it should be noted that paragraph 17 of extant ISA 260 prescribes requirements for auditor independence in relation to listed entities. We acknowledge that the proposed application material to this paragraph in the proposed paragraph A29 gives the example of relevant ethical requirements, such as the independence requirements that apply to audits of financial statements of PIEs in the IESBA Code.

Question 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?

The IAASB should 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. The same disclosures of whether the practitioner has applied relevant ethical requirements for independence for certain entities in performing the review of historical financial statements should be made in the report that is issued by the practitioner. Other measures of communication should be considered and IAASB should give guidance under application material of such communication measures.

Question 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?

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.

Question 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.

We do not have local laws or regulations that require a practitioner to state in the practitioner's report that they are independent of the entity in accordance with the relevant ethical requirements relating to the review engagement. However, through the national standard setting body, BAOA, the country has adopted the IESBA Code of Ethics for Professional Accountants that place a requirement on ethical compliance.

Request for General Comments:

Question 6

The IAASB is also seeking comments on the following matters:

Translations—Recognising 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.

No potential issues have been noted, however, there is concern that translating a pronouncement may result in the meaning being lost in translation. We suggest that guidelines be issued on these translations to minimise such occurrences.

Question 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?

Given the need to align the effective date with IESBA, 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, as explained in paragraph 26.

