



Our Ref.: C/AASC

Sent electronically through the IAASB Website ([www.iaasb.org](http://www.iaasb.org))

23 September 2022

International Auditing and Assurance Standards Board  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, NY 10017  
USA

Dear Sirs,

***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 International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) that Require a Firm to Publicly Disclose when a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs)***

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory body in Hong Kong that sets auditing and assurance standards, ethical standards and financial reporting standards. We welcome the opportunity to provide our comments on the captioned IAASB Exposure Draft (ED).

We appreciate your time and effort in coordinating with the IESBA which is integral to ensuring interoperability of the International Standards on Auditing (ISAs) with the IESBA Code and enhancing consistency and comparability in auditor reporting globally when the relevant ethical requirements include transparency requirements about the independence requirements applied for certain entities specified in the relevant ethical requirement.

Overall, we agree with the proposed narrow scope amendments in this ED and the proposed effective date. We believe they would be effective to support the operationalization of the revisions to the IESBA Code that require a firm to publicly disclose when it has applied the independence requirements for PIEs. In addition, the proposed amendments should enhance communication between the practitioners and stakeholders in a transparent manner and stakeholders' confidence in the audits and the audited financial statements.

Our responses to the specific questions raised in the ED are set out in the Appendix for your consideration. If you have any questions regarding the matters raised above, please contact Selene Ho, Deputy Director of the Standard Setting Department ([selene@hkicpa.org.hk](mailto:selene@hkicpa.org.hk)).

Yours faithfully,

**Jonathan Ng**  
*Deputy Chief Executive*



### Section 3 – Request for Comments

#### **Question 1**

*Do you agree that the auditor's report is an appropriate mechanism for publicly disclosing when the auditor has applied relevant ethical requirement for independence for certain entities in performing the audit of financial statements, such as the independence requirements for PIEs in the IESBA Code?*

We agree that the auditor's report is an appropriate mechanism in this regard, given that the auditor's report is accessible to the users of the audited financial statements and is used to communicate to them about the audit that was performed, including the relevant ethical requirements.

#### **Question 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)?*

We support the proposed revisions in this ED to ISA 700 (Revised) and ISA 260 (Revised). The proposed conditional requirement applies only when the relevant ethical requirements require public disclosure that differential independence requirements for audits of financial statements of certain entities were applied. We agree that such conditional requirement approach would be more appropriate where the auditor is obliged to disclose in the auditor's report under the relevant ethical requirements for independence e.g. for PIEs under IESBA Independence Standards. Mandatory disclosure in all circumstances would impose obligation to the auditor to publicly disclose such differential independence requirements in the auditor's report even for some entities where the underlying ethical requirements do not require the auditor to do so.

#### **Question 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.



**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?*

We consider that ISRE 2400 (Revised) should be revised in this regard as the IESBA's new transparency requirement sits in Part 4A of the IESBA Code which applies to both audit and review engagements. Revision to ISRE 2400 (Revised) to address the transparency requirement would enable compliance with the IESBA Code. We are of the view that the revision to ISRE 2400 (Revised) for the transparency requirement is a specific and narrow scope and it should not lead to any unintended consequences.

**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?*

We agree to use an approach that is consistent with ISA 700 (Revised) to amend ISRE 2400 (Revised) for addressing transparency about the relevant ethical requirements for independence applied for certain entities. If different approaches are used, the disclosure of independence requirements for audit and review engagements would be inconsistent which may create confusion for users of the reports.

**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.*

We converge ISAs and the IESBA Code for local adoption. We do not have local laws or regulations that require a practitioner to state in the practitioner's report that he/she is independent of the entity in accordance with the relevant ethical requirements relating to the review engagement.

*The IAASB is also seeking comments on the following matters:*

**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.*

We do not have any comments on this matter.



**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?*

Given the narrow scope amendments proposed in this ED aims to support the operationalization of the revisions to the IESBA Code, we support the effective date for the amendments to be set to align the effective date with IESBA, i.e. effective for audits of financial statements for periods beginning on or after December 15, 2024.

- End -