

4 October 2022

Willie Botha — Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017

Dear Mr. Botha:

**IAASB Exposure Draft – 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)**

Deloitte Touche Tohmatsu Limited (DTTL) is pleased to have the opportunity to provide comments on the above referenced exposure draft (“the Exposure Draft”) issued by the International Auditing and Assurance Standards Board (IAASB).

DTTL supports the IAASB’s commitment to address the changes that the International Ethics Standards Board for Accountants (IESBA) made to its standards in December 2021. It is critical for the standards of both boards to be aligned to avoid confusion by practitioners and misapplication of professional requirements. We applaud the IAASB for its early engagement with IESBA and the timeliness with which this Exposure Draft was issued. Below we have provided our responses to the specific questions posed in the Exposure Draft.

**IAASB’s Request for Specific Comments in the Exposure Draft:**

**Question 1:** Do you agree that 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, such as the independence requirements for PIEs in the IESBA Code?

The new IESBA changes require the auditor to “publicly disclose whether the PIE independence requirements have been applied in performing the audit, in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders.” Given the limited options available for public disclosure of this information, we do not object to using the auditor’s report as the mechanism for such disclosure.

**Question 2A:** 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? Do you support the IAASB’s proposed revisions in the ED to ISA 260 (Revised)?

We support the conditional requirement proposed in ISA 700 (Revised). We believe that it is critical that the additional disclosure in the report should only be required “in circumstances when the relevant ethical requirements require the auditor to publicly disclose that differential requirements that are applicable to audits of financial statements of certain entities were applied.” Different jurisdictions adopt and apply the International Code of Ethics for Independent Accountants (“IESBA Code”) in varying ways, and it would not be appropriate for the standards of the IAASB to override the application of relevant ethical requirements if a specific jurisdiction does not require public disclosure of differential independence requirements.

In addition to the conditionality of the requirement, we believe that the IAASB's standards should accommodate situations in jurisdictions where relevant ethical requirements do require public disclosure, but where alternative options are in place for operationalizing the IESBA requirement.

We would also like to note that we support the inclusion of revisions to the Illustrative Examples of the auditor's report which are included in the Appendix to ISA 700 (Revised). Providing an example of how auditors can revise wording in the auditor's report increases understanding of both the objective of the requirement and how to operationalize compliance with it.

**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?

We believe the IAASB should revise ISRE 2400 (Revised) similar to ISA 700 (Revised). Because Part 4A of the IESBA Code applies to both audit and review engagements, it would make the most sense for the reporting requirements in the IAASB's standards to be consistent across audits and reviews of financial statements.

**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?

Similar to supporting the conditional requirement in proposed ISA 700 (Revised), we support only requiring disclosure in the auditor's review report when a jurisdiction's relevant ethical requirements require public disclosure of the application of differential independence requirements.

**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.

Our global methodology for review engagements is based on the IAASB standards and therefore does not require a practitioner to specifically state in their review report that they are "independent of the entity in accordance with the relevant ethical requirements relating to the review engagement."

We understand that IESBA's deliberations regarding their transparency requirement was focused on audit engagements and not review engagements. However, if based on input received to this Exposure Draft, the IAASB determines it is appropriate to have consistency in reporting requirements between audits and reviews of financial statement (i.e., update ISRE 2400), we recommend that IESBA consider what further action may be appropriate to reflect transparency requirements in its standards, beyond audits to reviews as well.

**Question 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 Exposure Draft.

No translation issues noted.

**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?

We support the proposed effective date.

DTTL appreciates the opportunity to provide perspectives on the Exposure Draft and would be pleased to discuss this letter with you or your staff at your convenience. If you have any questions, please contact me via email (jkottkamp@deloitte.com) or at +1 212-436-4401.

Very truly yours,



**Jeff Kottkamp**

Global Audit & Assurance Quality Leader  
Deloitte Touche Tohmatsu Limited

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