



IAASB CONSULTATION ON PROPOSED NARROW SCOPE AMENDMENTS TO ISA 700 (REVISED) AND ISA 260 (REVISED)

Issued 4 October 2022

ICAEW welcomes the opportunity to comment on the 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) published by the IAASB on 6 July 2022, a copy of which is available from this [link](#).

For questions on this response, please contact the ICAEW Audit and Assurance Faculty at tdaf@icaew.com quoting REP 83/22.

This response of 4 October 2022 has been prepared by the ICAEW Audit and Assurance Faculty. Recognised internationally as a leading authority and source of expertise on audit and assurance issues, the faculty is responsible for audit and assurance submissions on behalf of ICAEW. The faculty has around 7,500 members drawn from practising firms and organisations of all sizes in the private and public sectors.

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Key points

OVERALL OBSERVATIONS

1. We are supportive of the proposed narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) to reflect revisions to the IESBA International Code of Ethics for Professional Accountants (the IESBA Code) which require firms to publicly disclose when they have applied the independence requirements for Public Interest Entities (PIEs). We agree that the revisions are necessary for ensuring that IAASB standards operate in harmony, and are not inconsistent, with the IESBA Code.

ISRE 2400 (REVISED) AND ISRE 2410 (REVISED)

2. The revisions to the IESBA Code include a requirement for firms to publicly disclose when the independence requirements for Public Interest Entities (PIEs) have been applied. We therefore believe the IAASB should also consider a revision to ISRE 2400 (Revised), as well as ISRE 2410 (Revised) so that these standards align with the IESBA Code.

ANSWERS TO SPECIFIC 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?

3. 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. As the consultation notes, the UK already includes requirements in ISA (UK) 700 (Revised) in relation to this (Paragraph 28(c)).

Question 2A (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?

4. Yes, we support the proposed revisions to ISA 700 (Revised).
5. We believe this should be a conditional requirement to address different jurisdictional requirements that might be in place, including situations where jurisdictions might not apply the IESBA Code.

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

6. Yes, we support the proposed revisions to ISA 260 (Revised) to bring them in line with revisions to ISA 700 (Revised).

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?

7. Yes, we believe the IAASB should consider a revision to ISRE 2400 (Revised) so that it aligns with the revisions to the IESBA Code. This includes the requirement for firms to publicly disclose when the independence requirements related to PIEs have been applied for review engagements.
8. In addition, IAASB should also consider a revision to ISRE 2410 (Revised) given that this standard is commonly applied to listed entity interim review engagements.

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?

9. Yes, the approach to amending ISRE 2400 (Revised) should be consistent with the approach taken with respect to ISA 700 (Revised).

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.

10. ISRE 2400 (Revised) has not been adopted by the Financial Reporting Council in the UK.
11. Under ISRE (UK) 2410 (Revised) there is no specific requirement for firms to publicly disclose when they have applied the independence requirements for Public Interest Entities (PIEs) for interim review engagements.

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 ED.

12. No comment.

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?

13. Yes, we support a proposed effective date for audits of periods beginning on or after 15 December 2024, thereby ensuring a consistent approach with the effective date for the changes to the IESBA Code.