

Track 2: Listed Entity and Public Interest Entity (PIE) – Question 8

8. Effective Date—Given it is preferred to coordinate effective dates with the fraud and going concern projects, the IAASB believes that an appropriate effective date for the narrow scope amendments would be for financial reporting periods beginning approximately 18-24 months after approval of the final narrow scope amendments for Track 2. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the narrow scope amendments for Track 2 of the listed entity and PIE project.

Q08 Agree

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

Other General Comments

We agree that an effective date of 18 to 24 months after approval of the narrow scope amendments set out in the ED provides a sufficient period to support their implementation.

3. Jurisdictional and National Auditing Standard Setters

Instituto Mexicano de Contadores Públicos, A.C. (IMCP)

The effective date is considered reasonable.

5. Member Bodies and Other Professional Organizations

Botswana Institute of Chartered Accountants

The Period is sufficient.

Federación Argentina de Consejos Profesionales de Cs. Económicas (FACPCE)

We believe that the period is sufficient.

Virginia Society of CPAs

18 months appears sufficient for implementation.

Q08 Agree With Comments

1. Monitoring Group

International Organization of Securities Commission (IOSCO)

See response on “Timing and coordination with other IAASB projects” above.

Timing and coordination with other IAASB projects:

We support the IAASB’s coordination with other IAASB Task Forces and consideration of the timing of other projects, including Fraud and Going Concern. We believe the IAASB should consult with stakeholders, including investors and other users of the auditor’s report on the proposed effective dates of various projects that may be contemplated to occur at the same time. With this in mind, it may be useful for the Board to monitor, as part of its post-implementation review, any challenges or unintended consequences as a result of effective dates occurring at the same time for several related projects. In addition, we believe it is also important to consider the timing and coordination with the IAASB’s Sustainability Task Force as proposed

ISSA 5000 includes differential requirements for listed entities. As part of this project, the IAASB should also seek feedback from non-professional accountant sustainability assurance practitioners on the relevant components of the proposed narrow scope amendments contained within the ED to ISQM 1 as proposed ISSA 5000 requires sustainability assurance practitioners to comply with ISQM 1 (or other professional requirements, or requirements in law or regulation that are at least as demanding as ISQM 1) and therefore, this proposed ED could affect sustainability assurance providers. Overall, we believe it is critical to achieve convergence between the definitions and key concepts underlying the definitions in these ongoing projects and believe the differential requirements within these proposed standards should apply to public interest entities.

2. Regulators and Audit Oversight Authorities

Financial Reporting Council – UK (FRC)

We agree that an effective date of 18 to 24 months after approval of the narrow scope amendments set out in the ED provides a sufficient period to support their implementation.

However, we suggest that it would be reasonable to require a short interval between approval and the effective date for these changes. The related changes in the IESBA Code will be effective from 15 December 2024. While we understand the benefits of co-ordinating the issuance of these changes with the introduction of the revised versions of ISA 240 and ISA 570, the delay creates a gap between the respective requirements of the ethical and auditing standards. Audit firms will have already commenced the usage of the new definition of PIE in the IESBA Code, and so the challenges posed in implementing these narrow scope amendments should be limited. We therefore recommend that the IAASB allows for early adoption to allow firms to align with the effective date for IESBA's adoption of the new PIE definition.

Independent Regulatory Board for Auditors – South Africa (IRBA)

We support the proposed effective date of 18-24 months after the approval of the final narrow scope amendments. This will provide sufficient time for registered auditors/practitioners to develop training material and new templates for their practices, and where relevant, to develop the firm resources.

3. Jurisdictional and National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

We support the coordination of effective dates with the fraud and going concern projects. However, as per our response to Question 3A smaller audit firms and sole practitioners may need a longer transition time if the differential requirements for EQR are expanded to PIEs.

Canadian Auditing and Assurance Standards Board

To support effective implementation of the PIE Track 2 revisions, we propose an effective date of no less than 24 months after the revisions are approved. We believe an extended implementation period is necessary for the following reasons:

Unlike other projects involving amendments to the ISQMs and ISAs, the PIE Track 2 revisions will require substantive jurisdictional amendments. National auditing standard-setters need time to refine the mandatory PIE categories and determine additional categories specific to the local environment under category (iv) of the PIE definition.

Similar to the extensive coordination between the IAASB and the IESBA, in adopting these changes at the jurisdictional level, coordination between national auditing standards-setters and national ethical standards-

setters is essential to achieve jurisdictional convergence between the concepts of PIE and “publicly traded entity”. Such coordination requires adequate time, much of which will need to occur after the IAASB approves the final revisions.

Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)

In view of our comments in question 6, it is essential to coordinate effective dates with the fraud and going concern projects.

Hong Kong Institute of Certified Public Accountants

However, we are conscious that the proposed amendments would require firms to revamp and administer their practices. In addition to identifying newly defined PIEs under the IESBA's PIE Provisions, proposals in this ED would require firms to, among others, assign engagement quality reviewers and incorporate new disclosures in the auditor's reports. These would necessitate significant effort by firms to build up their human resources in the coming years. Considering these challenges, we appreciate your decision to coordinate the effective date of the proposed amendments in this ED with the fraud and going concern projects (tentatively set for December 2026), rather than aligning with the effective date of the IESBA's PIE Provisions in the Code, which would allow firms an adequate timeframe to prepare for and transition to the proposed changes.

Institut der Wirtschaftsprüfer in Deutschland e.V.(IDW)

We agree with the preference to coordinate the effective date with the fraud and going concern projects, as long as the timeframe noted below remains the minimum timeframe for implementation.

Given the narrow scope of the changes, we consider the timeframe of 18-24 months after approval of the PIE T2 amendments will be sufficient to support effective local implementation.

4. Accounting Firms

BDO International Limited

We support an effective date of 24 months after the approval of the final narrow scope amendments for Track 2, as a more appropriate effective date. We are aware that certain jurisdictions have deferred the adoption of this ED until the completion of their local jurisdiction PIE projects and thus providing a longer period for when this ED will become effective, will provide sufficient time for the effective implementation and consistent international application of the narrow scope amendments for Track 2 of the listed entity and PIE project. In addition, there are significant projects (for example, fraud and going concern) as well as new standards (for example, ISA for LCEs) within the same timeframe, which will challenge resources as well as impact effective and successful implementation.

Crowe LLP

If the proposed requirement for an EQR of all PIE engagements in paragraph 34(f) are retained, we recommend that the effective date should be for financial reporting periods beginning no less than twenty-four months after the PIOB's process of certification of the final narrow scope amendments. We believe that practitioners will need this time for resource planning purposes, as well as for informing and communicating the EQR requirements to affected public interest entity clients.

Grand Thornton International Limited

We agree that it is in the public interest to align the effective dates for the Listed Entity and PIE Track 2 project with the effective dates for the fraud and going concern projects. We believe early adoption of the Listed Entity and PIE Track 2 project should be tied to early adoption of both ISA 570 (Revised) and ISA 240 (Revised) to prevent piecemeal adoption of standards impacting the auditor's report. As noted in Question 2, we believe the definitions of PIE and "publicly traded entity" would need to be adopted at the same time for practitioners to adopt extended differential requirements.

RSM International Limited

We agree with the alignment of the effective date with the fraud and going concern projects, given these projects are also considering possible revisions to the auditor's report to enhance transparency. We believe it is in the public interest to make all the revisions to the auditor's report at the same time, to assist auditors with a consistent implementation of the changes as well as providing clarity to users in their understanding of the changes.

5. Member Bodies and Other Professional Organizations

Asociación Interamericana de Contabilidad

We believe that the appropriate period would be 24 months after the PIOB certification process of the final limited scope modifications for Track 2.

We consider that the above timeframe would provide a sufficient period to support the effective implementation of the limited scope modifications for Track 2 of the listed entity and the PIE project.

Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)

We support aligning the effective dates with ISA 240 (Revised) – fraud, and ISA 570 (Revised) – going concern, on the basis that differential requirements are being considered for listed entities.

However, if the IAASB proceeds with amendments to ISQM 1 and ISA 701 in this ED as currently proposed, then there may need to be more transition time given to implement these changes to extend the extant differential requirements, that currently apply to listed entities, to PIEs.

Institute of Chartered Accountants of Jamaica

2 years from after the approval date would be considered reasonable.

Malaysian Institute of Accountants – Auditing and Assurance Standards Board (MIA)

Acknowledging the overlapping changes to the auditor's report being proposed in the IAASB's Fraud and Going Concern projects, we therefore support the proposal to align the effective dates of all three projects. This will allow for one combined update to the auditor reporting requirements and minimise quality risks resulting from piecemeal updates to ISA 700 (Revised) in three consecutive reporting periods.

An effective date of 24 months after the final amendments (target milestone of December 2024 for the final amendments) would provide sufficient time for the effective implementation of the amendments.

Q08 Neither Agree Nor Disagree

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

Notwithstanding our primary concerns expressed in Parts A and B above, our perspective extends beyond the alignment of effective dates among fraud, going concern, and ISSA 5000 (if such engagements will be determined to be subject to PIE requirements).

As articulated in our Track 1 comment letter and Part A of this letter, we emphasize the necessity to evaluate the cumulative effect of the proposed modifications to the auditor's report. A comprehensive assessment, such as a proforma auditor's report that illustrates all proposed changes regarding transparency, is imperative to ascertain whether the intended objectives of these disclosures will indeed be realized and hold communicative value. This analysis will then inform effective dates.

Nordic Federation of Public Accountants (NRF)

We do appreciate IAASB's efforts to coordinate effective dates with the fraud and going concern projects. This is especially helpful in relation to the consequences the proposed changes in all three projects will have on the audit report.

At the same time, replacing listed entities with PIEs may also cause some disruption in the audit market and impact the firms' organizational structures. For example, many firms might have internal rules that preclude them from auditing PIE clients. Regardless of whether these firms would need to resign from audit engagements – or if they would rather choose to organize themselves so that they may have EQRs and comply with other specific PIE requirements, it will take some time.

From that perspective we also encourage the IAASB to reach out to regulators and professional bodies who are in charge of determining how PIEs in their jurisdiction should be defined. This is especially important regarding regulators and professional bodies who have not already publicly disclosed their views since a delay in that process will affect the remaining time for auditors and audit firms to adapt to the new requirements.

4. Accounting Firms

Ernst & Young Global Limited

Allow sufficient time for additional IAASB outreach and firm implementation

As explained in our response to Q2, we do not believe that the IESBA approach is aligned with the implementation approach that the IAASB intended for the ED-PIE. We believe the next steps for the IAASB are to revisit the overarching objective of setting differential requirements in its standards for entities of significant public interest and engage in further outreach to jurisdictions to understand the conditions under which such differential requirements would be expected to apply. Therefore, any potential effective date for this project will depend on the next steps determined by the IAASB.

In determining an effective date, the IAASB should factor in the time needed for firms and jurisdictions to work through any issues in the inter-operability between the IAASB and IESBA standards and any other expected complexities in implementation.

Concerns with early adoption of revisions applicable to all entities.

If the PIE-ED is finalized in the time frame proposed and the revisions applicable to all entities proposed in ISA 260 paragraph 17 and ISA 700 paragraph 40(b) remain (refer to our response to Q3c), we have concerns with allowing early adoption of these revisions. We suggest that the IAASB prohibit early adoption of these revisions or otherwise be clear that the implementation of the change to the auditor's report is intended to be implemented together with the auditor's report changes for fraud and going concern.

Alignment of effective dates with Fraud and Going Concern projects

Even though we agree with aligning the effective date of any auditor reporting enhancements that may result from this project, with the fraud and going concern projects, we believe the IAASB needs to consider the efforts for the way forward for this project before determining if this is possible.

We also suggest that the IAASB provide a comprehensive summary of all the anticipated and final changes to the auditor's report as an implementation aid to auditors when final standards are issued.

Mazars

Please see our response to Question 3B, noting that the IAASB's proposals for extending differential requirements to PIEs would likely also affect other or ongoing IAASB projects. As noted, this may impact the effective date.

As also alluded to in question 8, the IAASB's proposals for extending differential requirements to PIEs would likely also affect other or ongoing IAASB projects. For example, IAASB standards currently under revision include ISA 240 (Fraud) and ISA 570 (Revised) (Going concern), both of which include differential requirements related to listed entities.

To illustrate, we are concerned that non-listed PIEs may not be subject to local or regulatory requirements to communicate information relating to, for example, fraud or going concern to the market and entity stakeholders. Consequently, the auditor may become responsible to communicate or provide such information through the auditor's report, while such information is excluded from the scope of required entity management communications.

This may also impact the appropriate effective date for the narrow scope amendments (as recognized in question 8).

PricewaterhouseCoopers International Limited

Acknowledging the overlapping changes to the auditor's report being proposed in the IAASB's Fraud and Going Concern projects, we support, in principle, the proposal to align the effective dates of all three projects, which we understand will be for periods beginning on or after 15 December 2026. This will allow for one combined update to the auditor reporting requirements and minimise quality risks resulting from piecemeal updates to ISA 700 (Revised) in three consecutive reporting periods (when also factoring in the Track 1 revisions that apply for December 2025 year ends).

However, for the reasons described in our response to question 1, we believe further reconsideration of these proposals will be necessary once there is clarity on the expectations being set by the requirements and consistent application of the mandatory categories of PIEs by both the IAASB and the IESBA. Consequently, the proposed effective date may need to be reconsidered.

5. Member Bodies and Other Professional Organizations

Accountancy Europe

Whilst aligning the effective dates of this project with the IAASB's projects on going concern and fraud makes sense from the perspective of limiting changes to the auditor's report to a single point in time, this means that all parties involved (in translation, implementation development and updating firms' methodologies) will need to address multiple changes in parallel. Therefore, arguably more time will be needed than would be the case for a single standard.

In addition, the approach to be taken by the IAASB on its ongoing projects (i.e. whether to extent the differential requirements in ISA 240 and ISA 570 to PIEs) could also have an impact on the planned effective date for the narrow scope amendments.

Chartered Accountants Ireland

We believe that early adoption should be permitted to align with IESBA changes from 2025.

CPA Australia

CPA Australia acknowledges the importance of coordinating effective dates with ongoing projects related to fraud and going concern, particularly in cases where revisions may influence auditor reports. Aligning these efforts wherever feasible would be the most sensible approach.

However, as discussed in the earlier responses, extending the extant differential requirements to PIEs will disproportionately affect SMPs and their clients. Therefore, should the IAASB proceed with the proposals in this ED, we advocate for providing SMPs with ample transition time to implement necessary changes and integrate them into their processes effectively. This transition period is essential to ensure compliance with the extant differential requirements.

There remains a valid concern regarding whether the suggested 18 to 24-month transition period would afford SMPs with sufficient time to carry out these essential actions and considerations effectively. Therefore, we urge the IAASB to be mindful of this potential challenge and consider extending the transition period if deemed necessary to facilitate smoother implementation.

Should the IAASB proceed with extending KAM communication to PIEs, we recommend allowing ample transition time for audit firms and entities to develop relevant, entity specific KAMs to avoid generic descriptions.

International Federation of Accountants (IFAC)

We appreciate the IAASB's efforts to attempt to coordinate effective dates with the fraud and going concern projects. As noted in the EM to the ED, the harmonization of effective dates is useful, especially where revisions to standards will have an impact on auditor reports. However, the practical implications of such coordination would need to be considered carefully as these should feed into consideration of what would constitute an appropriate effective date. Specifically, the coordination of effective dates for three projects will mean there will be a significant volume of material to be translated in many jurisdictions and time will also be needed for the changes to be understood and the impact considered. Once this process has taken place, the development of implementation support initiatives and changes to firms' internal manuals, guidance, processes and training programs would also be needed.

The narrow scope amendments within the ED also have the potential to cause some disruption in the audit market. For example, the changes in definition will result in more entities being subject to differential

requirements. We note that some firms, including many SMPs have internal rules that preclude them from auditing PIE clients, and who would not have processes in place to carry out EQRs and some of the other necessary requirements. If there are such firms with clients that will now be subject to added procedures as a result of these amendments, we would envisage there may be decisions made to resign from audits as a consequence. Conversely, if such firms were wanting to implement changes that would allow them to continue to perform audits, they may need more time to get such processes set up and embedded. From the client perspective, organizations that will fall into differential treatment due to the changes may also require more time to carry out tender processes and find a new auditor, especially if there are a smaller number of firms prepared to carry out an audit engagement for them.

The changes proposed will also require regulators or other relevant local bodies to consider which entities in their jurisdiction will be classified as PIEs. Whilst we note the consistency with the PIE definition within the IESBA Code, which will have an earlier effective date, this will not necessarily trigger action in all jurisdictions in determining a broader list of PIE categories. In some jurisdictions, action may only be taken following a change to the auditing standards (for example in jurisdictions where local ethical guidance is followed, or where IESBA Code adoption is not yet 'up to date'). Consequently, for a period of time after the final IAASB pronouncement there could be a limit to the action that can be taken by auditors and audited entities until clarity on PIE classification is obtained at a jurisdictional level.

There may also be some confusion caused by the IESBA revised PIE definition and related provisions becoming effective for audits of financial statements for periods beginning on or after December 15, 2024. The confusion caused may result in some jurisdictions delaying the adoption of the IESBA Code changes for the definitions. Some additional guidance on the inter-relationship between the IESBA and IAASB definitions may therefore be useful for stakeholders.

Taking all of this into account creates a strong challenge to an 18- 24 month period being sufficient after approval of the amendments. Arguably a longer timeframe would be needed for the required actions or considerations to occur in an effective way, so the IAASB should be mindful of this.

Finally, considering the level of activity that will be needed to implement, there are significant challenges whether an 18-24 month period following approval of these amendments will be sufficient.

Q08 Disagree

3. Jurisdictional and National Auditing Standard Setters

Royal Netherlands Institute of Chartered Accountants (NBA)

we suggest an implementation date of December 15, 2025.

5. Member Bodies and Other Professional Organizations

Institute of Singapore Chartered Accountants (ISCA)

We recommend an effective date of at least 24 months after approval of the final amendments to facilitate proper implementation, taking into consideration the time required for firms to update their methodology and systems and to train their staff. In addition, outreach would need to be conducted to raise awareness among stakeholders on the updates.

If it is intended to coordinate the effective dates with the fraud and going concern projects, we anticipate that more time is required (at least 36 months), taking into consideration potential engagement with regulators to review and update laws and regulations (for e.g. those surrounding responsibilities and reporting requirements of those charged with governance).

Given the extent of amendments to a number of key ISAs, we recommend that IAASB conduct more outreach to key stakeholder groups such as investors, directors / those charged with governance and management / preparers on the upcoming changes. High quality implementation can only be achieved if the entire ecosystem is aligned with and supports the practitioners in complying with the new requirements.

Q08 No specific comments

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Committee of European Auditing Oversight Bodies (CEAOB)

No response

National Association of State Boards of Accountancy (NASBA)

3. Jurisdictional and National Auditing Standard Setters

Japanese Institute of Certified Public Accountants

No response

New Zealand Auditing and Assurance Standards Board

No response

Saudi Organization for Chartered and Professional Accountants (SOCPA)

No response

Wirtschaftsprüferkammer (WPK)

No response

4. Accounting Firms

Deloitte Touche Tohmatsu Limited

No response

KPMG International Limited

No response

5. Member Bodies and Other Professional Organizations

Federation of Accounting Professions of Thailand

No response

Korean Institute of Certified Public Accountants (KICPA)

No response

Malaysian Institute of Certified Public Accountants (MICPA)

No response

The Malta Institute of Accountants

No response

6. Individuals and Others

Wayne Morgan and Phil Peters