



For the attention of Mr. Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
529 Fifth Avenue, 6th Floor  
New York, New York, 10017  
USA

[Submitted via IAASB website]

28 September 2022

Dear Mr. Botha,

**IAASB 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)**

We<sup>1</sup> appreciate the opportunity to comment on the IAASB's Exposure Draft (ED) of proposed narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised). Achieving timely and effective collaboration between the IESBA and IAASB on projects of mutual interest to maintain the interoperability of the IESBA Code and IAASB Standards is important.

*ISA 700 (Revised)*

We support the IAASB's proposal to use the auditor's report as an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied when performing an audit of financial statements, which fulfils the requirement of the IESBA Code for a firm to publicly disclose when independence requirements for public interest entities have been applied in the audit.

Recognising that not all jurisdictions directly adopt the IESBA Code, we support the proposed conditional requirement to only require disclosure within the auditor's report that differential independence requirements have been applied for certain entities when the applicable relevant ethical requirements require such disclosure.

We agree with the IAASB's rationale that this enables jurisdictions that do not adopt the IESBA Code to determine, in establishing their ethical requirements, whether it is appropriate to have a transparency requirement in their ethical requirements, in what circumstances, and how to reflect any relevant law or regulation in such disclosure. As a practical matter, as a Forum of Firms member, we comply with the provisions of the IESBA Code and therefore our auditor's reports will include, when applicable, the statement required by proposed ISA 700 paragraph 28(c).

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<sup>1</sup> This response is being filed on behalf of the network of member firms of PricewaterhouseCoopers International Limited and references to "PwC", "we" and "our" refer to the PwC network of member firms.

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*ISA 260 (Revised)*

We support the proposed amendment to ISA 260 (Revised).

*Effective date*

Given the limited nature of these changes, we support the proposed effective date, which ensures alignment with the effective date of the related revisions to the IESBA Code.

*ISRE 2400 (Revised) and ISRE 2410*

As Part 4A of the IESBA Code applies to review engagements, unless the IESBA issues a clarification of the disclosure requirement such that it applies only to audits of financial statements, we believe the IAASB has an obligation to amend ISRE 2400 (Revised). While we agree that reviews of financial statements of entities for which differential independence requirements exist may be rare, we do not believe that is just reason to exclude a similar conditional requirement. Making the change will ensure compliance, when applicable, with the IESBA Code. There are no obvious adverse consequences of proposing such a revision.

With respect to ISRE 2410, it is far more likely that differential independence requirements will be applicable for interim reviews of listed entities and other PIEs. Therefore, similar to ISRE 2400 (Revised), absent a clarification from IESBA that they did not intend the disclosure requirement to apply to interim reviews, we believe it is necessary to also amend ISRE 2410 to avoid the risk of non-compliance with the Code. This change is of a different nature to other changes for which the IAASB took the decision not to update ISRE 2410. While we understand the IAASB's reasoning, in this particular instance we do not believe the same rationale for not taking action can be justified. Making the change will also maintain consistency between interim review and annual audit reports for listed entities and other PIEs in such circumstances.

We hope our observations in this letter and the accompanying appendix, in which we respond to the request for specific comments, provide useful input in finalising the proposed changes. We would be happy to discuss our views further with you.

If you have any questions regarding this letter, please contact Diana Hillier, at [diana.hillier@pwc.com](mailto:diana.hillier@pwc.com), or me, at [james.chalmers@pwc.com](mailto:james.chalmers@pwc.com).

Yours sincerely,

A handwritten signature in black ink that reads 'James Chalmers'.

James Chalmers  
Global Assurance Leader

## **Appendix 1 - Responses to specific questions**

### ***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.

**2A. Do you:**

- (a) 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 agree with the IAASB's rationale for a conditional requirement as this enables jurisdictions that do not adopt the IESBA Code to determine, in establishing their ethical requirements, whether it is appropriate to have a transparency requirement in their ethical requirements and in what circumstances. In addition, given there can often be multiple requirements, laws or regulations that are applicable to the circumstances of an audit in a jurisdiction, this enables jurisdictional authorities to explain how best to reflect all relevant jurisdictional requirements in such disclosure.

As a practical matter, as a Forum of Firms member, we comply with the provisions of the IESBA Code and therefore our auditor's reports will include, when applicable, the statement required by proposed ISA 700 paragraph 28(c).

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

Yes.

### ***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?**

Yes. While we agree that reviews of financial statements of entities for which differential independence requirements exist may be rare, we do not believe that is just reason to exclude a similar conditional requirement. Part 4A of the IESBA Code applies to review engagements. Therefore, unless the IESBA issues a clarification of the disclosure requirement such that it applies only to audits of financial statements, we believe the IAASB has an obligation to amend ISRE 2400 (Revised).

Making the change will ensure compliance, when applicable, with the IESBA Code. There are no obvious adverse consequences of proposing such a revision.

In addition, with respect to ISRE 2410, it is far more likely that differential independence requirements will be applicable for interim reviews of listed entities and other PIEs. Therefore, similar to ISRE 2400 (Revised), absent a clarification from IESBA that they did not intend the disclosure requirement to apply to interim reviews, we believe it is necessary to also amend ISRE 2410 to avoid the risk of non-compliance with the Code. This change is of a different nature to other changes for which the IAASB took the decision not to update ISRE 2410. While we understand the IAASB's reasoning, in this particular instance we do not believe the same rationale for not taking action can be justified. Making the change will also maintain consistency between interim review and annual audit reports for listed entities and other PIEs in such circumstances.

- 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, we support a requirement equivalent to that proposed for ISA 700 (Revised).

The change necessary to ISRE 2410 should seek to achieve the same outcome, while needing to accommodate the pre-Clarity drafting style.

- 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.**

No specific comment. Jurisdictional standard setters and professional bodies will provide relevant information on individual jurisdictional requirements.

#### **Request for 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.**

No comment.

- 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?**

Yes.