

October 4, 2022

International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 5th Avenue, 6th Floor  
New York, NY 10017, USA

**Comments on**  
**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)*”**

The Japanese Institute of Certified Public Accountants (JICPA) is grateful for the opportunity to comment on 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).

The attached are our comments on “Request for Comments.”

We hope that our views will be of assistance to the IAASB.

Sincerely yours,

Hidehiko Yuki  
Executive Board Member - Auditing Standards  
The Japanese Institute of Certified Public Accountants

## Request for 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?

*Please answer question 2A or 2B based on your answer to question 1:*

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?

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

- 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?

#### Comments:

Response to 1:

We agree.

Response to 2A(a):

We support the proposed revisions in the ED to ISA 700 (Revised), including the conditional requirement.

During our discussion about ED, the appendix to the Explanatory Memorandum, "Illustrative Impact on Auditor's Reports as a Result of the Proposed Revisions to ISA 700 (Revised)," served well to help readers understand the content of the ED and its impact on our jurisdiction. We believe the table in the appendix is useful in understanding the revised standards and therefore should continue to be available after the standards are finalized, either as an appendix to the revised standard or in the Basis for Conclusions. In doing so, we believe it would be useful to clarify how the examples in the appendix to the Explanatory Memorandum correspond to illustrations of auditor's reports in the Appendix to ISA 700 (Revised).

Response to 2A(b):

We support the proposed revisions in the ED to ISA 260 (Revised).

Response to 2B:

Not applicable because we agree with 1.

**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?
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**?

**Comments:**

Response to 3:

We do not consider a revision to ISRE 2400 (Revised) necessary.

As stated in paragraph 32 of the Explanatory Memorandum, there may be very limited circumstances when review engagements for a PIE are performed in accordance with ISRE 2400 (Revised). In addition, we believe that the inclusion of only this revision in ISRE 2400 (Revised) would lack balance, as it does not reflect revisions made as part of the auditor reporting project.

We believe that Part 4A of the IESBA Code needs to be revised. Part 4A of the IESBA Code applies to both audit and review engagements. Therefore, stakeholders may be misled to believe that entire revisions to Part 4A of the IESBA Code relating to listed entity and PIE, including the transparency requirement, would also apply to review engagements undertaken in accordance with the ISREs. To avoid such misunderstanding, revisions to Part 4A should explicitly state that the transparency requirement (in paragraphs R400.20 – R400.21 of IESBA Code) does not apply to review engagements.

Response to 4:

As stated in our response to 3, we do not consider a revision to ISRE 2400 necessary. However, if the IAASB were to amend ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, we support using an approach that is consistent with ISA 700 (Revised) as explained in Section 2-C.

*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.

**Comments:**

Response to 5:

There is no requirement in our national standard equivalent to ISRE 2400 (Revised) 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.

However, in illustrations of practitioner reports included in the appendix to our national standard:

- As required by laws and regulations (Certified Public Accountants Act of Japan), “Other Matter” section includes a statement that the practitioner has no interest in the entity which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.
- “Practitioner’s Responsibilities” section starts with a statement: “Our responsibility is to express a conclusion on the financial statements from an independent standpoint.” The underlined part is added to the wordings in illustrative reports included in the appendix to ISRE 2400. Regarding the reference to relevant ethical requirements, our national standard requires the practitioner’s report to contain a reference to the practitioner’s obligation under the standard to comply with relevant ethical requirement which is similar to the requirement in ISRE 2400.

In Japan, we have a quarterly review system of financial statements for listed companies, etc., where a review is performed by an independent auditor. In quarterly reviews, a quarterly review report by the independent auditor is required to state that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the review engagements (which is similar to the requirement in the current ISA 700 (Revised)), and that the auditor has no interest in the entity which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Request for General Comments**

The IAASB is also seeking comments on the following matters:

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.
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?

Comments:

Response to 6:

We do not recognize any matters that may have potential translation issues.

Response to 7:

We support the proposal to align the effective date with IESBA.