

Track 2: Listed Entity and Public Interest Entity (PIE) – Question 5

5. Do you agree with the new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code? If not, what do you propose and why?

Q05 Agree**2. Regulators and Audit Oversight Authorities****Independent Regulatory Board for Auditors – South Africa (IRBA)**

Agree (with no further comments)

3. Jurisdictional and National Auditing Standard Setters**Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)**

Agree (with no further comments)

Instituto Mexicano de Contadores Públicos, A.C. (IMCP)

Agree (with no further comments)

New Zealand Auditing and Assurance Standards Board

Agree (with no further comments)

4. Accounting Firms**BDO International Limited**

Agree (with no further comments)

Deloitte Touche Tohmatsu Limited

Agree (with no further comments)

Ernst & Young Global Limited

Agree (with no further comments)

5. Member Bodies and Other Professional Organizations**Chartered Accountants Ireland**

Agree (with no further comments)

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

Agree (with no further comments)

Federation of Accounting Professions of Thailand

Agree (with no further comments)

Institute of Chartered Accountants of Jamaica

Agree (with no further comments)

Institute of Singapore Chartered Accountants (ISCA)

Agree (with no further comments)

Korean Institute of Certified Public Accountants (KICPA)

Agree (with no further comments)

Malaysian Institute of Certified Public Accountants (MICPA)

Agree (with no further comments)

Virginia Society of CPAs

Agree (with no further comments)

Q05 Agree With Comments

1. Monitoring Group

International Organization of Securities Commission (IOSCO)

We support the new requirement and application material in ISRE 2400 to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code, or in any other framework for ethical and independence standards that might be applied.

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Agree, with comments below

This requirement will be aligned to the IESBA Code on addressing transparency about relevant ethical requirements for independence.

National Association of State Boards of Accountancy (NASBA)

NASBA agrees with the new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code.

3. Jurisdictional and National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

Agree, with comments below

The AUASB considers that transparency in the review report about the relevant ethical requirements should be consistent with the revisions to the IESBA Code, however this revision should be part of a holistic revision of the full standard.

ISRE 2410 is widely used in Australia and we recommend that ISRE 2410 and ISRE 2400 are revised.

Hong Kong Institute of Certified Public Accountants

Considering that Part 4A of the IESBA Code also applies to review engagements, we agree with the proposed revisions to ISRE 2400 (Revised) to provide consistency and transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities. Aligning the disclosure between the practitioner's review report and the auditor's report would eliminate confusion for the intended users of both reports. Accordingly, we agree with the proposed application material with regard to the proposed revisions to ISRE 2400 (Revised).

Japanese Institute of Certified Public Accountants

Agree, with comments below

We agree with the proposed new requirement and application material in ISRE 2400 (Revised). We believe that it is appropriate to make similar disclosures in the practitioner's review report under ISRE 2400 (Revised) to be consistent with ISA 700 (Revised).

Royal Netherlands Institute of Chartered Accountants (NBA)

we suggest to start the clarification of ISRE's 2400 and 2410. Agree, with comments below

Saudi Organization for Chartered and Professional Accountants (SOCPA)

Agree, with comments below

Since SOCPA has fully adopted the IESBA Code (including recent amendments pertinent to the definition of PIE), SOCPA believes that these amendments are critical to develop needed consistency between professional requirements (technical and ethical requirements).

4. Accounting Firms

KPMG International Limited

Agree, with comments below

We agree with the IAASB's proposal to include a new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the ethical requirements for independence applied for certain entities. Whilst we consider that there would be very limited circumstances in which a practitioner would be requested to perform a review of the financial information of a PIE in accordance with ISRE 2400 (Revised), as it would be more likely that an audit of such information would be necessary to meet stakeholder needs, we nonetheless consider it important that ISRE 2400 (Revised) is updated to align with the IESBA Code such that the two standards are able to operate in concert.

We acknowledge the IAASB's proposed approach not to include conforming amendments to ISRE 2410 as part of this project, on the basis that ISRE 2410 is a pre-clarity standard and it may be misleading to make narrow-scope updates to that standard as part of this project alone. We understand that the IAASB may consider a broader project to update the standard more comprehensively in the foreseeable future. In the meantime, we note that a review in accordance with ISRE 2410 is performed by the independent auditor of an entity, and therefore we believe that the objectives of enhanced communication and transparency of the applicable differential requirements in respect of ethics and independence will be met as part of the audit of such entities. In particular, any additional information in this regard will be disclosed in the auditor's report on the annual financial statements of the entity, and therefore such information will be in the public domain and we believe would satisfy the information needs of users of the review report. However, in the absence of an explicit statement by IESBA and IAASB to this effect, we recommend that IAASB co-ordinate with

IESBA to provide clarification, e.g., within the Staff Q&A issued by IESBA, that the requirements of the IESBA Code in this regard are fulfilled by including such information in the auditor's report. We further suggest that, as part of their outreach and dialogue with relevant legal and regulatory bodies responsible for standard-setting across different jurisdictions, the IESBA and IAASB specifically clarify this matter.

Mazars

Agree, with comments below

We are of the opinion that the extension of the requirements to ISRE 2400 appears reasonable, based on the reasons provided in the IAASB's Exposure Draft.

However, in the same vein, we believe that the same reasons or arguments would also apply to ISRE 2410, especially as interim review engagements using ISRE 2410 are common for Listed entities/PIEs in many jurisdictions. We therefore question the decision to exclude the provisions of the Exposure Draft from ISRE 2410, despite still being in pre-clarity format. In our view, this only further demonstrates the urgency as to why ISRE 2410 should be updated as soon as possible. E.g., The Financial Reporting Council UK has extended Going Concern requirements on ISRE 2410 engagements.

PricewaterhouseCoopers International Limited

Agree, with comments below

In light of the fact that the independence requirements outlined in Part 4A of the Code are applicable to both audit and review engagements we agree there is a need to align ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, to help ensure compliance with the requirements of the Code.

In making the change to paragraph 86 of ISRE 2400 (Revised), we suggest the Board may also want to consider an addition to the application material in paragraph A66, related to "Communication with management and those charged with governance" to address the matters included in the revised paragraph A29 of ISA 260 (Revised) as finalised under Track 1 of the IAASB's project. Such matters, tailored appropriately to reflect the fact ISRE 2400 (Revised) does not require such matters to be communicated, seem appropriate to include in the list of matters that may be communicated to TCWG in light of the proposed reporting requirement. This would maintain consistency between the approach adopted for audits and reviews across both communication and reporting.

With respect to ISRE 2410, we consider that the differential independence requirements are far more likely to be applicable for interim reviews of listed entities than for reviews of financial statements under ISRE 2400 (Revised). As we explained in our response to the exposure draft under Track 1 of the project, we believe it is necessary to also amend ISRE 2410.

This change is of a different nature to other changes for which the IAASB took the decision not to update ISRE 2410. While we understand the IAASB's reasoning, in this particular instance we do not believe the same rationale for not acting can be justified. As the IAASB does not plan to issue a revised ISRE 2410 for several more years, we believe it is necessary and appropriate for the Board to issue a Staff Alert to draw attention to the requirement under the Code and to illustrate how practitioners may amend an ISRE 2410 report to comply with the Code requirement. Remaining silent on the issue will promote a risk of non-compliance with the Code.

RSM International Limited

ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity

We encourage the IAASB to consider any revisions to ISRE 2410 as part of a broader project to revise the standard during any future work plan decisions, as explained in paragraph 57 of the Explanatory Memorandum.

5. Member Bodies and Other Professional Organizations

Accountancy Europe

Agree, with comments below

As stated in paragraph 57 of the Explanatory Memorandum, reviews of historical financial statements under ISRE 2400 (Revised) are rare in practice for PIEs. The IAASB standards should address issues and practices observed at a global level. With regards to ISRE 2400 and ISRE 2410, this may be better achieved by a broader project to revise these standards based on emerging needs and demands.

Asociación Interamericana de Contabilidad

Yes, we agree.

We share the IAASB's idea of including amendments to paragraph 86(j)A of International Labor Standard Review 2400 to include a new requirement that would apply only when the relevant ethical requirements require public disclosure that independence requirements were applied, specific for reviews of financial statements of certain entities, in which case the professional should include in their report a statement that identifies the jurisdiction of origin of such relevant ethical requirements or will make reference to the IESBA Code of Ethics

Botswana Institute of Chartered Accountants

Agree, with comments below

Transparency is key as it brings confidence to rely on the reports from the practitioners.

CPA Australia

Agree, with comments below

CPA Australia agrees with the new requirement and application material in ISRE 2400 (Revised) Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity (ISRE 2400) to ensure alignment with the stipulations in paragraph 28(c) of ISA 700 (Revised).

For instance, as highlighted in paragraph 54 of the EM, it is noted that ISRE 2400 (Revised) lacks alignment with the modifications introduced to the auditor's report as part of the IAASB's auditor reporting project (2014), including changes to the report's structure and the incorporation of new elements. Additionally, the IAASB has opted against making any revisions to ISRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ISRE 2410) at this time, considering its current pre-clarity format and the absence of conforming and consequential amendments from recent IAASB projects. This decision aims to avoid implying that ISRE 2410 is up to date.

Therefore, we strongly recommend that the IAASB prioritises the inclusion of revisions to both ISRE 2400 (Revised) and ISRE 2410 in its work plan, as both standards are long overdue for an update. We contend that the revision of ISRE 2410 holds greater urgency compared to ISRE 2400, as interim review engagements conducted by independent auditors for listed entities or PIEs under ISRE 2410 are more prevalent across jurisdictions, whereas reviews of historical financial statements of PIEs under ISRE 2400

(Revised) are relatively uncommon in practice. Clarity and alignment with concepts and principles from other IAASB standards would be welcomed by our members and other stakeholders.

We appreciate the IAASB's attention to these matters and urge swift action to ensure the continued effectiveness and relevance of international standards in the auditing profession.

Malaysian Institute of Accountants – Auditing and Assurance Standards Board (MIA)

Agree, with comments below

In light of the fact that the independence requirements outlined in Part 4A of the IESBA Code are applicable to both audit and review engagements, we agree there is a need to align ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, to help ensure compliance with the requirements of the IESBA Code.

However, we disagree with the IAASB's decision not to amend ISRE 2410, notwithstanding the IAASB's rationale for not doing so, as this creates a significant risk of non-compliance with an IESBA Code requirement. As the IAASB does not plan to issue a revised ISRE 2410 for several more years, we believe it is necessary and appropriate for the Board to issue a Staff Alert to draw attention to the requirement under the IESBA Code and illustrate how practitioners may amend an ISRE 2410 report to comply with the Code requirement. Remaining silent on the issue will pose a risk of non-compliance with the Code.

The Malta Institute of Accountants

Agree, with comments below

We agree with the decision to add a new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities. The new requirement addresses the misalignment in the disclosure of independence requirements between audit and review engagements. However, with respect to ISRE 2410, we disagree with the IAASB's decision not to amend ISRE 2410, notwithstanding the IAASB's rationale for not doing so, as this creates a significant risk of non-compliance with an IESBA Code requirement.

Q05 Neither Agree Nor Disagree

2. Regulators and Audit Oversight Authorities

Financial Reporting Council – UK (FRC)

Neither agree/disagree, but see comments below

The UK does not adopt ISRE 2400 (Revised). However, we welcome the wider application of the underlying principle of transparency in the practitioner's review report with respect to relevant ethical requirements. We also encourage the IAASB to establish this principle in all its assurance standards.

3. Jurisdictional and National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

Neither agree/disagree, but see comments below

We have not adopted ISRE 2400 (Revised) in Canada.

In principle, it seems reasonable to make the revisions to ISRE 2400 (Revised) as the IESBA Code applies to audit and review engagements. However, we would have to do more research and consider any potential unintended consequences of such revisions before responding conclusively.

Nordic Federation of Public Accountants (NRF)

Neither agree/disagree, but see comments below

As noted in paragraph 57 in the EM, reviews of historical financial statements under ISRE 2400 (Revised) are rare in practice. The attached foot note states that “from its information gathering with NSS, only one jurisdiction (i.e., South Africa) noted that there is a regulatory reporting requirement in accordance with ISRE 2400 (Revised) for banks which would qualify as PIEs under the revised PIE definition”. In addition, paragraph 54 notes that ISRE 2400 (Revised) is not aligned with the changes to the auditor’s report introduced as part of the IAASB’s auditor reporting project, such as the structure of the report and including new elements introduced to the auditor’s report.

Given this, we question whether there is a need to make these changes now or whether any changes to either ISRE 2400 or ISRE 2410 should be dealt with in separate projects. Since the reports made by using ISRE 2410 more directly impact the users of both the interim reports and the assurance reports, we encourage the IAASB to prioritize a project that relates to ISRE 2410.

5. Member Bodies and Other Professional Organizations

Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)

Overall response: Neither agree/disagree, but see comments below

While we agree it would be appropriate for ISRE 2400 to be updated for the revisions to the IESBA Code, ISRE 2400 is not frequently used (especially for PIEs) so, in our view, there is no compelling reason for partially revising ISRE 2400 at this time, any revision should be as part of a broader revision of the standard. However ISRE 2410, which is much more frequently used, is not proposed to be revised by this ED. On this basis, we recommend the IAASB carry out the ISRE 2410 revision project sooner.

International Federation of Accountants (IFAC)

Neither agree/disagree, but see comments below

It is noted that in Paragraph 57 of the EM, the IAASB acknowledge reviews of PIE’s historical financial statements under ISRE 2400 (Revised) are rare in practice, and footnote 25 clarifies information gathering identified a sole jurisdiction where there is a regulatory reporting requirement for one sector in accordance with ISRE 2400 (Revised). There is a challenge as to whether it is appropriate to amend a global standard in reaction to practice in a single jurisdiction.

Q05 Disagree

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

Disagree, with comments below

We acknowledge the IESBA reaffirmed in February 2023 its prior decision to include review engagements in the scope of its PIE transparency requirement, despite an understanding gained by the IESBA that is unclear as to when the relevant ethical requirements for independence for a PIE would be applied in a

review engagement, and that it is more likely that a financial statement audit would be performed due to regulatory requirements. The IESBA decided that global consistency across standards was the more important criterion to affirm its decision. We understand that because of the IESBA's decision, the IAASB is required to evaluate whether the review report is an appropriate mechanism to operationalize the IESBA's transparency decision.

Despite that understanding, we disagree with the IESBA's decision and the IAASB's proposal. We believe it is in the public interest that the review report be different from the auditor's report to mitigate the risk of a user potentially misinterpreting the review report, especially given the lower level of assurance obtained in a review engagement. Additionally, in the U.S., the AICPA Professional Ethics Executive Committee (PEEC), which establishes the code of ethical and independence requirements for its members, decided in November 2023 to exclude review engagements from its PIE definition. In doing so, the PEEC explained that is not aware of any U.S. regulator identified with the PEEC PIE definition that requires a review engagement of any entity that would be considered a PIE.

Should the IAASB decided to proceed with the proposed new requirement and application material in ISRE 2400 (Revised), we believe the issues and challenges we identified above in Part A and in Part B, Question 1, regarding the potential conflict with the positions of the IESBA and IAASB need to be resolved before a final decision can be reached.

Institut der Wirtschaftsprüfer in Deutschland e.V.(IDW)

ISRE 2410

We agree as set forth in the Explanatory Memorandum that amendments to ISRE 2410 should not be undertaken as part of this project, but should be a part of a broader project to overhaul that standard, given that the standard is still in a pre-clarity format and has not been revised since the clarity project. Disagree, with comments below

We do not agree with the new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code, because PIEs are almost exclusively subject to audits of their annual financial statements – not to reviews under ISRE 2400 or equivalent standards. The fact that only one jurisdiction uses ISRE 2400 for financial statements of banks is, in our view, not a sufficient reason to change ISRE 2400: changing ISRE 2400 for one jurisdiction worldwide is like using a sledgehammer to crack a nut because that one jurisdiction could add a national requirement to its version of ISRE 2400. Consequently, the cost of changing ISRE 2400 for all jurisdictions, which would need to change their versions of ISRE 2400 (whether adopted and translated or otherwise incorporated into national standards) and related guidance and implementation material clearly outweighs the benefits.

Wirtschaftsprüferkammer (WPK)

Disagree, with comments below

We do not see the need to revise the requirements and application material in ISRE 2400 because an at all noticeable case of practical application is hardly conceivable. In paragraph 57 of the explanations, the IAASB points out that reviews of PIE's historical financial statements under ISRE (Revised) 2400 are rare in practice and that only one case for a regulatory reporting requirement was reported as a result of IAASB's information gathering process with the NSS. Therefore, we suggest not to include the proposed additional

requirement 86. (j)A and the related application material into ISRE 2400 in order not to cause any confusion for the vast majority of users.

4. Accounting Firms

Grand Thornton International Limited

Other comments

We believe updates to ISRE 2410 cannot be deferred any longer as that standard is commonly used when performing interim reviews for publicly traded entities, including listed entities, and PIEs. Waiting to update ISRE 2410 will lead to inconsistencies in terminology and requirements extended to PIEs and publicly traded entities compared with revisions to the ISQMs and ISAs, which would widen the expectations gap for users. We believe the IAASB should prioritize work on the ISRE 2410 project to begin before H1 2025. We further note that the Glossary of Terms in the Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements needs to retain the definition of “listed entity” as listed entities are referred to in ISRE 2410, paragraph 63. Disagree, with comments below

As noted in Grant Thornton International Ltd’s 3 May 2021 response to IESBA’s exposure draft to Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code, we “[do] not support the proposal to include that the entity was treated as a public interest entity in the auditor’s report. We are not aware of any investor need for this additional disclosure and it is a boilerplate disclosure that adds nothing to the auditor’s report and has the potential to cause confusion to users of the report. In some jurisdictions, the form and content of the auditor’s report varies based on the type of entity, which would render additional disclosure irrelevant. We are of the view that any changes to the auditor’s report that are not required by law and regulation, should be driven by an analysis of, and response to, the response to the recent IAASB Auditor’s Report Implementation Review.” Further, we believe that from a user’s perspective, the proposed requirement to revise the practitioner’s report for ISRE 2400 (Revised) engagements could cause confusion in the context of limited assurance and have the unintended consequence of creating misunderstandings related to the level of work effort performed by the auditor.

Q05 No Response

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

2. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies (CEAOB)

No response

4. Accounting Firms

Crowe LLP

6. Individuals and Others

Wayne Morgan and Phil Peters

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