

ISB Interpretation 00-1

Independence Standards Board The Applicability of ISB Standard No. 1 When “Secondary Auditors” Are Involved in the Audit of a Registrant

Dates Discussed: November 19, 1999, and January 14, 2000

Date Issued: February 17, 2000

Issue:

1. In January 1999, the ISB issued its Independence Standard No. 1, “Independence Discussions with Audit Committees.” ISB No. 1 states its applicability in paragraph 1 as: “This standard applies to any auditor intending to be considered an independent accountant with respect to a specific entity within the meaning of the Securities Acts (the Acts) administered by the Securities and Exchange Commission.”
2. The ISB has been requested to interpret how its Standard No. 1 applies when “secondary auditors” are involved in the audit of a registrant. (Secondary auditors are those, other than from the firm serving as primary auditor, that audit a subsidiary or investee of a SEC registrant.) In essence, the question seeks clarification as to how ISB No. 1 allocates responsibilities between primary and secondary auditors, including whether independence discussions should be required with subsidiary or investee audit committees.
3. It is clear that when a subsidiary or investee is itself a registrant, the secondary auditor must comply with ISB No. 1. ISB No. 1 does not, however, directly address the question of secondary auditors where the subsidiary or investee is not a public company.

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4. The responsibility to comply with ISB No. 1 rests solely with the primary auditor. The report by the primary auditor to the audit committee under ISB Standard No. 1 should, however, include all relationships that might reasonably bear on the independence of all auditors participating, at the request of the primary auditor, in the audit of the registrant’s consolidated financial statements, including those of any secondary auditors.

