

RESTRICTED USE DETAILED COMMENTS

1.	Restricted Use	We agree that providing additional guidance on independence requirements for certain assurance reports that are expressly restricted for use by only the users specified in the report will lead to clearer way to practice.	FAP	
2.	Restricted Use	CGA-Canada concurs with the proposed changes regarding “Restricted Use” non-financial statement audits.	CGA - Canada	
3.	Restricted Use	NIVRA agrees with the introduction of the restricted use concept.	NIVRA	
4.	Restricted Use	We agree that when an auditor is engaged to issue an audit or report for restricted use, it is appropriate certain modifications to the independence requirements when the recipients approve them	FACPE	
5.	Restricted Use	We agree with the underlying premise that it may be appropriate to deviate from section 290 when the report is intended for a restricted population of users and all these users are aware and agree to the deviations.	BDO	
6.	Restricted Use	We agree that, in the case of restricted use assurance reports, the explicit agreement of the intended users should be required.	CICA	
7.	Restricted Use	We agree with the inclusion of an expanded discussion in this area: the existing wording in respect of restricted use reports was capable of different interpretations as to what modifications could be made. In particular we agree with the requirement in paragraph 500 for the intended users to ‘explicitly agree the application of the modified independence requirements’.	ICAEW	
8.	Restricted Use	We support the approach taken with respect to restricted use reports and the delineation of the independence requirements that apply to such engagements	DTT	

9.	Restricted Use	We are supportive of this section and indeed consider that the IESBA could perhaps propose further dispensations in the case of engagements which are genuinely a private matter between the audit firm and the engaging party. However, we suspect that a reader unfamiliar with the Code will struggle to apply this section given the extent of cross-referencing to the general sections of the Code. It may be preferable to use a similar format to section 291 which appears to be an easier read.	KPMG	
10.	Restricted Use	We agree with the concept of modified rules for limited distribution assignments where the recipients can approve the modified independence rules	E&Y	
11.	Restricted Use	I do not agree with the proposal to extend restricted use provisions to certain audit engagements. Even with the explicit agreement of the intended users of these reports to accept a modified standard of independence, I do not believe the average user will be able to distinguish between the various independence requirements in the Code. That is not to underestimate the user's intelligence but rather to acknowledge the realities of "information overload" and the relative complexity of the Code. Thus, I support having the same independence requirements for all types of audit reports, regardless of type and whether their use would be restricted or not.	AC	
12.	Restricted Use	It is one of the main characteristics of restricted use reports that the matter of the report, the recipients and the application of the modified independence requirements are mutual agreed between the entity and the auditor. Therefore additional independence requirements for Restricted Use Reports seem not to be necessary, as long as all circumstances and relationships which could threaten independence are revealed to the users of the audit report, e.g. by means of disclosure in the audit report.	WpK	
13.	Restricted Use	<p>These paragraphs include guidance on restricted use reports.</p> <p>In our opinion the guidance in these paragraphs lacks clarity and is confusing. Furthermore, the risks of a professional accountant agreeing to a restricted use report engagement have not been identified - particularly when the professional accountant is not independent. We note that paragraph 17(b)(v) of the International Framework for Assurance Engagements requires the practitioner to be satisfied that there is a rational purpose for the engagement. Similar guidance should also be included with the guidance on restricted use reports.</p>	CAGNZ	

14.	Restricted Use	<p>These paragraphs are difficult to understand and overly complex with the number of exceptions and reference to other parts of the document. The message appears to be that an auditor issuing a report expressly restricted for use by only the intended users specified in the report is not required to be independent, provided that the intended user knows in what ways independence has not been met and explicitly agrees to the relaxation of the independence requirements. This would seem to defeat the purpose of requiring ‘independent’ assurance. In that case, it is questionable as to whether such an engagement should even be accepted by a practitioner. Paragraph 17 (b) (v) of the International Framework for Assurance Engagements requires the practitioner to be satisfied that there is a rational purpose for the engagement before accepting the engagement.</p> <p>Accordingly, the PPB does not support the new paragraphs 290.500 to 290.514.</p>	ICANZ	
15.	Restricted Use	<p>Restricted use – We believe that all audit and examination engagements should have the same underlying independence requirements even if the report is restricted to a certain set of users. To create another independence level is unnecessarily complicated and we believe will result in inconsistencies as the IFAC member bodies adopt the requirements. As drafted the proposed Code, would result in four sets of independence standards, as follows:</p> <ul style="list-style-type: none"> • Independence requirements for audits and reviews for all clients, except for restricted use reports • Independence requirements applicable only to reviews leading to restricted use reports • An additional layer of independence requirements for the audits of entities of significant public interest • Independence requirements for all other assurance engagements <p>Cont’d</p>	Grant Thornton	

16.	Restricted Use	<p>We believe that consideration should be given to re-evaluating the current guidance on restricted use audit and review engagements. As discussed above, we believe that the proposed split between sections 290 and 291 is not appropriate. As such, if the decision regarding the split was revised and review engagement guidance was included in section 291, we would be supportive of including the restricted use provisions in section 291 and removal from section 290.</p> <p>Alternatively, Grant Thornton International would also be supportive of moving the restricted use guidance to an earlier section of the Code with general applicability.</p> <p>Any differences that an accountant would articulate in an audit or examination (as required in paragraph 290.500) will create unwanted confusion for the users of the financial statements and potentially harm their perception of the usefulness or reliability of the independent accountant's report.</p> <p style="text-align: right;">Cont'd</p>	Grant Thornton	
17.	Restricted Use	<p>We do not believe that the requirement for explicit agreement or substantial awareness represents either a practicable or, seemingly, viable solution. We do not believe that the accountant should be put into the position of having to identify in writing its justification of the accountant's independence or lack thereof under the Board independence rules for an audit. Conceptually, we do not agree that the accountant's lack of independence due to identified impairments or identified independence threats, where no appropriate safeguard sufficiently mitigates the threat, should be permitted for audit engagements. Knowledge as to the purpose, subject matter information and limitations of the report along with an explicit agreement of the modified independence requirements by the intended users, could not be mitigating factors.</p> <p>International accounting firms operate in litigious and regulated environments, as such risk management policies would not allow for the disclosure of independence impairments in writing to the user of an audit or even a review report, even if immaterial and would not permit entering into an explicit agreement with the intended users. Limited engagements such as agreed-upon procedures, as now discussed in section 291, would be given consideration of such agreements.</p>	Grant Thornton	

18.	Mention in report	<p>A restricted use report is a report, the use of which is expressly limited to users as designated and identified within this report.</p> <p>Such report is used in particular in assurance engagements dealing with items other than historical financial statements¹⁴; the text consents to certain modifications of the provisions of Section 290, provided that the intended users of such report :</p> <ul style="list-style-type: none"> - are knowledgeable as to the purpose, subject matter information and limitations of the report, - explicitly agree with the application of modified independence rules. <p>The proposed text does not precisely state that such mentions should be made in the report; we deem that such mention is essential as regards the professional accountant's liability.</p>	CSOEC	
19.	Mention in report	<p>NIVRA emphatically urges that the audit report includes the statement that intended users 1) are knowledgeable as to the purpose, subject matter information and limitations of the report, and 2) have explicitly agreed the application of the modified independence requirements. NIVRA believes that, apart from the reporting in the engagement letter, the addressee of the audit report must be explicitly informed about the application of the restricted use rules. Paragraph 290.501 appears to be the appropriate section.</p>	NIVRA	
20.	Mention in report	<p>. However, it would be useful to have specific examples of wording of the auditors' report for restricted use to assist the auditors in better understanding how to apply the rule. In addition to that, we believe that the auditors' report for restricted use has to include the independence restrictions and other agreements made between the auditors and their clients.</p>	FACPE	
21.	Mention in report	<p>The key requirement for any restricted use engagement where different independence provisions have been applied is that the intended users are aware of and agree to the terms applied. While this is clearly stated, it does not specify that the report should contain this information. In our view, paragraph 290.501 should specify that the terms be made clear in the restricted use report.</p>	ACCA	

22.	Mention in report	In order to promote this transparency, we recommend that, in addition to inclusion in the terms of engagement, the facts of these deviations are presented in the final report that is issued.	BDO	
23.	Mention in report	The key requirement for any restricted use engagement where different independence provisions have been applied is that the intended users are aware of and agree to the terms applied. While the ED requires this, it does not specify that the report should contain this information. FEE believes that 290.501 should specify that the terms be made clear in the restricted use report. In this case, it should be possible for the terms to be agreed between the auditor and users and the ED does not need to specify in 290.504 onwards, which terms may or may not be varied.	FEE	
24.	General Purpose	The restricted use provisions are presently based on the assurance framework which, in turn, is based on financial reporting frameworks. For example, General Purpose Financial Statements are designed to meet the needs of a wide range of users. While this is correct for the purpose of defining the type of financial statements, we do not believe that it is appropriate to determine when the use of the auditor's report should be restricted. It is accepted that General Purpose Financial Statements may be used by specified groups, such as banks and the Revenue Service. In these situations it is appropriate to limit the use of the financial statements, although they are General Purpose Financial Statements on which reasonable assurance is expressed. We would therefore recommend that, for the purposes of the Code, restricted use provisions should be based on the use or purpose of the financial statements and not the frameworks / regulatory requirements used for determining the range of users	IRBA	

25.	General Purpose	<p>In paragraph 290.500 reference is made to IAASB's assurance framework. However, the references are difficult to follow. It may be more practical to create a link to ISA 800 'Special considerations – Audits of special purpose financial statements and specific elements, accounts or items of a financial statement' and deal with the different types of engagement addressed therein. This would help address the potential confusion caused by the first bullet point in paragraph 290.502 as to what the words 'general purpose' in (a) relate to. As currently presented, the term 'general purpose' could refer to the financial reporting framework (which is suggested by the context in which it is used in paragraph 290.1), or it could refer to the usage of the financial statements (which is suggested by the text in (c) of this paragraph).</p> <p>This would seem to exclude an audit of a set of completion financial statements prepared under IFRS. We would argue that it is the purpose of the financial statements rather than the accounting framework used that should determine whether they are 'restricted use reports'.</p>	APB	
26.	General Purpose	<p>Paragraph 290.502 states that modifications to the requirements of Section 290 should not be made for, among other things, engagements to "audit a complete set of general purpose financial statements." The term "general purpose financial statements" is defined in paragraph 2 of ISA 700 (Revised), The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements (including the October 2006 conforming amendments approved in finalising the Close Off version of ISA 800), as follows:</p> <p><i>"General purpose financial statements" are financial statements prepared in accordance with a financial reporting framework designed to meet the common financial information needs of a wide range of users.</i></p> <p>Cont'd</p>	PwC	

27.	General Purpose	<p>Accordingly, the term "general purpose financial statements," as used in the ISAs, does not refer to the purpose and intended use or distribution of the financial statements, which is how that term appears to be used in the ED.</p> <p>In our view, general purpose financial statements, as defined in the ISA, could meet the criteria, which allow modification, set out in paragraph 290.500 (e.g., if a bank requests an audit of the financial statements of a private company solely for its own use in making lending decisions). If the term is retained, we recommend that it be formally defined consistent with the IAASB definition and that paragraph 290.502(a) be amended, if retained, so that an audit (other than a report addressed broadly to shareholders as a user group) of a complete set of general purpose financial statements that is for restricted use and meets the specified criteria in 290.500 would be eligible for the modifications of this sub-section.</p> <p>Cont'd</p>	PwC	
28.	General Purpose	<p>Additionally, we find the reference in 290.502(c) to "designed for a general purpose" to be confusing. We believe that 290.502(c) is, in fact, a sub-set of 290.502(a) and is unnecessary.</p> <p>Moreover, while audits required by law or regulation are often for public use or for a wide range of users, some audits and reviews can be for the sole and private use of a regulator. An example might be a requirement in a certain EU country that in certain circumstances (e.g., changes of corporate forms, mergers, demergers, liquidations) companies have to prepare a closing balance sheet. The balance sheet has to be audited under that country's GAAS and the auditor's report is for the use of the company and the regulator only. We recommend that the Code recognise that such reports may be for restricted use</p> <p>In summary, we recommend that ideally paragraph 290.502 be deleted. The introduction of 290.500 would need to clarify that modifications cannot be made in respect of an audit of traditional annual financial statements (for example, as referred to in certain jurisdictions as 'statutory accounts'). If any part of 290.502 is retained (as amended), then we recommend that it be moved ahead of (or merged with) 290.500 so as to avoid "an exception to the exception" (which seems to give carry a risk of potential confusion).</p>	PwC	

29.	Examples	However, we believe that it would be useful to have specific examples of typical restricted use audit reports to assist the reader in better understanding where the rule is applied. In addition, while it is clear that the modified requirements cannot be applied to audits of a complete set of financial statements designed for <i>general purposes</i> , it is not clear whether the modified requirements would be applicable to audits of a complete set of financial statements for restricted use.	E&Y	
30.	500-514	<p>The Code appears to view independence as a stand-alone issue, when, in point of fact, independence should be viewed as a means to an end – namely that of objectivity. It is generally appreciated that there is a distinct differentiation between independence in fact and independence in appearance. In the context of audit and review engagements we believe that it is necessary for an auditor to be independent in fact to a uniform degree, irrespective of whether or not the engagement is a restricted use engagement. However, this does not hold true for independence in appearance, since this is a matter of perception on the part of those relying on the auditor's opinion expressed in an audit or review report. As stated above, this will not affect the auditor's actual objectivity.</p> <p>On this basis, we support the proposals in Sections 290.500 – 290.504 relating to restricted use reports, since the third party to whom the „restricted use“ criterion applies will know how independent in fact a particular practitioner is and therefore be in a position to decide whether the given degree of independence in appearance is acceptable or not. In our view, it would be appropriate for Section 290.500 et seq. to mention that an agreement relating to restricted use is most appropriately dealt with during engagement acceptance procedures.</p>	IDW	
31.	502	Additionally, we do not understand the need for the restrictions in paragraph 290.502. This paragraph contains situations which ordinarily would indicate that restricted use is not appropriate. However, we believe that this is addressed by paragraph 290.500 and there seems to be little logic for their absolute prohibition	BDO	
32.	500-504	However, provided the report is clearly for restricted use and the terms on which the work is undertaken are understood by the intended users, we do not see why it is necessary to bar the application of the restricted use provisions to certain types of financial statement, as listed in paragraph 502. The content may be relevant in determining whether something is capable of being audited, but it is irrelevant in determining whether the report is for restricted use by knowledgeable, etc, users and therefore whether the provisions of paragraphs 500 on should apply.	ICAEW	

33.	503	Paragraph 290.503 could be interpreted to mean that the auditor can apply different requirements to the restricted use engagement than to the audit engagement. We do not believe that this is intended, but the intent could be made clearer by deleting the words “to that audit engagement” at the end of the paragraph	FEE	
34.	513-514	Given that the ‘default’ position is that the normal provisions should apply, but that paragraph 505 has already permitted the ESPI provisions not to be applied, it is unclear what difference applying paragraph 513 rather than paragraphs 131 to 134 directly, actually makes. A similar point applies to 514, which also confusingly adds ‘subject to paragraphs 505 and 507’, where other paragraphs do not. Does this mean that: a) paragraph 506 does not apply to non-audit service provision? b) paragraphs 505 and 507 (and for that matter 506) only apply to paragraph 514 and not to 513?	ICAEW	
35.	503	. However, the proposal does not specifically address the issue of rendering an opinion on internal controls as part of the audit. Would the restricted use reports provisions cover the engagement to report on internal controls if that report is rendered in connection with the audit of general purpose financial statements? The draft language in paragraph 290.503 is not clear.	DTT	