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Tom Seidenstein
Chairman
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York NY 10017
United States of America

4 October 2022

Dear Mr Seidenstein,

Exposure Draft: Proposed Narrow Scope Amendments to ISA 700 and ISA 260

RSM International Limited, a worldwide network of independent audit, tax and consulting firms, appreciates the opportunity to comment on the IAASB's Exposure Draft: Proposed Narrow Scope Amendments to ISA 700 and ISA 260.

We support the proposed revisions to both ISA 700 and ISA 260. In addition, we support the consideration of whether similar revisions should be proposed to ISRE 2400 to promote consistency of approach and reduce the possibility of confusion for the practitioner. We also suggest that a similar amendment is made to ISRE 2410 so that both ISREs are consistent.

Responses to the specific questions posed in the Exposure Draft are attached. We would be pleased to discuss our views further with you. If you have any questions regarding our comments, please contact Steve Whitcher (steve.whitcher@rsm.global) or me at (marion.hannon@rsm.global).

Yours sincerely,



Marion Hannon
Global Leader, Quality & Risk

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 that the auditor's report is an appropriate mechanism for this disclosure. However, we note that, in some jurisdictions, local statutory requirements may already require separate disclosures concerning independence. For example, in Australia, the *Corporations Act 2001* already requires auditors to issue a separate independence declaration when issuing an audit report. The revisions to ISA 700 should take this into account and, to the maximum extent possible, avoid any duplication of information by allowing referencing to any other independence statements made by the auditor.

Additionally, we note that in certain jurisdictions there will be entities that may meet the definition of a PIE because, for example, their main function is to take deposits from the public, e.g. banks or credit unions, or provide insurance to the public. However, they may not be public entities and may not have public reporting requirements. In these instances, there is no requirement for the entity to make their financial statements publicly available.

We believe the intent of the transparency of the independence information is achieved by providing this information in the auditor's report so that users of the financial information will be provided with the information about the auditor's independence as intended. However, based on the exact working of the IESBA Code, this would not be sufficient if the auditor's report is not publicly available. We encourage the IAASB to work with IESBA to either update the Code or provide guidance clarifying that the requirement to report auditor independence does not extend beyond the entity's legal requirements for distribution of its financial information.

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)?*

Yes, we support the conditional requirement in the ED to ISA 700 and the proposed revisions to ISA 260.

- 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?*

Yes, we believe that the IAASB should consider a similar revision to ISRE 2400. In our view, consistency between the ISAs and ISRE 2400 is important for the user because differences between

these standards may lead to confusion. However, we also believe that consistency of independence requirements between ISRE 2400 and ISRE 2410 is beneficial both to users and to assurance practitioners and we therefore suggest a similar amendment to ISRE 2410, although we recognise that it is in a pre-clarity format and therefore the amendment could be combined with a full review of this standard.

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, as set out in our response to Question 3, we support consistency between ISAs and ISRE 2400 and therefore we recommend a similar approach to the revisions.

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.*

Practice varies across our network in this regard. As noted in our response to Question 1, some jurisdictions require a separate independence report for review engagements.

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.*

We do not see any significant issues with translation of the final pronouncement.

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, we agree that the effective date should be aligned with the changes to the IESBA code. This will aid consistency and avoid confusion.