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Mr. Willie Botha
IAASB Technical Director
International Auditing and Assurance Standards Board
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10 January 2020

Exposure Draft: Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code

Dear Mr Botha

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the Exposure Draft, *Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code*, issued by the International Auditing and Assurance Standards Board (IAASB).

We support the revisions made to the International Standards to address inconsistencies between the International Standards at present and the revised IESBA Code and to align extant wording in the International Standards with the IESBA Code. However, we have included suggestions in our letter that we believe would clarify certain of the proposed amendments.

On a go-forward basis, we encourage the IAASB and IESBA to continue to proactively coordinate to maintain alignment between the respective sets of standards and to do so on a timely basis that minimizes periods of misalignment.

Specific questions

Q1. *Whether respondents believe the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's International Standards and the changes made by IESBA in issuing the revised IESBA Code.*

Yes, we believe that the amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's International Standards and the changes made by IESBA in issuing the revised IESBA Code. However, we suggest clarifying edits as follows:

- ▶ We believe that aligning the Category 2 amendments on how to address threats to compliance with the fundamental principles to the IESBA Code more closely to the wording used in R120.10 of the revised IESBA code would provide clarity on the objectives that safeguards are expected to achieve under the revised Code. We propose the following clarifying revision across the Category 2 amendments, as applicable: "... by applying safeguards to reduce the threats to an acceptable level"



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- ▶ ISA 220 paragraph 11 requires the engagement partner to form a conclusion on the compliance with independence requirements that apply to the audit engagement and sets out the actions that the engagement partner should take when doing so. We believe that it is currently not clear in proposed paragraph 11(d) that appropriate action is only required for threats that have been assessed as not being at the acceptable level in accordance with proposed paragraph 11(c). We propose the following clarifying amendment: “Take appropriate action to address the threats that are not at an acceptable level by eliminating the circumstances that create the threats, applying safeguards, or withdrawing from the engagement....”
- ▶ For audits of listed entities, a statement is required to be included in the auditor’s responsibilities section of the auditor’s report in accordance with paragraph 40 of ISA 700 regarding the auditor’s obligation to communicate with those charged with governance about independence matters. We believe that the amendment proposed to this statement should be better aligned with the proposed amendment to the communication requirement in paragraph 17 of ISA 260. We suggest revising as follows: “... and, where applicable, ~~how actions taken to eliminate threats have been eliminated~~ or safeguards applied”. Conforming changes should also be made to the illustrative auditor’s reports, as applicable.

Q2. *Whether respondents believe that the proposed effective date of approximately 90 days after the approval of the due process by the Public Interest Oversight Board is appropriate.*

We believe that an effective date of 90 days after the approval by the Public Interest Oversight Board would provide a sufficient period to support effective implementation. We do not believe a shorter period between the approval process by the Public Interest Oversight Board and the effective date is practicable. However, earlier application should be permitted.

We would be pleased to discuss our comments with members of the IAASB or its staff. If you wish to do so, please contact Kurt Hohl, Global Deputy Vice Chair, Professional Practice (Kurt.Hohl@eyg.ey.com).

Yours sincerely,

Ernst + Young Global Limited