



IAASB - International Auditing and Assurance Standards Board
To: Mr. Thomas R Seidenstein (Chair)
529 Fifth Avenue
New York, 10017
USA

4 October 2022

Re: Comment letter relating to the IAASB's Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code

Dear Mr. Seidenstein,

1. The Committee of European Audit Oversight Bodies ("CEAOB") appreciates the opportunity to comment on the IAASB consultation on its Exposure Draft *Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) 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") issued in July 2022. As the organisation representing the audit regulators of the European Union and the European Economic Area, the CEAOB encourages and supports continuing improvement of professional standards for the audit profession.
2. The content of this letter has been prepared by the CEAOB International Auditing Standards Sub-group and adopted by the CEAOB. The comments raised in the letter reflect matters agreed within the CEAOB. It is not intended, however, to include all comments that might be provided by the individual regulators that are members of the CEAOB and their respective jurisdictions.

Overall comments

3. The CEAOB welcomes IAASB's initiative to allow for operationalization of the changes to the IESBA Code aimed at enhancing transparency about the independence requirements applied in performing the audits of financial statements of PIEs ("IESBA transparency requirement"). We recognise the benefits of coordination between the IAASB and the IESBA to enable the interoperability of the standards adopted by each Board.

Specific comments

4. Regarding the proposals of the ED, we would like to raise the following comments:



Proposed revisions to ISA 700 (Revised)

Vehicle

5. The CEAOB agrees with the IAASB's proposal to use the auditor's report as the vehicle to publicly disclose that the auditor complied with the specific independence requirements that are applicable to audits of financial statements of entities, mentioning which requirements were applied, such as, for instance, the independence requirements for PIE audits prescribed by in the IESBA Code.

Terminology

6. The term "differential" is a potential source of misunderstanding and could cause difficulties in translation. The CEAOB recommends at least defining that term and explaining more clearly that the auditor is required to make specific disclosure about the fact that PIE-related ethics/independence requirements were applied.

Conditional / non-conditional requirement

7. The proposed amendments to ISA 700 (Revised) would require public disclosure in the auditor's report that "differential" independence requirements have been applied, where such a disclosure is required by the relevant ethical requirements (meaning that disclosure in the audit report would be a "conditional requirement" ¹).
8. However, the CEAOB asks the IAASB to review its position and is of the view that disclosures in the audit report should be required in all circumstances (meaning that disclosure in the audit report would be "a non-conditional requirement"²). Requiring auditors to be specific about the independence requirements that are applied will increase transparency towards stakeholders about the audit that was performed, where not prohibited.

Proposed Revisions to ISA 260 (Revised)

9. The IAASB proposes to include new application material (in paragraph A29 of ISA 260) stating that the auditor's statement to those charged with governance in accordance with paragraph 17 of ISA 260 may include which independence requirements were applied, including whether "differential" requirements were applied. The CEAOB believes that provisions for communication with those charged with governance on independence requirements that were applied should be at least equivalent to those proposed for the auditor's report. Rather than adding guidance in the application material, the CEAOB considers that the standard itself shall require the auditor to communicate to those charged with governance the independence requirements that were applied, including whether "differential" independence requirements that apply to audits of financial statements of certain entities specified in the relevant ethical requirements were applied. This will be beneficial to the transparency and quality of communication of matters related to independence with those charged with governance.

¹ as referred to in paragraph 19 (a) of the ED's explanatory memorandum

² as referred to in paragraph 19 (b) of the ED's explanatory memorandum, even if the relevant ethical requirements do not require to publicly disclose it



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Please do not hesitate to contact me or the Chair of the CEAOB International Auditing Standards Sub-group should you have any questions on the content of this letter.

Yours faithfully,

Patrick Parent
Chairman

