

Track 2: Listed Entity and Public Interest Entity (PIE) – Selected Feedback and Issues

Objective:

The objective of the IAASB discussion in September 2024 is to:

- (a) Provide an overview of respondents' comments to selected questions from the [Exposure Draft\(ED\) for narrow scope amendments to ISQMs,¹ ISAs² and ISRE 2400 \(Revised\)³](#) as part of Track 2 of the project on listed entity and PIE.
- (b) Obtain the Board's input on the Task Force's views and recommendations to address key themes identified from the responses on the adoption of the definition of PIE and its application in determining which entities to treat as PIEs for purposes of the ISQMs and ISAs.
- (c) Obtain the Board's input on the Task Force's recommendation to finalize, without any further changes, the proposals in the ED for narrow scope amendments to ISRE 2400 (Revised).

Introduction

Background

1. In December 2023, the Board approved the ED for public comments. The ED sought respondents' feedback to address the project objectives outlined in paragraph 17(a)-(c) of the [project proposal](#) to:
 - (a) Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code⁴ (IESBA PIE revisions)⁵ and the ISQMs and ISAs to maintain their interoperability.
 - (b) Establish an objective and guidelines to support the IAASB's judgments regarding specific matters for which differential requirements for certain entities are appropriate.
 - (c) Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.

¹ International Standards on Quality Management (ISQMs)

² International Standards on Auditing (ISAs)

³ International Standard on Review Engagements (ISRE) 2400 (Revised)

⁴ The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

⁵ See the [Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).

Materials Presented

2. This paper sets out the following:

- **Part A:** Summary of written responses to the ED, an explanation for the presentation of respondents' comments and an overview of coordination and outreach activities undertaken since December 2023.
- **Part B:** Analysis of the possible divergence between the IAASB proposals and the IESBA PIE revisions in the determination of entities that should be treated as PIEs as highlighted by respondents to the ED.
- **Part C:** Analysis of respondents' comments regarding the objective and purpose for establishing differential requirements for PIEs and the definitions of PIE and 'Publicly Traded Entity' (PTE) (Questions 1 and 2 in the Explanatory Memorandum (EM)) and a high-level overview of respondents' feedback on the extension of the extant differential requirements to apply to PIEs (Questions 3A-E in the EM). Part C comprises the following sections:

| Section | Description |
|---------|---|
| I | Feedback on the overarching objective and purpose for establishing differential requirements for PIEs (Question 1) |
| II | Feedback on the definitions of PIE and PTE (Question 2) |
| III | High-Level overview of respondents' feedback on the ED proposals to extend the extant differential requirements to apply to PIEs (Questions 3A-E) |

- **Part D:** The Task Force views and recommendations to address the key themes from the responses to Questions 1 and 2, including options for the Board's consideration in progressing the proposals related to the PIE definition and its application in determining which entities to treat as PIEs.
- **Part E:** Analysis of respondents' comments regarding the proposed revisions to ISRE 2400 (Revised) (Question 5 in the EM) and the Task Force views and proposals to address the key themes from the responses to this question.
- **Part F:** Way forward.

3. This Agenda Item includes the following appendices and other agenda items:

| | |
|-------------------|--|
| Appendix 1 | Overview of the PIE TF members and activities since December 2023 |
| Appendix 2 | List of respondents to the ED |
| Appendix 3 | IAASB's rationale for extending the differential requirements in the ISQMs and ISAs to apply to PIEs |

| | |
|--|---|
| Agenda Item 7-A | Illustrative drafting of ISQM 1 (which will be mirrored in ISA 200) for the proposed options related to the PIE definition and its application in determining which entities to treat as PIEs |
| Agenda Item 7-B | Extract from the ED of proposed narrow scope amendments to ISQM 1 ⁶ , ISA 200 ⁷ and ISRE 2400 (Revised) |
| Agenda Item 7-C | Extract from Final Pronouncement of the revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code |
| Agenda Item 7-D.1 to 7-D.3 (Supplemental) | Word NVivo reports that include comments from respondents |
| Agenda Item 7-E.1 to 7-E.3 (Supplemental) | Excel Nvivo reports that provides an overview of the analysis of respondents' comments |

Part A: Summary of Written Responses to the ED and Coordination and Outreach Activities

Overview of Respondents

4. The ED was exposed for a 90-day public comment period that closed on April 8, 2024. Respondents were asked for feedback on six specific questions and two general questions (translations and effective date). Forty-six written responses were received as follows (see **Appendix 2**):

| Stakeholder Type | No. | Region | No. |
|---|-----------|------------------------|-----------|
| Monitoring Group | 2 | Global | 13 |
| Regulators and Audit Oversight Authorities | 5 | Asia Pacific | 10 |
| Jurisdictional and National Auditing Standard Setters | 13 | Europe | 10 |
| Accounting Firms | 9 | Middle East and Africa | 4 |
| Member Bodies and Other Professional Organizations | 16 | North America | 7 |
| Individuals and Others | 1 | South America | 2 |
| Total | 46 | Total | 46 |

⁶ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*

⁷ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

5. While comment letters included responses provided by a diverse representation of stakeholder constituencies and geographical regions, it is notable that no written responses have been received from investors or users of financial statements. The Task Force noted that considering the nature of the extant differential requirements in the ISQMs and ISAs, that matters affecting the auditor's report would be of most interest to this stakeholder constituency. Therefore, the Task Force will leverage the feedback received from investors and other users of financial statements on relevant topics addressed in the Auditor Reporting post-implementation review, as well as the public consultations on and further outreach undertaken as part of the [IAASB's current projects](#) on Fraud and Going Concern, that included considering extending the scope of certain (proposed) differential requirements. This will be relevant to the further analysis of the comments to Questions 3A-E in the EM that will be presented to the Board in December 2024 (see **Part F**).

Presentation of Comments

6. NVivo has been used to assist with the analysis of the responses to the questions in the EM. The table below provides a summary of the NVivo reports relevant for each question analyzed and the related Part in this Agenda Item where the summary is presented:

| Question: | Section of this Agenda Paper: | Agenda Paper: | |
|------------|-------------------------------|--------------------|----------------------|
| | | Nvivo Word Reports | Nvivo Excel Analysis |
| Question 1 | Part C-I | Agenda Item 7-D.1 | Agenda Item 7-E.1 |
| Question 2 | Part C-II | Agenda Item 7-D.2 | Agenda Item 7-E.2 |
| Question 5 | Part E | Agenda Item 7-D.3 | Agenda Item 7-E.3 |

7. **Parts B, C** and **E** below provide an overview of the feedback received and an analysis of respondents' comments for certain questions in the EM accompanying the ED, highlighting the significant themes identified from the feedback. In presenting the analysis of the feedback, the Task Force grouped stakeholder responses to specific questions by significant theme(s) identified (including instances where a comment(s) to a different question(s) addressed the same theme).
8. In prioritizing the questions analyzed in **Part C** below, and when providing its views and recommendations in **Part D**, the Task Force focused on those matters that are overarching to the project. This is because for these matters strategic input is needed from the Board on the proposed direction. In addition, the Task Force included the responses to Question 5 in **Part E**, which is independent from the other questions.

Coordination and Outreach Activities

Coordination with IESBA

9. In March and May 2024, the IAASB and IESBA Staff engaged in coordination discussions. At these meetings, the IAASB Staff shared respondents' comments about the PIE definition and its application

with reference to the March 2024 IESBA meeting.⁸ Staff from the two boards discussed the intent and rationale of the proposals for each of the Boards' projects, the differences in the construct of the proposals in the ED and the IESBA PIE revisions and the potential consequences for the IAASB project as seen by respondents. In May and July 2024, the IESBA PIE Rollout Working Group Chair and the IAASB PIE Task Force Chair along with Staff from both Boards also met to discuss the above issue, as well as potential ways forward and other coordination items.

10. In June 2024, the IESBA PIE Rollout Working Group Chair and the IAASB PIE Task Force Chair provided an update to the respective Boards in executive session. The summary included an overview of respondents' comments about the possible divergence in the determination of entities to be treated as PIEs as well as the potential courses of actions suggested by respondents. Feedback and directions received from the Boards have been incorporated into this paper for discussion at the September 2024 IAASB meeting (see **Part B** and **Part D**).

Jurisdictional and/ National Standard Setters (NSS) outreach

11. In May 2024, the IESBA met with the IESBA NSS group, which included a session to share information on the status and potential issues related to adoption of, or convergence with, recent revisions to the IESBA Code. This session was also relevant to the IAASB proposals and was attended by IAASB senior and project staff. Several jurisdictions reported on their progress towards adopting the IESBA PIE revisions, including refining their local PIE definitions. These jurisdictions were positive about achieving adoption and elaborated on certain jurisdictional challenges and how they are working through these.

General Outreach Program

12. The ED and the issues relevant to Track 2 of the PIE project continued to be highlighted in regular outreach with key stakeholders as part of the IAASB's general outreach program that includes updates to Monitoring Group members and other regulators and audit oversight authorities..

Part B: Analysis of the Possible Divergence Between the IAASB Proposals and the IESBA PIE Revisions in the Determination of Entities That Should Be Treated as PIEs

Background and context

13. The Task Force identified a significant theme raised by eight respondents⁹ that highlighted a risk of possible divergence between the IAASB proposals relating to the definition of PIE and its application

⁸ At the March 2024 IESBA meeting, the IESBA PIE Rollout Working Group presented its proposals to add a question in the [IESBA Staff Questions & Answers – Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code \(IESBA PIE Q&A\)](#) to reaffirm its view that, for this specific project, compliance with the IESBA Code by firms means first and foremost compliance with local laws and regulations, whatever they may be at the time of the audit report. Respondents were of the view that this clarification created divergent outcomes with the IAASB's proposals in the determination of entities to be treated as PIEs.

⁹ See the comment letters from (in alphabetical order) Accountancy Europe, AICPA Auditing Standards Board, Compagnie Nationale des Commissaires aux Comptes et Conseil National de l'Ordre des Experts-Comptables (CNCC-CNOEC), Deloitte, Ernst & Young Global Limited, Grant Thornton International, KPMG International Limited, PricewaterhouseCoopers International Limited. All comment letters are available on the [ED webpage](#) on the IAASB website.

in determining which entities to treat as PIEs (the IAASB proposals) and the IESBA PIE revisions. These eight respondents framed their comments about the PIE definition and its application with reference to IESBA's discussion in this regard at the March 2024 IESBA meeting (which was shortly before the close of the comment period of the IAASB ED on April 8, 2024).^{8 10} They noted that such divergence brings into question the convergence objective of the IAASB's Listed Entity and PIE project and would not be in the public interest.

14. Respondents also provided other comments on the proposed definitions of PIE and PTE, which are further discussed in **Part C, Section II**.
15. In this paper, paragraph references to the standards of the IAASB and IESBA are those in the ED and in the IESBA PIE revisions, respectively. For easy reference, **Agenda Item 7-B** includes relevant extracts of the proposed amendments to ISQM 1 and ISA 200, and **Agenda Item 7-C** includes relevant extracts from the final pronouncement of the IESBA PIE revisions.

The IESBA Project on the Definitions of Listed Entity and Public Interest Entity

16. In December 2021, the IESBA concluded its project on the Definitions of Listed Entity and Public Interest Entity, which included revisions to Part 4A of the IESBA Code and its glossary relating to listed entity and PIE.
17. In approving the revisions to the definitions of listed entity and PIE, the IESBA had relied on an overall framework that includes the following key elements:
 - (a) An overarching objective that explains the need for additional independence requirements for entities that are defined as PIEs (paragraph 400.10);
 - (b) A top-down list of mandatory high-level PIE categories subject to local refinement (paragraph R400.17 (a)-(c));
 - (c) A bottom-up list of PIE categories that could be added by the relevant local bodies to the local PIE definitions (paragraph R400.17 (d)); and
 - (d) An encouragement for firms to determine whether to treat additional entities as PIEs (paragraph 400.19 A1).
18. In addition, the IESBA PIE revisions include a requirement for firms to take into account more explicit definitions of PIEs established by law, regulation or professional standards in determining which entities to treat as PIEs (paragraph R400.18). Application material further explains the interrelationship of the PIE definition in the IESBA Code with definitions established by relevant local bodies responsible for setting ethics standards for professional accountants, which includes an explanation that the IESBA Code:
 - (a) Provides for relevant local bodies to more explicitly define the mandatory categories of PIEs, with examples of how these categories may be more explicitly defined at the local level (paragraph 400.18 A1); and
 - (b) Anticipates that such local bodies will add categories of PIEs, with examples of such categories

¹⁰ See [Agenda Item 8A, PIE Issues and WG Views](#).

(e.g., pension funds and collective investment vehicles) (paragraph 400.18 A2).

Further Clarification of the Role of Relevant Local Bodies and Firms

19. During their March 2024 Board Discussion, IESBA reaffirmed that the responsible local bodies are best placed to decide which entities or classes of entities should be scoped in as PIEs given their local knowledge and understanding of the broader issues that impact public expectations. The IESBA also considered the role of firms when finalizing the firms' responsibilities under the revised provisions. The IESBA clarified that whilst firms have an important role in ensuring public expectations regarding their independence are met, the responsibility for determining which entities or classes of entities should be categorized as PIEs rests with legislators or other relevant local bodies.
20. In light of the provisions set out in the IESBA PIE revisions, in particular paragraphs R400.17 and R400.18 to 400.19 A1, as well as the considerations and rationale of the IESBA highlighted in the IESBA Basis for Conclusions,¹¹ IESBA clarified that, for this specific project, compliance with the IESBA Code by firms means first and foremost compliance with local laws and regulations, whatever they may be at the time of the audit report. This conclusion is aligned with the overarching objective in paragraph 400.10 of the IESBA PIE revisions and the IESBA's consistent view that local bodies are best placed to ascertain the significance of the public interest in the financial condition of entities to determine whether these entities should be PIEs, as that significance is relevant from a local (rather than international) perspective.
21. In addition, the coordination activities undertaken (see paragraphs 9 and 10) further highlighted the importance of reading paragraphs R400.17 and R400.18 in conjunction with each other. Given that the categories as included in the IESBA PIE revisions are broadly defined, and no recognition is given to any size or other factors that can be relevant in a specific jurisdiction, these categories require further refinement by local legislators or other relevant local bodies in order to be applied operationalized by firms. Requiring firms to treat all entities as PIEs when the categories have not been refined by local jurisdictions may lead to unintended consequences, such as firms being required to treat many entities with no significant public interest in their financial condition as PIEs.
22. Based on the IESBA's clarification, firms should always comply with the local definition of PIE in their respective jurisdictions at the time of the audit report, regardless of whether such local definition addresses all of the mandatory PIE categories in the IESBA PIE revisions.
23. IESBA proposed to incorporate this clarification by adding a new question to the IESBA PIE Q&A, initially released in March 2023. This new question and answer will be released prior to the IAASB and IESBA Board meetings in September 2024.

The IAASB Narrow Scope Amendments Project as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code

24. The IAASB proposals include to adopt for the ISQMs and ISAs the definitions from the IESBA PIE revisions of PIE and PTE. A key driver for this decision was the IAASB's belief that the revised approach to scoping PIEs in the IESBA Code as contemplated in the IESBA PIE revisions achieved

¹¹ IESBA Basis for Conclusions, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).

a global baseline for the definition of PIE that could be consistently applied across jurisdictions. Lack of such a global baseline was a key concern raised in previous IAASB public consultations, deliberations and discussions, which resulted in decisions not to extend the applicability of its differential requirements for audits of listed entities in the ISQMs and ISAs to apply more broadly to other entities, such as PIEs (see also **Appendix 3**).

25. In developing its proposals, the IAASB believed that it was essential to incorporate in the ISQMs and ISAs the entire approach to scoping PIEs as contemplated in the IESBA Code because convergence is part of the IAASB's project objectives and because all elements of the approach are necessary to ensure that the differential requirements in the ISQMs and ISAs are appropriate in the circumstances of the jurisdiction. The IAASB had therefore proposed to adopt the definition of PIE and included a requirement with supporting application material to treat an entity as a PIE in accordance with the definition, based on the approach in the IESBA Code (with limited changes to reflect the differences in the respective Boards' drafting conventions) (see **Agenda Item 7-B**, proposed paragraphs 16(p)A, 18A, A29D–A29G of ISQM 1 and paragraphs 13(l)A, 23A, A81D–A81G of ISA 200).
26. The IAASB also acknowledges the role of those responsible for law, regulation or professional requirements in defining more explicitly the categories of entities provided for in the definition. However, under the proposed requirements in ISQM 1, paragraph 18A and ISA 200, paragraph 23A for the firm/ auditor to treat an entity as a PIE in accordance with the PIE definition, as well as consider more explicit definitions established by law, regulation or professional requirements, the mandatory PIE categories would always apply, whether or not the local PIE definition is aligned with the IAASB PIE definition. For example, a firm/ auditor would be required to treat entities in the mandatory categories as PIEs, even if the local PIE definition has omitted one or more of the mandatory PIE categories (see also the scenarios presented in paragraph 28).

Jurisdictional Variations

27. Given the role of relevant local bodies in the identification of PIEs, jurisdictional variations were expected and accepted by both Boards. For example, although two jurisdictions may both have refined the mandatory category for insurance providers (see ISQM 1, paragraph 16(p)A(iii)) in determining which insurance providers are PIEs, they may have used different qualitative criteria or quantitative thresholds resulting in different outcomes for the identification of PIEs in this category between the two jurisdictions. However, the consistency that the Boards were seeking will come from the application of the mandatory PIE categories.

Possible Different Outcomes

28. The following table summarizes the different outcomes a firm may reach when identifying PIEs based on the IESBA PIE revisions given the further clarification as explained in paragraphs 19-23 above (IESBA clarification), compared to the outcomes based on the IAASB proposals. For the purpose of the illustration below, there is an assumption that the IAASB proposals have the same effective date as the IESBA PIE revisions.

| Status of adoption of the IESBA PIE revisions at the effective date | Identification of PIEs for the purpose of applying the incremental independence requirements of the IESBA Code | Identification of PIEs for the purpose of applying the differential requirements in the ISQMs and ISAs |
|---|--|--|
| Scenario 1 A relevant local body has adopted the international PIE revisions, with or without refinements of the three mandatory categories (i.e., in the case of the latter, the adoption process resulted in no refinements of the mandatory categories). | To comply with the IESBA Code, firms should identify PIEs based on their local PIE definition (which will be as contemplated by the IESBA PIE revisions). | To comply with the ISQMs and ISAs, firms should identify PIEs based on their local PIE definition (which will be as contemplated by the IAASB PIE proposals). |
| Scenario 2 A relevant local body is in the process of adopting the international PIE revisions, with or without refinements of the three mandatory categories (once the adoption process is completed, the situation will be as described in scenario 1). | To comply with the IESBA Code, firms identify PIEs based on the extant local PIE definition. | <p>To comply with the ISQMs and ISAs, firms should identify PIEs based on the three mandatory categories included in ISQM 1 and ISA 200.</p> <p>Firms may follow their local equivalent standards for ISQM 1 and ISA 200 and apply their extant local PIE definition (but will not be in compliance with the ISQMs or the ISAs).</p> |
| Scenario 3 A relevant local body will not adopt the international PIE revisions or has excluded one or more of the three mandatory categories. | <p>Firms identify PIEs based on their extant local PIE definition, if it exists. In such a non-adopting or partial-adopting jurisdiction, firms are deemed to be in compliance with the IESBA Code because they must comply with the local PIE definition, and the Code does not require the firms to apply the broad categories directly without having regard to more explicit definitions at the national level.</p> <p>In a non-adopting jurisdiction, where no local PIE definition exists, the Code does not</p> | <p>To comply with the ISQMs and ISAs, firms should identify PIEs based on the three mandatory categories included in ISQM 1 and ISA 200.</p> <p>Firms may follow their local equivalent standards for ISQM 1 and ISA 200 and apply their extant local PIE definition (but will not be in compliance with the ISQMs or the ISAs).</p> |

| Status of adoption of the IESBA PIE revisions at the effective date | Identification of PIEs for the purpose of applying the incremental independence requirements of the IESBA Code | Identification of PIEs for the purpose of applying the differential requirements in the ISQMs and ISAs |
|---|---|--|
| | require firms to treat entities as PIEs. However, firms are not precluded from doing so pursuant to the encouragement and guidance in the Code. | |

29. In April 2023, IESBA published a jurisdictional PIE database, listing the types of entities that various jurisdictions have scoped in as PIEs at the local level.¹² This database includes the information from 78 jurisdictions received from information-gathering activities and highlights that 58 jurisdictions had included listed entities, bank/credit unions and insurance and re-insurance companies, which is consistent with the three mandatory categories of the proposed PIE definition. Further information about the remaining 20 jurisdictions and jurisdictions beyond the 78 that were surveyed, is not available at this time.

What We Heard From Eight Respondents to the ED¹³

30. Based on their understanding of the IESBA discussion in March 2024, the eight respondents identified in paragraph 13 expressed views that the IESBA clarification may introduce or has highlighted divergence between the two Boards' standards. Accordingly, these respondents believe that it would be inappropriate at this time for the IAASB to extend the extant differential requirements in the ISQMs and ISAs that apply to listed entities, to apply to PIEs. Furthermore:
- Four respondents were of the view that the divergence that exists precludes the IAASB from adopting the IESBA PIE definition for the ISQMs and ISAs. In addition, they are opposed to a piecemeal adoption of the PTE definition separate from adopting the PIE definition, because publicly traded entities are one of the mandatory PIE categories of the PIE definition.
 - One respondent was comfortable with the IAASB adopting the PTE definition alone, because the definition can stand on its own from the PIE definition, is an appropriate replacement for "listed entity" and it is aligned with the IESBA Code.
 - Three respondents supported the adoption of the definitions but provided drafting suggestions to reinforce compliance with local definitions as set by law or regulation by firms/ auditors to be in compliance with ISQM 1 and ISA 200.
31. In addition, respondents noted that because the IAASB proposals did not consider the IESBA clarification, the divergence in the application of the IAASB standards is prominent in that firms appear to have significantly more responsibility under the IAASB proposals compared to the IESBA

¹² Refer to the [Database of Public Interest Entity Definitions by Jurisdiction](#).

¹³ Unless otherwise indicated, any reference to "respondents" in this section (paragraphs 30-37), denote the eight respondents who specifically raised the issue of possible divergence as explained in paragraph 13).

PIE revisions. Respondents noted that under the IAASB proposals, if the local PIE definition does not align with the proposed PIE definition in the IAASB standards (e.g., one or more of the mandatory PIE categories are not addressed), the firm will still be required to comply with the PIE definition in ISQM 1 and ISA 200 (e.g., treating all entities in a mandatory category that has been omitted from the local PIE definition as PIEs) but not with the PIE ethical requirements under the local ethical rules. This means that certain entities will be treated as PIE under the IAASB proposals, but not for purposes of the IESBA Code (see also paragraph 28).

Role of Relevant Local Bodies and Firms

32. Most respondents supported the approach adopted in developing the IESBA PIE revisions and applied by the IAASB in the ED that the relevant local bodies in jurisdictions are best placed and play a vital role in establishing their local PIE definitions through refining the mandatory PIE categories by, for example, setting size criteria and adding new types of entities or exempting particular entities (see also IAASB Explanatory Memorandum, paragraphs 23 and 24).
33. However, respondents expressed views that the IESBA clarification now goes further by indicating that firms should always comply with the local definition of PIE in their respective jurisdictions, regardless of whether such local definition addresses all of the IESBA Code's mandatory PIE categories. Their understanding is that this clarified position will apply if the local PIE definition excludes any of the mandatory PIE categories or if the jurisdiction does not have a PIE definition (i.e., a non-adopting jurisdiction). That is, the Code does not require firms in such jurisdictions to treat the categories specified within the IESBA PIE definition as mandatory but encourages them to treat entities as PIEs by following the guidance in paragraph 400.19 A1 of the IESBA PIE revisions.
34. In relation to the IAASB proposals, respondents noted that in circumstances when a jurisdiction adopts the proposed narrow scope amendments, but does not more explicitly define the mandatory PIE categories, or has a jurisdictional definition that excludes one or more categories set out in the IAASB PIE definition, applying the mandatory categories could result in a significant population of entities being identified as PIEs, which may not directly align with the proposed overarching objective of "significant public interest in their financial condition". The following respondent observations also are relevant:
 - Firms and auditors could be required to apply the extended requirements in the IAASB standards (e.g., performing engagement quality reviews and communicating key audit matters) to entities for which the increased audit cost may outweigh the benefits of the incremental requirements for such entities.
 - That many jurisdictions (one respondent referred to data¹⁴ presented at the March 2024 IESBA meeting) have not taken action or that adoption actions that are underway will not be completed by the effective date of the IESBA PIE revisions, being December 15, 2024.
35. In addition, two respondents noted that local definitions of PIE and PTE may not be aligned with the proposed definitions in ISQM 1 and ISA 200, leading to confusion in the market. For example, the term PTE in the EU Regulation 537/2014 refers to "entities whose transferable securities are admitted

¹⁴ Refer to responses from IFAC 2023 A&I Questionnaire re: IESBA PIE Revision.

to trading on a **regulated** market” whereas the definition proposed in ISQM 1 and ISA 200 refers to “An entity that issues financial instruments that are transferrable and traded through a **publicly accessible market mechanism**, including through listing on a stock exchange.” In this case, it is unclear if firms may use the legal definition of PTE of their jurisdiction or if they should reconcile the two definitions for the purpose of applying the differential requirements in the ISQMs and ISAs. The respondents noted that IESBA’s rationale as clarified in its March 2024 discussion alleviates this particular issue for the purpose of the applying the independence requirements and they encourage the IAASB to clarify that compliance with local definitions of PIE or PTE will, in effect, indicate compliance with the ISQMs and ISAs.

Impacts and Suggestions

36. Respondents raised concerns that in the absence of the IAASB expressing the same intent as that contemplated in the IESBA clarification, the application of the two Boards’ standards will result in different outcomes and may have unintended consequences, such as:
 - An entity may be considered a PIE for purposes of conducting an audit in accordance with the ISAs, while it may not be considered a PIE for purposes applying the independence requirements of the IESBA Code. This will adversely affect the interoperability of the two Boards’ standards and lead to inconsistent application of the PIE requirements to similar entities in the same jurisdiction as a firm may apply the requirements differently based on their policies, as well as to confusion and an expectation gap for the users of audited financial statements.
 - The IESBA clarification may drive the opposite behavior at jurisdictional level than what was intended by both Boards in that the relevant local bodies may not be incentivized to fulfil their intended critical role in determining both the size and nature of entities that would be in scope of the mandatory PIE categories (i.e., failing to more explicitly define the mandatory PIE categories).
 - The IESBA clarification is expected to be contained in non-authoritative guidance in the form of Staff Questions and Answers and therefore may be subject to differing views in respect of, for example, how audit regulators or oversight authorities will monitor and enforce the requirements as stated in the IESBA Code and the ISQMs and ISAs, respectively.
37. Respondents also offered various courses of action related to the potential divergence in determining which entities to treat as PIEs for the IAASB to consider (the below actions are not mutually exclusive):
 - (a) The IAASB should consider taking action similar to that of IESBA in clarifying the design and intent of the PIE proposals, including the application of the mandatory PIE categories.
 - (b) The IAASB and IESBA should jointly communicate to their stakeholders, as a matter of urgency, (i) the intended application of their respective PIE definitions or mandatory PIE categories as a global baseline, including, if applicable, any differences in intended outcomes and the implications for entities and their auditors, and (ii) the implications for jurisdictions when they do not undertake the actions expected of them under the two Boards’ standards.
 - (c) The IAASB should pause its Listed Entity and PIE project and should further reflect on the implications of the IESBA clarification for the ISQMs and ISAs. Also, the IAASB should

coordinate with IESBA in evaluating the ongoing relevance of the IAASB's project objectives and undertake further outreach with stakeholders to inform the Board's way forward. One respondent suggested that the IAASB re-open its comment period after IESBA releases its updated Staff Questions and Answers that is expected to incorporate the IESBA clarification.

- (d) Support for the creation of a PIE definition that establishes a proportionate global baseline, built on a clear expectation that:
- The categories of entities to be treated as PIE are mandatory; and
 - Jurisdictional authorities set appropriate thresholds and/or exemptions for the entities within those categories that are to be treated as a PIE in that jurisdiction.
- (e) The IAASB should adopt an approach whereby the application of differential requirements in the ISQMs and ISAs are based solely on the PIE definition of the relevant ethical requirements, recognizing that relevant ethical requirements could be the IESBA Code or other ethical requirements in law, regulation or professional requirements.
- (f) Consider as an alternative to completing the IAASB project, re-purposing the related application material that was proposed for ISQM 1 and ISA 200 into a framework for the identification of entities in which there is a significant public interest and, therefore, heightened expectations about audit engagements for these entities.

Part C: Analysis of Responses Regarding the Objective and Purpose for Establishing Differential Requirements for PIEs and to Adopting the Definitions of PIE and PTE

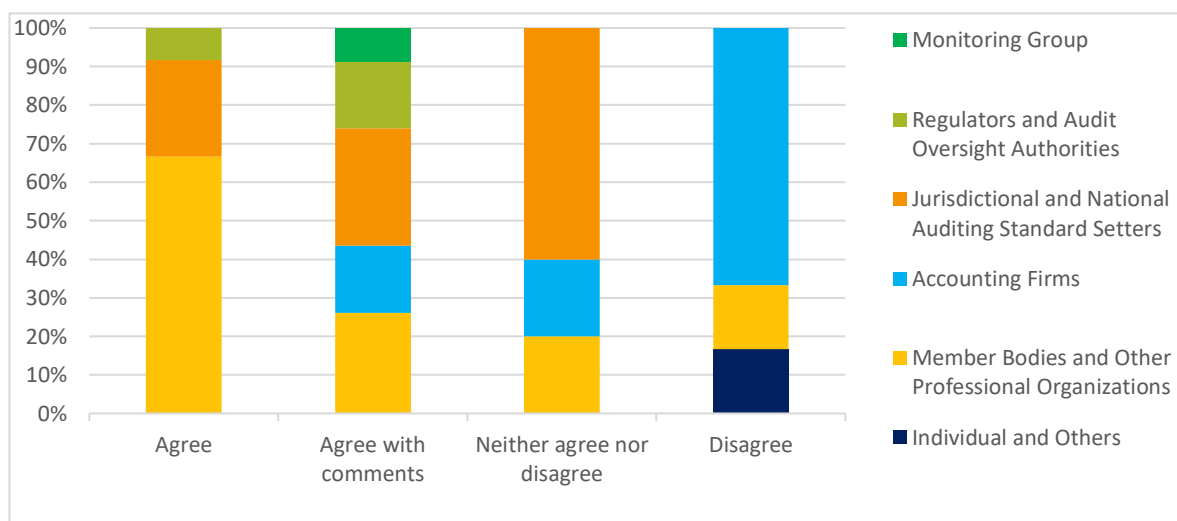
Section I – Overarching Objective and Purpose for Establishing Differential Requirements for PIEs (Question 1)

Highlights from Respondents' Feedback

- Overall support for the enhancements made relating to the overarching objective and purpose for establishing differential requirements for PIEs.
- Suggestion to move the overarching objective and purpose for establishing differential requirements to the introductory paragraphs of ISQM 1 and ISA 200.

Overview of Responses to Question 1

38. Question 1 asked respondents whether they agree with the overarching objective and purpose for establishing differential requirements for PIEs in the ISQMs and ISAs. The chart below shows an analysis of the responses to Question 1 per stakeholder group (see the separate NVivo reports in **Agenda Items 7-D.1 and 7-E.1** for further details).



Summary of Respondents' Comments

Monitoring Group Respondents

39. The MG respondents supported the establishment of the overarching objective and purpose for establishing differential requirements for PIEs proposed in paragraphs A29A-A29B of ISQM 1 and paragraphs A81A-A81B of ISA 200 in the ED.
40. The MG respondents also encouraged the IAASB to provide examples of factors unrelated to the significant public interest in the financial condition of the entities that law, regulation or professional requirements may use to designate entities as “public interest entities”.

Other Respondents' Comments

41. Respondents to Question 1 who supported the establishment of the overarching objective and purpose for establishing differential requirements for PIEs provided the following reasons:
- (a) The heightened expectations of stakeholders regarding the audit engagement for a PIE will be met by extending the differential requirements to PIEs, and therefore, will enhance stakeholders' confidence in the financial statements of these entities. It will also help minimize the expectation gap relating to financial reporting and auditing among stakeholders.
 - (b) Using a common objective as an overarching principle for PIEs across the IAASB standards and the IESBA Code will reduce confusion, enhance ease of implementation and will contribute to the overall professionalism of the auditing and accounting profession. Having a common objective and definitions will enhance understanding and application of these concepts in audit engagements.
 - (c) The inclusion of the overarching objective and purpose in ISQM 1 and ISA 200 is appropriate as it

may create confusion if included elsewhere in the ISQMs and ISAs.

42. Respondents to Question 1 who supported the proposal and provided comments or had concerns noted the following key matters in their feedback:

Location of the overarching objective and purpose for establishing differential requirements for PIEs

- (a) Respondents noted that the overarching objective and purpose have been included in the application material of ISQM 1 and ISA 200 whereas the equivalent paragraphs are placed in the introductory section of the relevant part of the IESBA Code. These paragraphs do not explain or guide auditors on how to apply the requirement but rather provide the rationale for designating entities as PIEs and having certain separate requirements relating to the audits of such entities. Respondents suggested relocating the overarching objective and purpose to the introductory sections of ISQM 1 and ISA 200.

Terminology used by the IAASB and IESBA

- (b) Respondents noted that the overarching objective and purpose for establishing differential requirements for PIEs were aligned with the terminology used in the IESBA PIE revisions. However, given the different contexts, respondents noted some concerns with some of the terms used:
- (i) The overarching objective and purpose as included in ISQM 1 and ISA 200 refer to *stakeholders*. Respondents noted that this terminology is inconsistent with terminology used in the ISQMs and ISAs, which refer to “intended users of the financial statements”. Respondents noted the potential unintended consequences for the auditor to meet the heightened expectations of a potentially much broader group. Respondents suggested replacing the word “stakeholders” with “intended users of the financial statements” to align with other requirements, such as paragraph 3 of ISA 200.
 - (ii) Respondents also noted the phrase *to meet these expectations* could imply a presumption that stakeholders’ expectations will be met. This could increase the expectation gap due to a lack of clarity regarding the nature and reasonableness of these expectations. Respondents suggested using “to address these expectations”.
 - (iii) Finally, respondents noted some concerns with the use of *financial condition* in the overarching objective and purpose. Respondents noted that IESBA had clarified that the public interest focus is on the general health of an entity and how the entity’s financial success or failure may impact the public (i.e., its financial condition) and, therefore, it is broader than an entity’s financial statements. However, respondents highlighted that the ISAs deal with the independent auditor’s overall responsibilities when conducting an audit of financial statements in accordance with the ISAs. In the context of the ISAs, the term *financial condition* may further contribute to the expectation gap regarding the role of the auditor in an audit of financial statements.

Creation of different level of audits

- (c) Respondents commented on the fact that having differential requirements for certain types of entities may lead, over time, to an unintended understanding that “higher audit quality” should be expected only when the audit client is a PIE.
- (d) Respondents also noted that having three levels of differential requirements (i.e., all entities, PIEs

and PTEs) may cause additional confusion or complexity in practice when determining which requirements are applicable to a particular engagement.

- (e) Respondents suggested that the IAASB clarify that the differential requirements should not be understood to imply a different level of audit quality and emphasize that the differential requirements for audits of PIEs are intended to meet stakeholders' heightened expectations associated with potential threats to economic performance and financial stability.

Other matters

- (f) Respondents also suggested that the IAASB develop a long-term vision and strategy for audits of PIEs, noting a lack of clarity in why the IAASB is establishing an overarching objective and purpose for establishing differential requirements for audits of PIEs.

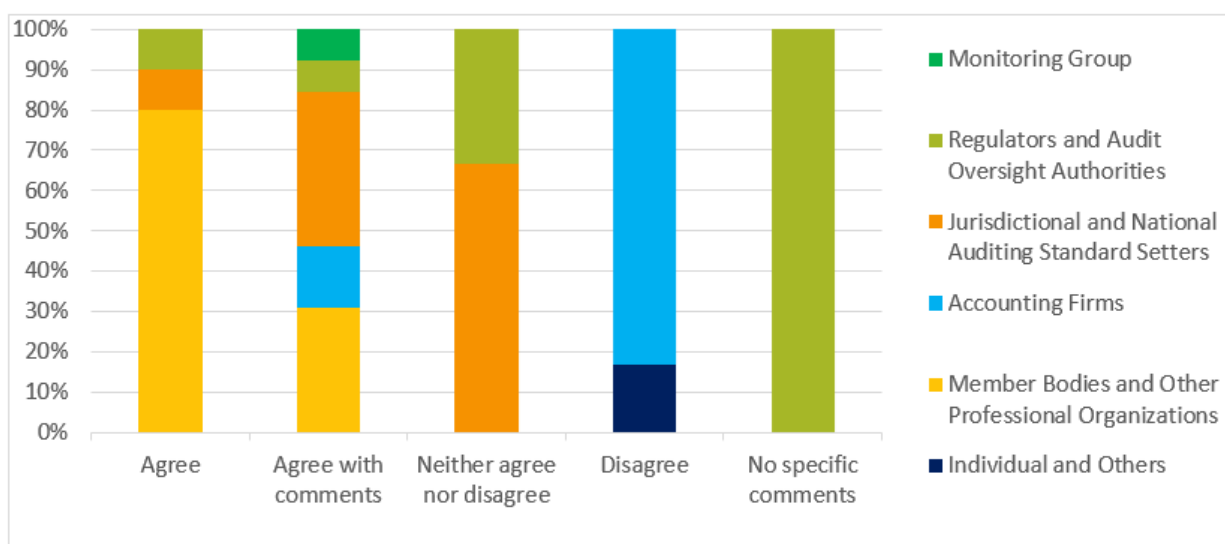
Section II – Adoption of the Definitions of PIE and PTE (Question 2)

Highlights from Respondents' Feedback

- General support for the adoption of the definitions of PIE and PTE.
- Certain respondents highlighted concerns with possible divergence between the IAASB proposals and IESBA PIE revisions in the determination of entities to be treated as PIEs. The Task Force had identified this upfront as a separate significant theme – refer to discussion in **Part B**.

Overview of Responses to Question 2

43. Question 2 of the ED sought views from respondents regarding adoption of the definitions of PIE and PTE into ISQM 1 and ISA 200. The chart below shows an analysis of the responses to Question 2 per stakeholder group (see the separate NVivo reports in **Agenda Items 7-D.2 and 7-E.2** for further details).



44. When analyzing the responses to Question 2, the Task Force also reviewed the feedback that related to the adoption of the definition of PIE and PTE, including their application, as addressed in respondents' overall observations and comments to Question 6 in the EM.¹⁵

Summary of Respondents' Comments

Monitoring Group Respondents

45. The MG respondents noted their support for the adoption of the definitions of PIE and PTE as proposed in the ED. The adoption of the definitions ensures consistency and alignment of the concepts between the requirements in the ISQMs and ISAs and in the IESBA Code.
46. The MG respondents also suggested that the IAASB revise the wording used in the definition of PIE to better align with the wording in the IESBA PIE revisions (e.g., "as well as consider" in the IAASB proposals) to avoid suggesting that a firm only needs to consider, but not apply the relevant local refinement in complying with the ISQMs and ISAs.
47. In addition, one MG respondent encouraged the IAASB to clarify the definition of PTE because the guidance for certain terms, such as 'publicly accessible market mechanism' and 'financial instruments' can only be found in the IESBA Basis for Conclusions. The MG respondent noted that the parties applying the standards should not be expected to refer to a Basis for Conclusions issued by IESBA for the consistent application of the definition.

Other Respondents' Comments

48. Respondents supported the alignment and convergence with the definitions in the IESBA PIE revisions. Among other things, respondents noted that the common and consistent application of the definitions between the two Boards will minimize the expectation gap, reduce complexity in identifying the types of entities to which the Boards' respective differential requirements apply and minimize the impact on network firms.
49. However, respondents also provided comments or raised concerns related to:

Impact on local PIE and PTE definitions

- (a) As noted in **Part B**, local jurisdictions play a crucial role in the establishment and refinement of the definitions of PIE and PTE. Respondents have raised concerns that the local jurisdiction may (i) not have completed their refinement of the local definition or (ii) may have defined PIE and PTE in a different way than proposed in the ISQMs and ISAs. Respondents suggested that the IAASB clarifies its intent vis-à-vis local definitions of PIE and PTE.
- (b) Category (iv) of the definition of PIE (ISQM 1, paragraph 16(p)A and ISA 200, paragraph, 13(l)A) may imply that firms and auditors are responsible for looking beyond the auditing standards, for example, to external bodies that set law and regulations, to determine which additional entities qualify as PIEs for the purposes of the auditing standards. It was noted that firms and auditors may not have access to the information, which may result in inconsistencies in practice. Respondents suggested to refer to national auditing standard setters adding categories of public interest entities, as opposed to those responsible for setting law, regulation or professional

¹⁵ Question 6 asked: Are there any other matters you would like to raise in relation to the ED?

requirements.

- (c) Respondents noted that the application material in paragraph A29D of ISQM 1 (and the equivalent application material in ISA 200) implies that firms and auditors will make a determination that entities included in their local PIE definition may not be PIEs for the purposes of the ISQMs and ISAs. Respondents raised concerns that this determination relies on significant judgment and will result in inconsistent application of the requirements. Respondents sought clarification to ensure that the scope of entities is not modified inappropriately.

Further Alignment with the IESBA PIE Revisions

- (d) Respondents noted that the IAASB has proposed a different construct for the requirement in ISQM 1, paragraph 18A and ISA 200, paragraph 23A, by using the phrase “as well as consider” as opposed to the phrase “and shall take into account” that is used in the IESBA PIE revisions. The former implies a lower level of direction and lacks clarity on the auditor’s actions when compared to the construct used in the IESBA PIE revisions. Respondents suggested modifying the requirement to further align with the IESBA PIE revisions.
- (e) In addition, respondents noted that the application material in paragraph A29G of ISQM 1 (and the equivalent application material in ISA 200) may lead to a firm or auditor arriving at a different conclusion on whether to treat other entities as PIEs between the IESBA Code and ISQMs and ISAs. This is because the application material states that the firm *may consider* whether it treated an entity as a public interest entity for purposes of applying relevant ethical requirements (including those related to independence), which could imply that a firm could treat certain entities as PIEs for purposes of relevant ethical requirements and not treat those same entities as PIEs for purposes of the ISQMs and ISAs. Respondents suggested updating the relevant application material to enhance the alignment of determination of PIEs between the ISQMs and ISAs and the IESBA Code.

Compliance with firm policies or procedures

- (f) Respondents noted that the requirement in paragraph 23A of ISA 200 includes an additional sentence stating that in applying the requirement, the auditor shall follow the firm’s related policies or procedures. This sentence implies that a violation of firm policies or procedures will result in non-compliance with the ISAs. Respondents’ view is that the IAASB’s role is not to reinforce firm policies or procedures and suggested using a different construct, such as “the auditor shall take responsibility to follow...” (as used in ISA 220 (Revised)).¹⁶ However, other respondents noted that paragraph 37 of ISA 220 (Revised) uses the same construct as the proposed requirement in paragraph 23A of ISA 200.

Section III – High-Level Overview of Respondents’ Feedback on the ED Proposals to extend the extant differential requirements to apply to PIEs

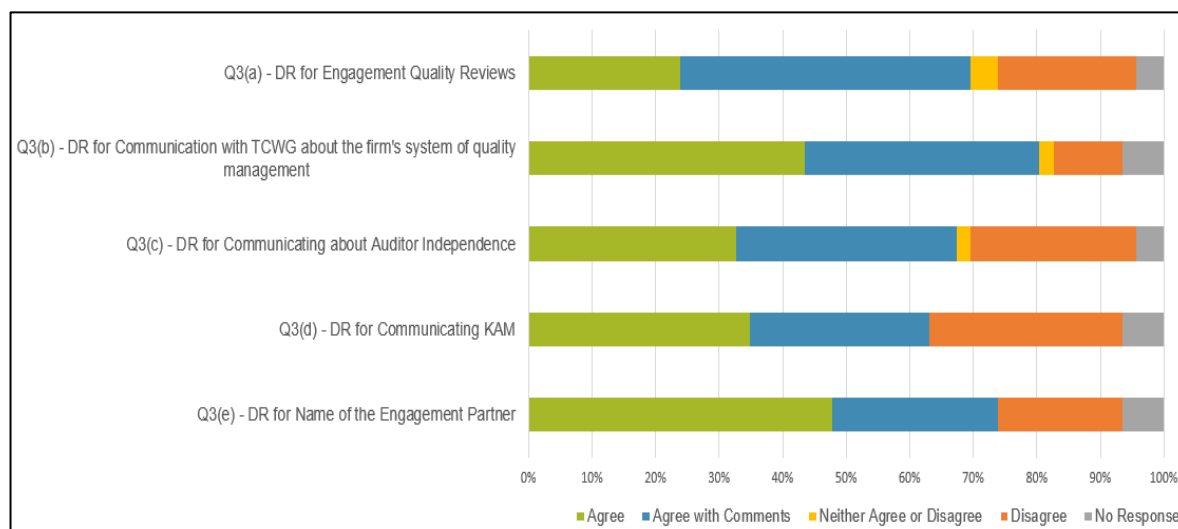
Overview of Responses to Questions 3A–E

- 50. Although the Board is not asked to consider the extension of extant differential requirements to audits of PIEs at the September 2024 IAASB meeting, the Task Force was of the view that an overview of

¹⁶ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

responses to the relevant questions may be helpful at this stage to provide further context relating to the adoption and application of the definitions of PIE and PTE that are further discussed in **Part D**. A comprehensive analysis of the comments received on these questions will be presented to the Board in December 2024 (see paragraph 83).

51. The chart¹⁷ below provides a high-level overview of the level of support expressed by respondents to the ED proposals, summarized per question in the EM.



High-Level Summary of Respondents' Comments

52. The MG respondents expressed support for the IAASB's proposal to extend extant differential requirements that are applicable to audits of listed entities to PIEs (Questions 3A–E). Other respondents also expressed broad support for differential requirements for PIEs related to engagement quality reviews (Question 3A), communication with those charged with governance (TCWG) about the firm's system of quality management (Question 3B) and disclosing the name of the engagement partner in the auditor's report (Question 3E). However, other respondents expressed mixed views regarding differential requirements for PIEs related to communication with TCWG about the auditor independence matters set out in subparagraphs 17(i)–(ii) of extant ISA 260 (Revised)¹⁸ (Question 3C) and communicating key audit matters (KAM) in the auditor's report (Question 3D).

¹⁷ This chart is only intended to present a high-level 'snapshot' of the feedback received per question, from the perspective of the support in principle or otherwise for the ED proposals that were addressed by Questions 3A–E in the EM. The ultimate recommendations to address the feedback from stakeholders will be based on the detailed analysis of the comments received, including identifying different themes per question, the rationale and nature of suggestions provided by respondents, as well as whether and the extent to which certain views are expressed by certain stakeholder groups or across stakeholder groups.

¹⁸ ISA 260 (Revised), *Communication with Those Charged with Governance*

53. Respondents who expressed support noted that extending the extant differential requirement to apply to audits of PIEs will bring consistency among jurisdictions given that several jurisdictions have extended or are considering extending the differential requirements to PIEs.¹⁹
54. The following is a summary of the main concerns raised by respondents on the proposed extension of the extant differential requirements to apply to PIEs:

Engagement Quality Reviews (Question 3A)

- Concerns on scalability of the requirement for lower-risk PIEs, which might undermine the risk-based approach of ISQM 1.
- Given the expected jurisdictional variations in the application of the PIE definition (see paragraph 27), respondents viewed that it might lessen the impact of extending this differential requirement to all PIEs.

Communication with TCWG About the Firm's System of Quality Management (Question 3B)

- The expected jurisdictional variations in the application of the PIE definition and variations in level of awareness of PIEs might impact how TCWG perceive the value of information about the firm's system of quality management.

Communication with TCWG About Auditor Independence Matters (Question 3C)

- Concerns about extending the requirement to communicate with TCWG 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 to apply to audits of all entities. This is viewed as more appropriate in the context of additional communication with TCWG about relationships and other matters for PIEs, as opposed to all entities.
- Concerns about removal of the explicit fee-related information to be communicated in extant paragraph 17(a) of ISA 260 (Revised) given that fee-related matters are important to TCWG in their oversight of the audit. Respondents (including one MG member) suggested to retain this part of the extant requirement for consistent application across jurisdictions where the IESBA Code is not adopted, or where it has not been updated to reflect relevant fee-related information in a timely manner.

Communicating KAM (Question 3D)

- Mixed views from different groups of respondents for extending the extant differential requirement for communicating KAM to apply to PIEs. Key comments include:
 - Support for the proposal with the view that it is in the public interest for all PIEs (including PTEs) to be subject to the same requirements within the ISAs and ISQMs.
 - Concerns about the cost of the proposal that might outweigh the benefits for PIEs given that PIEs comprise entities of diverse corporate and financial reporting requirements, in particular when their financial statements might not be publicly available. Respondents

¹⁹ From the IAASB's information gathering with NSS (in advance of the June 2023 IAASB-NSS meeting), 56% of the 18 jurisdictions surveyed had either fully or partially extended the applicability of the requirements in the ISQMs and the ISAs that apply to listed entities to other entities. This included jurisdictions from the Europe and Asia Pacific geographical regions.

suggested conducting further outreach with NSS and regulators about the needs of users of the auditor's report for PIEs at jurisdictional level.

- Concerns about describing KAM without disclosing original information given that different PIEs might have different disclosure requirements to that of listed entities.

Disclosing the Name of the Engagement Partner in the Auditor's Report (Question 3E)

- Respondents expressed concerns that the impact of the proposal on audit quality is not clear, noting that the information of the name of the engagement partner in the auditor's report was considered as less useful in the IAASB Auditor Reporting Post-Implementation Review²⁰ and financial statements of certain PIEs might not be publicly available. Respondents suggested performing stakeholder outreach and academic literature research to determine the impact on audit quality.

General comments

- Respondents noted challenges in identifying TCWG for entities with different governance frameworks to listed entities.
- Several respondents who specifically commented on possible divergence between the IAASB proposals and the IESBA PIE revisions (as explained in **Part B**) disagreed with the proposals.

Matters for IAASB Consideration:

1. The Board is asked whether they agree with the Task Force analysis and summary of respondents' feedback to Questions 1 and 2 in the EM (see **Sections I and II of Part C**, above), and whether there are any other significant issues raised by respondents that also should be considered?

Part D: Task Force Views and Recommendations

Possible Divergence Between the IAASB Proposals and the IESBA PIE Revisions in the Determination of Entities That Should Be Treated as PIEs

55. The Task Force identified that the role of local bodies vis-a-vis the role of firms in determining which entities or classes of entities should be treated as PIEs is a significant theme from the responses to the ED. At the time that the Board finalized its PIE proposals, the Task Force believed that the intent of the IAASB and IESBA in this regard were aligned. However, the IESBA clarification has brought to light that the IAASB and IESBA may in fact have not been aligned.
56. Nevertheless, the Task Force proposes that it is important to continue to emphasize the critical role that relevant local bodies play in further refining the mandatory PIE categories to fit their jurisdictional needs. In doing so, the Task Force also believes that jurisdictions should be supported in order to clearly understand and not be distracted from the role that they are expected to play in operationalizing the global baseline PIE categories. Following such approach will then focus the issue as one of transition – jurisdictions should be provided with sufficient time to align their local PIE

²⁰ See "Section VI. Other Elements of The Auditor's Report" in [Feedback Statement of Auditor Reporting Post Implementation Review](#) issued in June 2021.

definitions with the global baseline PIE categories but should also be reminded of the implications for entities and auditors if they fail to act.

57. The Task Force recognizes that focusing on the transition issue would not address circumstances where a jurisdiction does not have a PIE definition and where there is no intention to establish such definition or to revise any local PIE definition to align with the PIE definition in the IESBA PIE revisions or the IAASB proposals. There may nevertheless be firms in such jurisdictions that apply the ISAs and intend to continue doing so – this is addressed in scenario 3 in the table in paragraph 28.

Impact on the project objective

58. Based on the feedback received and further coordination with IESBA, the Task Force is of the view that adopting the definitions and key concepts in the ISQMs and ISAs, as presented in the ED, does not achieve the project objective of convergence, to the greatest extent possible, if the application of such definitions and key concepts results in different outcomes compared to the IESBA PIE revisions given the IESBA clarification in this regard.
59. The Task Force also acknowledges that it is in the public interest that the Boards be aligned in their intent in the determination of entities to be treated as PIEs. Therefore, the Task Force has developed two options to be considered that achieves convergence, to different degrees, between the definitions and key concepts underlying the definitions used in the IESBA PIE revisions and in the ISQMs and ISAs (further discussed in paragraphs 63–67).

Respondents' suggestions

60. The Task Force acknowledges the respondents' suggestions related to the potential divergence in determining which entities to treat as PIEs (see paragraph 36). In particular, the Task Force:
- (a) Agreed that further clarification regarding the IAASB's intent of the PIE proposals is needed. The Task Force proposes some modifications to its proposals to clarify the requirements and facilitate consistent application of the requirements globally.
 - (b) Agreed that the IAASB and IESBA should jointly communicate to their stakeholders on the possible divergence issue.
 - (c) Believes that the project should move forward (as opposed to some respondents suggesting pausing the project) as the public interest aims of the project remain relevant. It will contribute to the interoperability of the IAASB standards and the IESBA Code, and the continued relevance and credibility of the ISQMs and ISAs in supporting quality financial reporting and market stability.

Overarching Objective and Purpose for Establishing Differential Requirements for PIEs

61. The Task Force notes the support from the written responses for the overarching objective and purpose for establishing differential requirements. In response to the feedback, the Task Force:
- (a) Proposes to move the location of the overarching objective and purpose into the Introductory sections of ISQM 1 and ISA 200. The Task Force noted that the CUSP Drafting Principles and

Guidelines²¹ indicate that the introduction section provides contextual information relevant to a proper understanding of the ISA. The Task Force believes that the overall objective and purpose explain the rationale and scope of differential requirements for audits of financial statements of PIEs, as well as the context for the role of relevant local bodies in ensuring consistent identification of PIEs as relevant to their particular jurisdictional needs, aligned with the global baseline definition of PIE. In addition, this change will further align with the structure used in the IESBA Code.

- (b) Discussed drafting suggestions highlighted by certain respondents to enhance the overarching objective and purpose for establishing differential requirements. However, the Task Force also recognized that respondents broadly supported the use of a common overarching objective and purpose for the IAASB standards and the IESBA Code. On balance the Task Force recommends keeping the overarching objective and purpose as was proposed in the ED, noting that:
 - (i) Although respondents suggested to replace “stakeholders” for “intended users of the financial statements,” the Task Force believes that the term “stakeholders” continues to reflect the intention that significant public interest in the financial condition of certain entities is broader than users of the financial statements. This is appropriate, since the notion of PIE relates to the nature of and interest in these entities (i.e., their inherent characteristics) and does not propose to broaden the scope of the audit or the responsibilities of the auditor.
 - (ii) The objective of being aligned with the wording in the IESBA PIE revisions outweighs the apparent value of modifying the purpose for establishing differential requirements in response to concerns with the phrase “meet the expectations”.
 - (iii) The IESBA had explained in its Basis for Conclusions²² that it has bridged the concept of financial condition and financial statements by clarifying that the financial statements of an entity can be used when assessing the entity’s financial condition (see IESBA PIE revisions, paragraph 400.10). The IAASB has adopted the same ‘bridging’ approach in the IAASB proposals (see ISQM 1, paragraph A29B and ISA 200, paragraph A81B).
- (c) Noted that the differential requirements existed in the extant ISQMs and ISAs and therefore the proposed changes do not create different levels of audits. The Task Force also noted that respondents broadly supported the overarching objective and purpose for establishing differential requirements, highlighting the heightened expectations of stakeholders regarding an audit engagement for a PIE.
- (d) Views that the introduction of further differential requirements as part of future standard setting will be informed by the overarching objective and purpose for establishing differential requirements and, hence, already encapsulates the IAASB’s “vision” for PIEs.

²¹ See the [CUSP Drafting Principles and Guidelines](#).

²² See the IESBA’s Basis for Conclusions paragraph 29, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).

Adoption of the Definitions of PIE and PTE

62. The Task Force notes the support from the written responses for adoption of the definitions of PIE and PTE. In response to the feedback, the Task Force:
- (a) Discussed respondents' concerns regarding the impact on local PIE and PTE definitions.
 - (b) Agreed with respondents' feedback that some of the wording used in the requirement and application material may have unintended consequences when determining which entities should be treated as PIE for purposes of the ISQMs and ISAs and for purposes of the IESBA Code. In particular:
 - (i) The Task Force noted that the construct proposed in the ED was modified from the construct used in the IESBA PIE revisions to accommodate for the IAASB drafting convention. However, the Task Force recognizes that the different construct may have led to the perception that the firm/ auditor may apply the definition differently under the IAASB proposals than intended under the IESBA PIE revisions.
 - (ii) The Task Force has developed two options to address the specific concern raised by certain respondents of the possible divergence between the IAASB proposals and the IESBA PIE revisions (further discussed in paragraphs 63–67).
 - (iii) The Task Force had some sympathy for respondents' concern that the wording used in the application material in paragraphs A29G of ISQM 1 and A81G of ISA 200 could inadvertently result in different conclusions on which entities should be treated as PIEs for independence and auditing purposes. The Task Force notes that application and other explanatory material cannot impose a requirement. Therefore, the Task Force has proposed updates to the application material to mitigate the concern raised by respondents.
 - (c) Recognizes respondents' concerns indicating that the requirement in paragraph 23A of ISA 200 could imply that non-compliance with the firm's policies or procedures will result in non-compliance with the ISAs. The Task Force proposes to modify the last sentence of the requirement as follows to address the concern and further align with similar requirements in other ISAs (e.g., ISA 220 (Revised)):

“23A. The auditor shall treat an entity as a public interest entity in accordance with the definition in paragraph 13(l)A ... In doing so, the auditor shall ~~follow~~ determine that the firm's related policies or procedures have been followed.”

Two Options for Advancing the IAASB Proposals

63. When analyzing the feedback received and proposing a way forward, the Task Force considered the comments received from the eight respondents who specifically addressed the risk of possible divergence between the IAASB proposals and the IESBA PIE revisions. The Task Force also recognized that many respondents supported the IAASB's proposals, highlighting the benefits of convergence with the IESBA PIE revisions. However, given the timing of the IESBA clarification and the closing date of the ED, the Task Force questioned if all respondents were aware of the IESBA clarification and how it may have impacted their comments had they been aware. Nevertheless, this would be speculation and, therefore, the Task Force focused on advancing the IAASB proposals given the feedback from all respondents to Questions 1 and 2 in the EM (and a preliminary analysis

of the comments to Questions 3A–E) and information from further outreach and coordination activities.

64. The Task Force has developed two options for advancing the IAASB proposals, which are summarized below. **Agenda Item 7-A**, includes proposed drafting of ISQM 1 (which will be mirrored in ISA 200) to illustrate how the ED could be updated to reflect the two options in the ISQMs and ISAs.

Option 1: Adoption of the Definition of PTE Solely

65. Under the first option,
- (a) The proposals include only adopting the definition of PTE from the IESBA PIE revisions as a replacement of 'listed entity'. **(Agenda Item 7-A, ISQM 1 paragraph 16(p)B)**
 - (b) The proposals include the adoption of the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework to determine entities to be treated as PIEs from the IESBA PIE revisions (adapted as necessary to appropriately operationalize this option). **(Agenda Item 7-A, ISQM 1 paragraphs 5A, 5B, A2A-A2E)**
 - (c) The differential requirements applicable to listed entities in the extant ISQMs and ISAs will henceforth be applicable to PTEs as 'listed entity' will be substituted for PTE. There will be no consideration to extend these differential requirements beyond PTEs (i.e., to all PIEs). **(Agenda Item 7-A, ISQM 1 paragraph 34(e) and ISA 700 paragraph 30)**
 - (d) Firms will be encouraged, but not required to apply the differential requirements to entities other than PTEs, such as PIEs, using the framework to determine such entities. **(Agenda Item 7-A, ISQM 1 paragraph A2E)**

Option 2: Conditional Requirement

66. Under the second option,
- (a) The proposals include the adoption of the definitions of PIE and PTE from the IESBA PIE revisions, with PTE being a replacement for 'listed entity'. **(Agenda Item 7-A, ISQM 1 paragraphs 16(p)A and 16(p)B)**
 - (b) The proposals include the adoption of the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework to determine entities to be treated as PIEs from the IESBA PIE revisions (adapted as necessary to appropriately operationalize this option). **(Agenda Item 7-A, ISQM 1 paragraphs 5A, 5B, A2A-A2C)**
 - (c) The proposals introduce a conditional requirement in terms of which certain categories in the PIE definition will be applicable only to the extent that relevant local bodies in jurisdictions have (i) further refined those categories; or (ii) determined that they are appropriate as is (i.e., includes all entities as broadly described for a category). **(Agenda Item 7-A, ISQM 1 paragraphs 18A, A29E-A29Fa)**
 - (d) If a jurisdiction has neither refined the categories nor determined that the broad categories are appropriate as is, firms are not required, but may choose to apply the differential requirements to entities other than PIEs, using the framework to determine such entities. **(Agenda Item 7-A, ISQM 1 paragraph A2C)**

- (e) The differential requirements applicable to listed entities in the extant ISQMs and ISAs are to be extended to PIEs, subject to the Board finalizing its proposals in this regard, based on the feedback received on Questions 3 and 4 in the EM (this will be discussed at the December 2024 IAASB meeting). **(Agenda Item 7-A, ISQM 1 paragraph 34(e) and ISA 700 paragraph 30)**

Analysis of the Options

67. The Task Force assessed the impacts on each option of different considerations and outcomes related to the project, as summarized in the table below (impacts are indicated in relative terms, using “low”, “moderate” and “high”).

| Considerations and Outcomes | Option 1 – Adoption of PTE solely | Option 2 – Conditional Requirement |
|---|--|---|
| Convergence between the definitions and key concepts underlying the definitions used in the IESBA PIE revisions and the ISQMs and ISAs | Moderate Only the definition of PTE will be adopted. However, this option also includes the framework to help the firm/ auditor when determining whether to apply requirements applicable to audits of PTEs, to other entities such as PIEs. The framework includes the concepts underlying the definition of PIE used in the IESBA PIE revisions. | High This option incorporates in the ISQMs and ISAs the entire approach to scoping PIEs as contemplated in the IESBA PIE revisions. |
| Global consistency of application of the requirements in the ISQMs and ISAs (In the context that with the approval of the ED, the Board expected and accepted that there will be jurisdictional variations; however, a level of global consistency will be inherent in the types of entities that should be treated as PIEs) | High The definition of PTE lends itself to more consistent application globally, since it focuses on one type/ class of entity. Although PTE can still be refined within jurisdictions, possible variations are limited in terms of the parameters that may apply and there is a greater chance that certain key entities, such as listed entities as defined by relevant securities law or regulation will be consistently treated as PTEs. | Moderate The application of the PIE definition will be driven by the local jurisdictions as they would need to fulfil their role inherent in the proposals of refining the broad/ base categories. Although local refinements of the PIE definition were inherent in the proposals, the resulting variations in adoption and application across the broad/ base categories may be greater than originally expected. |
| Interoperability of the applicability of the | Low In jurisdictions where the PIE | High The proposed conditional |

| Considerations and Outcomes | Option 1 – Adoption of PTE solely | Option 2 – Conditional Requirement |
|---|--|---|
| definitions between the IAASB's proposals and IESBA PIE revisions | definition in the IESBA Code has been adopted, firms/ auditors would be required to apply the differential independence requirements of the Code to such entities (for all affected categories in the PIE definition) but would only be required to apply the differential requirements in the ISQMs and ISAs to PTEs. | requirement fully aligns the application of the definition in the ISQMs and ISAs with the application of the definition in the IESBA Code, given the IESBA clarification. This eliminates the possible divergence of outcomes in the determination of which entities should be treated as PIEs. |
| Meeting the heightened expectation of stakeholders regarding audit engagement of PIEs | Low The heightened expectations of stakeholders for audits of PIEs will not be met, even if a jurisdiction has adopted a definition of PIE which complies with the IESBA PIE revisions. PIE would not be a concept in the ISQMs and ISAs, which will only recognize differential requirements for PTEs. | Moderate The heightened expectations of stakeholders for audits of PIEs will be progressively met, as jurisdictions define more explicitly the categories included in the PIE definition (i.e., as jurisdictions move from scenario 2 to scenario 1 in paragraph 28). The pace/ timing of the transition is uncertain and still would not address scenario 3 in paragraph 28. |
| Role of jurisdictions | Low Although the definition of PTE is broadly defined and jurisdictions are expected to apply local refinements, the involvement of a jurisdiction is limited to this single class of entities. | High Adding a conditional requirement reaffirms the critical role of the local jurisdictions in determining the application of the PIE definition in accordance with their needs (which was a key aspect of the approach to establishing a PIE definition). Also, the role of the local jurisdictions is integrated in the standards, which are authoritative. |
| Aspiring to elevate expectations for PIEs, which represent a broader | Low Because this option is limited to adopting the PTE definition, there | High The broad PIE definition sets an aspirational standard for |

| Considerations and Outcomes | Option 1 – Adoption of PTE solely | Option 2 – Conditional Requirement |
|--|--|--|
| scope of entities exhibiting public interest characteristics | is no greater aspiration for jurisdictions to aim for, or be influenced to achieve, in terms of raising their standards, which is what a broadly defined PIE concept would serve as a purpose. | jurisdictions to aim to reach, which over time will help to raise the bar through their national standards (recognizing that they will be expected to refine the mandatory categories according to the local context). |

Matters for IAASB Consideration:

2. The Board is asked for its views on which of the two options presented in **Part D** should be pursued in advancing the IAASB proposals.
3. The Board is asked for its views on the illustrative drafting in **Agenda Item 7-A**, which reflects the Task Force recommendations in **Part D**. In particular:
 - (a) Does the Board agree with the relocation of the objective and purpose for establishing differential requirements to the introductory sections of ISQM 1 (which will be mirrored in ISA 200)?
 - (b) Does the Board agree with the proposed modifications to ISQM 1 to operationalize the objective, purpose and framework to determine entities to be treated as PTEs or PIEs, as applicable to each option?
 - (c) Does the Board agree with modifications proposed to paragraph 23A of ISA 200 to further align with similar requirements in other ISAs (see paragraph 62(c))?
 - (d) Are there any other matters that the Task Force should consider and address in response to the feedback on the ED?

Part E: Analysis of Responses Regarding the Proposed Revisions to ISRE 2400 (Revised)

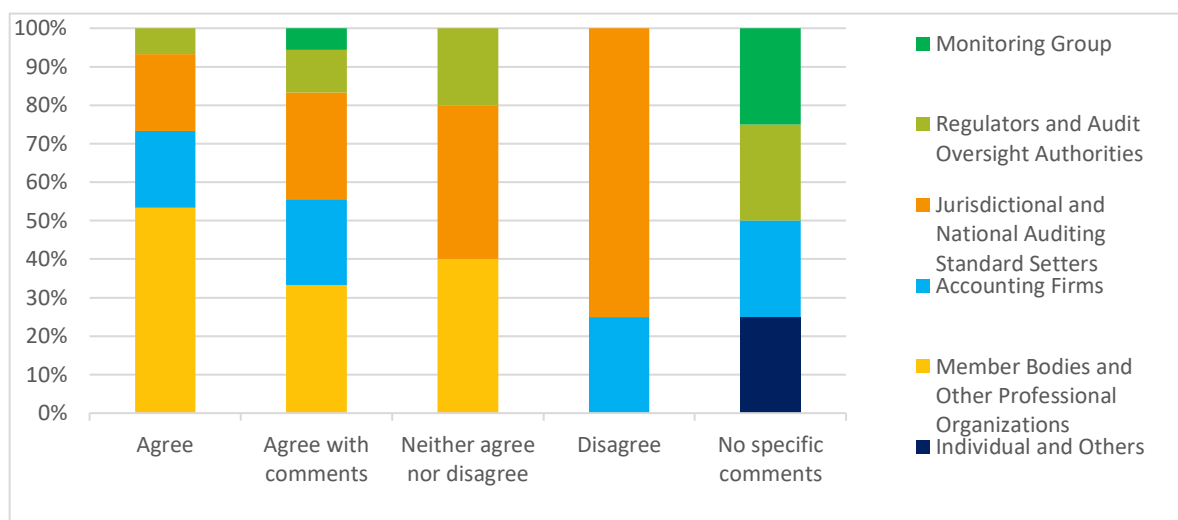
Highlights from Respondents' Feedback

- Overall support for the proposed revisions to ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code.
- Encouragement to consider holistic revisions to ISRE 2400 (Revised) and ISRE 2410,²³ as both standards are overdue for an update.

²³ ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

Overview of Responses to Question 5

68. In June 2023, under Track 1 of the project, the IAASB approved narrow scope amendments to ISA 700 (Revised)^{24 25} that supported operationalizing the IESBA's transparency requirement²⁶. Given that Part 4A of the IESBA Code also applies to review engagements, the IAASB is proposing amending ISRE 2400 (Revised) in order to maintain the coherence and interoperability with the IESBA Code (see EM, paragraphs 52-57). The approach pursued by the IAASB is consistent with the revisions to the auditor's report approved under Track 1.
69. Question 5 sought input from respondents on the proposed new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code. The chart below shows an analysis of the responses to Question 5 per stakeholder group (see the separate NVivo reports in **Agenda Items 7-D.3 and 7-E.3** for further details).



Summary of Respondents' Comments

Monitoring Group Respondents

70. One MG respondent supported the proposed new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code. Another MG member did not respond to Question 5.

²⁴ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

²⁵ See the [Final Pronouncement, Narrow Scope Amendments to ISA 700 \(Revised\), Forming an Opinion and Reporting on Financial Statements, and ISA 260 \(Revised\), Communication with Those Charged with Governance](#)

²⁶ Paragraph R400.20 of the IESBA PIE revisions requires that when a firm has applied the independence requirements for public interest entities as described in paragraph 400.8 in performing an audit of the financial statements of an entity, that the firm publicly disclose that fact in a manner deemed appropriate, taking into account the timing and accessibility of the information to stakeholders. As an exception to paragraph R400.20, a firm may not make such a disclosure if doing so will result in disclosing confidential future plans of the entity.

Other Respondents' Comments

71. Respondents to Question 5 who supported the proposed requirements and application material provided the following reasons:
- (a) Given that the independence requirements outlined in Part 4A of the IESBA Code are applicable to both audit and review engagements, respondents agreed that the proposed revisions will ensure compliance with the requirements of the IESBA Code on addressing transparency about relevant ethical requirements for independence in the practitioner's review report.
 - (b) Whilst respondents noted that there would be very limited circumstances in which a practitioner would be requested to perform a review of the financial statements of a PIE in accordance with ISRE 2400 (Revised), it is important that ISRE 2400 (Revised) maintains coherence and interoperability with the IESBA Code.
 - (c) The proposed revisions are consistent with the revisions introduced in ISA 700 (Revised) during Track 1 of the current project. Consistency of the disclosure requirements between the practitioner's review report and the auditor's report would eliminate confusion for the intended users of both reports.
72. On the other hand, respondents who disagreed with the proposed revisions to ISRE 2400 (Revisions) noted that:
- (a) Reviews of PIE financial statements under ISRE 2400 (Revised) are rare in practice.²⁷ Therefore, there is no compelling reason for partially revising ISRE 2400 (Revised) and the cost of changing ISRE 2400 (Revised) for all jurisdictions and related guidance and implementation material outweighs the benefits.
 - (b) Given that the proposed revisions align the disclosure requirement in ISRE 2400 (Revised) with the recent revisions in ISA 700 (Revised), there is a risk that intended users of the practitioner report may misinterpret the review report and create misunderstandings related to the level of work effort of the practitioner.
73. Respondents also suggested that the IAASB prioritize the holistic revision of ISRE 2400 (Revised) in its work plan, as the standard is overdue for an update.

Revisions to ISRE 2410

74. In addition to the comments provided regarding the proposed revisions to ISRE 2400 (Revised), respondents also noted that ISRE 2410 is widely used in practice, especially for reviews of interim financial information of listed entities and should be revised. Not revising ISRE 2410 creates a significant risk of non-compliance with the IESBA Code which requires disclosure about the relevant ethical requirements for independence applied for PIEs, including listed entities.
75. However, other respondents noted that a review performed in accordance with ISRE 2410 is performed by the independent auditor of the entity, and therefore the objective of enhanced communication and transparency of the applicable differential requirements in respect of ethics and

²⁷ From the IAASB's information gathering with NSS, only one jurisdiction (i.e., South Africa) noted a regulatory reporting requirement in accordance with ISRE 2400 (Revised) for banks which would qualify as PIEs under the revised PIE definition.

independence will be met as part of the audit engagement of such entities. In particular, any additional information in this regard will be disclosed in the auditor's report on the annual financial statements of the entity, which will be in the public domain and therefore will comply with the IESBA Code requirement.

76. Respondents highlighted the need for the IAASB to issue a communication explaining how the IESBA Code requirement may be fulfilled during the performance of a review engagement in accordance with ISRE 2410. Some respondents suggested that the IAASB issue a Staff Alert to draw attention to the requirement under the IESBA Code and illustrate how practitioners may amend an ISRE 2410 report to comply with the Code requirement, while others suggested the use of the IESBA PIE Q&A.

Task Force Views and Recommendations

77. The Task Force noted the overwhelming support from the written responses across stakeholder groups for the proposed revisions to ISRE 2400 (Revised). The PIE Task Force accordingly concluded that, despite the limited application of reviews of financial statements to PIEs, it is important that practitioners are enabled to comply with the IESBA Code for engagements to review historical financial statements.
78. In addition, the Task Force noted that the practitioner's review report in accordance with ISRE 2400 (Revised) is clearly identified as the report of an independent practitioner for a review engagement and clearly describes the practitioner's responsibilities.²⁸ Therefore, the Task Force does not believe that the added disclosure to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities will create confusion in practice.
79. The Task Force recommends that the narrow scope amendments to ISRE 2400 (Revised) as proposed in the ED, be finalized without further changes (the relevant text is included in the extract from the ED in **Agenda Item 7-B**).
80. Regarding respondents' comments encouraging the IAASB to consider a holistic revision of ISRE 2400 (Revised), this will be part of future work plan decisions of the Board.
81. In response to comments encouraging the IAASB to consider a holistic revision of ISRE 2410, the Task Force:
- (a) Noted that the [IAASB Strategy and Work Plan for 2024-2027](#) includes a project for the revision of ISRE 2410.
 - (b) Concluded that proposing additional disclosure to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities would not be an efficient course of action given that a complete revision of the standard is scheduled to commence in the short term.
 - (c) Agreed with respondents who noted that an ISRE 2410 review engagement is performed by the independent auditor of the entity. Therefore, the disclosure requirement in paragraph R400.20 of the IESBA Code can be met through compliance with the differential requirement in ISA 700 (Revised), paragraph 28(c) when the auditor issues their auditor's report on the

²⁸ ISRE 2400 (Revised), paragraph 86(a), (f) and (g)

entity's annual financial statements. The IESBA PIE Q&A is expected to be updated in Q3 2024 to highlight that the auditor's report is an appropriate form of public disclosure, following the approval of Track 1 of the IAASB PIE project. The Task Force does not believe that it will be appropriate for IESBA to include further guidance on a matter that has not yet been approved by the IAASB and, therefore, suggests addressing this matter in the IAASB Basis for Conclusions. The Task Force will further coordinate with IESBA after the approval of Track 2 of the IAASB PIE project.

Matters for IAASB Consideration:

4. The Board is asked for its views on the discussion in **Part E** in relation to the feedback received on Question 5 in the EM. In particular, does the Board agree:
 - (a) With the Task Force analysis and summary of respondents' feedback, and are there any other significant issues raised by respondents that also should be considered?
 - (b) With the Task Force views and recommendations to finalize the narrow scope amendments to ISRE 2400 (Revised) without any further changes?
 - (c) With the Task Force views and recommendations relating to ISRE 2410?

Part F: Way Forward

82. Following the September 2024 IAASB meeting, and based on the Board's feedback, the Task Force will continue to discuss the key themes presented in this Agenda Item with respect to the questions analyzed and make further revisions, as needed, to the proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) to address the Board's comments.
83. The Task Force will also continue to develop proposals in response to the comments received on the remaining questions in the EM to the ED. The summary of responses and the Task Force views and recommendations in relation to the questions in the table below will be presented to the Board at the December 2024 IAASB meeting.

| ED Question: | Description |
|---------------------|--|
| Question 3A | Extending extant differential requirement for engagement quality reviews to apply to PIEs |
| Question 3B | Extending extant differential requirements for communication with those charged with governance about the firm's system of quality management to apply to PIEs |
| Question 3C | Extending extant differential requirements for communicating about auditor independence to apply to PIEs |
| Question 3D | Extending extant differential requirements for communicating KAM to apply to PIEs |

| ED Question: | Description |
|---------------|--|
| Question 3E | Extending extant differential requirements for the name of the engagement partner to apply to PIEs |
| Question 4 | Applying extant differential requirements in ISA 720 (Revised) to PTEs |
| Question 6 | Other Matters |
| Questions 7&8 | Translations and Effective Date |

84. In addition, in December 2024, the Board will be presented a full draft of proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised), post exposure.
85. Staff will continue to engage in coordination activities with IESBA, and with other IAASB Task Forces, as appropriate and undertake outreach.

PIE TF Members and Activities

PIE TF Members

1. The PIE TF consists of the following members:
 - Sue Almond (Chair)
 - Hernan Pablo Casinelli
 - Eric Turner
 - Susan Jones

IESBA correspondent member:

 - Sung-Nam Kim.
2. Information about the project can be found [here](#).

PIE TF Activities

3. The PIE TF held 3 virtual meetings and 2 in-person meetings since December 2023.
4. **Part A** of the main paper includes an overview of coordination and outreach activities undertaken since December 2023.

Appendix 2

List of Respondents to the ED – PIE Track 2

| No. | Respondent | Region |
|--|--|------------------------|
| Monitoring Group | | Total: 2 |
| 1. | International Organization of Securities Commission (IOSCO) | Global |
| 2. | International Forum of Independent Audit Regulators (IFIAR) | Global |
| Regulators and Audit Oversight Authorities | | Total: 5 |
| 3. | Botswana Accountancy Oversight Authority (BAOA) | Middle East and Africa |
| 4. | Committee of European Auditing Oversight Bodies (CEAOB) | Europe |
| 5. | Financial Reporting Council – UK (FRC) [#] | Europe |
| 6. | Independent Regulatory Board for Auditors – South Africa (IRBA) [#] | Middle East and Africa |
| 7. | National Association of State Boards of Accountancy (NASBA) | North America |
| Jurisdictional and National Auditing Standard Setters (NSS) | | Total: 13 |
| 8. | American Institute of Certified Public Accountants (AICPA) [#] | North America |
| 9. | Australian Auditing and Assurance Standards Board (AUASB) [#] | Asia Pacific |
| 10. | Canadian Auditing and Assurance Standards Board [#] | North America |
| 11. | Compagnie Nationale des Commissaires aux Comptes (CNCC) [#] and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC) | Europe |
| 12. | Hong Kong Institute of Certified Public Accountants [#] | Asia Pacific |
| 13. | Institut der Wirtschaftsprüfer in Deutschland e.V.(IDW) [#] | Europe |
| 14. | Instituto Mexicano de Contadores Públicos, A.C. (IMCP) [#] | North America |
| 15. | Japanese Institute of Certified Public Accountants [#] | Asia Pacific |
| 16. | New Zealand Auditing and Assurance Standards Board [#] | Asia Pacific |
| 17. | Nordic Federation of Public Accountants (NRF) [#] | Europe |

Listed Entity and Public Interest Entity (PIE) – Feedback and Issues
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| No. | Respondent | Region |
|---|--|------------------------|
| 18. | Saudi organization for Chartered and Professional Accountants [#] | Middle East and Africa |
| 19. | Royal Netherlands Institute of Chartered Accountants (NBA) [#] | Europe |
| 20. | Wirtschaftsprüferkammer (WPK) [#] | Europe |
| Accounting Firms²⁹ | | Total: 9 |
| 21. | BDO International* | Global |
| 22. | Crowe LLP | Global |
| 23. | Deloitte LLP* | Global |
| 24. | Ernst & Young Global Limited* | Global |
| 25. | Grand Thornton International Limited* | Global |
| 26. | KPMG International Limited* | Global |
| 27. | Mazars* | Global |
| 28. | RSM International Limited* | Global |
| 29. | PriceWaterhouseCoopers* | Global |
| Member Bodies and Other Professional Organizations | | Total: 16 |
| 30. | Accountancy Europe | Europe |
| 31. | Asociación Interamericana de Contabilidad | South America |
| 32. | Botswana Institute of Chartered Accountants | Middle East and Africa |
| 33. | Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA) | Global |
| 34. | Chartered Accountants Ireland | Europe |

Denotes members of the [IAASB-NSS Liaison Group](#)

²⁹ Forum of Firms members are indicated with a *. The Forum of Firms is an association of international networks of accounting firms that perform [transnational audits](#).

Listed Entity and Public Interest Entity (PIE) – Feedback and Issues
 IAASB Main Agenda (September 2024)

| No. | Respondent | Region |
|-------------------------------|---|-----------------|
| 35. | CPA Australia | Asia Pacific |
| 36. | Federación Argentina de Consejos Profesionales de Cs. Económicas (FACPCE) | South America |
| 37. | Federation of Accounting Professions of Thailand | Asia Pacific |
| 38. | Institute of Chartered Accountants of Jamaica | North America |
| 39. | Institute of Singapore Chartered Accountants | Asia Pacific |
| 40. | International Federation of Accountants (IFAC) | Global |
| 41. | Korean Institute of Certified Public Accountants (KICPA) | Asia Pacific |
| 42. | Malaysian Institute of Certified Public Accountants (MICPA) | Asia Pacific |
| 43. | Malaysian Institute of Accountants – Auditing and Assurance Standards Board (MIA) | Asia Pacific |
| 44. | Malta Institute of Accountants | Europe |
| 45. | Virginia Society of CPAs | North America |
| Individuals and Others | | Total: 1 |
| 46. | Wayne Morgan and Phil Peters | North America |

Appendix 3

IAASB's rationale for extending the differential requirements in the ISQMs and ISAs to apply to PIEs

Extract from Section 1-D – Differential Requirements in the ISQMs and ISAs (paragraphs 27-33) of the [Explanatory Memorandum](#) accompanying the ED:

27. The IAASB previously explored, through its standard-setting projects, extending the applicability of its differential requirements for listed entities in the ISQMs and ISAs to apply more broadly to other entities that exhibit public interest or public accountability characteristics. This was largely driven by an increased emphasis by intended users regarding the performance of audit engagements on this broader group of entities and stakeholder demands for the requirements to be consistently applied to certain types of entities that may not be listed, but for which the requirements would be appropriate (e.g., for financial institutions including banks and insurance companies).
28. The IAASB is also aware of ongoing legislative developments in various jurisdictions who have already extended, or are considering extending, the applicability of the differential requirements for listed entities in their national equivalent ISQMs and ISAs to apply to PIEs.³⁰
29. The IAASB decided not to expand the differential requirements beyond listed entities in the ISQMs and ISAs in previous public consultations, deliberations, and discussions, mostly due to:
 - The lack of a global baseline for the definition of PIE that could be consistently applied across jurisdictions.
 - The unintended consequences of the requirements applying to smaller entities that could be scoped into the definition of a PIE (e.g., due to regulations or legislation) and for which it may be impracticable or overly burdensome to apply the requirements in such cases.
30. In developing the definition, the IESBA acknowledged the challenge described in paragraph 29 of inadvertently scoping in entities where the public interest in the financial condition of those entities is not significant. In response, the IESBA has:
 - Provided for law, regulation, or professional standards to more explicitly define the mandatory categories of PIEs (see paragraph 400.18 A1 of the IESBA PIE Revisions) by, for example, referring to specific public markets for trading securities, referring to law or regulation containing definitions of entities, making exemptions or setting size criteria.
 - Set a requirement for firms to apply these more explicit definitions established by law, regulation, or professional standards (see paragraph R400.18 of the IESBA PIE Revisions).
31. Accordingly, the revised approach to PIEs in the IESBA Code places a significant focus on the entities that should be treated as PIEs in the context of the facts and circumstances in a specific

³⁰ For example, the United Kingdom, European Union, Japan and New Zealand (for reporting entities considered to have a higher level of public accountability) have extended in full or in part the differential requirements to apply to PIEs. In addition, several jurisdictions, such as Australia, Canada, and South Africa, are currently assessing, or plan to assess in the near future, the extension of the applicability of the differential requirements in the ISQMs and ISAs to apply to entities other than listed entities.

jurisdiction (e.g., determining whether smaller entities should be excluded from any or all of the categories of PIEs and what threshold should be set for such exclusion taking into account the need to balance the public interest and the burden of additional requirements imposed on the auditors of PIEs). In addition, the IESBA formed the view that establishing an overarching objective and expanding the PIE categories in the IESBA Code should bring some level of global consistency to the types of entities that should be treated as PIEs (i.e., a global baseline).³¹

32. Given that relevant local bodies play an essential role in the proposed approach when establishing national PIE definitions, the IESBA has also committed to an outreach and rollout program to assist developing or revising the definitions of PIE at the local level based on the IESBA PIE Revisions.³²
33. Accordingly, the IAASB believes that the revised approach to scoping PIEs in the IESBA Code addresses previous concerns raised from public consultations about extending the differential requirements in the ISQMs and ISAs to apply to PIEs.

³¹ See the IESBA's Basis for Conclusions, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).

³² See the [IESBA's Rollout initiative](#), including non-authoritative materials to support the adoption and effective implementation of the IESBA PIE Revisions: the [IESBA's Database of PIE Definitions by Jurisdiction](#) and the IESBA Questions and Answers, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).