

IESBA Conforming Amendments

Question 1 - Conforming Amendments

Q1 Agree

2. National Auditing Standard Setters

New Zealand Auditing and Assurance Standards Board (NZAuASB) - 4

The NZAuASB believes the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's International Standards and the changes made by the IESBA in issuing the revised Code. The NZAuASB supports the approach taken by the IAASB to align the extant wording with the revised Code and not to re-consider the objectives, requirements and application material of the International Standards.

3. Accounting Firms

KPMG - 7

We are supportive of the IAASB's objective of updating the IAASB Handbook to address inconsistencies between the International Standards in the Handbook and the revised IESBA Code. We agree with the IAASB's view that it is optimal to make such changes concurrently across all International Standards and that it would not be effective to make the changes on a piecemeal basis as individual standards are revised. We consider that such an approach would lead to a period of inconsistency between standards and several affected standards would not be updated on a timely basis.

We are supportive of the Board's view that it is in the public interest that the International Standards and the IESBA Code are able to operate in concert and without any actual or perceived contradictions/inconsistencies or potential for confusion by users.

In considering the proposed amendments, we recognise the statement made by the Board in the Explanatory Memorandum to the Exposure Draft that the amendments are limited, as their development does not involve re-consideration of the objectives, requirements and application material of the International Standards, in their own right. Furthermore, we acknowledge that the purpose of the proposed amendments is solely to align the extant wording of the International Standards with the revised IESBA Code and is neither intended to re-evaluate or discuss the merits of each particular reference, nor to reconsider the changes already included in the revised IESBA Code, which have been made further to appropriate due process.

Accordingly, we consider that the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's International Standards and the changes made by IESBA in issuing the revised IESBA Code.

RSM International - 18

We are supportive of the amendments to achieve consistency between IAASB's International Standards and the Revised IESBA Code. We note that these proposed amendments are limited in nature and do not involve reconsideration of the objectives, requirements and application material of the International Standards.

4. Member and Other Professional Organizations

ACCA - 9

We believe the proposed limited amendments resolve actual or perceived inconsistencies between the IAASB's International Standards and the changes made by IESBA in issuing the revised IESBA Code.

Federación Argentina de Consejos Profesionales de Cs. Económicas (FACPCE) - 17

In our opinion, the proposed amendments are reasonable to resolve possible inconsistencies between the IAASB International Standards and the changes made by IESBA in the revised Code.

ICAEW - 8

We believe that the proposed limited amendments will help resolve actual or perceived inconsistencies between IAASB's ISAs and the changes made to IESBA's Code.

Institute of Chartered Accountants of Pakistan (ICAP) - 14

We appreciate IAASB efforts to align the extant wordings of the IAASB's International Standards with the revised IESBA Code.

We believe that these proposed limited amendments are necessary for the alignment and clarity.

Q1 Agree but with comments

1. Regulators and Audit Oversight Authorities

FRC - 3

With regard to this exposure draft, we agree that most of the proposed changes address other inconsistencies between IAASB's International Standards and the changes made by IESBA in issuing the revised IESBA Code. However, there are a small number of proposed changes that we do not agree with. These are set out in the Attachment to this letter. The reasons for our disagreement include changes simply not being necessary, some changes where clearer wording could be used, and some where there is an unjustified change to the purpose of the text in the IAASB standard and/or extant text that remains relevant has been deleted.

ISRE 2400

Extant paragraph

Revised paragraph A15.

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Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and appropriately addressed.

Proposed change in ED

.....

Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and appropriately addressed.

The IESBA Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles to compliance with independence requirements.

FRC comment

The description of the conceptual framework could be clarified to better reflect what is set out in the "purpose of the Code". See the recommendation above for para A8 of ISQC 1.

ISQC 1

Extant paragraph

22 (b) Personnel to promptly notify the firm of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and

Proposed change in ED

Personnel to promptly notify the firm of circumstances and relationships that create a threats to compliance with independence requirements so that the firm can evaluate whether such threats are at an acceptable level and if not, address them by eliminating the circumstances, applying safeguards, or withdrawing from the engagement, where withdrawal is possible under applicable law or regulation appropriate action can be taken; and

FRC comment

This change is not necessary. Paragraph 21 of the ISQC 1 describes the actions the firms would take in addressing threats. This is a point about making sure there are processes in place to allow for prompt notification of situations that may indicate that there is a threat to independence – the repetition is not needed.

Extant paragraph

25 The firm shall establish policies and procedures: (Ref: Para. A10)

(a) Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and

Proposed change in ED

The firm shall establish policies and procedures: (Ref: Para. A10)

(a) Eliminating the threat or Ssetting out criteria for applying determining the need for safeguards to reduce the threat of the long association with an entity to an acceptable level, the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and

FRC comment

The proposed edit changes the purpose of the original ISQC 1 requirement rather than just being a conforming change. The point of this requirement is to require the firm to set policies and procedures to help the firm identify threats that need to be eliminated/safeguarded against. It does not require eliminating the threat - that is the outcome.

We recommend:

"(a) Setting out criteria for determining the need to eliminate a threat or for applying safeguards to reduce a threat of long association with an entity to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and",

ISAE 4410

Extant paragraph

Revised paragraph 17(g).

Relevant ethical requirements – Ethical requirements the engagement team is subject to when undertaking compilation engagements. These requirements ordinarily comprise

Proposed change in ED

Relevant ethical requirements – Ethical requirements to which the engagement team is subject to when undertaking a compilation engagements., which These requirements ordinarily comprise

[rest of conforming change not reproduced here]

FRC comment

The proposed changes to the first two sentences are not conforming changes, they are language preferences. We recommend reverting back to the original text.

Extant paragraph

Revised paragraph A19.

.....

Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and appropriately addressed.

Proposed change in ED

.....

Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and

The IESBA Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles to compliance with independence requirements.

FRC comment

The description of the Conceptual Framework could be clarified to better reflect what is set out in the "purpose of the Code". See the recommendation above for para A8 of ISQC 1.

ISAE 3410

Extant paragraph

A5. The IESBA Code adopts a threats and safeguards approach to independence. Compliance with the fundamental principles may potentially be threatened by

Proposed change in ED

The IESBA Code adopts requires application of a conceptual framework to identify, evaluate and address threats to the fundamental principles and safeguards approach to independence. Compliance with the fundamental principles may potentially be threatened by....

FRC comment

We recommend amending this to:

"The IESBA Code sets out International Independence Standards, established by the application of the conceptual framework to threats to independence in relation to these engagements. Compliance with the fundamental principles may potentially be threatened by...."

ISAE 3000

Extant paragraph

Revised paragraph A31. Part A of the IESBA Code also provides a conceptual framework for professional accountants to apply to:

[rest of paragraph not reproduced here]

Proposed change in ED

The IESBA Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles to compliance with independence requirements.

Part A of the IESBA Code also provides a conceptual framework for professional accountants to apply to. This includes:

[rest of conforming change not reproduced here]

FRC comment

There is a lot of repetition in this conforming amendment and it includes information that just repeats what has already been discussed in paragraph 3000.3

The extra wording is not needed. You have to apply the conceptual framework regardless of whether it is in relation to independence or not.

We recommend shortening the introductory text to:

" The IESBA Code provides a conceptual framework that professional accountants are required to apply when addressing threats to compliance with the fundamental principles, including: ..."

ISA 260

Extant paragraph

A30. The relationships and other matters, and safeguards to be communicated, vary with the circumstances of the engagement, but generally address:

- (a) Threats to independence, which may be categorized as: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats; and
- (b) Safeguards created by the profession, legislation or regulation, safeguards within the entity, and safeguards within the firm's own systems and procedures

Proposed change in ED

The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed safeguards to be communicated, varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate threats., but generally address:

- (a) Threats to independence, which may be categorized as: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats; and
- (b) Safeguards created by the profession, legislation or regulation, safeguards within the entity, and safeguards within the firm's own systems and procedures

FRC comment

We disagree with this proposed change. The extant text remains relevant. 120.6 A3 of the Code still states that threats to compliance with the fundamental principles (and therefore would also relate to independence) fall into the same categories as in (a). It's also not clear why (b) has been deleted.

Extant paragraph

Revised paragraph A33. The IESBA Code defines independence as comprising both independence of mind and independence in appearance. Independence safeguards the ability to form an assurance conclusion without being affected by influences that might compromise that conclusion. Independence enhances the ability to act with integrity, to be objective and to maintain an attitude of professional skepticism. Matters addressed in the IESBA Code with respect to independence include:

Proposed change in ED

The IESBA Code also includes the International Independence Standards, which contain requirements and application material addressing the independence of professional accountants. The IESBA Code defines independence as

[rest of conforming change not reproduced here].

FRC comment

The words " which contain requirements and application material addressing the independence of professional accountants." can be deleted. The Independence Standards have already been explained in paragraph 3.

Extant paragraph

Revised paragraph A68. The IESBA Code requires the professional accountant in public practice to agree to provide only those services that the professional accountant in public practice is competent to perform.⁴ The practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's expert. Nonetheless, if the practitioner using the work of a practitioner's expert, having followed this ISAE, concludes that the work of that expert is adequate for the practitioner's purposes, the practitioner may accept that expert's findings or conclusions in the expert's field as appropriate evidence.

Proposed change in ED

The IESBA Code provides guidance on the self-interest threat to compliance with the principle of professional competence and due care that is created if the engagement team does not possess, or cannot acquire, the competencies to perform the professional services requires the professional accountant in public practice to agree to provide only those services that the professional accountant in public practice is competent to perform.⁴ The practitioner has sole responsibility for

FRC comment

Providing guidance is not the same as establishing a requirement. This conforming change should be worded in relation to the requirement to comply with the principle of professional competence and due care.,

Extant paragraph

A8. Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. It provides examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles and also provides examples of situations where safeguards are not available to address the threats.

Proposed change in ED

Part B of is to be applied in specific situations. It provides examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles and also provides examples of situations where safeguards are not available to address the threats.

The IESBA Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles to compliance with independence requirements

FRC comment

The description of the conceptual framework could be clarified to better reflect what is set out in the "purpose of the Code". For example:

"The IESBA Code provides a conceptual framework that establishes the approach which a professional accountant is required to apply when identifying, evaluating and addressing threats to compliance with the fundamental principles.

In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards established by the application of the conceptual framework to threats to independence in relation to those engagements which apply the conceptual framework of identifying,

evaluating and addressing threats to the fundamental principles to compliance with independence requirements."

Extant paragraph

A14. The IESBA Code recognizes that the familiarity threat is particularly relevant in the context of financial statement audits of listed entities. For these audits, the IESBA Code requires the rotation of the key audit partner⁴ after a pre-defined period, normally no more than seven years, and provides related standards and guidance. National requirements may establish shorter rotation periods.

Proposed change in ED

[Replace extant text with:]

The IESBA Code requires the rotation of the engagement partner, the engagement quality control reviewer, and other key audit partners⁴ in respect of certain engagements.

FRC comment

The sentence " National requirements may establish shorter rotation periods." Should be added back as it is an important consideration.

Extant paragraph

A13. Determining appropriate criteria to address familiarity threat may include matters such as:

- The nature of the engagement, including the extent to which it involves a matter of public interest; and
- The length of service of the senior personnel on the engagement.

Examples of safeguards include rotating the senior personnel or requiring an engagement quality control review.

Proposed change in ED

[Replace extant text with:]

The IESBA Code includes examples of factors that are relevant to evaluating the level of a threat that may arise when an individual is involved in an assurance engagement over a long period of time. The IESBA Code also provides examples of actions:

Eliminating the threats by rotating the individual off the engagement team; or

Applying safeguards to reduce the threats to an acceptable level.

FRC comment

To clarify the difference from the first sentence, we recommend amending the second sentence to:

"The IESBA Code also provides examples of actions to address threats, including:"

As explained above, there are still some inconsistencies between IAASB's International Standards and the IESBA Code that need to be addressed.

Although IAASB and IESBA are independent Boards they both fall under the umbrella of IFAC. Members of IFAC are required to demonstrate a commitment to compliance with IAASB's standards and the IESBA Code. It is, therefore, essential that the Boards should liaise and avoid inconsistencies between their

requirements and guidance. Accordingly, we support such liaison and efforts to address inconsistencies, including the proposals in this exposure draft.

We are, however, concerned that there are still some significant inconsistencies that this exposure draft does not address. We identified some of these to IESBA in our responses to its consultations during the development of the revised IESBA Code. They include:

Use of 'may' and 'might'. The term 'may' is used, and defined in IESBA's Glossary, to "denote permission to take a particular action in certain circumstances, including as an exception to a requirement". The term 'might' is used, and defined in IESBA's Glossary, to "denote the possibility of a matter arising, an event occurring or a course of action being taken". We agree that this reflects some common language usage of those terms. However, this use of 'may' in IESBA's Code is inconsistent with its use in ISAs where it does not denote "permission" but rather actions auditors might take. It would be helpful if IESBA and IAASB could be consistent in their use of terminology.

Inconsistencies in defined terms. For example, IAASB does not define "audit team" for the purpose of International Standards on Auditing (ISAs) but both IAASB and IESBA include "engagement team" as a defined term. The significant difference between the definitions of audit team and engagement team, and the fact that audit team is not an IAASB defined term, is unhelpful and risks inconsistent application of the terms, particularly by auditors who may be focussed on the definition of engagement team for the purpose of the ISAs.

There are also some terms used by both Boards but for which the definitions are not completely consistent. These include 'assurance engagement', 'financial statements', 'firm', and 'non-compliance [with laws and regulations]'. IAASB and IESBA should be able to work together to develop a single Glossary. It would not matter if some terms in such a Glossary were used only by one Board, what is more important is that common terms have only one definition.

We strongly encourage IAASB and IESBA to work together to seek to eliminate all inconsistencies.

ISA 200

Extant paragraph

A17.

.....

Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations.

Proposed change in ED

Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. The fundamental principles of ethics establish the standard of behavior expected of a professional accountant.

The IESBA Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles to compliance with independence requirements.

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FRC comment

The description of the conceptual framework could be clarified to better reflect what is set out in the "purpose of the Code". See the recommendation above for para A8 of ISQC 1.

IRBA - 6

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Standard ISA 610 (Revised 2013) Paragraph A14

Extant Paragraphs

In addition, the IESBA Code¹⁷ states that a self-review threat is created when the external auditor accepts an engagement to provide internal audit services to an audit client, and the results of those services will be used in conducting the audit. This is because of the possibility that the engagement team will use the results of the internal audit service without properly evaluating those results or without exercising the same level of professional skepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm. The IESBA Code¹⁸ discusses the prohibitions that apply in certain circumstances and the safeguards that can be applied to reduce the threats to an acceptable level in other circumstances.

The International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Section 290.194

IESBA Code, Section 290.190–290.195

Proposed Change

The International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), paragraph 605.4 A3 Section 290.194

IESBA Code, paragraphs R605.1–R605.5 Section 290.190–290.195

IRBA's Comments

Section 290.194 has been replaced by paragraph 605.4 A2 in the revised IESBA Code. We therefore recommend that the correct reference be used in the IAASB's International Standards.

The International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), paragraph 605.4 A3605.4 A2 Section 290.194

IESBA Code, paragraphs R605.1–R605.5 Section 290.190–290.195

IAASB's Exposure Draft

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We appreciate and support the efforts to continuously coordinate topics of mutual interest between the IAASB and the IESBA. We believe that the proposed limited amendments will ensure that the IAASB's International Standards and the IESBA Code are able to operate without confusion. In turn, we are convinced that this will ensure ease of use of both the IAASB's International Standards and the IESBA Code by the relevant stakeholders.

We believe that the proposed limited amendments to the IAASB's International Standards are mainly aimed at reflecting the following:

Structural changes to, and the applicability of, the IESBA Code;

Proposed amendments to the framework for addressing threats to compliance with the fundamental principles to the IESBA Code;

Updates to the title of the IESBA Code; and

Proposed amendments to align with terminology used in the IESBA Code.

These proposed limited amendments are necessary and sufficient to resolve actual or perceived inconsistencies between the IAASB's International Standards and the changes made by the IESBA in issuing the revised IESBA Code.

We support the IAASB's view that the proposed limited amendments are relatively minor or editorial in nature; or are changes only to reflect existing obligations under the revised IESBA Code.

Standard ISRE 2400 (Revised) Paragraph A88

Extant Paragraphs

The practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, including fraud, which may differ from or go beyond this ISRE, such as:

Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and considering whether further action is needed;

Communicating identified or suspected non-compliance with laws and regulations to an auditor, for example a group engagement partner;¹¹ and

Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the practitioner's work in accordance with this ISRE (e.g., regarding the integrity of management or, where appropriate, those charged with governance).

See, for example, Sections 225.44–225.48 of the IESBA Code.

Proposed Change

See, for example, Sections 225.44–225.48 paragraphs R360.29–360.40 A1 of the IESBA Code.

IRBA's Comments

Section 225.44–225.48 has been replaced by paragraphs R360.31–R360.35 A1 in the revised IESBA Code. We therefore recommend that the correct reference be used in the IAASB's International Standards.

See, for example, Sections 225.44–225.48 paragraphs R360.29–360.40 A1 R360.31–R360.35 A1 of the IESBA Code.

Other editorial comments

IAASB's Exposure Draft

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Standard Glossary

Extant Paragraphs

Independence¹⁶ —Comprises:

Independence of mind—the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

Independence in appearance—the avoidance of facts and circumstances that are so significant a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude a firm's, or a member of the assurance team's, integrity, objectivity or professional skepticism had been compromised.

As defined in the IESBA Code of Ethics for Professional Accountants

Proposed Change

Independence¹⁶ —Comprises:

Independence of mind—the state of mind that permits the expression provision of an opinion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

Independence in appearance—the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would be likely to reasonably conclude that a firm's or a member of the an audit or assurance team 's member's integrity, objectivity or professional skepticism had been compromised.

As defined in the IESBA Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)

IRBA's Comments

We recommend that the IAASB should include a comma after the word "members". We believe that this will ensure consistency with the independence definition in the IESBA Code.

...

Independence in appearance—the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would be likely to reasonably conclude that a firm's or a member of the an audit or assurance team 's member's, integrity, objectivity or professional skepticism had been compromised.

As defined in the IESBA Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)

IAASB's Exposure Draft

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Standard Glossary (Refer also to Standards that contain this definition)

Extant Paragraphs

Relevant ethical requirements—Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with national requirements that are more restrictive. In the context of ISRE 2400 (Revised), relevant ethical requirements are defined as the ethical requirements the engagement team is subject to when undertaking review engagements. These requirements ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with national requirements that are more restrictive. In the context of ISRS 4410 (Revised), relevant ethical requirements are defined as the ethical requirements the engagement team is subject to when undertaking compilation engagements. These requirements ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) (excluding Section 290, Independence—Audit and Review Engagements, and Section 291, Independence—Other Assurance Engagements in Part B), together with national requirements that are more restrictive.

Proposed Change

Relevant ethical requirements (in the context of ISQC 1)—Ethical requirements to which the engagement team and engagement quality control reviewer are subject when undertaking audits or reviews of financial statements, or other assurance or related services engagements, which ordinarily comprise the provisions of the Parts A and B of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with national requirements that are more restrictive.

Relevant ethical requirements (in the context of the ISAs)—Ethical requirements to which the engagement team and engagement quality control reviewer are subject when undertaking an audit engagement, which ordinarily comprise the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to an audit of financial statements, together with national requirements that are more restrictive.

Relevant ethical requirements (in the context of ISRE 2400 (Revised))—, relevant ethical requirements are defined as the ethical requirements to which the engagement team is subject to when undertaking a review engagements, which. These requirements ordinarily comprise the provisions of Parts A and B of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to a review of financial statements, together with national requirements that are more restrictive.

Relevant ethical requirements (in the context of ISRS 4410 (Revised)), —relevant ethical requirements are defined as the ethical requirements to which the engagement team is subject to when undertaking a compilation engagements., which These requirements

ordinarily comprise Parts A and B of the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics, for Professional Accountants (including International Independence Standards) (IESBA Code) (excluding Section 290, Independence— Audit and Review Engagements, and Section 291, Independence—Other Assurance Engagements in Part B) related to compilation engagements, together with national requirements that are more restrictive.

IRBA's Comments

We recommend that the IAASB removes the duplicated "I", as illustrated below.

...

Relevant ethical requirements (in the context of ISRS 4410 (Revised), —relevant ethical requirements are defined as the ethical requirements to which the engagement team is subject to when undertaking a compilation engagements., which These requirements ordinarily comprise Parts A and B of the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) (excluding Section 290, Independence— Audit and Review Engagements, and Section 291, Independence—Other Assurance Engagements in Part B) related to compilation engagements, together with national requirements that are more restrictive.

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Standard ISA 220 Paragraph A6

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The engagement partner may identify a threat to independence regarding the audit engagement that safeguards may not be able to eliminate or reduce to an acceptable level. In that case, as required by paragraph 11(c), the engagement partner reports to the relevant person(s) within the firm to determine appropriate action, which may include eliminating the activity or interest that creates the threat, or withdrawing from the audit engagement, where withdrawal is possible under applicable law or regulation.

Proposed Change

The engagement partner may identify a threat to independence regarding the audit engagement that safeguards may not be able to eliminate or reduce to an acceptable level. In that case, as required by paragraph 11(c), the engagement partner reports to the relevant person(s) within the firm to determine the appropriate action, which may include eliminating the circumstance that is creating activity or interest that creates the threat, or withdrawing from the audit engagement, where withdrawal is possible under applicable law or regulation.

IRBA's Comments

We recommend that wording used in the IAASB's International Standards be consistent with the wording used in the IESBA Code, as illustrated below.

The engagement partner may identify a threat to independence regarding the audit engagement that safeguards may not be able to eliminate or reduce to an acceptable level. In that case, as required by paragraph 11(c), the engagement partner reports to the relevant person(s) within the firm to determine the appropriate action, which may include eliminating the circumstance that is creating creates activity or interest that creates the threat, or withdrawing from the audit engagement, where withdrawal is possible under applicable law or regulation.

IAASB's Exposure Draft

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Standard ISA 220 Paragraph A9

Extant Paragraphs

Law, regulation, or relevant ethical requirements⁷ may require the auditor to request, prior to accepting the engagement, the predecessor auditor to provide known information regarding any facts or circumstances that, in the predecessor auditor's judgment, the auditor needs to be aware of before deciding whether to accept the engagement. In some circumstances, the predecessor auditor may be required, on request by the proposed successor auditor, to provide information regarding identified or suspected non-compliance with laws and regulations to the proposed successor auditor. For example, where the predecessor auditor has withdrawn from the engagement as a result of identified or suspected non-compliance with laws and regulations, the IESBA Code requires that the predecessor auditor, on request by a proposed successor auditor, provides all such facts and other information concerning such non-compliance that, in the predecessor auditor's opinion, the proposed successor auditor needs to be aware of before deciding whether to accept the audit appointment.⁸

See, for example, Sections 210.14 of the IESBA Code.

See, for example, Sections 225.31 of the IESBA Code.

Proposed Change

See, for example, paragraph R320.8 Sections 210.14 of the IESBA Code.

See, for example, paragraph R360.22 Sections 225.31 of the IESBA Code.

IRBA's Comments

Section 225.31 has been split between paragraphs R360.22 and R360.23 in the revised IESBA Code. We therefore recommend that the correct references be used in the IAASB's International Standards.

See, for example, paragraph R320.8 Sections 210.14 of the IESBA Code.

See, for example, paragraphs R360.22 and R360.23 Sections 225.31 of the IESBA Code.

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Standard ISA 260 (Revised) Paragraph A31

Extant Paragraphs

Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.²⁵

See Section 290.39–49 of the IESBA Code, which addresses breaches of independence.

Proposed Change

Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.²⁵

See, for example, paragraphs R400.81, R400.82 and R400.84 Section 290.39–49 of the IESBA Code, which addresses breaches of independence.

IRBA's Comments

Section 290.39–49 has been replaced by paragraphs R400.80–R400.82 in the revised IESBA Code. We therefore recommend that the correct references be used in the IAASB's International Standards.

Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.²⁵

See, for example, paragraphs R400.81, R400.80–R400.82 and R400.84 Section 290.39–49 of the IESBA Code, which addresses breaches of independence.,

IAASB's Exposure Draft

Page No. 135

Standard ISAE 3402 Paragraph A53

Extant Paragraphs

Appropriate actions to respond to the circumstances identified in paragraph 56, unless prohibited by law or regulation, may include:

- Obtaining legal advice about the consequences of different courses of action.
- Communicating with those charged with governance of the service organization.
- Determining whether to communicate with third parties (e.g., law, regulation or relevant ethical requirements may require the service auditor to report to an appropriate authority outside the entity or the external auditor of the service organization,³⁶ or establish responsibilities under which such reporting may be appropriate in the circumstances).
- Modifying the service auditor's opinion, or adding an Other Matter paragraph.
- Withdrawing from the engagement.

See, for example, Section 225.44 to 225.48 of the IESBA Code

Proposed Change

See, for example, paragraphs R360.29 to R360.340 A1 Section 225.44 to 225.48 of the IESBA Code.

IRBA's Comments

Section 225.44–225.48 has been replaced by paragraphs R360.31–R360.35 A1 in the revised IESBA Code. We therefore recommend that the correct reference be used in the IAASB's International Standards.

See, for example, paragraphs R360.29–360.40 A1 R360.31–R360.35 A1 Section 225.44 to 225.48 of the IESBA Code.

IAASB's Exposure Draft

Page No. 118

Standard ISAE 3000 (Revised) Paragraph A32

Extant Paragraphs

Part B of the IESBA Code describes how the conceptual framework in Part A applies in certain situations to professional accountants in public practice, including:

Professional appointment;

Conflicts of interest;

Second opinions;

Fees and other types of remuneration;

Marketing professional services;

Gifts and hospitality;

Custody of client assets;

Objectivity; and

Independence.

Proposed Change

Part B of the IESBA Code sets out requirements and application material on various topics describes how the conceptual framework in Part A applies in certain situations to professional accountants in public practice, including:

Professional appointment;

Conflicts of interest;

Professional appointment;

Second opinions;

Fees and other types of remuneration;

Marketing professional services;

Inducements, including gifts and hospitality;

Custody of client assets;

Responding to non-compliance with laws and regulations;

Objectivity; and

Independence.

IRBA's Comments

Part B of the IESBA Code sets out requirements and application material on various topics describes how the conceptual framework in Part A applies in certain situations to professional accountants in public practice, including:

Professional appointment;

Conflicts of interest;
Professional appointment;
Second opinions;
Fees and other types of remuneration;
Marketing professional services;
Inducements, including gifts and hospitality;
Custody of client assets; and
Responding to non-compliance with laws and regulations;
Objectivity; and
Independence.

However, we have identified editorial inconsistencies between the proposed changes to the IAASB's International Standards in the Exposure Draft and the IESBA Code. We have included our suggested editorial changes as Appendix 1: Editorial Comments.

APPENDIX 1: EDITORIAL COMMENTS

The recommended editorial changes are denoted as 'insertions' underlined and 'deletions' struck-through in red.

Pervasive editorial comment

We support the IAASB's Category 2: Proposed amendments to the framework for addressing threats to compliance with the fundamental principles (Category 2 proposed amendments), to align the wording with the IESBA Code, particularly the conceptual framework, which requires the professional accountant to identify, evaluate, and address threats (by either eliminating the circumstances that create the threat, applying safeguards (where available and capable of being applied), or declining or ending the specific professional activity). However, we have noted inconsistencies in the wording and the "flow" used in the proposed changes to the IAASB's International Standards and the IESBA Code when referring to addressing threats. For example:

Inconsistent wording used in the proposed changes to the IAASB's International Standards

Example 1: Proposed changes to ISQC 1 paragraph 21 (refer to page 15 of the ED)

"... eliminating the circumstances that create the threat, applying safeguards, or withdrawing from the engagement, safeguards, or, if considered appropriate, to withdraw from the engagement, where withdrawal is possible under applicable law or regulation."

Example 2: Proposed changes to ISQC 1 paragraph 25 (refer to page 18 of the ED)

"... Eliminating the threat or setting out criteria for applying determining the need for safeguards to reduce the threat..."

Flow of words used in the proposed changes to the IAASB's International Standards (depicted in Example 1 and Example 2 below)

Example 1: Proposed changes to ISQC 1 paragraph 21 (refer to page 15 of the ED)

“... eliminating the circumstances that create the threat, applying safeguards, or withdrawing from the engagement, safeguards, or, if considered appropriate, to withdraw from the engagement, where withdrawal is possible under applicable law or regulation.”

Example 2: Proposed changes to IAS 260 (Revised) paragraph A30 (refer to page 70 of the ED)

“and how threats to independence that are not at an acceptable level have been addressed safeguards to be communicated, varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate threats., but generally address:...”

We suggest that the wording and the flow from paragraph R120.10 of the IESBA Code be used when considering all Category 2 proposed amendments to the IAASB's International Standards. These changes will ensure that there is consistency with the wording and flow used in the IESBA Code, and that will avoid confusion.

IAASB's Exposure Draft

Page No. 143

Standard ISAE 3420 Paragraph A10

Extant Paragraphs

The IESBA Code requires the practitioner to maintain appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and competence to perform the engagement also include matters such as the following:

Knowledge and experience of the industry in which the entity operates;

An understanding of the relevant securities laws and regulations and related developments;

An understanding of the listing requirements of the relevant securities exchange and of capital market transactions such as mergers, acquisitions and securities offerings;

Familiarity with the process of preparing a prospectus and listing securities on the securities exchange; and

Knowledge of the financial reporting frameworks used in the preparation of the sources from which the unadjusted financial information and, if applicable, the acquiree's financial information have been extracted.

IESBA Code, paragraphs 130.1–130.3

Proposed Change

The IESBA Code requires the practitioner to comply with the principle of professional competence and due care by attaining and maintaining appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service, based on current technical and professional standards and relevant legislation and to act diligently in accordance with such professional standards and legislation.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and professional competence to perform the engagement also may include matters such as the following:

....

IESBA Code, paragraphs R113.1 130.1–130.3

IRBA's Comments

We recommend that wording used in the IAASB's International Standards be consistent with the wording used in the IESBA Code, as illustrated below.

The IESBA Code requires the practitioner to comply with the principle of professional competence and due care by attaining and maintaining appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service, based on current technical and professional standards and relevant legislation and to act acting diligently in accordance with such professional standards and legislation.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and professional competence to perform the engagement also may include matters such as the following:

....

IESBA Code, paragraphs R113.1 130.1–130.3,

2. National Auditing Standard Setters

Royal Netherlands Institute of Chartered Accountants (NBA) - 16

In general, we believe that the proposed limited amendments are sufficient to resolve inconsistencies between the IAASB's International Standards and the revised IESBA Code. However, we noticed for example that the definition of assurance engagement in the IAASB Handbook of 2018 differs from the IESBA Handbook of 2018, but that no change is suggested. We recommend to check the definitions between the two handbooks to check whether there are more inconsistencies.,

3. Accounting Firms

EY - 15

For audits of listed entities, a statement is required to be included in the auditor's responsibilities section of the auditor's report in accordance with paragraph 40 of ISA 700 regarding the auditor's obligation to communicate with those charged with governance about independence matters. We believe that the amendment proposed to this statement should be better aligned with the proposed amendment to the communication requirement in paragraph 17 of ISA 260. We suggest revising as follows: "... and, where applicable, how actions taken to eliminate threats have been eliminated or safeguards applied". Conforming changes should also be made to the illustrative auditor's reports, as applicable.

Yes, we believe that the amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's International Standards and the changes made by IESBA in issuing the revised IESBA Code. However, we suggest clarifying edits as follows:

We believe that aligning the Category 2 amendments on how to address threats to compliance with the fundamental principles to the IESBA Code more closely to the wording used in R120.10 of the revised IESBA code would provide clarity on the objectives that safeguards are expected to achieve under the revised Code. We propose the following clarifying revision across the Category 2 amendments, as applicable: "... by applying safeguards to reduce the threats to an acceptable level"

ISA 220 paragraph 11 requires the engagement partner to form a conclusion on the compliance with independence requirements that apply to the audit engagement and sets out the actions that the

engagement partner should take when doing so. We believe that it is currently not clear in proposed paragraph 11(d) that appropriate action is only required for threats that have been assessed as not being at the acceptable level in accordance with proposed paragraph 11(c). We propose the following clarifying amendment: “Take appropriate action to address the threats that are not at an acceptable level by eliminating the circumstances that create the threats, applying safeguards, or withdrawing from the engagement.....”

PWC - 10

We support the proposed amendments and believe they are sufficient to resolve actual or perceived inconsistencies between the IAASB’s International Standards and the changes made by IESBA in issuing the revised IESBA Code (question 1). We include within the appendix to this letter some editorial suggestions for certain proposed changes to aid their clarity.

Appendix 1 - Editorial suggestions

Suggested deletions are shown in strikethrough and additions in underline.

Glossary (and other paragraphs as indicated)

We suggest reordering the description of the Code to refer first to the title of the Code and secondly to the issuing body. We believe this aids readability:

Relevant ethical requirements (in the context of ISQC 1) — Ethical requirements to which the engagement team and engagement quality control reviewer are subject when undertaking audits or reviews of financial statements, or other assurance or related services engagements, which ordinarily comprise the provisions of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with national requirements that are more restrictive.

The same change would also apply to:

the definitions of “relevant ethical requirements” in the context of the ISAs, ISRE 2400 (Revised) and ISRS 4400 (Revised) within the Glossary

ISQC 1 paragraph 12q

ISA 200 paragraph A16

ISA 220 paragraph 7(n)

ISA 240 paragraph A6

ISA 250 (Revised) paragraph A8

ISA 260 (Revised) paragraph A31

ISA 600 Appendix 1

ISA 610 (Revised 2013) paragraph A14, footnote 17

ISA 700 (Revised) paragraph 28 and illustrative reports (various)

ISA 720 (Revised) paragraph 4, footnote 2

ISA 810 paragraph A13, footnote 14

IAPN 1000 paragraph 78, footnote 16

ISRE 2400 (Revised) paragraph 17(i)
ISAE 3000 (Revised) paragraphs 3 and A173
ISAE 3402 paragraph 6 and Appendix 2
ISAE 3410 paragraph 10 and Appendix 2
ISAE 3420 paragraph 8 and Appendix
ISRS 4400 (Revised) paragraphs 7 and 17(g) and Appendix,
ISQC 1 para 25

As the threat in question is not defined until later in the sentence, use of “threat” in the initial part of the sentence has no context:

The firm shall establish policies and procedures: (Ref: Para. A10)

(a) Eliminating, the threat or setting out criteria for applying safeguards to reduce to an acceptable level, the threat of the long association with an entity to an acceptable level, when using the same senior personnel on an assurance engagement over a long period of time.

4. Member and Other Professional Organizations

Inter-American Accounting Association (IAA) - 11

In general, we understand that the limited amendments proposed are sufficient to resolve real or perceived inconsistencies between the IAASB’s International Standards and the changes made by the IESBA when issuing the revised IESBA Code, although we believe that when we implement both standards (the Internationals of the IAASB and the new IESBA Code) new needs for amendments will surely arise as a result of the practical experiences and full harmonization will be necessary.

We believe that all standards, both the International Quality Control Standard No. 1, ISAs 200, 210, 220, 240, 250, 260, 300, 510, 550, 600, 610, 620, 700, 701, 706, 720, 800, 805, 810, IAPN 1000, as well as the International Review Standards, Reasonable Assurance - ISAE and the SSRI, including the International Framework for Assurance Service, have been analytically exposed in the draft modification, which allows a clear understanding of the purpose of the limited modifications.

Malaysian Institute of Certified Public Accountants (MICPA) - 10

ISAE 3420 Paragraph A10

The IESBA Code requires the practitioner to comply with the principle of professional competence and due care by attaining and maintaining appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service, based on current technical and professional standards and relevant legislation and to act diligently in accordance with such professional standards and legislation.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and professional competence to perform the engagement also may include matters such as the following:

....

⁷ IESBA Code, paragraphs R113.1 130.1–130.3

MICPA’s Comment

The MICPA believes that a practitioner should have the knowledge of the ‘relevant’ technical and professional standards, i.e. at minimum, ‘past and current’ technical and professional standards, as a practitioner may be engaged to provide competent professional service on backlog accounts or disciplinary cases involved in the previous technical and professional standards. Hence, the MICPA recommends to use the word ‘relevant’ instead of ‘current’ technical and professional standards. This can be read as follows:

“The IESBA Code requires the practitioner to comply with the principle of professional competence and due care by attaining and maintaining appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service, based on current relevant technical and professional standards and relevant legislation and to act diligently in accordance with such professional standards and legislation.⁷ In the context of this requirement of the IESBA Code, relevant capabilities and professional competence to perform the engagement also may include matters such as the following:

...

7 IESBA Code, paragraphs R113.1 130.1–130.3”

ISRS 4410 (Revised) Paragraph A19

Part A of tThe IESBA Code establishes the fundamental principles of professional ethics that practitioners must comply with, which are and provides a conceptual framework for applying those principles. The fundamental principles are:

Integrity;

Objectivity;

Professional competence and due care;

Confidentiality; and

Professional behaviour

Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner’s compliance with relevant ethical requirements are required to be identified and

The IESBA Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles and compliance with independence requirements.

MICPA’s Comment

The MICPA is of the view that the amendments should be consistent throughout the IAASB standards. Hence, the MICPA recommends to add on the following paragraph in ISRE2400 (Revised) in tandem with the other proposed amendment in other part of this Exposure Draft:

“The fundamental principles of ethics establish the standard of behaviour expected of a professional accountant.”

Proposed Changes

ISRE 2400 (Revised) Paragraph A15

Part A of the IESBA Code establishes the fundamental principles of ethics, which are that practitioners must comply with, and provides a conceptual framework for applying those principles. The fundamental principles are:

Integrity;

Objectivity;

Professional competence and due care;

Confidentiality; and

Professional behavior.

Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner's compliance with relevant ethical requirements are required to be identified and appropriately addressed.

The IESBA Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, the IESBA Code sets out International Independence Standards, which apply the conceptual framework of identifying, evaluating and addressing threats to the fundamental principles and compliance with independence requirements.

MICPA's Comment

The MICPA is of the view that the amendments should be consistent throughout the IAASB standards. Hence, the MICPA recommends to add on the following paragraph in ISRE2400 (Revised) in tandem with the other proposed amendment in other part of this Exposure Draft:

"The fundamental principles of ethics establish the standard of behaviour expected of a professional accountant."

Proposed Changes

Glossary

Independence 16 —Comprises:

Independence of mind—the state of mind that permits the expression provision of an opinion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

Independence in appearance—the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would be likely to reasonably conclude that a firm's or a member of the an audit or assurance team's member's integrity, objectivity or professional skepticism had been compromised.

16 As defined in the IESBA Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)

MICPA's Comment

Pursuant to Section 120.5 A4 of the revised IESBA Code, a reasonable and informed third party is expected to possess the relevant knowledge and experience to understand and evaluate the appropriateness of an

accountant's conclusion. The MICPA is of the view that it is best to indicate in the Glossary of the IAASB standards accordingly.

The proposed deletion of the phrase “having knowledge of all relevant information” may inevitably give an impression that a reasonable and informed third party does not need to have the relevant knowledge and experience.

Proposed Changes

ISQC 1 Paragraph 25

Paragraph 25

The firm shall establish policies and procedures: (Ref: Para. A10)

Eliminating the threat or Ssetting out criteria for applying determining the need for safeguards to reduce the threat of the long association with an entity to an acceptable level, the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and

Requiring, for audits of financial statements of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with relevant ethical requirements. (Ref: Para. A12–A17)

MICPA's Comment

Section 940 of the new revised IESBA Code requires ‘individual’ or ‘personnel’ (instead of ‘senior personnel’) to observe the long association of personnel with an audit client's requirements. In view of this, the MICPA recommends that the proposed amendment should be consistent with the provisions under Section 940 of the new revised IESBA Code as well as the proposed amendments in the other part of this Exposure Draft. Hence, the MICPA recommends to remove the word ‘senior’ from Paragraph 25 of ISQC 1:

“The firm shall establish policies and procedures: (Ref: Para. A10)

(a) Eliminating the threat or Ssetting out criteria for applying determining the need for safeguards to reduce the threat of the long association with an entity to an acceptable level, the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and

(b) Requiring, for audits of financial statements of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with relevant ethical requirements.”

South African Institute of Chartered Accountants (SAICA) - 11,

OTHER COMMENTS,

SAICA agrees with the IAASB that there are no conforming amendments necessary with respect to the paragraphs indicated as ‘no changes identified’ in the Exposure Draft.

SAICA agrees with the IAASB that the changes are not applicable with respect to the paragraphs indicated as ‘N/A’ in the Exposure Draft.

With respect to paragraph 4 of International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, SAICA agrees that changes to align to the fundamental principles highlighted in paragraph 110.1 A1 of the IESBA Code are necessary. However, SAICA supports the IAASB's view that even though general updates to this standard

are needed to reference relevant ethical requirements in the same manner as the other standards, given that this standard has not been updated for conforming amendments in relation to other recent projects of the IAASB, it is proposed that no changes are made as it may give the appearance that the standard is up to date. To this end, SAICA suggests that the IAASB considers including a “health warning” to the users of ISRE 2410 that the standard has not been updated for conforming amendments in relation to other recent projects of the IAASB.

SAICA believes that the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB’s International Standards and the changes made by IESBA in issuing the revised IESBA Code.

SAICA supports the conforming amendments to the IAASB’s International Standards intended to reflect structural changes to, and the applicability of the IESBA Code.

SAICA supports the conforming amendments to the IAASB’s International Standards in light of the changes to the framework for addressing threats to compliance with the fundamental principles to the IESBA Code.

SAICA supports the conforming amendments to the IAASB’s International Standards to update the title of the IESBA Code.

SAICA welcomes conforming amendments to the IAASB’s International Standards intended to align the International Standards with terminology used in the IESBA Code.

5. Individuals and Others

Alvaro Fonseca Vivas - 1

I do not agree with this aspect mentioned in ISA 240 Paragraph 9 paragraph c) where it is mentioned "... Fulfilling any additional responsibilities may provide more relevant information for the auditor to work in accordance with this and other ISA (for example, regarding the integrity of the management or, where appropriate, those accused of governance) ... "because their experience is not given to establish the causes that generated this aspect in particular or that leads to fraud, in which he was establishes that there are indications, this must perform or pass it to another expert such as the Forensic Auditor, who is the person who will already do an investigation to determine the causes that generated this fraud, which in support of other professionals or interdisciplinaries will determine whether or not a fraud occurred . or there are indications of a crime.

The above is due to the fact that it works with a sample and not with the entire universe of operations and not all of the ones it selects can operate in the same way, because the activities or results of the company's operations are not the same, as established in the Audit Risk (RI), who will determine if it is necessary for another auditor within the work team to do it and not necessarily obtain from outside as indicated in paragraph 44 "... If the auditor has identified or suspects fraud, the auditor shall determine whether the relevant law, regulation or ethical requirements: (Ref: Para. A67 - A69), (a) Require the auditor to inform an appropriate authority outside the entity ... "or how it may establish authorities and as a determinant to which entity or authority will be indicated as the following: "... (b) Establish responsibilities under which to inform an authority outside the entity may be appropriate in the circumstances ...", that is impo However, you must support another auditor of the team or if there is evidence of fraud or a crime, you must determine that a forensic auditor is required of a discipline that can support this at that time, so a team of forensic audiores is necessary interdisciplinary available, depending on the activity that will be performed at the time of planning, which should be established or taken into account.

I hope this can help contribute to improve the quality of the auditor's work in the development of their work and improve the quality of opinions and the application of ethics, it is important business to think that a single auditor performs work with many clients, which helps to diminish the quality of the works that they carry out and the follow-up of the different operations, thereby increasing the frauds that are not detected in time, this is seen more with the international auditing firms, a maximum of Clients by auditor so that the assurance of the quality of the information is the best and does not help with the increase in corruption of business organizations and be as ethical as established in the IFAC.

Mazedul Islam - 2

Answer : Yes I agree with following proposals:

Firstly I recommend to include the under mentioned standard:

Human Resources Audit to be included as a Standard.

Auditing in a business is very essential material. Auditing covers the internal financial accuracy. But it doesn't cover the human resource utilization accuracy. Human resource is the life of a concern. Without a best human resources team a concern could not show best result. But now a day's it became very necessary to audit about the proper utilization of human resources and proper valuation of human resources so that human resource get motivated for his work. It is observed in several concerns "human resource delegation team takes decision without approval of proper authority. They are keeping partiality for appointment ,promotion, increment to receive bribe or asking other condition without approval of proper authority. For this , company losses best employees,ideas , best output and employees losses their valuation (for this ,education losses it's valuation),motivation. Finally employees became fade up on HR department. In this Regards, a new standard to include as " human resources audit", . So that proper authority could believe that Human Resource is working properly as internal control works.

Secondly: Independence in Mind or appearance: In my opinion the phrase is not correct.

I propose it as only " Independent"

Mind or Appearance is a specific meaning which refers limited independence.

Thirdly:Network firm—A firm or entity that belongs to a network materialism.

Forth: Non-compliance (in the context of ISA 25017)—Acts of omission or commission, intentional or unintentional, committed by the entity, or by those charged with governance, by management or by other individuals working for or under the direction of the entity, which are contrary to the prevailing laws or regulations or supported by the sub laws or regulations (it is observed many non-compliance occurs due to relief from pressure on excess compliance i.e excess always harmful specially in case of law and regulations).

Fifth :The IESBA Code establishes the fundamental principles of professional ethics, which include: (a) Integrity; (b) Objectivity; (c) Professional competence and due care d) Confidentiality; and e) Professional behavior.

I propose to include "Standard quality".

An auditor should must have standard quality so that client could honor , listen and feel proud to be a client.

Sixth: Example of an Audit Engagement Letter [...]

[The responsibilities of the auditor] We will conduct our audit in accordance with ISAs. Those standards require that we comply with ethical requirements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

I propose: We will conduct our audit in accordance with ISAs and IPSAS.

Without follow IPSAS rules and regulation no audit might carry on.

Q1 No Comment

4. Member and Other Professional Organizations

Danish Auditors FSR - 5