

Listed Entity and Public Interest Entity (PIE) – Proposed Narrow Scope Amendments for Track 2

MARKED FROM AGENDA ITEM 6-A

This Agenda Item includes the proposed narrow scope amendments for Track 2 marked from [Agenda Item 6-A](#) discussed at the December 2022 IAASB meeting. Only paragraphs where changes have been proposed to the narrow scope amendments for Track 2 since the version discussed with the IAASB in December 2022 have been presented. For a comprehensive list of proposed amendments, refer to [Agenda Item 3-B](#). In addition, the proposed changes to the IAASB Glossary of Terms are presented in **Appendix 1** to this Agenda Item.

ISQM 1, QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS

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Definitions

16. For purposes of this ISQM, the following terms have the meanings attributed below:

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(p)A Public interest entity – An entity is a public interest entity when it falls within any of the following categories:

a. A publicly traded entity;

b. An entity one of whose main functions is to take deposits from the public;

c. An entity one of whose main functions is to provide insurance to the public; or

d. An entity specified as such by law, regulation or professional requirements, for a purpose related to the significance of the public interest in the financial condition of the entity.

The categories of entities are more explicitly defined or added to as required by paragraph 18B.

p(B) Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

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Requirements

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Public Interest Entities

18A. The firm shall treat an entity as a public interest entity for the purposes of the ISQMs when it falls within any of the following categories: (Ref: Para. A29A–A29D, A29G)

- (a) A publicly traded entity;
- (b) An entity one of whose main functions is to take deposits from the public;
- (c) An entity one of whose main functions is to provide insurance to the public; or
- (d) An entity specified as such by law, regulation or professional requirements, for a purpose related to the significance of the public interest in the financial condition of the entity.

18B. In complying with the requirement in paragraph 18A, ~~the~~ firm shall apply more explicit definitions established by law, regulation or professional requirements for the categories set out in paragraph 18A (a) to (c). (Ref: Para. A29E–A29F)

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Application and Other Explanatory Material

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A29E. The categories set out in paragraph 18A(a)–(c) are broadly defined and law, regulation or professional requirements may more explicitly define these categories, by f. ~~For example, by:~~

- Making reference to specific public markets for trading securities.
- Making reference to the local law or regulation defining banks or insurance companies.
- Incorporating exemptions for specific types of entities, such as an entity with mutual ownership.
- Setting size criteria for certain types of entities.

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A29G. The firm may determine ~~that~~ it is appropriate to treat other entities as public interest entities for the purposes of the ISQMs. When making this determination, the firm may consider the factors set out in paragraph A29C as well as the following factors:

- Whether the entity is likely to become a public interest entity in the near future.
- ~~• Whether in similar circumstances, a predecessor firm has applied differential requirements for public interest entities to the entity.~~
- Whether in similar circumstances, the firm has applied the differential requirements for public interest entities to other entities.
- Whether the entity has been specified as not being a public interest entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the firm to apply the differential requirements for public interest entities to the entity and, if so, whether there are any reasons for not meeting this request.
- ~~• The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.~~

- Whether in similar circumstances, a predecessor firm has applied differential requirements for public interest entities to the entity.

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Specified Responses (Ref: Para. 34)

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Communication with Those Charged with Governance (Ref. Para: 34(e)(i))

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A128. ISA 260 (Revised) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements, and addresses the auditor's determination of the appropriate person(s) within the entity's governance structure with whom to communicate¹ and the communication process.² In some circumstances, it may be appropriate to communicate with those charged with governance of entities other than public interest entities (or when performing other engagements). ~~Paragraph A29G provides considerations for the firm in determining whether it is appropriate to treat other entities as public interest entities for the purposes of the ISQMs.~~

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Determining When it is Otherwise Appropriate to Communicate with External Parties (Ref. Para: 34(e)(ii))

A130. The firm's determination of when it is appropriate to communicate with external parties about the firm's system of quality management is a matter of professional judgment and may be influenced by matters such as:

- The types of engagements performed by the firm, and the types of entities for which such engagements are undertaken.
- The nature and circumstances of the firm.
- The nature of the firm's operating environment, such as customary business practice in the firm's jurisdiction and the characteristics of the financial markets in which the firm operates.
- The extent to which the firm has already communicated with external parties in accordance with law or regulation (i.e., whether further communication is needed, and if so, the matters to be communicated).
- The expectations of stakeholders in the firm's jurisdiction, including the understanding and interest that external parties have expressed about the engagements undertaken by the firm, and the firm's processes in performing the engagements.
- Jurisdictional trends.
- The information that is already available to external parties.

¹ ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraphs 11–13

² ISA 260 (Revised), paragraphs 18–22

- How external parties may use the information, and their general understanding of matters related to firms' system of quality management and audits or reviews of financial statements, or other assurance or related services engagements.
- The public interest benefits of external communication and whether it would reasonably be expected to outweigh the costs (monetary or otherwise) of such communication.
- ~~The public profile of the entity and the extent to which the entity, or its management or owners may have a high public profile.~~

The above matters may also affect the information provided by the firm in the communication, and the nature, timing and extent and appropriate form of communication.

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Engagements Subject to an Engagement Quality Review

Engagement Quality Review as a Response to Address One or More Quality Risk(s) (Ref: Para. 34(f)(iii))

A134. The firm's understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives, as required by paragraph 25(a)(ii), relates to the nature and circumstances of the engagements performed by the firm. In designing and implementing responses to address one or more quality risk(s), the firm may determine that an engagement quality review is an appropriate response based on the reasons for the assessments given to the quality risks.

Examples of conditions, events, circumstances, actions or inactions giving rise to one or more quality risk(s) for which an engagement quality review may be an appropriate response

Those relating to the types of engagements performed by the firm and reports to be issued:

- Engagements that involve a high level of complexity or judgment, such as:
 - Audits of financial statements for entities operating in an industry that typically has accounting estimates with a high degree of estimation uncertainty (e.g., mining entities), or for entities for which uncertainties exist related to events or conditions that may cast significant doubt on their ability to continue as a going concern.
 - Assurance engagements that require specialized skills and knowledge in measuring or evaluating the underlying subject matter against the applicable criteria (e.g., a greenhouse gas statement in which there are significant uncertainties associated with the quantities reported therein).
- Engagements on which issues have been encountered, such as audit engagements with recurring internal or external inspection findings, unremediated significant deficiencies in internal control, or a material restatement of comparative information in the financial statements.
- Engagements for which unusual circumstances have been identified during the firm's acceptance and continuance process (e.g., a new client that had a disagreement with its previous auditor or assurance practitioner).

- Engagements that involve reporting on financial or non-financial information that is expected to be included in a regulatory filing, and that may involve a higher degree of judgment, such as pro forma financial information to be included in a prospectus.

Those relating to the types of entities for which engagements are undertaken:

- Entities in emerging industries, or for which the firm has no previous experience.
- Entities for which concerns were expressed in communications from securities or prudential regulators.
- ~~Entities other than public interest entities that may have public interest characteristics. Paragraph A29G provides considerations for the firm in determining whether it is appropriate to treat other entities as public interest entities for the purposes of the ISQMs.~~
- Entities with a high public profile, or whose management or owners have a high public profile.

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ISQM 2, ENGAGEMENT QUALITY REVIEWS

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Application and Other Explanatory Material

Appointment and Eligibility of Engagement Quality Reviewers

Assignment of Responsibility for the Appointment of Engagement Quality Reviewers (Ref: Para. 17)

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- A3. The firm may assign more than one individual to be responsible for appointing engagement quality reviewers. For example, the firm's policies or procedures may specify a different process for appointing engagement quality reviewers for audits of public interest entities than for audits of entities ~~that are not other than~~ public interest entities or other engagements, with different individuals responsible for each process.

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Performance of the Engagement Quality Review (Ref: Para. ~~245~~–27)

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ISA 200, OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

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Definitions

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13. For purposes of the ISAs, the following terms have the meanings attributed below:

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(I)A Public interest entity – An entity is a public interest entity when it falls within any of the following categories:

a. A publicly traded entity;

b. An entity one of whose main functions is to take deposits from the public;

c. An entity one of whose main functions is to provide insurance to the public; or

d. An entity specified as such by law, regulation or professional requirements, for a purpose related to the significance of the public interest in the financial condition of the entity.

The categories of entities are more explicitly defined or added to as required by paragraph 23B.

(I)B Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

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Requirements

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Conduct of an Audit in Accordance with ISAs

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Complying with Relevant Requirements

22. Subject to paragraph 23, the auditor shall comply with each requirement of an ISA unless, in the circumstances of the audit:
- (a) The entire ISA is not relevant; or
 - (b) The requirement is not relevant because it is conditional and the condition does not exist. (Ref: Para. A7479–A7580)
23. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA. In such circumstances, the auditor shall perform alternative audit procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective in achieving the aim of the requirement. (Ref: Para. A7681)

Public Interest Entities

- 23A. The auditor shall treat an entity as a public interest entity for the purposes of the ISAs when it falls within any of the following categories: (Ref: Para. A7681A–A7681D, A7681G)
- (a) A publicly traded entity;
 - (b) An entity one of whose main functions is to take deposits from the public;

- (c) An entity one of whose main functions is to provide insurance to the public; or
- (d) An entity specified as such by law, regulation or professional requirements, for a purpose related to the significance of the public interest in the financial condition of the entity.

23B. In complying with the requirement in paragraph 23A, the auditor shall apply more explicit definitions established by law, regulation or professional requirements for the categories set out in paragraph 23A (a) to (c). (Ref: Para. A~~7681~~E–A~~7681~~F)

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Application and Other Explanatory Material

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Conduct of an Audit in Accordance with ISAs

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Contents of the ISAs (Ref: Para. 19)

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Scalability Considerations

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A6~~95a~~. Scalability considerations have been included in some ISAs (e.g., ISA 315 (Revised 2019)), illustrating the application of the requirements to all entities regardless of whether their nature and circumstances are less complex or more complex. Less complex entities are entities for which the characteristics in paragraph A~~7166~~ may apply.

A~~7065b~~. The “considerations specific to smaller entities” included in some ISAs have been developed primarily with entities that are not other than public interest entities in mind. Some of the considerations, however, may be helpful in audits of smaller publicly-traded-public interest entities.

A~~7166~~. For purposes of specifying additional considerations to audits of smaller entities, a “smaller entity” refers to an entity which typically possesses qualitative characteristics such as:

- (a) Concentration of ownership and management in a small number of individuals (often a single individual – either a natural person or another enterprise that owns the entity provided the owner exhibits the relevant qualitative characteristics); and
- (b) One or more of the following:
 - (i) Straightforward or uncomplicated transactions;
 - (ii) Simple record-keeping;
 - (iii) Few lines of business and few products within business lines;
 - (iv) Simpler system of internal controls;
 - (v) Few levels of management with responsibility for a broad range of controls; or
 - (vi) Few personnel, many having a wide range of duties.

These qualitative characteristics are not exhaustive, they are not exclusive to smaller entities, and smaller entities do not necessarily display all of these characteristics.

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Complying with Relevant Requirements

Relevant Requirements (Ref: Para. 22)

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Departure from a Requirement (Ref: Para. 23)

A8176. ISA 230 establishes documentation requirements in those exceptional circumstances where the auditor departs from a relevant requirement.³ The ISAs do not call for compliance with a requirement that is not relevant in the circumstances of the audit.

Public Interest Entities (Ref: Para. 23A–23B)

A8176A. Some of the requirements set out in the ISAs are applicable only to audits of financial statements of public interest entities, reflecting significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders.

A8176B. Stakeholders have heightened expectations regarding an audit engagement for a public interest entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements in the ISAs that apply to public interest entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition.

A8176C. Factors to consider in evaluating the extent of public interest in the financial condition of an entity may include:

- The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business.
- Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.
- Size of the entity.
- The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.
- Number and nature of stakeholders including investors, customers, creditors and employees.
- The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

A8176D. Law, regulation or professional requirements may use terms other than public interest entity to describe entities that have significant public interest in the financial condition of the entities due to the potential impact of their financial well-being on stakeholders. The requirements in the ISAs that are relevant to public interest entities also apply to such entities. However, if law, regulation or

³ ISA 230, paragraph 12

professional requirements designate entities as “public interest entities” for reasons unrelated to the significant public interest in the financial condition of the entities (see paragraphs A7681A–A7681C), the requirements for audits of financial statements of public interest entities in the ISAs may not necessarily apply to such entities.

A8176E. The categories set out in paragraph 23A(a)–(c) are broadly defined and law, regulation or professional requirements may more explicitly define these categories, by, ~~–F~~for example, ~~by~~:

- Making reference to specific public markets for trading securities.
- Making reference to the local law or regulation defining banks or insurance companies.
- Incorporating exemptions for specific types of entities, such as an entity with mutual ownership.
- Setting size criteria for certain types of entities.

A8176F. Paragraph 23A(d) anticipates that those responsible for setting law, regulation or professional requirements may add categories of public interest entities to meet the purpose described in paragraph A7681B, and may consider the factors in paragraph A7681C in doing so. Depending on the facts and circumstances in a specific jurisdiction, such categories may include:

- Pension funds.
- Collective investment vehicles.
- Private entities with large numbers of stakeholders (other than investors).
- Not-for-profit organizations or governmental entities.
- Public utilities.

A8176G. The auditor may determine that it is appropriate to treat other entities as public interest entities for the purposes of the ISAs. When making this determination, the auditor may consider the factors set out in paragraph A7681C as well as the following factors:

- Whether the entity is likely to become a public interest entity in the near future.
- ~~Whether in similar circumstances, a predecessor auditor has applied differential requirements for public interest entities to the entity.~~
- Whether in similar circumstances, the auditor has applied the differential requirements for public interest entities to other entities.
- Whether the entity has been specified as not being a public interest entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the auditor to apply the differential requirements for public interest entities to the entity and, if so, whether there are any reasons for not meeting this request.
- The entity’s corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.
- Whether in similar circumstances, a predecessor auditor has applied differential requirements for public interest entities to the entity.

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ISA 260 (REVISED), COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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Requirements

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Matters to Be Communicated

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Auditor Independence

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17. The auditor shall communicate with those charged with governance a statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence. ~~In circumstances when the relevant ethical requirements include differential independence requirements that are applicable to audits of financial statements of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities.~~ (Ref: Para. A29)

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The Communication Process

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Forms of Communication

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20. The auditor shall communicate in writing with those charged with governance regarding auditor independence when required by paragraphs 17 and 17A.

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Application and Other Explanatory Material

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Matters to Be Communicated

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Auditor Independence (Ref: Para. 16A7–17A)

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A29A. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance for matters that may reasonably be thought to bear on independence. For example, the IESBA Code requires the auditor to communicate with those charged with

governance ~~transparency~~ information regarding fees ~~for audit clients that are public interest entities~~⁴ and ~~in relation to~~ the provision of non-audit services for audit clients that are public interest entities.⁵

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- A32. Paragraph A81G of ISA 200 explains that the auditor may determine it appropriate to treat other entities as public interest entities, and provides considerations for the auditor in doing so. The communication requirements relating to auditor independence that apply in the case of public interest entities may also be appropriate in the case of some other entities other than public interest entities. ~~Paragraph A7681G of ISA 200 provides considerations for the auditor in determining whether it is appropriate to treat other entities as public interest entities.~~ On the other hand, there may be situations where communications regarding independence may not be relevant, for example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly likely where the entity is owner-managed, and the auditor's firm and network firms have little involvement with the entity beyond a financial statement audit.

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ISA 265, COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

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Application and Other Explanatory Material

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Significant Deficiencies in Internal Control (Ref: Para. 6(b), 8)

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- A15. The level of detail at which to communicate significant deficiencies is a matter of the auditor's professional judgment in the circumstances. Factors that the auditor may consider in determining an appropriate level of detail for the communication include, for example:
- The nature of the entity. For example, the communication required for a public interest entity may be different from that for an entity other than a nonpublic interest entity.
 - The size and complexity of the entity. For example, the communication required for a complex entity may be different from that for an entity operating a simple business.
 - The nature of significant deficiencies that the auditor has identified.
 - The entity's governance composition. For example, more detail may be needed if those charged with governance include members who do not have significant experience in the entity's industry or in the affected areas.
 - Legal or regulatory requirements regarding the communication of specific types of deficiency in internal control.

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⁴ See, for example, paragraphs R410.23–R410.28 of the IESBA Code.

⁵ See, for example, paragraphs R600.21–R600.23 of the IESBA Code.

ISA 510, INITIAL AUDIT ENGAGEMENTS – OPENING BALANCES

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Appendix

(Ref: Para A8)

Illustrations of Auditors' Reports with Modified Opinions

Illustration 1:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an non-public-interest entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁶ does not apply).

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Illustration 2:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an non-public-interest entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

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ISA 570 (REVISED), GOING CONCERN

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Appendix

(Ref: Para. A29, A31–A32)

Illustrations of Auditor's Reports Relating to Going Concern

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- Illustration 3: An auditor's report containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the financial statements omit the required disclosures relating to a material uncertainty.

Illustration 3 – Adverse Opinion When a Material Uncertainty Exists and Is Not Disclosed in the Financial Statements

⁶ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an an non-public-interest entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

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ISA 600 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

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Appendix 1

(Ref: Para. A42)

Illustration of Independent Auditor's Report Where the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of an an non-public-interest entity other than a public interest entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

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ISA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

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Application and Other Explanatory Material

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Auditor's Report (Ref: Para. 20)

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Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

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Key Audit Matters (Ref: Para. 31)

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- A41. Paragraph A81G of ISA 200 explains that the auditor may determine it appropriate to treat other entities as public interest entities and provides considerations for the auditor in doing so. The auditor may also decide to communicate key audit matters for entities other than public interest entities. ~~For example, paragraph A7681G of ISA 200 explains that the auditor may determine it appropriate to treat other entities as public interest entities, and provides considerations for the auditor in doing so.~~

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Considerations specific to public sector entities

- A43. Paragraph A7681C of ISA 200 provides factors to consider in evaluating the extent of public interest in the financial condition of an entity. These factors may be considered by the auditor in determining whether it is appropriate to treat a public sector entity as a public interest entity for the purposes of communicating key audit matters. There may be significant public interest in the financial condition of a public sector entity for various reasons, such as size, the nature of the activities, or the potential systemic impact on the economy as a whole in the event of financial failure. In some cases, an auditor of a public sector entity may be required by law or regulation to communicate key audit matters in the auditor's report.

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Appendix

(Ref: Para A19)

Illustrations of Independent Auditor's Reports on Financial Statements

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- Illustration 3: An auditor's report on financial statements of an non-public interest entity other than a public interest entity prepared in accordance with a fair presentation framework (where reference is made to material that is located on a website of an appropriate authority)
- Illustration 4: An auditor's report on financial statements of an non-public interest entity other than a public interest entity prepared in accordance with a general purpose compliance framework

Illustration 3 – Auditor's Report on Financial Statements of an Non-Public-Interest-Entity Other than a Public Interest Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an non-public interest entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The auditor elects to refer to the description of the auditor's responsibility included on a website of an appropriate authority.**

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Illustration 4 – Auditor’s Report on Financial Statements of an an ~~Non-Public Interest~~ Entity Other than a Public Interest Entity Prepared in Accordance with a General Purpose Compliance Framework

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an an ~~non-public interest~~ entity other than a public interest entity required by law or regulation. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

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ISA 705 (REVISED), MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR’S REPORT

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Appendix

(Ref: Para A17–A18, A25)

Illustrations of Independent Auditor’s Reports with Modifications to the Opinion

Illustration 4 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Consolidated Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of an an ~~non-public interest~~ entity other than a public interest entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

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Illustration 5 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an an ~~non-public interest~~ entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised), does not apply).

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ISA 706 (REVISED), EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

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Application and Other Explanatory Material

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Placement of Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Auditor's Report (Ref: Para. 9, 11)

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A17. Appendix 3 is an illustration of the interaction between the Key Audit Matters section, an Emphasis of Matter paragraph and an Other Matter paragraph when all are presented in the auditor's report. The illustrative report in Appendix 4 includes an Emphasis of Matter paragraph in an auditor's report for an ~~non-public interest~~ entity other than a public interest entity that contains a qualified opinion and for which key audit matters have not been communicated.

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Appendix 4

(Ref: Para A8)

Illustration of an Independent Auditor's Report Containing a Qualified Opinion Due to a Departure from the Applicable Financial Reporting Framework and that Includes an Emphasis of Matter Paragraph

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a an ~~non-public interest~~ entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

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ISA 710, COMPARATIVE INFORMATION—CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

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Appendix

(Ref: Para A5, A7, A10)

Illustrations of Independent Auditors' Reports

Illustration 1 – Corresponding Figures

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a n non-public-interest entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁷ does not apply).

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Illustration 2 – Corresponding Figures

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a n non-public-interest entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

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Illustration 3 – Corresponding Figures

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a n non-public-interest entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

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Illustration 4 – Comparative Financial Statements

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a n non-public-interest entity other than a public interest entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

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⁷ ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)

ISA 720 (REVISED), THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION

Introduction

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Scope of this ISA

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6. The auditor's responsibilities relating to other information (other than applicable reporting responsibilities) apply regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditor's report. The reporting responsibilities applicable to the auditor in this ISA depend on whether the audit engagement is for:

- A listed entity as defined by relevant securities law or regulation, or
- An entity other than a listed entity.⁸

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Requirements

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Reporting

21. The auditor's report shall include a separate section with a heading "Other Information", or other appropriate heading, when, at the date of the auditor's report:
- (a) For an audit of financial statements of a ~~listed public interest~~ entity, the auditor has obtained, or expects to obtain, the other information; or
 - (b) For an audit of financial statements of a n entity other than a listed ~~non-public interest~~ entity, the auditor has obtained some or all of the other information. (Ref: Para. A52)
22. When the auditor's report is required to include an Other Information section in accordance with paragraph 21, this section shall include: (Ref: Para. A53)
- (a) A statement that management is responsible for the other information;
 - (b) An identification of:
 - (i) Other information, if any, obtained by the auditor prior to the date of the auditor's report; and
 - (ii) For an audit of financial statements of a ~~listed public interest~~ entity, other information, if any, expected to be obtained after the date of the auditor's report;

⁸ A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity – see ISA 200, paragraph 13(l)B

- (c) A statement that the auditor's opinion does not cover the other information and, accordingly, that the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon;
- (d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this ISA; and
- (e) When other information has been obtained prior to the date of the auditor's report, either:
 - (i) A statement that the auditor has nothing to report; or
 - (ii) If the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.

...

Application and Other Explanatory Material

...

Obtaining the Other Information (Ref: Para. 13)

...

A12. When the annual report is translated into other languages pursuant to law or regulation (such as may occur when a jurisdiction has more than one official language), or when multiple "annual reports" are prepared under different legislation (for example, when an entity is ~~listed~~~~publicly traded~~ in more than one jurisdiction), consideration may need to be given as to whether one, or more than one of the "annual reports" form part of the other information. Local law or regulation may provide further guidance in this respect.

...

Reporting (Ref: Para. 21–24)

A52. For an audit of financial statements of an ~~an entity other than a listed-non-public-interest~~ entity, the auditor may consider that the identification in the auditor's report of other information that the auditor expects to obtain after the date of the auditor's report would be appropriate in order to provide additional transparency about the other information that is subject to the auditor's responsibilities under this ISA. The auditor may consider it appropriate to do so, for example, when management is able to represent to the auditor that such other information will be issued after the date of the auditor's report.

...

Appendix 2

(Ref: Para. 21-22, A53)

Illustration of Independent Auditor's Reports Relating to Other Information

- Illustration 1: An auditor's report of any entity, ~~whether a public interest entity or a non-public interest entity~~, containing an unmodified opinion when the auditor has obtained all of the other information

prior to the date of the auditor's report and has not identified a material misstatement of the other information.

- Illustration 2: An auditor's report of a ~~listed public interest~~ entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- Illustration 3: An auditor's report of an ~~entity other than a listed non-public interest~~ entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- Illustration 4: An auditor's report of a ~~listed public interest~~ entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.
- Illustration 5: An auditor's report of any entity, ~~whether a public interest entity or a non-public interest entity,~~ containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.
- Illustration 6: An auditor's report of any entity, ~~whether a public interest entity or a non-public interest entity,~~ containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.
- Illustration 7: An auditor's report of any entity, ~~whether a public interest entity or a non-public interest entity,~~ containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the consolidated financial statements also affects the other information.

Illustration 1 – An auditor's report of any entity, ~~whether a public interest entity or a non-public interest entity,~~ containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of any entity, ~~whether a public interest entity or a non-public interest entity,~~ using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁹ does not apply).**

...

- **Key audit matters have been communicated in accordance with ISA 701.¹⁰**

...

⁹ ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)

¹⁰ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*. The ~~Key~~ Audit Matters section is required for public interest entities only.

Illustration 2 – An auditor’s report of a ~~listed public interest~~ entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed public interest~~ entity as defined by relevant securities law or regulation, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 3 – An auditor’s report of an entity other than a listed non-public interest entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed non-public interest entity as defined by relevant securities law or regulation using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 4 – An auditor’s report of a ~~listed public interest~~ entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor’s report but expects to obtain other information after the date of the auditor’s report.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed public interest~~ entity as defined by relevant securities law or regulation, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 5 – An auditor’s report of any entity, ~~whether a public interest entity or a non-public interest entity~~, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and has concluded that a material misstatement of the other information exists.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of any entity, ~~whether a public interest entity or a non-public interest entity,~~ using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

...

Illustration 6 – An auditor’s report of any entity, ~~whether a public interest entity or a non-public interest entity,~~ containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of any entity, ~~whether a public interest entity or a non-public interest entity,~~ using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).

...

Illustration 7 – An auditor’s report of any entity, ~~whether a public interest entity or a non-public interest entity,~~ containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and the adverse opinion on the consolidated financial statements also affects the other information.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of any entity, ~~whether a public interest entity or a non-interest entity,~~ using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).

...

...

ISA 800 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

...

Application and Other Explanatory Material

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

...

Application of ISA 700 (Revised) When Reporting on Special Purpose Financial Statements

...

Name of the Engagement Partner

A18. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of special purpose financial statements of public interest entities.¹¹ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on special purpose financial statements of entities other than non-public interest entities.

...

Appendix

(Ref: Para. A14)

Illustrations of Independent Auditor's Reports on Special Purpose Financial Statements

- Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a non-public interest entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a non-public interest entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor's report on a complete set of financial statements of a public interest entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a non-public interest entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks.**

...

...

Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a non-public interest entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

¹¹ See ISA 700 (Revised), paragraphs 45 and A56–A58

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist partners in preparing their individual income tax return. Management does not have a choice of financial reporting frameworks.

...

ISA 805 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

...

Application and Other Explanatory Material

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

...

Application of ISA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

...

Name of the Engagement Partner

A22. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial statements of public interest entities or specific elements of financial statements of public interest entities.¹² The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than non-public interest entities.

...

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a non-public interest entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

¹² See ISA 700 (Revised), paragraphs 46 and A61–A63.

- Illustration 2: An auditor's report on a single financial statement of an entity other than a non-public interest entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element of a financial statement of a public interest entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

Illustration 1: An auditor's report on a single financial statement of an entity other than a non-public interest entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a balance sheet (that is, a single financial statement) of an entity other than a non-public interest entity.**

...

Illustration 2: An auditor's report on a single financial statement of an entity other than a non-public interest entity prepared in accordance with a general purpose framework.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a non-public interest entity.**

...

ISRE 2400 (REVISED), ENGAGEMENTS TO REVIEW HISTORICAL FINANCIAL INFORMATION

...

Requirements

...

The Practitioner's Report

86. The practitioner's report for the review engagement shall be in writing, and shall contain the following elements: (Ref: Para. A124–A127, A148, A150)

(a) ...

(i) A reference to the practitioner's obligation under this ISRE to comply with relevant ethical requirements;

(i)A If the relevant ethical requirements require the practitioner to publicly disclose when the practitioner applied independence requirements specific to reviews of financial statements of certain entities, the practitioner's report shall include a statement that:

- (i) Identifies the jurisdiction of origin of the relevant ethical requirements or refers to the IESBA Code; and
- (ii) Indicates that the practitioner is independent of the entity in accordance with the independence requirements applicable to reviews of financial statements of those entities. (Ref. Para. A137A)
- (k) The date of the practitioner's report; (Ref: Para. A144–A147)
- (l) The practitioner's signature; and (Ref: Para. A138)
- (m) The location in the jurisdiction where the practitioner practices.

...

Application and Other Explanatory Material

...

The Practitioner's Report (Ref: Para. 86–92)

...

The Practitioner's Responsibility (Ref: Para. 86(f))

...

Relevant Ethical Requirements (Ref. Para. 86(j)A(ii))

A137A.Relevant ethical requirements may:

- Establish independence requirements that are applicable to reviews of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for reviews of financial statements of public interest entities in the IESBA Code. Relevant ethical requirements may also require or encourage the practitioner to determine whether it is appropriate to apply such independence requirements to reviews of financial statements of entities other than those entities specified in the relevant ethical requirements.
- Require the practitioner to publicly disclose when the practitioner applied independence requirements applicable to reviews of financial statements of certain entities. For example, the IESBA Code requires that when a firm has applied the independence requirements for public interest entities in performing a review of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.¹³ The following illustrates the disclosure in the practitioner's report when the IESBA Code comprises all of the relevant ethical requirements that apply to the review engagement:

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to reviews of financial statements of public interest entities.

¹³ IESBA PIE Revisions, paragraphs R400.20-R400.21

Appendix 1

Proposed Changes to the IAASB Glossary of Terms

This Appendix provides an overview of the proposed changes (shown in underline and strikethrough) to the IAASB Glossary of Terms as a result of the proposed narrow scope amendments for Track 2 of the listed entity and PIE project. Because the IAASB Glossary of Terms is non-authoritative,¹⁴ it does not form part of the public consultation for Track 2.

GLOSSARY OF TERMS¹⁵

(2022 Edition)

...

~~Listed entity—An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.~~

Listed entity—(see Publicly traded entity)

...

Public interest entity—An entity is a public interest entity when it falls within any of the following categories:

- (a) A publicly traded entity;
- (b) An entity one of whose main functions is to take deposits from the public;
- (c) An entity one of whose main functions is to provide insurance to the public; or
- (d) An entity specified as such by law, regulation or professional requirements, for a purpose related to the significance of the public interest in the financial condition of the entity.

The categories of entities are more explicitly defined or added to as required by paragraphs 18B of ISQM 1¹⁶ and 23B of ISA 200.¹⁷

Publicly traded entity—An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

...

¹⁴ 'Non-authoritative' material is not part of the IAASB International Standards and is not subject to the IAASB's due process (i.e., not subject to the formal approval process as for authoritative documents).

¹⁵ In the case of public sector engagements, the terms in this glossary should be read as referring to their public sector equivalents. Where accounting terms have not been defined in the pronouncements of the International Auditing and Assurance Standards Board, reference should be made to the Glossary of Terms published by the International Accounting Standards Board.

¹⁶ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*

¹⁷ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*