Meeting: IAASB
Meeting Location: New York, United States of America
Meeting Date: June 20–23 and 28, 2023

Due Process – Proposed Narrow Scope Amendments to ISA 700 (Revised)¹ and ISA 260 (Revised)² as a Result of the Revisions to the IESBA Code³ that Require a Firm to Publicly Disclose When a Firm has Applied the Independence Requirements for Public Interest Entities (PIE)

Objective of Agenda Item
1. To advise the IAASB of the status of due process for the proposed narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) that are relevant to Track 1 of the narrow scope maintenance of standards project on listed entity and PIE.

Background
2. The IAASB Technical Director is responsible for advising the IAASB as to whether due process has been followed effectively and with proper regard for the public interest before a proposed Standard, or changes to a Standard, are approved for issue.
3. The following outlines the Technical Director’s conclusion and basis thereof with respect to actions up to the June 2023 IAASB meeting for the proposed narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) (collectively referred to as “narrow scope amendments” for the purpose of this agenda item). Before approval of the proposed narrow scope amendments, the Technical Director will advise on whether due process has been followed during the course of the June 2023 meeting.

Due Process Up to the Date of the June 2023 IAASB Meeting
4. The Technical Director confirms to the IAASB that, up to the June 2023 IAASB meeting, the proposed narrow scope amendments have been developed in accordance with the IAASB’s due process.
5. In summary, for the proposed narrow scope amendments, the IAASB:

Project Commencement and Development

- Included specific questions in the IESBA’s Exposure Draft⁴ (the IESBA’s Exposure Draft) to seek preliminary views from stakeholders to inform the IAASB’s further consideration on various matters affecting the IAASB standards in relation to listed entity and PIE.

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¹ International Standard on Auditing (ISA) 700 (Revised), Forming an Opinion and Reporting on Financial Statements
² ISA 260 (Revised), Communication with Those Charged with Governance
³ The International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards)
⁴ IESBA’s Exposure Draft, Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code
• Considered analyses of the significant comments and issues raised by respondents to the IESBA’s Exposure Draft affecting the IAASB standards, and particularly for the ISQMs\(^5\) and ISAs.

• Approved a project proposal\(^6\) to undertake a narrow scope maintenance of standards project on listed entity and PIE and consulted with the IAASB Consultative Advisory Group (CAG) on the proposal.

• Consulted with the IAASB CAG on significant issues during the development of the proposed narrow scope amendments.

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB’s attention, and the PIE Task Force has reported back to the IAASB CAG the results of the IAASB’s deliberations.

• Considered whether it is necessary to hold a public forum or roundtables, or to issue a consultation paper or conduct field testing, in order to solicit views on a matter under consideration.

As noted above, the IAASB sought preliminary views from stakeholders in the IESBA’s Exposure Draft prior to the development of the project proposal. In addition, there has been extensive coordination between IAASB and IESBA on the topic of listed entity and PIE, including providing feedback to IESBA on the proposed revisions to the IESBA Code relating to their definitions of listed entity and PIE project\(^7\) and closely following IESBA’s due process in finalizing their final pronouncement.\(^8\) No additional public forum or similar consultation, or further field testing were deemed necessary for the narrow scope amendments.

**Exposure Draft**

• Approved and issued an exposure draft\(^9\) for proposed narrow scope amendments (the IAASB’s Exposure Draft) for public comment, including an explanatory memorandum highlighting, among other matters, the significant proposals of the IAASB.

• Considered analyses of the significant comments and issues raised by respondents on the IAASB’s Exposure Draft, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by respondents have, or have not, been accepted.

• Having familiarized themselves with the issues raised in comment letters, the IAASB members:
  
  o Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the PIE Task Force, that they considered should be discussed; and

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5. International Standards on Quality Management

6. See the project proposal for a [Narrow Scope Maintenance of Standards Project on Listed Entity and PIE](http://example.com).

7. See the project proposal for IESBA's project on the [Definitions of Listed Entity and Public Interest Entity](http://example.com).

8. IESBA's Final Pronouncement, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](http://example.com).

9. Exposure Draft: [Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for PIES](http://example.com).
Due Process – Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised)

IAASB Main Agenda (June 2023)

- Revised the proposed narrow scope amendments accordingly.
- Consulted with the IAASB CAG on significant issues raised in the comment letters on the proposed narrow scope amendments and the IAASB’s related responses.

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB’s attention. At the IAASB CAG’s March 2023 meeting, the PIE Task Force reported back to the IAASB CAG the results of the IAASB’s deliberations since the June 2022 IAASB CAG meeting and included a specific question that asked IAASB CAG Representatives if there are any other matters the IAASB should consider as it finalizes the final pronouncement for approval by the IAASB for Track 1 in June 2023. There was broad recognition from the IAASB CAG that because Track 1 proposes only narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised), and given the nature and extent of the revisions being proposed based on respondents' feedback to the ED, the IAASB CAG does not anticipate the need to be further consulted before the June 2023 IAASB meeting.