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Mr. Willie Botha  
IAASB Technical Director  
International Auditing and Assurance Standards Board  
529 Fifth Avenue, 6<sup>th</sup> floor

## **Proposed Narrow Scope Amendments to ISA 700 and ISA 260 as a Result of the Revisions to the IESBA Code**

Dear Mr. Botha

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization welcomes the opportunity to offer its views on the *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-Proposed Narrow Scope Amendments), issued by the International Auditing and Assurance Standard Board (IAASB).

We support the IAASB's efforts to operationalize the recently approved changes to the IESBA Code related to listed and public interest entities and appreciate the extensive coordination between the IAASB and the IESBA. It is important that the IAASB standards operate in harmony with the IESBA Code. We also agree the auditor's report is an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied for certain entities when performing an audit of financial statements. However, we have provided suggested revisions to the wording proposed in the illustrative auditor's report in the Appendix to ISA 700 for the IAASB's consideration.

Our responses to the specific questions on which the IAASB is seeking feedback follow and include further clarifying details in respect of our overall comments above, when applicable.

**Q1. 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 believe 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 for the reasons cited by the IAASB in paragraph 16 of the ED- Proposed Narrow Scope Amendments.

**Q2A. (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)?**

(a) Yes, we agree with the proposed revisions in the ED to ISA 700 (Revised), including the conditional requirement as explained in paragraphs 18-24 of the Explanatory Memorandum. However, we don't believe the proposed wording in the illustrative auditor's reports (Illustration 1 and Illustration 2) in the Appendix to ISA 700 clearly reflects the proposed requirement. We believe that the proposed requirement in ISA 700,28(c) is clear that the focus is on publicly disclosing the differential independence requirements applicable to audits of financial statement of certain entities as this requirement states:

"... the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities; and (Ref: Para. A34-A39) ..."

However, it is our view that the revisions to the illustrative reports more broadly focus on differential ethical requirements. We believe the proposed wording in the illustrative reports implies that there is a separate body of ethical requirements for public interest entities in the jurisdiction versus specific requirements for public interest entities included within a larger body of ethical requirements. As such, we suggest the following revisions (for purposes of this comment, we have accepted the proposed revisions marked in the ED- Proposed Narrow Scope Amendments and marked our suggested revisions with underline and strikethrough):

Appendix to ISA 700, Illustration 1

### **Basis for Opinion**

... We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), including the independence requirements as applicable to public interest entities, together with the ethical requirements ~~for public interest entities~~ that are relevant to our audit of the financial statements in *[jurisdiction]*, including the independence requirements for public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Appendix to ISA 700, Illustration 2

### **Basis for Opinion**

...We are independent of the Group in accordance with the ethical requirements ~~for public interest entities~~ that are relevant to our audit of the consolidated financial statements in [jurisdiction], including the independence requirements applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(b) We support the IAASB's proposed revisions in the ED to ISA 260 (Revised).

**Q3. 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 don't believe it is necessary to extend the requirement to address transparency to reviews performed under ISRE 2400 (Revised) as we don't believe this is information that will be important to users of reviews. This is consistent with the decision by the IAASB not to amend the practitioner's report under ISRE 2400 (Revised) as part of the auditor reporting project.

**Q4: 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 do not support amending ISRE 2400 (Revised).

**Q5. 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.**

Ernst & Young Global Limited includes numerous jurisdictions, so we cannot confidently assist with this question across all jurisdictions. However, there is not a requirement in the US Attestation Standards (AICPA AU-C Section 210, *Review Engagements*) 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.

**Q6. 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 potential translation issues have been noted.

**Q7. 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 with aligning the effective date of the ISA amendments with the effective date of the IESBA revisions.

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We would be pleased to discuss our comments with members of the International Auditing and Assurance Standards Board or its staff. If you wish to do so, please contact David Kane, Global Vice Chair, Professional Practice ([david.kane@eyg.ey.com](mailto:david.kane@eyg.ey.com)) or Kurt Hohl, Global Deputy Vice Chair, Professional Practice ([kurt.hohl@eyg.ey.com](mailto:kurt.hohl@eyg.ey.com)).

Yours sincerely,

/s Ernst & Young Global Limited