

Implications for IAASB Standards of IESBA Project, Definitions of Listed Entity and Public Interest Entity (PIE)**Question 15(b)—Proposed Case-by-Case Approach Relating to Requirements Applicable to Listed Entities in the IAASB's Standards****15(b) - Agree****Regulators and Oversight Authorities****IRBA - Independent Regulatory Board for Auditors**

We support the proposed case-by-case approach for determining whether differential requirements already established within the IAASB standards should be applied only to listed entities and might be more broadly applied to other categories of PIEs.

Preparers and Those Charged with Governance**CFO - CFO Forum**

Yes

Professional Accountancy Organizations (PAOs), Including National Standard Setters**ACCA - Association of Chartered Certified Accountants**

We support that the proposed case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIEs.

HKICPA - Hong Kong Institute of Certified Public Accountants

Given our comments in (a) above that we support a converged definition between the two boards' standards, we would support applying the case-by-case approach more broadly to other categories of PIEs.

SAICA - South African Institute of Chartered Accountants

The proposed case-by-case approach in determining whether differential requirements already established with the IAASB Standards is supported being applied more broadly to other categories of PIEs.

Firms**CROWE - Crowe Global**

We agree with the proposed case-by-case approach.

GTIL - Grant Thornton International Limited

GTIL agrees that this should be a case-by-case determination on whether requirements specific to listed entities should be revised to apply more broadly to entities determined to be public interest entities

In relation to the ISAs and ISQMs (the International Standards), the determination of which requirements would pertain to a newly defined public interest entity only would need to be a separate project, which is subject to IAASBs due process and include an analysis of requirements that form the body of the International Standards on a case-by-case basis as to whether the requirement, or some part thereof, should be directed to a public interest entity. The requirements for consideration should be those that are

currently directed at listed entities, although consideration could also be given to additional requirements, if any, directed at public interest entities in national adaptations of the International Standards.

MAZARS - Mazars Group

We agree that a case-by-case approach should be adopted to establish differential requirements.

15(b) - Agree with further comments

Regulators and Oversight Authorities

NASBA - National Association of State Boards of Accountancy

We agree that the IAASB should conclude on a case-by-case basis whether to apply differential requirements to listed entities or more broadly to other categories of PIEs.

In addition, if the IESBA will require auditors to consider whether to treat non-PIE entities as PIEs, we believe that auditors will need guidance regarding the documentation requirements, which the IAASB should address.

Independent National Standard Setters (INSS)

AUASB - Auditing and Assurance Standards Board (Australia)

The AUASB remains supportive of the current 'case-by-case approach' being applied by the IAASB when determining whether differential requirements in the Auditing Standards should be applicable only to Listed Entities or extended more broadly to other PIEs. We do not consider a blanket "one size fits all" approach to determining the specific audit requirements for PIEs or Listed Entities is appropriate and may produce unintended outcomes. Instead, the IAASB requires flexibility to apply different requirements to different types of entities based on the individual objectives of each Auditing Standard. For example, there are different public interest factors which should be considered when determining whether Key Audit Matters should be mandatory for certain types of entities, or when an Engagement Quality Review is necessary.

XRB - New Zealand Auditing and Assurance Standards Board

Yes, the NZAuASB is supportive of a case-by-case approach for determining whether differential requirements should be applied more broadly, but encourages both the IESBA and IAASB to collaborate in developing a framework which would inform both boards in establishing differential requirements.

We note that in New Zealand, the NZAuASB has already adopted a "case-by-case" approach in adopting both the Code and the ISAs. In New Zealand, the ISAs (NZ) do not refer to "listed entities" nor do they refer to PIEs. The ISAs (NZ) use a term established by the New Zealand regulator, and is a subset of the extant New Zealand PIE definition.

Professional Accountancy Organizations (PAOs), Including National Standard Setters

CAI - Chartered Accountants Ireland

Yes, we strongly support the proposed case-by-case approach in respect of this matter. This will enable consideration of any unintended consequences of any proposed requirement that could arise due to differences in local determination of what entities will be considered PIEs once the IESBA proposals are implemented by local bodies.

CIIPA - Cayman Islands Institute of Professional Accountants

Yes, there is a case to apply some of the requirements (for example ISA 701) only to listed entities.

CNCC - Compagnie Nationale des Commissaires aux Comptes

We believe that only a case-by-case approach is suited to establish differential requirements in the ISAs. It will be particularly true if the proposed changes to the definition of PIE would lead, unfortunately, to too many interpretations either by the local bodies and/or the audit firms. In which case it would be better to stay with differential requirements for listed entities only in the ISAs and let the local bodies decide whether they want to extend those differential requirements to all PIEs.

CPAC - Chartered Professional Accountants Canada Public Trust Committee

We support the proposed case-by-case basis for determining differential requirements, particularly because the definition of a PIE might vary from jurisdiction to jurisdiction. We are of the view that it is important for the IAASB to seek stakeholder feedback on the proposed changes to ISAs in relation to each of the categories of PIEs before considering on a case-by-case basis whether differential requirements within the ISAs should be applied only to listed entities or to other categories of PIEs.

FACPCE - Argentina Federation of Professional Accountants and Economics

15. b) We understand that they can be applied to other categories of PIE entities

ICAG - Institute of Chartered Accountants Ghana

We do agree that a case-by-case approach should be taken for all categories of PIEs. Both listed and non-listed. This is due to the fact that different jurisdictions have different regulations, economic conditions, etc. that would fit the mode of what should be considered a PIE and therefore it is not feasible to apply a definition wholesale in the standards. For e.g., developing countries might characterize certain non "listed entities" as PIE's that the developed countries might not.

The proposed case-by-case approach should be broadly applied because there may be other entities within jurisdictions which may not necessarily be listed but may be PIEs

ICAS - Institute of Chartered Accountants of Scotland

There is a rebuttable presumption that differential requirements should be applied to all categories of PIEs. However, this is a matter that would need to be subject to more detailed consideration to ensure that such an approach would be proportionate.

IDW - Institut der Wirtschaftspruefer

We support the case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIEs because the IAASB needs to undertake its own due process to understand the nature and extent of the impact of such changes.

JICPA - Japanese Institute of Certified Public Accountants

(b) Based on the overarching objectives set out in paragraphs 400.8 and 400.9 we believe that with regard to the issue of whether to broaden the application of requirements limited to "listed entities" to other PIEs, consideration of individual requirements is needed, and that a case-by-case approach is reasonable.

NRF - Nordic Federation of Public Accountants

We support further exploring the proposed case-by-case approach.

TURMOB - Union of Chambers of Certified Public Accountants of Turkey

They might be applied to any entities that is not to be considered as “LCE”

Firms

CohnReznick - CohnReznick LLP

We are supportive of the case-by-case approach. We believe a case-by-case approach allows for appropriate deliberation and helps avoid unintended consequences.

DTTL - Deloitte Touche Tohmatsu Limited

Deloitte Global supports the IAASB's proposed approach to review each requirement in the ISAs and ISQMs on a case-by-case basis and determine if it should be applicable to all entities, or only to a sub-set of entities (and whether that sub-set is PIEs or only publicly traded entities). We also recommend that the effective date of any changes proposed to the standards of the IAASB be aligned with the effective date of changes to the Code, as practitioners will be applying both in connection with each other.

EY - Ernst & Young Global Limited

With regard to matter b., we support the proposed case-by-case approach to addressing differential requirements for PIEs, which should include determining the rationale for any such changes. This rationale will likely include audit quality but could also have a purpose of transparency or increased communications depending on the nature of the differential requirements. We also believe that proposed revisions to the IAASB standards arising from implementation of a definition of PIE (and potentially a revised definition of listed entity) in the IAASB standards, as well as consequential changes to requirements including any potential auditor reporting requirements, should be subject to separate public consultation.

Further, in the context of the International Standards on Auditing (ISAs), the IAASB is best placed to determine the purpose of implementing differential requirements or guidance for PIEs. As noted in our response to question 15, we support the proposed case-by-case approach to addressing differential requirements for PIEs, which should include determining the rationale for any such changes. This rationale will likely include audit quality but could also have a purpose of transparency or increased communications depending on the nature of the differential requirements.

MNP - Meyers Norris Penny

While we appreciate the opportunity to consult on this matter and, in theory, agree with the IAASB reviewing whether differential requirements for PIEs should exist, we find it challenging to provide valuable comments without a complete understanding of the proposed changes and the context in which these differential requirements would apply. We look forward to the opportunity to consult as part of the IAASB's general consultation process on this matter.

PwC - Pricewaterhousecoopers International Limited

We support the IAASB's approach of evaluating the potential impact of a change in the context of the requirements and standards in which the term “listed” is currently used.

While there are relatively few references to “listed” across the IAASB standards, this will enable the IAASB to reach appropriately informed decisions, ensure there are no unintended consequences, and fulfil its due process.

For example, the additional disclosure requirements relating to Other Information in ISA 720 (Revised) may be one instance where retaining a differential requirement for listed (publicly traded) entities may be appropriate, in light of the relevant public listing obligations associated with such entities and taking into account the broader challenges reported in feedback to the IAASB's Auditor Reporting Post Implementation Review that may be exacerbated by extending the requirement more broadly.

Others

CEM - Cristian E. Munarriz

Yes, I agree. Coordination is necessary with LCE audit Project.

SMPAG - IFAC Small and Medium Practices Advisory Group

Please see our response to 15 (a) above. In addition, when developing new or revised pronouncements both the IAASB and IESBA will need to consider on a case-by-case basis the impact of the PIE provisions as there may be instances it is not warranted for all the entities captured in any new proposals.

15(b) - Differential requirements should extend to all PIEs

Monitoring Group

IOSCO - International Organizations of Securities Commissions

Notwithstanding our observations made earlier in this comment letter, we believe that the IAASB should align the differential requirements already established within the IAASB Standards for listed entities today with the enhanced definition of a PIE resulting from the IESBA project. We believe it is an important public interest matter that those entities that operate in the capital markets and are defined as a PIE by local bodies are subject to the same requirements within the IAASB Standards. The IAASB should also contemplate the revised PIE definition as it progresses through its current work plan, most notably the scope of the less complex entities (or LCEs) project. We believe that the financial reporting system would benefit where the scope (or restrictions) that standard-setters use result in minimal instances of divergence (for example, the final scope of the IAASB's LCE standard and the IFRS for small and medium-size entities (SMEs) standard).

Regulators and Oversight Authorities

UKFRC - United Kingdom Financial Reporting Council

The FRC encourages the IAASB to consider whether differential requirements should be applied more broadly to other categories of entities. If there is enhanced public interest in the audit of certain entities, then the auditor's response should also extend to the performance of the audit as well as the actions taken to ensure independence.

Professional Accountancy Organizations (PAOs), Including National Standard Setters

ICAEW- Institute of Chartered Accountants in England and Wales

On this basis the differential requirements within the IAASB standards should be extended to other categories of PIE to achieve consistent application of technical and ethical standards.

ICPAU - Institute of Certified Public Accountants of Uganda

We believe that the differential requirements applicable to listed entities in IAASB Standards should be applied more broadly to other PIE Categories.

INCP - Instituto Nacional de Contadores Públicos de Colombia

We believe that all public interest entities should fully implement the requirements set out in the IAASB standards.

NBAAT - National Board of Accountants & Auditors – Tanzania

The proposed case by case approach should be extended to other categories of PIEs.

SAIPA - South African Institute of Professional Accountants

We believe that the differential requirements applicable to listed entities is IAASB Standards should be applied more broadly to other PIE Categories.

Firms

RSM - RSM International

No, we believe that it would be more helpful to consider whether additional types of entities should be subject to the additional requirements of listed entities and that that should be consistent with the IESBA definition.

15(b) - Differential requirements should apply for listed entities only

Professional Accountancy Organizations (PAOs), Including National Standard Setters

ASSIREVI - Association of Italian Audit Firms

With regard to items (a) and (b) above, Assirevi notes that in the current version of the auditing standards adopted in Italy following the implementation of the ISAs (“ISA Italia”) there are already specific requirements being set out for certain categories of entities in addition to listed entities. Namely, these requirements relate to (i) the assignment of the EQCR (ISA Italia 220), (ii) communications on independence to those charge with governance (ISA Italia 260) and key matters of the audit (the so-called Key Audit Matters or “KAM” – ISA Italia 701), all of which are applicable to all PIEs, as defined by local regulations following the implementation of the European legislation.

Therefore, the overarching objective of having different rules for certain categories of entities is not considered in itself a critical matter. As a result, Assirevi does not have particular comments with respect to combining IESBA and IAASB sources in order to introduce separate requirements for certain entities.

This, however, can only apply on the fundamental assumption that the auditor is not required to determine the entities subject to such differential requirements. In line with the current framework, this task should belong to national or supranational legislators and/or regulators.

In this regard, it should also be noted that the voluntary application of certain requirements under the ISA Italia standards to entities other than listed entities or PIEs is not allowed in Italy. This aims to safeguarding the uniformity and comparability of the financial reporting of entities belonging to the same category, as well as to avoid confusion among users on the level of assurance being provided.

The qualification of an entity as a PIE by the auditor would therefore in any event require a previous assessment by the local regulator as to the possibility to extend on a voluntary basis to entities not covered by a regulatory requirement a set of audit rules concerning, for example, the audit opinion.

In the event that PIEs are in the future subject to the rules currently provided for listed entities only, two different scenarios could arise at the Italian level:

if proposed paragraphs R400.16, 400.16 A1 and R400.17 are not included in the Code, there would be no impact on the ISA Italia standards, as the definition of PIEs under the Code would already be in line with the corresponding definition currently established at the regulatory level (and already considered in the ISA Italia standards);

if, on the contrary, paragraphs R400.16, 400.16 A1 and R400.17 are to be included in the Code, the structure of certain ISA Italia standards and some choices of localization made in the past should be re-evaluated, as the ISAs would then reflect a definition of PIEs potentially wider than that currently included in the ISA Italia standards.

In light of the various scenarios described above, Assirevi believes that keeping the reference in the ISAs to specific rules only for listed entities – and leaving the choice to provide for the extension of such rules to other PIEs at the national level – would be the desired solution, as this would allow for greater flexibility.

ISCA - Institute of Singapore Chartered Accountants

Barring any review and outcome arising from the IAASB's Auditor Reporting PIR, we believe that the differential requirements in the IAASB standards should continue to apply to only "listed entities" (or to "publicly traded entity" when this term is effective).

MICPA - Malaysian Institute of Certified Public Accountants

Due to risk and cost implications, the differential requirements should be made at a more granular level. The differential requirements should be applied only to listed entities, as certain smaller entities with straight-forward business models (for example, certain smaller collective investment schemes which typically are low risk) which may be defined or regarded as a PIE should not need to apply the same requirements as those of listed entities. The standards therefore would need to be commensurate with the risks associated with these entities and should be different for say, multi-billion ringgits publicly traded companies and have a right balance between costs and benefits.

Firms

BDO - BDO International Limited

We believe that the differential requirements should only be applied to listed entities or to publicly traded entities. We do not support expanding this to all PIEs.

15(b) - Differential requirements related to ethics should be extended to all PIEs

Professional Accountancy Organizations (PAOs), Including National Standard Setters

KICPA - Korean Institute of Certified Public Accountants-PIE

As mentioned in our response to Question 15(1), we are against broader application of differential requirements established within the IAASB Standards to other categories of PIE.

We support applying the definitions consistent with the Code's categories of PIE to the extent that the IAASB Standards deal with ethics requirements as is the case with extant ISA 260.A32, as opposed to extending all differential requirements to PIEs.

Whether or not to change the term, listed entity, or to extend differential requirements to PIEs with regard to the ISA must be only decided after sufficient review of its necessity and practical impact. We hope that the IAASB reviews the feasibility and necessity of extension based on sufficient research and opinion gathering.

15(b) - Differential requirements for listed entities should be extended to certain categories of PIEs

Firms

KPMG - KPMG IFRG Limited

We are supportive of the exploration of extending the differentiated requirements set out in ISAs and ISQMs beyond listed entities/ publicly traded entities to other categories of PIEs and recommend adopting a case-by-case approach to determining whether such requirements should be applied to PIEs more broadly or certain categories of PIEs. This approach would facilitate a more thorough exploration considering the underlying intention of each differentiated requirement, whether and how it may apply to PIEs or certain classes of PIEs, and any unintended consequences relating to the practicability of implementation.

Conversely, a blanket adoption of these requirements for all PIEs could lead to unintended consequences, especially since the categories of PIEs are also being explored concurrently and are expected to be subject to further refinement on a jurisdictional by jurisdictional basis. We believe it is difficult to properly conduct an exercise to understand the consequences of applying such requirements to PIEs until the revised definition of PIE is stable and jurisdictional implications have been fully explored.

A case-by-case approach would also facilitate the application of any future requirements introduced into ISAs/ ISQMs as deemed appropriate, rather than for all PIEs. We do not consider a case-by-case approach to be inconsistent with the overarching objective (considering our suggested revisions), especially if listed entity (or publicly traded entity) is retained as a specific PIE category. Furthermore, this approach may be preferable in light of the fact that references to listed entities are included widely in the application material to the ISAs, for example, in addressing scalability issues in relation to a particular requirement.

15(b) - Disagree

Public Sector Organizations

OAGA - Office of the Auditor General of Alberta

We do not support the proposals. The proposals risk furthering the expectation gap among audits. Because they apply to the “too big to fail” entities (by application of the characteristics in 400.8) they could imply that financial statement audits are somehow substituting for appropriate regulatory supervision and other regulatory mechanisms. We do not support any differential requirements for public interest entities (or listed entities or publicly traded entities) in the ISAs or ISAEs.

We believe it is difficult for IAASB to include differential audit requirements because there is nothing higher than “reasonable” assurance, and this level of assurance should apply to all audits equally (an audit is an audit). The existing differential requirements (e.g. EQR, communicating independence to those charged with governance, reporting Key Audit Matters, naming the engagement leader) may or may not differentially improve audit quality. It may be that the concept of PIE requires substantially different audit requirements, effectively creating a new “level” of assurance above reasonable assurance. This would be responsive to the social audit risk associated with PIEs (i.e. the risk to society that the audit fails) implied by the proposals. But it is not clear what additional changes to the IAASB standards, either for financial statement audits or ISAEs, would be warranted, or if the social cost of these requirements for all PIEs (i.e. increased fees) would be less than the benefits (less audit failures of PIE audits?). For example, IAASB could require in ISA 220 that all team members of a PIE audit have served as engagement leaders on other audits, or in ISA 315 that for a PIE every assertion for every account balance, class of transaction or disclosure should be considered a significant risk, or in ISA 330 substantive procedures and tests of controls and substantive

analytical procedures be required for all assertions for all components, regardless of materiality of the component, or in ISA 570 change “material uncertainty regarding going concern” to “more than remote possibility the entity may not be a going concern.” These may raise “reasonable assurance” from perhaps 90% to a higher 95% or 98% level of assurance, but still as many PIEs may fail.

As noted in question 4, if increasing confidence in specific audit firms or auditors is the goal, then other mechanisms are available for that, such as making internal and external inspection reports or the firm’s evaluation of its system of quality control public (but the IAASB recently decided against requiring this as part of ISQM), or perhaps including in the auditor’s report recent practice inspection results for that firm or engagement leader.

Because we do not see a feasible path forward for raising reasonable assurance to some higher level of assurance as a PIE classification would appear to warrant, we do not support any differential requirements. Differential requirements risk providing a false signal to users, widening the expectation gap.

We note that if the IESBA Code applied to accountants that work in regulatory agencies, perhaps the Code could specify additional requirements for their work i.e. heightened skepticism, increased due diligence, stronger independence requirements, etc. so that their regulatory roles would be done more effectively.

Independent National Standard Setters (INSS)

AASB - Canadian Auditing and Assurance Standards Board

We encourage the IAASB to use a limited number of categories for determining differential requirements. While it is reasonable to expect that users understand what a “listed entity” is, the same may not hold true for all the categories indicated in R400.14.

Professional Accountancy Organizations (PAOs), Including National Standard Setters

AE - Accountancy Europe

We believe that the IESBA and the IAASB should align their terminologies to the extent possible. While doing this the main objective should be to provide clarity and to avoid confusion.

The status of PIE is usually defined by law or regulation in many countries, and it usually creates additional requirements for the entities themselves, such as the obligation to have an audit committee the auditor, such as the obligation to issue a written report to the audit committee for the supervisory authorities, such as the prohibition to delegate the inspection of PIE audit firms to professional organisations.

Those differential requirements for auditors are relevant as long as they mirror differential requirements for the entity itself. We therefore believe that expanding the PIE definition only for the purposes of the Code should not systematically lead to creating additional requirements in the ISAs.

AICPA PEEC - AICPA Professional Ethics Executive Committee

For example, in the United States, we consider listed entities to be the equivalent of issuers, which are regulated by the Securities and Exchange Commission and outside the jurisdiction of the AICPA. The proposed change to publicly traded entities would encompass both listed entities and publicly traded entities that are not issuers. However, our national legislature and regulator have determined that the rules applied to listed entities are different than the rules applied to entities that are not listed. It would not be appropriate for the AICPA to second-guess that determination by imposing additional requirements on the audits of publicly traded entities that are not listed in our jurisdiction.

BICA - Botswana Institute of Chartered Accountants

The nature and extent of audit procedure as established in ISAs are general to an audit and should not be linked to the type of audit client. Any variations to an audit's independence requirements should therefore be dealt with in the ISQMs as that is an area which deals with quality environments.

NBA - Royal Netherlands Institute of Chartered Accountants

No additional comments to AE.

TFAC - Federation of Accounting Professions

TFAC Response: We are unable to support this approach. If the requirements are extended to all PIEs, it may confuse the users of financial statements. The so-called disclosure provides no incremental information or transparency to users.

Firms

BKTI - Baker Tilly International

We support a "bottom up" principle for the drafting of all standards, whereby there is a common base requirement for all entities, and additional requirements for more complex entities and/or PIEs. If the definition of a PIE is kept narrow at the IESBA level, then it can be left to relevant local bodies not only to decide whether to scope in additional entities as PIEs, but also to decide whether such entities should be subject to the existing differential requirements for listed entities in the IAASB Standards.

15(b) - Neither agree or disagree and with further comments

Public Sector Organizations

GAO - US Government Accountability Office

We believe that more information is necessary to provide an informed response to this question. The IAASB could develop and issue an official discussion paper that details the existing differential requirements within the IAASB Standards and the potential advantages and disadvantages of applying these requirements to PIE categories other than listed entities.

15(b) - None

Regulators and Oversight Authorities

CEOAB - Committee of European Auditing Oversight Bodies

CPAB - Canadian Public Accountability Board

IAASA - Irish Auditing and Accounting Supervisory Authority

Preparers and Those Charged with Governance

HKICS - The Hong Kong Institute of Chartered Secretaries

Independent National Standard Setters (INSS)

APESB - Accounting Professional & Ethical Standards Board

As this matter is not within APESB's mandate, please refer to the submission of the Australian Auditing and Assurance Standards Board.

Professional Accountancy Organizations (PAOs), Including National Standard Setters

CAANZ - Chartered Accountants Australia and New Zealand

CFC - Conselho Federal de Contabilidade – Brazil

CPAA - CPA Australia

Refer to answer to sub-question (a).

EFAA - European Federation of Accountants and Auditors for SMEs

Please see our response to 15 (a) above.

EXPERTsuisse - Swiss Expert Association for Audit, Tax and Fiduciary

ICAJ - Institute of Chartered Accountants of Jamaica

MIA - Malaysian Institute of Accountants

Please see our response to Question 15 (a) above.

WPK - Wirtschaftsprüferkammer

No comment.

Firms

MOORE - Moore Global

No specific comments on this area.

NEXIA - Nexia International

Torrillo - Torrillo & Associates

Others

AFV - Álvaro Fonseca Vivas