

## SPILT OF CODE DETAILED COMMENTS

1.	Split of Code	We are in favor of dividing the existing section into 2 separate sections distinguishing between the different types of assurance engagements	Mazars	
2.	Split of Code	The APESB supports the concept of splitting the independence section into two – one relating to audit and review engagements, the other to other assurance engagements. In reviewing the exposure draft, the APESB would like to raise the following general issues for consideration by the IESBA:	APESB	
3.	Split of Code	DnR consents to the split of existing Section 290 into separate sections. Despite the fact that the splitting will result in an extension of the total volume, we think that the sections will become more easy-to-grasp for the users.	DnR	
4.	Split of Code	IRE welcomes the splitting of the existing Section 290 into two sections and the retention of the conceptual approach as the base of Sections 290 and 291	IBR-IRE	
5.	Split of Code	We welcome the split of the existing section into two separate sections.	CNCC	
6.	Split of Code	We support the new structure of the Code of Ethics proposed by the IESBA	E&Y	
7.	Split of Code	We are particularly pleased that review engagements will be subject to the same Independence standards as audit engagements, as is generally the case in Canada where the use of review engagements is extensive.	CICA	
8.	Split of Code	Splitting existing Section 290 into two sections will also be more obvious and understandable	FAP	

9.	Split of Code	<p>We are pleased to note that the December ED has resulted in a general strengthening of the IFAC Code. In particular we support:</p> <ul style="list-style-type: none"> <li>• The split of the current Section 290 into two sections. We believe this will help clarify the requirements and guidance that apply to audits;</li> <li>• Including review engagements in the new Section 290. We believe that this is appropriate to the extent that such reviews result in public reports that are relied upon by external stakeholders;</li> </ul>	APB	
10.	Split of Code	<p>In particular we support ...the split of Section 290 into two separate sections to clarify the independence requirements for audits and other assurance engagements, although we do have concerns about the length of the proposed revised Code as a result</p> <p>We welcome the split of Section 290 into audit and other assurance engagements, although we are concerned about the growing length of the Code as a direct consequence. In this respect, we believe there is a clear need for the IESBA to carry out a full scale review of the Code to see where it can reduce its length without impacting on the overall substance of the content.</p>	ICAS	
11.	Split of Code	<p>Splitting the independence requirements into two sections; one for audit and review services and the other for all other assurance services should greatly facilitate the professional accountant's understanding of these requirements, which should also enhance compliance.</p>	AC	
12.	Split of Code	<p>Fourthly, we support the proposed split of section 290 and the creation of a new section 291. It would help with the understanding of the difference between audit and review engagements, and other assurance engagements.</p>	SAICA	

13.	Split of Code	<p>We are happy with the proposed split of Section 290 and Section 291, but are concerned that this has resulted in repetition. For example, there is direct repetition in Section 290.4 and 291.4 with the exception of substitution of the word 'assurance' for 'audit'. Similarly, Sections 290.5 &amp; 290.6 are the same as 291.5 &amp; 291.6 and the 'conceptual approach to independence' and 'other considerations' sections are the same in both Section 290 and Section 291.</p> <p>We see several potential ways of avoiding this repetition. For example, the common elements of 290 and 291 could be consolidated into just one 'front end' followed by two sections comprising the specific examples for 'audit and review' in one and 'other assurance' in the other. We believe that this would also achieve advantages in terms of consistency with the style of the rest of the Code. Another alternative would be to cross-reference readers of Section 291 to the relevant paragraph in Section 290 rather than repeating the text word for word within the body of the code. Finally, a third option would be to move the examples (Section 290.100 onwards and Section 291.100 onwards) from the main body of the code into two separate appendices. This would emphasise the principles and would help to make the code shorter and more focused, thus making it easier for accountants to use.</p>	CIMA	
14.	Split of Code	<p>We are sceptical of the categorization of the Code into sections 290 and 291 as it results in a considerable extension of the total volume. There are many repetitions between sections 290 and 291.</p>	FSR	

15.	Split of Code	<p>Following on from our comments above on the possible trend towards a rules oriented approach, we are of the opinion that the provision of separate guidance on other assurance engagements is unnecessary. This is because it is not possible to anticipate every fact or circumstance that may threaten independence and the better approach to remove or mitigate threats to independence is by reference to principles. The principles do not vary with the nature of the engagement and, for this reason, it is preferable that the guidance on independence is contained within one section of the Code of Ethics.</p> <p>We are also of the opinion that the split between audit and review (in Section 290) and other assurance engagements (in Section 291) is quite arbitrary. As a consequence there is a risk that the lesser guidance material in, Section 291 may be inappropriately applied. For example, Section 290 is limited to audits and reviews of historical financial information. If an auditor is requested to examine and report on prospective financial information to be included in a prospectus document they would likely refer to the guidance material in Section 291 when considering independence matters. In this instance it is our opinion that reference to Section 291 would be inappropriate and it is the guidance material in Section 290 that should be referred to.</p>	CAGNZ	
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16.	Spilt of Code	<p>We believe that standards of independence for assurance engagements should distinguish between public reporting and private reporting engagements. For public reporting engagements, such as an accountant reporting on financial information in a prospectus, conceptually public interest requires that the same high level standards of independence should apply as on an audit. However, there are practical issues that need to be considered.</p> <p>APB has recently issued an Ethical Standard for Reporting Accountants (ESRA) which applies to engagements that are in connection with an investment circular in which a report from the reporting accountant is to be published. In finalising this standard, we needed to take account of the market characteristics in relation to the role of the reporting accountant. Particular problems were identified in relation to the need to maintain confidentiality in relation to some corporate finance transactions and for the reporting accountant to be appointed quickly. This resulted in:</p> <ul style="list-style-type: none"> <li>• the inclusion of additional guidance on the extent of enquiries that need to be made throughout the network;</li> <li>• narrowing the audience for disclosures of significant facts and matters that bear upon the reporting accountant's objectivity; and</li> <li>• restricting the consideration of threats arising from an engagement where there are two responsible parties, one of which is already an audit client, to those which are known as a result of limited enquiries.</li> </ul> <p>Similar issues may be faced in other jurisdictions where there are multiple responsible parties in relation to an engagement where a firm is issuing a report on historical financial information that is included in a prospectus.</p>	APB	
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17.	Split of Code	<p>We do not believe that the scope of section 290 should automatically include review engagements as well as audit engagements. ‘Review engagements’ covers a much wider range of possible activities than the latter, however, meaning different things around the world and indeed within the same country. In some jurisdictions and some circumstances they can indeed refer to engagements with a clear public interest perspective such as auditor review s of interim reports which are issued to the market. However, in other jurisdictions and circumstances a review opinion (often applied to a small entity that does not require an audit and frequently intended for restricted use) would not demonstrate a public interest perspective and the guidance in section 291 (which requires the same standard of independence but is more principles based in achieving that) would be more appropriate. We note that the proposed definition of ‘review engagement’ is one “...conducted in accordance with International Standards on Review Engagements or equivalent.” This indicates that IFAC does not intend section 290 to apply to all forms of engagement that might be called ‘review’ but as the International Standards on Review Engagements have not been adopted everywhere in the world we think there will be confusion. We also note that the terms ‘audit’ and ‘review’ are commonly used in place of ‘reasonable assurance engagement’ and ‘limited assurance engagement’ by practitioners and their clients alike. Considering the complexities and general lack of understanding as to what types of ‘review’ engagements exist, the definition of types of engagements to be covered by section 290 should be considered carefully. We believe that IFAC should seek to apply section 290 only to engagements with a clear public interest perspective such as where there is reporting to capital markets: indeed it may be appropriate for national standard setters to decide on this, in line with the approach in respect of ESPIs Cont’d</p>	ICAEW	
18.	Split of Code	<p>We further note that the scope of 290 has been extended to cover not just audits and reviews of entire financial statements but also components of financial statements and special purpose statements. We concur that there is a set of expectations associated with ‘audit’ and that therefore section 290 should apply to engagements seen to be audits. However, the inclusion of such a wide range of components and special purpose statements further reinforces the need to carefully consider the extension of section 290 to non-audit assurance engagements.</p>	ICAEW	

19.	Split of Code	We support the IESBA decision to split Section 290 into two sections dealing separately with audit and assurance engagements, this, we believe, will provide greater clarity for all users of the Code. However we are concerned that the new Section 290 has been extended to include review engagements. Whilst noting the definition of review engagement refers to ISRE2400 we do not believe that this provides sufficient clarity as to which engagements would in fact be included within the scope of Section 290. We would suggest that the public expectation of the level assurance to be provided by a review engagement varies from country to country. In our opinion the majority of review engagements would not be similar in nature to audit and consequently Section 291 should apply. We believe that only in exceptional circumstances, where the review engagement has a significant public interest perspective, should Section 290 apply	CARB	
20.	Split of Code	<p>Although we welcome splitting of Section 290 into audit and other assurance engagements, we have a strong concern about including automatically review engagements in Section 290 of the Code. In the UK and Ireland, there is a wide range of views about the scope of review engagements and what they mean, which would make the guidance in Section 290 very difficult to apply. We believe that only review engagements which have a public interest perspective such as those on interim reports to the market should be included in Section 290. All other review engagements should be included in Section 291.</p> <p>We have also noted that the guidance on independence has increased significantly, partly as a result of splitting of Section 290 into two. Whilst it may not be possible to reduce the length of the guidance, the introduction of an index may help professional accountants to refer to guidance in an efficient manner</p>	CCAB	
21.	Split of Code	We support the division of the existing section into separate sections covering audit and other assurance engagements.	FEE	

22.	Split of Code	<p>We note that the proposed Section 290 on audit engagements has been extended in 290.1 to cover review engagements conducted in accordance with International Standards on Review Engagements (ISREs) 'or equivalent', as well as financial information ranging from general purpose financial statements to individual elements of a financial statement.</p> <p>As regards the extension to review engagements, it is important that it be clear what type of engagements Section 290 is intended to apply to</p> <ul style="list-style-type: none"> <li>a. Despite the description of the level of assurance in ISRE2400, we note that the public expectation of whether a review engagement opinion should be regarded as similar in nature to an audit opinion, or giving a very much lower level of assurance, varies from country to country;</li> <li>b. In particular we do not believe that review engagements for restricted use should fall within the scope of Section 290 as they are unlikely to be similar in nature to audits;</li> <li>c. We note that ISRE2400 states: "This ISRE is directed towards the review of financial statements. However, it is to be applied <i>to the extent practicable</i> to engagements to review financial or other information..." It is unclear therefore whether a review of other financial information would (or even could) fall within the scope of Section 290.</li> </ul> <p>As regards audit engagements, we note that the proposed new ISA800 changes the wording used to describe special purpose financial statements and it may be necessary to amend 290.1 to align with ISA800 when finalised.</p>	FEE	
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23.	Split of Code	<p>We do not believe that the split of sections 290 and 291 properly reflects the market place in which smaller entities operate. Many smaller entities in a number of countries are in the position within their local market place to elect for the issuance of a review report instead of an audit opinion.</p> <p>We believe that if distinctions are to be made in the Code with respect to the level of assurance in an accountant's report, the distinction should be between positive assurance reports and all other assurance reports. Where an accountant opines or provides positive assurance on financial statements or attestations by client management, that factor creates a fundamental and clear distinction from other reports where the accountant provides negative or no assurance on the financial statements or attestations by client management.</p> <p>As we understand sections 290 and 291, a notable distinction is the discussion surrounding entities of significant public interest and the associated requirements. It is not likely that entities such as these would be subject to a review engagement. If they were to request a review of their financial statements, it would not be appropriate to apply many of the requirements associated with the audit of an entity of significant public interest to that of a review engagement. We believe that the public and smaller entities would be better served if the discussion of threats and safeguards for review engagements was included in the proposed section 291 and section 290 dealt exclusively with positive assurance reports.</p>	Grant Thornton	
24.	Split of Code	<p>We are supportive of the split of the Code into two sections, in particular so that Section 290 can be kept (largely) free of the difficult language in Section 291 flowing from the IAASB International Framework for Assurance Engagements. We note that practitioners have difficulty in practice in applying the concepts of "subject matter" and "subject matter information" and also in distinguishing between assertion-based and direct reporting assurance engagements. We make some specific comments in this respect in Part C of this letter</p>	KPMG	
25.	Split of Code	<p>We are not certain that it is appropriate to require all the audit provisions to apply to review engagements, but suspect that such engagements are not particularly common in practice. We acknowledge that the types of review engagements for which full audit independence may not be appropriate could well be special purpose restricted use engagements where the provisions for restricted use in Section 290 may provide a reasonable base level requirement. However, we would recommend that the IESBA conducts further research into this matter before making a final determination as to how review engagements should be classified for the purposes of the Code.</p>	KPMG	

26. b	Split of Code	<p>We support splitting existing Section 290 into two sections and believe that this will enhance a reader's ability to comply with the independence requirements that are relevant to the specific assurance engagement. We are concerned, however, that the allocation of engagement types between Section 290 and Section 291 would subject certain engagements to independence requirements that may go beyond user needs and may impose an excessive compliance burden on the professional accountant, which in turn will hinder the ability of companies to obtain timely service and, ultimately, disadvantage those companies as well as the users of their financial information that the accountant reports on. Under the proposals, for all audits and all reviews of "historical financial information" (as defined) the accountant would have to comply with the same independence requirements that apply to a "financial statement audit engagement," whereas under existing Section 290, for all assertion-based engagements that are not financial statement audit engagements and for all review engagements, the accountant would be required to comply with independence requirements that apply to "other assertion-based assurance engagements." This is a significant change in that, inter alia, independence would be required of network firms for more than just financial statement audit engagements.</p> <p>Cont'd</p>	PwC	
27.	Split of Code	<p>Engagements that would, under the proposals, be covered by the additional requirements include audits and reviews of matters such as:</p> <ul style="list-style-type: none"> <li>• Operating cost statements for rental buildings, where the statements are used for the allocation of common area and related costs to tenants.</li> <li>• Reports on store sales for purposes of percentage rent calculations.</li> <li>• Reports on costs incurred for determination of royalties that are payable under statute or an agreement.</li> <li>• Reports on costs incurred to qualify for various government assistance programs.</li> <li>• Reports on expenditures incurred, or distributions made, as required by trust deeds or other similar agreements.</li> </ul> <p>We do not agree that if the subject matter of an engagement comprises historical financial information, the independence requirements should always be greater than if the subject matter was of a non-financial nature, such as an assurance engagement to issue an opinion on a company's sustainability report – a report that may generally be widely distributed. We note that Section 291 appropriately allows application of a threats and safeguards approach in circumstances not permitted in Section 290 and recommend that the Board consider whether a similar approach for certain services covered by Section 290 would be appropriate.</p> <p>Cont'd</p>	PwC	

28.	Split of Code	<p>A rationale for the split seems to be to align the Code with the "Structure of Pronouncements" to be issued by the IAASB, with ISAs 200-800 dealing with audits and reviews of historical financial information. We acknowledge that the IAASB recently decided to revise the applicability of its body of standards to clarify that the requirements and guidance in the ISAs should apply to any audit (or review) opinion on historical financial information irrespective of whether the subject matter is full financial statements or something less, for example, a single element of a financial statement. This was based on a view that the work effort should be the same. However, in so doing, the IAASB did not express a view on whether all of these audit and review engagements require the same independence considerations to apply to all circumstances.</p> <p>Because the rigour of a review engagement is less than that of an audit and because the level of assurance provided by a review is less than that provided by an audit, the independence requirements for a review engagement do not need to be, in principle, the same as the independence requirements for an audit engagement. An exception that could be made is a review of "general purpose<sup>1</sup> financial statements." For that type of review engagement, which is often undertaken for private companies as a cost effective alternative to full scope audits, and in view of the likely user needs, we believe the independence requirements should be the same as for the audit of general purpose<sup>1</sup> financial statements. Similarly, the same independence requirements would also seem appropriate to apply to an audit or review of a "complete set of financial statements prepared in accordance with a framework designed for a special purpose," when those financial statements are broadly distributed (i.e., are not restricted use) subject to our comments in 2.3 below.</p> <p style="text-align: right;">Cont'd</p>	PwC	
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29.	Split of Code	<p>Accordingly, we do not believe that all audits and reviews of historical financial information should be covered by Section 290. We question whether users would expect that the independence requirements pertaining to audits of general purpose<sup>1</sup> financial statements would also necessarily apply to (as indicated in Paragraph 290.1) an audit or review of a "single financial statement" (whether general purpose or not), or an audit or review of "one or more specific elements, accounts or items of a financial statement." We recommend that for those engagements the Board consider whether the standard established by Section 291 (consistent with current requirements) is more appropriate and reconsider the proposed split between Sections 290 and 291. In doing so, the Board should have regard to the fact that whilst some such engagements may be for restricted use and therefore subject to the differing independence requirements this will often not be the case, as practical and other considerations (such as the nature of user groups) will often prevent the conditions required for restricted use from being met. Nonetheless, those engagements also may deserve different independence requirements.</p> <p>Cont'd</p>	PwC	
30.	Split of Code	<p>Consequence of using the term "so significant that no safeguard(s) could reduce the threat to an acceptable level"</p> <p>Certain paragraphs of the ED include a conclusion that a threat is "so significant that no safeguard(s) could reduce the threat to an acceptable level." However, that conclusion is too far reaching in some of the cases described in the ED where it has been included. We believe this issue is highlighted by the emphasis in Section 290 on a wider definition of "audit" that covers a broader range of engagements and a broader range of subject matter information. The following example illustrates this.</p> <ul style="list-style-type: none"> <li>• Company X is a listed entity that publishes books;</li> <li>• Company Y is a subsidiary of X; Y sources and supplies paper for use in books, but Y is not involved in publishing;</li> <li>• Audit Firm A has an engagement to audit (and report publicly on) annual statements of royalties due to and from X;</li> <li>• The annual financial statements of Company X and Y are audited by Audit Firm C;</li> <li>• Company Y engages a partner of Firm B to serve as its interim finance director;</li> <li>• Firms A and B are part of the same Network; Audit Firm C is not;</li> <li>• Firms A and B provide no other services to X, Y or any related entity of X or Y.</li> </ul>	PwC	

31.	Split of Code	<p>Under the ED, because the "audit client" (defined as "an entity in respect of which a firm conducts an audit engagement") is a listed entity, the independence requirements extend to the audit client's related entities (unless otherwise stated). Further, network firms are required to be independent of the audit clients of other firms in the network and "firm" includes network firms (290.2). Serving as an interim finance director of Company Y involves Firm B acting as management of Company Y and because Company Y is a related entity of Company X, such an appointment would be prohibited by paragraph 290.142. According to paragraphs 290.142 and 158 of the ED, there are no safeguards that could reduce to an acceptable level the consequent threats to the independence of Firm A. Accordingly, under the ED, Firm A would not be considered independent of Company X.</p> <p>Cont'd</p>	PwC	
32.	Split of Code	<p>We believe this conclusion is not justified because it fails to take into account the fact that the subject matter information of Firm A's engagement for Company X is unrelated to Firm B's service of providing an interim finance director to Company Y. Further, we would not expect that the users of Firm A's report (e.g., royalty payees) would be concerned about such services provided to Company Y by Firm B. Paragraph 290.160 of the existing Code recognises that independence needs to be considered in the context of the subject matter information of the relevant assurance engagement. Section 290 of the ED does not include an equivalent paragraph, but the extension of the scope of Section 290 to a broader range of engagements makes that paragraph highly relevant.</p> <p>Accordingly, we recommend that the Board reassess each conclusion that "no safeguard(s) could reduce the threats to an acceptable level" to determine the situations where such a conclusion would not be justified, as in the case described above. In conjunction with this, we recommend the following actions:</p> <ul style="list-style-type: none"> <li>a) reconsider the wide definitions of "audit" and "audit client" that have been proposed and the resulting split;</li> <li>b) modify the conclusion in some cases; and</li> <li>c) re-introduce the principles of paragraph 290.160 of the existing Code into the new Section 290.</li> </ul>	PwC	

33.	Split of Code	<p>Our second main concern relates to the IESBA proposals that would require the same Independence standards for each of audits and reviews of general purpose financial statements plus single financial statements or discrete financial numbers. The existing approach would treat these latter items as other assurance services, which would be covered by the new Section 291. This change would result in broader independence requirements for those services, in terms of application to the firm and network, partners of the firm, and members of firm management.</p> <p>Cont'd</p>	CICA	
34.	Split of Code	<p>We believe that this would create significant practical issues and is not necessary from a public interest perspective. There are several types of service that would be affected, including:</p> <ul style="list-style-type: none"> <li>• reports on operating cost statements for rental buildings, where the statements are used for the charge of common area and related costs to tenants. In such cases, the property manager and the property owner are often not the same party, and obtaining the consent of all of the tenants is not something that could reasonably be done. The auditor of these statements is often the auditor for the property manager;</li> <li>• reports on store sales for purposes of percentage rent calculations. Generally, the auditor is the auditor of the store's financial statements, but may or may not be the auditor of the entire chain that consolidates the results;</li> <li>• reports on working capital or other financial statement items in connection with purchase and sale agreements for assets, divisions, or entire entities;</li> <li>• reports on costs incurred for determination of various Crown royalties or other royalties that are payable under statute or an agreement;</li> <li>• reports on costs which qualify for various assistance programs; and</li> <li>• reports on expenditures incurred, or distributions made, as required by trust deeds or similar agreements.</li> </ul> <p>In these cases, the user community is not generally of wide public interest. The subject matter is generally related to specific matters over which small (and generally identifiable) groups have any relevant interest. Defining the "audit client" broadly to include the entire entity is unnecessarily restrictive (and this assumes that it can be agreed in each case which in the group is the audit client). It is also difficult to see the benefit in restricting a broad range of individuals.</p> <p>Cont'd</p>	CICA	

35.	Split of Code	<p>We do not believe that the “restricted use” provisions solve the problem in every instance. Those provisions require some agreement or understanding with the users as to the independence standards that have been applied. As noted in the example above, this is not always possible or practical in many of these cases.</p> <p>The practical effect of the proposal is that frequently the corporation's financial statement auditor will be the only logical choice to conduct these audits, given that the ability for all firms to become “independent” may be next to impossible. That will result in a significant change in allocation of audit work within the firm which itself is probably not in the public interest. Moreover, in some cases, other auditors from the same firm or network firm may be better equipped, due to office locations or resources, to do these audits which are often in varied or remote locations away from the normal corporate offices.</p> <p>We would therefore recommend that the two levels of Independence standards should be as currently exists – one level in Section 290 for audits (and reviews) of complete sets of general purpose financial statements, and a second level in Section 291 for all other “assurance services”.</p>	CICA	
36.	Split of Code	<p>While we believe that the split results in repetition in some areas, we also believe that it is useful in the sense that the practitioner can readily access the requirements applicable to a particular engagement, e.g., if the practitioner performs an other assurance engagement, it is not necessary to refer to section 290 (unless the assurance client is also an audit or review client). We agree that a reasonably informed third party would expect that the same independence requirements have been met in the engagements, but are not convinced that the general public is aware of the difference between an audit and a review. By including both audits and reviews under section 290 means that the stricter independence requirements which apply to audits, as should be the case, also applies to review engagements. We believe that the threats to independence in a review engagement may be less than for an audit, e.g. when a practitioner performs a review engagement, the prohibition of other services may not be as critical as it would be had the practitioner performed an audit engagement. Another example of the difference between independence requirements for audits and reviews is the cooling off period. Whilst we believe the cooling-off period requirements are relevant to alleviate familiarity threats within an audit engagement, the same need not apply to a review engagement</p>	IRBA	

37.	Split of Code	<p>We support the split of the existing Section 290 into two sections:</p> <ul style="list-style-type: none"> <li>• The proposed revised Section 290 (Audit and Review Engagements).</li> <li>• The proposed new Section 291 (Other Assurance Engagements).</li> </ul> <p>The current Code addresses independence requirements for all types of assurance engagements and the differing standards to be applied for various types of assurance engagements under a single section. This makes the section unnecessarily complicated and less reader-friendly. The split will simplify the Code, promoting more understandable guidance and providing better clarity between independence requirements for financial statements audit and other assurance engagements</p> <p>We do not, however, believe it appropriate to treat every review engagement of “historical financial information” as equivalent to a financial statements audit. This means that the independence requirements as applicable to a financial statements audit will apply equally to every such review engagement.</p> <p>We acknowledge that the nature of a financial statements audit calls for more stringent standards. This is in part due to a need to also meet the expectations of the market and other relevant stakeholders. Therefore, the stringent standards include many requirements that address perception risk, peculiar to an audit. Cont’d</p>	PAOC	
38.	Split of Code	<p>On the other hand, a review engagement is a “limited assurance” engagement that has the following characteristics:</p> <ul style="list-style-type: none"> <li>• The limited level of assurance means that the rigour employed in performing the work is necessarily less than that of an audit</li> <li>• It is arguable whether the market and other stakeholders expect that the standards applied to review engagements necessarily have to be as stringent as those of an audit on every case. For example, users may expect the same standards to be applied to a review engagement of a complete set of general purpose financial statements (such as a review of the interim financial statements of listed companies for announcement). However, users are unlikely to expect the same standards to be applied to a review engagement involving only one or more specific elements, accounts or items of a financial statement</li> <li>• Furthermore, it is counter intuitive that the independence requirements relating to “historical financial information” should be more stringent than those relating to a non-financial matter, which are generally included under the proposed new Section 291. Cont’d</li> </ul>	PAOC	



39.	Split of Code	For the above reasons, we encourage the Board to reconsider whether it would be more appropriate for the stringent standards in Section 290 to apply to only certain classes of review engagements, such as the review of a complete set of financial statements. Review engagements, such as those involving one or more specific elements, accounts or items of financial statements should be more appropriately categorised under Section 291. Section 291 allows the application of a threats and safeguards approach in situations not permitted in Section 290, and we believe this to be more appropriate for such classes of review engagements	PAOC	
40.	Split of Code	<p>We do not agree with the way section 290 has been split. We understand that the need to split the section arose as result of a request by regulators that independence provisions relating to audit be separate and hence clearly visible. The simple way to give effect to this would have been to divide the section into one dealing only with audit and one or more sections dealing with other assurance engagements.</p> <p>We do not agree with the reasons offered by the IESBA for including review engagements in the proposed section 290.</p> <p style="text-align: right;">Cont'd</p>	ACCA	

41.	Split of Code	<p>The first reason advanced is that: ‘most assurance engagements are either audit or review engagements’. The point at issue here is presumably the relative usefulness for review engagements of having the requirements separated from those in proposed section 291. The IESBA presents no research to support the view that the number of review engagements is of such significance that separate presentation (or at least combined with equivalent requirements for audit engagements) is necessary. Even if this were the case, we suggest that the conclusion drawn by the IESBA is wrong. The correct conclusion is that review engagements demand a separate section. It is only in the special case where the independence requirements for review engagements are the same as for audit engagements that the IESBA conclusion can arise, and that is a circular argument.</p> <p>The second reason advanced is that ‘the subject matter and subject matter information of the engagement is the same as in an audit engagement’. The discussion of this mentions that there is a different level of assurance obtained (by the practitioner) but clearly this is not considered as a factor that is relevant to independence. Cont’d</p>	ACCA	
42.	Split of Code	<p>The focus on subject matter and subject matter information is not valid as, if it were, it would also apply to compilation engagements. This may seem a difficult statement to make as there are no independence requirements for such engagements at present<sup>1</sup> but it is clear that a compilation engagement may have identical subject matter and subject matter information to both an audit and a review. It could be suggested that the fault in the argument can be ignored if compilation reports can be ignored, perhaps because the practitioner obtains no assurance<sup>2</sup>. This would be a difficult suggestion to sustain however as the IESBA has dismissed the importance of the level of assurance.</p> <p>We now advance two arguments to support our recommendation below that proposed section 290 should apply only to audit engagements. These are related, because both are based on the contention that it is not correct to ignore factors that are highly relevant to the level of independence that ought to be achieved for an engagement. The arguments deal with the level of assurance that the user derives from the assurance engagement and with the level of public interest in the assurance engagement. Cont’d</p>	ACCA	

<sup>1</sup> Other than to included a statement in the accountant’s report when the accountant is not independent (paragraph 5 International Standard on Related Services 4410 *Engagements to Compile Financial Statements*).

<sup>2</sup> The user of the practitioner’s report may derive assurance even though the practitioner reports no assurance. That assurance is derived from factors such as the knowledge that a professional accountant has undertaken the compilation.

43.	Split of Code	The level of assurance that the user derives from the assurance engagement depends to a large degree on the assurance obtained and reported by the practitioner. Other factors influencing the user's assurance level include knowledge of the practitioner's competence and independence. It has long been recognised that competence and independence are of less significance to the user when the level of assurance and their interest in the subject matter information are reduced. The competence of auditors is often subject to law and regulation; accounts compilation is generally unregulated. Major institutional investors regard audit quality and auditor independence of paramount importance to capital markets; statutory review engagements may be carried out by persons not qualified as accountants. Cont'd	ACCA	
44.	Split of Code	The level of assurance is itself important because for a given subject matter, the user derives higher value from higher assurance (though usually at higher cost). Standards should not impose disproportionate costs on engagements to provide lower assurance as the benefit to users (and society) are lower. This has been recognised by other standard setting Boards of IFAC, for example by issuing different standards for audits and for reviews. We recommend, therefore, that the level of assurance be considered when determining the scope of proposed section 290. Because reviews provide lower assurance than audits they should not be subject to the same independence provisions. There is a need to consider the public interest argument below, however, in relation to reviews of entities of significant public interest (ESPIs). Cont'd	ACCA	
45.	Split of Code	The user's interest in the subject matter is already incorporated into the extant Code through recognition of different levels of public interest (with more stringent requirements for listed entities). We argue that the public interest differences across the range of review engagements should also be acknowledged by the IESBA when determining the scope of proposed section 290. Cont'd	ACCA	

46.	Split of Code	<p>Review engagements are proposed to be defined, in essence, as engagements ‘conducted in accordance with International Standards on Review Engagements or equivalent’. The International Standards on Review Engagements are currently divided into those applicable practitioners who are also the auditors of an entity and practitioners who are not. The former would have to apply proposed section 290 (if it were to apply only for audit engagements) as required by paragraph 291.1 of proposed section 291. For practitioners who are not also auditors of an entity we see no reason to force the adoption of proposed section 290 unless it is clearly in the public interest on a global basis. It could only be argued that that is the case in relation to ESPIs.</p> <p>We recommend, therefore, that (using the conventions adopted in the exposure draft):</p> <ul style="list-style-type: none"> <li>• proposed section 290 applies only to audit engagements</li> <li>• proposed section 291 requires that section 290 applies if the assurance engagement is in respect of an audit client, or if the assurance engagement is a review engagement of an ESPI.</li> </ul> <p>Cont’d</p>	ACCA	
47.	Split of Code	<p>In relation to the proposed split of extant section 290, we are not convinced by the arguments advanced in the Explanatory Memorandum that any consideration has been given to different ways to divide the material, whether into two sections or more. We would have liked there to have been a wider consultation on the form of the independence sections of the Code, as at this stage, we do not believe that the consultation will elicit sufficient responses to do other than pursue a two-section format.</p> <p>Cont’d</p>	ACCA	

48.	Split of Code	<p>There is a growth in providing assurance on sustainability reports issued by major global corporations. These are often assured by reference to International Standard on Assurance Engagements 3000 <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>. There is a strong public interest argument in support of applying proposed section 290 to such engagements. This may, however, be countered by an argument on cost/benefit.</p> <p>The application of the proposed sections to small engagements, particularly by small practitioners could have been addressed through the provision of a section or sections applicable to those circumstances. Typically, such circumstances involve considerable differences from larger engagements in the degree of public interest and in relation to the threats encountered, their significance and the availability and relative effectiveness of safeguards. For example, the paragraphs dealing with network firms could be eliminated from such a section.</p> <p>Cont'd</p>	ACCA	
49.	Split of Code	In view of these examples and others that might arise from further consultation, we recommend addressing the wider issues of the format of the Code in a subsequent consultation (perhaps in conjunction with considering the implications for the Code of the new drafting conventions adopted under the IAASB Clarity Project).	ACCA	
50.	Split of Code	<p>NIVRA agrees with the splitting of section 290 into one chapter for audit engagements and a chapter for other assurance engagements.</p> <p>However, NIVRA objects to the regulation of audit and review on the same level in section 290. The public now has less high expectations regarding the independence that should be taken into account with review engagements, than is the case with audit engagements. The application of the rules for audit on review has rather a lot of consequences, such as, for example, the interaction with non-assurance services. NIVRA believes that a safeguard approach in accordance with section 291 is adequate for review engagements. For this reason, NIVRA calls for the inclusion of review engagements in section 291.</p>	NIVRA	
51.	Split of Code	We support the proposal to split extant Section 290 between audit and review engagements and other assurance engagements. However, we would like to raise a number of general matters in respect of the proposals before commenting in detail on specific aspects of the proposals and responding to the Board's specific questions and request for comments on specific matters.	IdW	

52.	Split of Code	<p>We note that the intention is for section 290 to apply to audits and review engagements. We have concern that whilst the term ‘<i>audit</i>’ has a certain ubiquitous understanding, the understanding of what constitutes a <i>review</i> engagement is often inconsistent. In many jurisdictions, a review is associated with a service provided to clients who do not require audits and provides a form of assurance far lower than that of an audit. For such an engagement, there would be no expectation, or public interest, in applying the provisions of section 290. The IESBA may have already considered this aspect when defining reviews as ‘<i>equivalent to reviews performed in accordance with ISRE or equivalent standards</i>’. However, we believe that this dichotomy between treating some review engagements in accordance with section 290 and others in accordance with section 291 will be inconsistently applied in practice and is unnecessary with respect to the public need. It is our view that including them within the scope of section 290 may unnecessarily increase the cost of the review without any perceptible corresponding increase in public confidence.</p> <p>We do, however, agree with the Board’s clarification that section 290 is applicable to all audits, whether to an audit of whole financial statements or more specific elements in isolation.</p>	BDO	
53.	Split of Code	<p>We appreciate the split of the former Independence-Section into Section 290 regarding audit and review engagements and Section 291 dealing with other assurance engagements.</p> <p>We note that the scope of Section 290 as prescribed in par 290.1 covers audit and review engagements, whereas a review engagement is a limited assurance engagement performed in accordance with International Standards on Review Engagements (ISREs) issued by the IAASB, or equivalent standards. This implicates an extension of the existing Code to review engagements. In our opinion it is vital to make clear, which type of review engagements shall be covered by Section 290.</p> <p>According to ISRE 2400, par 2, ISRE 2400 is directed towards the review of financial statements and is to be applied “to the extent practicable” to engagements to review financial or other information. Regarding a review of other financial information we are not sure, whether they should be covered by Section 290.</p> <p>Regarding audit engagements we note that the definition of “Special Purpose Audit Engagements” (par 290.1, Bullet 3) is not in line with the corresponding definition of the effective ISA 800 and ISA 800 (revised). We could not figure out any reason for this difference which might lead to misinterpretations.</p>	WpK	

54.	Split of Code	<p>The PPB is not convinced that this is appropriate. Conceptually the issue should be <i>is the accountant required to be independent for this engagement?</i> If the answer is ‘yes’, then the type of engagement is largely irrelevant. To illustrate this further, consider two examples where section 290 does <i>not</i> apply: an engagement in respect of prospective financial information for inclusion in a prospectus (not an audit engagement as defined on page 89 of the document); any direct reporting audit (e.g. performance audit, audit of effectiveness of internal controls, audit of service organisations for the purpose of providing assurance to the organisations’ clients’ auditors on the controls operating within the service organisation). It is difficult to understand why the provisions of section 290 should not apply to these types of engagement. An entity issuing a prospectus would be an entity of <i>significant public interest</i> but under the proposal, a practitioner would appear to only need to consider section 291, and apply its far less detailed provisions. Similarly an audit of a service organisation is potentially going to be considered and possibly relied on by auditors of entities of <i>significant public interest</i>, and yet section 290 does not apply to this type of engagement.</p> <p>Accordingly, the PPB does not support the splitting of the existing section into two as, rather than achieving greater clarity, it introduces unnecessary complexity.</p>	ICANZ	
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55.	Split of Code	<p>We have no issues, per se, over the demarcation. There is inherent logic in advocating different approaches depending on the level or existence of assurance provided. However, we feel the demarcation line is inappropriately drawn and suggest that S290 apply to audits only, while S291 applies to all other assurance engagements. We posit various practical reasons for this.</p> <p>First, it reinforces the distinction between an audit and other types of assurance service. Second, in many jurisdictions there is a lack of clarity as to what exactly constitutes a ‘review’ engagement. In some countries there are clear frameworks that carefully define these but in others various types of assurance engagements could fall within this definition. Redrawing the line as suggested would make this a non-issue. Third, the proposals for S290 would greatly undermine the market for alternative assurance services such as review or any new service that may be developed by member bodies and/or the IAASB.</p> <p>Finally, we note that within S290 there are some requirements relating to audit engagements/clients and others to assurance engagements/clients. This is potentially confusing, a confusion that may be eliminated were S290 only to relate to audit.</p> <p>In sum, we feel that limited forms of assurance should be married with less onerous independence requirements, so as to ensure an appropriate balance of costs and benefits.</p>	SMP/DNC	
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