



The Chairman  
The International Auditing and Assurance Standards Board

05 October 2022

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

## **PREFACE**

The Pan-African Federation of Accountants (“PAFA”, “we” and “our”), welcomes the International Auditing and Assurance Standards Board’s (IAASB) publication of 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) (ED)*, and the opportunity to comment thereon.

PAFA represents Africa’s professional accountants, and our objective is to accelerate the development and strengthen the voice of the accountancy profession within the continent and worldwide. In its unique regional capacity to work with Professional Accountancy Organisations and present a unified position for the profession, PAFA hereby presents its responses to the Exposure Draft.

## **Specific Comments**

### **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?

*Yes, we agree. The auditor's report is an appropriate mechanism for declaring the auditor independence. The user of the financial statements relies on the audit report to determine the extent to which they can rely on the information that has been published in them. The inclusion of the auditor's express statement on applying the ethical considerations for independence will enhance the level of assurance placed on the AFS*

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 in support of the conditional requirement so as not to extend the independence declaration to non-PIEs.*

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

*Yes, we agree with the proposed revision to require that the auditor's statement to those charged with governance to reflect the independence requirements applied on the basis that those charged with governance are the ultimate decision makers and thus should have a full understanding of the auditors independence.*

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*

### **Transparency About the Relevant Ethical Requirements for Independence for Certain Entities Applied in Performing Reviews 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?

*ISRE is not normally applied to PIEs (PIEs are subject to ISAs) therefore it is not deemed to be applicable. This is also in line with our response to question 2A (a) that there should be a conditional requirement for public disclosure of the application of differential independence requirements for audits of financial statements of certain entities.*

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**?

N/A

*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.

*We are not aware of specific jurisdictions that have this requirement.*

**General Comments**

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 are not aware of any translation issues.*

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?

*It is our view that the proposed amendments are fairly minimal and to that extent, we consider alignment with the IESBA effective date preferable – there should be no complexity/difficulty to apply that requires a longer effective date.*