

### Track 2: Listed Entity and Public Interest Entity (PIE) – Issues Paper and Due Process Considerations

#### Objective:

The objective of the International Auditing and Assurance Standards Board (IAASB) discussion in December 2024 is to approve the narrow scope amendments to the ISQMs,<sup>1</sup> ISAs,<sup>2</sup> and ISRE 2400 (Revised)<sup>3</sup> as a result of the revisions to the definitions of listed entity and PIE in the IESBA Code,<sup>4</sup> as presented in **Agenda Item 3-A**.

#### Approach to the Board Discussion:

Board members are requested to communicate any significant matters to the PIE Task Force (PIE TF) Chair and Staff by **Friday December 6, 2024**. This request is intended to assist the PIE TF with the turnaround of the final pronouncement. Board members should still raise and discuss all significant matters in plenary session to ensure that such matters are on the public record.

On **Monday, December 9, 2024**, the PIE TF Chair and Staff will walk through the proposed narrow scope amendments as set out in **Agenda Item 3-A** and refer to the matters highlighted in **Agenda Item 3**, as appropriate.

The PIE TF expects to distribute an updated draft of the proposed narrow scope amendments by **5:30 pm EST on Wednesday, December 11, 2024**, which will be used for the approval session on **Thursday, December 12, 2024**.

After the vote on the approval of the proposed narrow scope amendments and, if the final pronouncement is approved, the Board will be asked for overall views about the PIE TF analysis of the provisions of due process related to whether the narrow scope amendments need to be re-exposed (see **Part D**).

### Introduction

- At the September 2024 IAASB meeting, the PIE TF presented to the Board the stakeholder feedback to questions 1 and 2 of accompanying explanatory memorandum (EM) to the Exposure Draft (ED): [\*Proposed Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 \(Revised\), as a Result of the Revisions to the Definitions of Listed Entity and public Interest Entity \(PIE\) in the IESBA Code\*](#). These questions related to the adoption of the objective and purpose for establishing differential requirements to other entities such as PIEs and the adoption of the definitions of PIE and publicly traded entity (PTE). In addition, the PIE TF provided the Board with a high-level overview of respondents' feedback on the extension of the extant differential requirements to apply to audits of PIEs (Questions 3A-3E in the EM) to provide the appropriate context for the Board's discussion.

<sup>1</sup> International Standards on Quality Management (ISQMs)

<sup>2</sup> International Standards on Auditing (ISAs)

<sup>3</sup> International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

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

2. During the September 2024 IAASB meeting, the PIE TF also highlighted the possible divergence between the IAASB PIE proposals and the IESBA PIE revisions<sup>5</sup> in the determination of entities that should be treated as PIE. Due to the impact of the divergence on the project objective, the PIE TF proposed two options for advancing the project:
    - (a) Option 1: The adoption of the definition of PTE, as a replacement for listed entity, and the framework for determining other entities that have public interest characteristics into the ISQMs and ISAs, and amending the extant differential requirements to apply to audits of PTEs; or
    - (b) Option 2: The adoption of the definitions of PIE and PTE and the framework for determining other entities that have public interest characteristics into the ISQMs and ISAs, and extending the extant differential requirements to apply to audits of PIEs only when local jurisdictions have adopted and/or further refined the broad categories included in the definition of PIE. This option aimed to align with the IESBA PIE revisions together with the IESBA clarification regarding the application of the PIE definition in the [IESBA Staff Q&A](#) (the IESBA clarification) by incorporating the intent and outcome of both directly in the ISQMs and ISAs.
- Refer to [Agenda Item 7](#) on the *IAASB Quarterly Board Meeting – September 16-20, 2024 webpage*.
3. The IAASB recognizes the value of extending differential requirements to PIEs, based upon a global baseline. However, in the current environment, the Board supported Option 1, as described in paragraph 2(a) above, for advancing the IAASB PIE proposals. Refer to **Part A** of this agenda paper for additional information on the rationale for pursuing Option 1.
  4. The IAASB agreed to revisit the need for the adoption of the definition of PIE, aligned with the definition in the IESBA Code, and extending differential requirements to apply to audits of PIEs, when the global adoption and implementation of such definition has sufficiently matured (i.e., when more jurisdictions have adopted, appropriately refined for jurisdictional circumstances and implemented the IESBA PIE definition locally, and the nature, extent and implications of variations are clearer).
  5. In addition, the Board supported the PIE TF proposal to finalize the revisions to ISRE 2400 (Revised) about providing transparency in the review report about the relevant ethical requirement for independence applied for certain entities as proposed in the ED. Refer to **Agenda Item 3-A** for proposals.
  6. The draft September 2024 IAASB minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – December 9-12, 2024 webpage*.
  7. This paper sets out the following:
    - **Part A:** The rationale for pursuing Option 1 to advance the IAASB PIE proposals.
    - **Part B:** An overview of respondents' comments, and the PIE TF views and recommendations for proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised).
    - **Part C:** Other matters.
    - **Part D:** Due process considerations.
    - **Part E:** Way forward.

---

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

## Materials Presented—Appendices and Other Agenda Items Accompanying This Paper

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

<b>Appendix 1</b>	Overview of the PIE TF members and activities since September 2024
<b>Appendix 2</b>	Summary of Respondents' Comments to the ED on Questions 3A-E and 4 in the EM and the PIE TF views and recommendations
<b>Appendix 3</b>	Mapping of the proposed narrow scope amendments for Track 2 to the actions and objectives that support the public interest in the project proposal
<b>Appendix 4</b>	Relevant Extracts from the IAASB's Due Process
<b>Agenda Item 3-A</b>	Proposed narrow scope amendments for Track 2 (mark-up from ED)
<b>Agenda Item 3-B</b>	Proposed narrow scope amendments for ISA 570 (Revised 2024) <sup>6</sup> (marked-up from <b>Agenda Item 2-A</b> )
<b>Agenda Item 3-C</b>	Proposed narrow scope amendments for Track 2 (mark-up from extant)
<b>Agenda Item 3-D</b>	Proposed narrow scope amendments for Track 2 (clean)
<b>Agenda Items 3-E.1 to 1-E.9</b>	Word NVivo reports that include comments from respondents to Questions 3A-3E, 4, 6-8 of the ED
<b>Agenda Items 3-F.1 to 1-F.9</b>	Excel NVivo reports that analyze the respondents' comments to Questions 3A-3E, 4, 6-8 of the ED

## Presentation of Comments

9. NVivo software has been used to assist the PIE TF and Staff when analyzing the responses received to the questions on pages 22–23 of the EM accompanying the ED. **Appendix 2** of this agenda and **Part B** outline the questions and the corresponding NVivo reports relevant for each question analyzed.

## Project Objectives that Support the Public Interest

10. **Appendix 3** of this agenda item provides a table that maps the proposed narrow scope amendments for Track 2 of the Listed entity and PIE project (the Track 2 project) to the actions and project objectives that support the public interest included in the [project proposal](#). **Appendix 3** also indicates how the public interest issues have been addressed by the proposed narrow scope amendments, taking into account the comments received in response to the ED.

---

<sup>6</sup> ED-570: [Proposed International Standard on Auditing 570 \(Revised 202X\), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs](#)

11. In developing the narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised), the PIE TF considered the qualitative standard-setting characteristics set out in paragraph 31 of the project proposal and those included in the Public Interest Framework (PIF)<sup>7</sup> as criteria to assess their responsiveness to the public interest. **Appendix 3** also highlights the qualitative standard-setting characteristics that were at the forefront, or of most relevance, when determining how to address the proposed actions.

## **Liaison with Others**

### *IESBA*

12. There has been extensive interaction between the IAASB and the IESBA on the topic of listed entity and PIE, as has been reported in the agenda materials throughout the course of the project. This has been accomplished through staff-to-staff coordination, discussions involving the Chairs of the respective Boards' task forces or working groups and participation of an IESBA correspondent member in the PIE TF.

### *Going Concern Task Force*

13. The Chairs and Staff of the Going Concern and the Track 2 projects met in October 2024. At the meeting, an update was provided on respondents' feedback to question 14 of the EM accompanying ED-570 seeking views on whether the proposed differential requirements for listed entities in ED-570 should be extended to apply to audits of entities other than listed entities, such as PIE. In addition, the two project teams discussed the process to incorporate the amendments reflecting the Board's decision regarding the adoption of the definition of PTE to the differential requirements proposed in ED-570 (see paragraphs 36-40). Finally, given that both projects are subject for approval by the Board in December 2024, matters related to the effective dates were discussed. The outcome of the discussion included to coordinate the effective dates of both projects, given the support from respondents' feedback to minimize changes to the auditor's report in short succession (see paragraphs 50-53).

### *Fraud Task Force*

14. The Staff of the Fraud and Listed entity and PIE projects coordinated throughout the course of the quarter. The Fraud Staff team shared the respondents' feedback to question 6 of the EM accompanying ED-240<sup>8</sup> seeking views on whether they believe that transparency in the auditor's report about matters related to fraud introduced in ED-240 should be applicable to audits of entities other than listed entities, such as PIEs. In addition, staff liaised on matters related to the effective dates, given the support from respondents' feedback to minimize changes to the auditor's report in short succession.

---

<sup>7</sup> See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#) (pages 22–23 of the PIF's section on "What qualitative characteristics should the standards exhibit?").

<sup>8</sup> ED-240: [Proposed International Standard on Auditing 240 \(Revised\), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements and Proposed Conforming and Consequential Amendments to Other ISAs](#).

## Part A – Rationale for Pursuing Option 1 to Advance the IAASB PIE Proposals

15. As indicated in paragraph 3, the IAASB decided in September 2024 to pursue Option 1 to advance its PIE proposals for the Track 2 project. This Part articulates the Board's rationale for pursuing Option 1. In addition to appropriately contributing to Due Process followed for the Track 2 project, the rationale will provide essential background for when the IAASB in future revisits the need for the adoption of the definition of PIE, aligned with the definition in the IESBA Code, and extending differential requirements to apply to audits of PIEs (see also paragraph 4).
16. The IAASB reaffirmed its commitment to and understanding of the following elements of its PIE proposals in the discussion in Agenda Item 7 of the September 2024 IAASB meeting of the issue of possible divergence between the IAASB PIE proposals and the IESBA PIE revisions, read together with the EM that accompanied the ED for the Track 2 project:
  - (a) **Overarching objective and purpose.** Adopting an overarching objective and purpose for differential requirements in the ISQMs and ISAs, aligned with the equivalent overarching objective and purpose in the IESBA Code. Such objective and purpose recognize that stakeholders have heightened expectations regarding an audit engagement for certain entities where there is significant public interest in the financial condition of those entities.
  - (b) **PIE definition.** A desire to adopt a definition of PIE that provides a global baseline that could be consistently applied across jurisdictions, and that would result in convergence between the IAASB standards and the IESBA Code.
  - (c) **PTE definition.** Adopting a separate definition of PTE as a replacement for "listed entity" in the ISQMs and ISAs and recognizing that PTE would be one of the mandatory categories within a PIE definition. The EM (paragraph 25-26) explained the impact of this change, including referring to the IESBA project that concluded on the PTE definition and how it serves to address recognized issues with the listed entity definition.
  - (d) **Role of relevant local bodies.** Acknowledging the role of those responsible for law, regulation or professional requirements in defining more explicitly the categories of entities provided for in the PIE definition – relevant local bodies are best placed to assess and determine with greater precision which entities or types of entities should be treated as PIEs in a specific jurisdiction. While the IAASB anticipated and accepted jurisdictional variations as a result, it was expected that the overarching objective and high-level mandatory PIE categories will bring some level of global consistency to the types of entities that are treated as PIEs.
  - (e) **Application of the mandatory PIE categories.** Although the IAASB PIE proposals accommodate that a relevant local body may define more explicitly one or more of the mandatory PIE categories of the PIE definition in a specific jurisdiction, it does not alter the mandatory nature of those categories. This means that in order to comply with the ISQMs and ISAs in instances where a relevant local body has defined more explicitly the three mandatory PIE categories, a firm or an auditor in that jurisdiction would identify PIEs based on their local (refined) PIE definition, which will be as contemplated by the IAASB PIE proposals. However, if the local PIE definition has omitted one or more of the mandatory PIE categories or the jurisdiction does not have a local PIE definition, a firm or an auditor in that jurisdiction would identify PIEs based on the three mandatory categories in the PIE definition in order to comply with the ISQMs and ISAs (or, at least, in respect of those categories that have not been defined more explicitly or that have been omitted).

- (f) Nature and scope of differential requirements in the ISQMs and ISAs. The following aspects are relevant in this regard:
- (i) A desire to consider on a case-by-case basis whether the extant differential requirements in the ISQMs and ISAs which apply only to listed entities, should be revised to apply to PIEs. A case-by-case approach allows for the consideration of public interest factors in the context of the individual objectives of the standards where differential requirements exist (or may be contemplated). In addition, the proposed definition of PIE, including the application of the mandatory PIE categories, would provide for a global baseline for the consistent application of differential requirements across jurisdictions.
  - (ii) Confirming that the IAASB has only introduced differential requirements in the ISQMs and ISAs relating to matters of applicability of engagement quality reviews, the auditor's communication with those charged with governance (TCWG) and enhanced transparency in the auditor's report (i.e., extant differential requirements do not relate to performance requirements in the ISAs that affect the auditor's planning, evidence gathering and evidence evaluation).
  - (iii) Confirming the application of a balanced approach regarding the introduction of differential requirements taking into account the overarching objective and purpose for differential requirements (see (a) above) and avoiding creating complexity through introducing too many differential requirements in the ISQMs and ISAs.
17. Pursuing Option 1 entails taking the following overarching standard-setting actions (which are elaborated in **Part B** of this issues paper):
- (a) Adopting the definition of PTE, as defined in the IESBA Code, as a replacement term for "listed entity/entities" in the ISQMs and ISAs (see paragraph 16(c), as well as paragraphs 16(d)-(e), but only related to the PTE definition).
  - (b) Adopting the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework for when it may be appropriate to apply a differential requirement to other entities (see paragraph 16(a)).
  - (c) Amending the applicability of the extant differential requirements in the ISQMs and ISAs that apply to listed entities, to apply to PTEs (see paragraph 16(f), but only related to PTEs).
18. Compared with Option 2 (see paragraph 2), the following standard-setting actions will **not** be undertaken in pursuing Option 1:
- (a) Adopting a definition of PIE, at the moment (see paragraph 16(b)).
  - (b) Considering extending the extant differential requirements in the ISQMs and ISAs that apply to listed entities, to apply to PIEs other than PTEs (see paragraph 16(f)).
19. The IAASB's consideration of the issue of possible divergence between its PIE proposals and the IESBA PIE revisions, which was raised in the comments to the ED (see Agenda Item 7, paragraphs 13-37 and 55-60 of the September 2024 IAASB meeting), effectively meant that the IAASB PIE proposals could not continue to be advanced as originally contemplated in the ED. This is because:
- (a) The application of the IAASB proposals, which were designed to be based on the IESBA PIE revisions, would go beyond the independence standards of the IESBA Code.

- (b) While both Boards' standards would contain the same definition of PIE, the application of the IAASB PIE proposals could lead to a different outcome compared to the IESBA PIE revisions read together with the IESBA clarification (i.e., the same entity may be treated differently for audit and ethics purposes).
  - (c) Taking action in the ISQMs and ISAs that would facilitate the same outcome as the IESBA PIE revisions read together with the IESBA clarification, would raise the same concern that had in the past prevented the IAASB from extending differential requirements in the ISQMs and ISAs to apply to entities other than listed entities – the lack of a global baseline for PIEs that could consistently be applied across jurisdictions.
20. The Board decided unanimously in September 2024 that Option 2 was not a viable option for the IAASB, given concerns that Option 2 would effectively embed into the ISQMs and ISAs a model that creates a precedent risk for the IAASB in terms of how it develops and drafts standards, especially with respect to the engagement requirements in the ISAs. Such risk may manifest as follows:
- (a) Differential requirements in the ISQMs and ISAs would be subject to jurisdictional interpretation and variation across multiple classes of entities that are otherwise intended to be part of 'mandatory' categories within the PIE definition, including that certain classes of entities could be excluded in a specific jurisdiction.
  - (b) Reflecting more broadly, the overarching requirements in ISA 200<sup>9</sup> relating to representing compliance with the ISAs, including that the auditor shall comply with each requirement of an ISA,<sup>10</sup> has necessitated a standards-design whereby the requirements in the ISAs are not contingent upon local adoption (i.e., they do not provide for jurisdictional variation in terms of which requirements apply to 'an ISA audit'). Therefore, there is a risk that 'the Option 2 model' could create precedent whereby any specific performance requirement could in future be requested to be conditional until such time that a jurisdiction 'is ready' for the requirement. This would reduce comparability and usability of information for users of audited financial statements.
21. The matters highlighted in paragraphs 19-20 are not in the public interest from the perspective of the following qualitative standard-setting characteristics of the PIF:
- *Coherence* with the overall body of standards – Given the Board's pervasive concerns around 'the Option 2 model', Option 1 better ensures a coherent body of ISQMs and ISAs, while maintaining interoperability with the IESBA Code.
  - *Appropriate scope* – The potential jurisdictional variations under Option 2 adversely affect understandability and consistency across jurisdictions. Option 1 provides greater clarity about the scope and applicability of differential requirements in the ISQMs and ISAs.
  - *Relevance* – Adoption of the definition of PTE is responsive to issues that had been identified with the listed entity definition and is a positive step forward. Although adoption of the PIE definition would have further enhanced this step, the pervasive concerns of the Board relating to introducing 'the Option 2 model' could not be overcome. However, the Board has agreed to

---

<sup>9</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>10</sup> ISA 200, paragraphs 18-20, 22

continue to monitor the adoption of the PIE definition in the IESBA PIE revisions and to revisit its decision in due course (see paragraph 23).

- *Comprehensiveness, clarity and conciseness* – Option 1 facilitates better understandability of the IAASB's proposals and limits the extent to which there are jurisdictional exceptions and variations in the application of the definition of PTE and the differential requirements in the ISQMs and ISAs.
  - *Implementability and ability of being consistently applied and globally operable* – Similar matters to those already discussed apply to this characteristic. In addition, Option 2 would introduce a model that departs from the IAASB's standards-design relating to representing compliance with the ISAs, including complying with each requirement of an ISA.
22. On balance, Option 1 provides a feasible path to advance the IAASB PIE proposals, given the Board's concerns as discussed above and in accordance with the project objectives applicable to the Track 2 project. Paragraph 17(a)-(c) of the [project proposal](#) outlines the project objectives for Track 2:
- (a) Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs and ISAs to maintain their interoperability.

#### Observations relating to Option 1

- Convergence has been achieved in relation to the definition of PTE.
  - Staying with "listed entity" would have increased concerns about divergence. As already mentioned, the adoption of the PTE definition is responsive to issues that had been identified with the listed entity definition for the IESBA and IAASB projects.
  - The interoperability of the two Boards' standards has not been compromised since there is no conflict between the ISQMs and ISAs and the IESBA Code. The IAASB not having a PIE definition is a pre-existing difference between the two Boards' standards. Actioning Option 1 also does not inhibit the application of the IESBA PIE revisions for purposes of the independence standards of the IESBA Code. Also, in line with prevailing practice, a jurisdiction can always decide to 'add on' to the IAASB requirements.
  - The IAASB has adopted the overarching objective and purpose for establishing differential requirements for certain entities (see also objective (b) below).
- (b) Establish an objective and guidelines to support the IAASB's judgments regarding specific matters for which differential requirements for certain entities are appropriate.

#### Observations relating to Option 1

- Subject to the Board's feedback on the revisions proposed post ED (see **Part B**), the overarching objective and purpose for differential requirements in the ISQMs and ISAs is fully aligned with the equivalent objective and purpose for differential requirements for auditor independence in the IESBA Code.
- (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.

#### Observations relating to Option 1

- The extent to which the extant differential requirements in the ISQMs and ISAs can apply to entity's other than listed entities, is dictated by the fact that the definition of PTE is proposed to be adopted as a replacement for 'listed entity'. Therefore, the extant differential requirements are proposed to be amended to apply to PTEs (see Part B).
  - Application material to the extant differential requirements is proposed to be updated to reflect that it may be appropriate to apply a requirement for an audit of financial statements of a PTE to an audit of another entity, guided by considerations of significant public interest in the financial condition of such entity (see **Part B**).
23. Together with Option 1, the Board has agreed to revisit the need for the adoption of the definition of PIE, aligned with the definition in the IESBA Code, and extending differential requirements to apply to audits of PIEs, when the global adoption and implementation of such definition has sufficiently matured – when a critical mass has been reached for global consistency in the application of a baseline definition of PIE (see also paragraph 4).
24. The [IESBA Strategy and Work Plan for 2024-2027](#) anticipates a post-implementation review of the IESBA PIE revisions, which provides an appropriate opportunity for the IAASB to coordinate further information-gathering and outreach activities with IESBA. In the interim, IAASB staff will work with IESBA staff in monitoring the adoption of the IESBA PIE revisions (this could be accomplished by, for example, targeted outreach with the IAASB- and IESBA-NSS groups<sup>11</sup> or conducting adoption surveys in coordination with IFAC).<sup>12 13</sup>

#### **Matter for IAASB Consideration:**

1. Do Board members concur that **Part A** appropriately summarizes the IAASB's position for pursuing Option 1 in advancing its PIE proposals?

### **Part B – Proposed Narrow Scope Amendments to the ISQMs and ISAs**

25. **Agenda Item 3-A** reflects the changes to the proposed narrow scope amendments for Track 2 from ED. This section provides further explanation of the key matters considered and significant changes made by the PIE TF.

---

<sup>11</sup> IAASB and IESBA liaise with Jurisdictional and National Standard Setters (NSS) from regions that share the common goals of supporting high-quality standards. More information can be found on the [About IAASB](#) and [About IESBA](#) webpages.

<sup>12</sup> International Federation of Accountants (IFAC)

<sup>13</sup> The timing of such targeted outreach would take into account that the IESBA PIE revisions are effective for audits of financial statements for periods beginning on or after December 15, 2024 (i.e., 2025 calendar year-ends). However, it can be undertaken in stages to gain insights regarding progress over time, starting with the annual meetings of the IAASB- and IESBA-NSS groups in May 2025.

## Objective for Establishing Differential Requirements and Adoption of the Definition of PTE

### Previous IAASB Discussion

26. In September 2024, the IAASB directed the PIE TF to consider revising the application material provided in the illustrative drafting, as follows (which is mirrored in ISA 200):
- (a) Streamlining paragraphs A2C of ISQM 1<sup>14</sup> to remove the example of the IESBA Code requirements, given that the application of the IESBA Code requires the consideration of the clarification issued in the [IESBA Staff Q&A](#).
  - (b) Removing the references to “other categories of PIE” in paragraph A2D of ISQM 1 and to PIEs in paragraph A2E of ISQM 1, as ISQM 1 will not include a definition of PIE.
  - (c) Adding guidance in paragraph A2E of ISQM 1 to help the auditor understand that they would ordinarily have the same treatment for an entity for purposes of the relevant ethical requirements and for the ISQMs and ISAs.

### PIE TF Views and Recommendations

27. The PIE TF reflected on the Board’s directions and concluded that:
- (a) The inclusion of the IESBA PIE definition as an example in paragraph A2C of ISQM 1 was confusing given that it needs to be read with the clarification issued in the [IESBA Staff Q&A](#). Accordingly, the PIE TF revised the paragraph to only include the IESBA PIE categories as examples.
  - (b) The references to “other categories of PIE” and to PIEs are inconsistent with the Board’s decision to only adopt the definition of PTE in accordance with Option 1. The PIE TF agreed to remove such references from paragraphs A2D and A2E of ISQM 1.
  - (c) When a firm is determining whether to also apply the requirements set out in the ISQMs and ISAs for audits of PTEs to the audits of other entities, firms should consider whether the entity is a PIE for purposes of the relevant ethical requirement, including those related to independence. The PIE TF noted that the Board’s direction described in paragraph 22(c) above was based on the drafting that was presented in relation to Option 2 in the September 2024 IAASB meeting. However, because Option 1 is being pursued, under which the definition of PIE in the IESBA Code will not be adopted for the ISQMs and ISAs, it is more appropriate to address this as one of the factors a firm may consider in paragraph A2E.
28. In addition, the PIE TF revised paragraph A2A to emphasize the role of firms in determining whether to apply the differential requirements for PTEs to other entities. The role of firms was also added in each of the differential requirements in ISQM 1 and the individual ISAs affected.

## Extending Extant Differential Requirements to PIEs or Amending to Apply to PTEs

29. Questions 3A-3E asked respondents whether they agree with extending the extant differential requirements in the ISQMs and ISAs to apply to PIEs. Question 4 asked respondents whether they

---

<sup>14</sup> ISQM 1, *Quality Management for Firms That Perform Audits or Review of Financial Statements, or Other Assurance or Related Services Engagements*

amend the applicability of the differential requirements for listed entities in ISA 720 (Revised)<sup>15</sup> to apply to PTEs. **Appendix 2** of this agenda item summarizes respondents' comments related to questions 3A-3E and 4 in the EM (see the separate NVivo reports in **Agenda Items 1-E.1-6 and 1-F.1-6** for further details).

30. The PIE TF noted that the proposals in ED for extending the extant differential requirements in the ISQMs and ISAs to PIEs (Questions 3A-E in the EM) and to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to PTEs (Question 4 in the EM) were broadly supported by respondents across all stakeholder groups.
31. However, given the possible divergence between the IAASB proposals and the IESBA PIE revisions, and the Board's decision to pursue Option 1, the PIE TF updated the narrow scope amendments to reflect the adoption of the PTE definition as a replacement for "listed entity", with the effect that the extant differential requirements in the ISQMs and ISAs will henceforth apply to PTEs.
32. The PIE TF also processed various alignment changes necessary for the application material in the ISQMs and ISAs, including the illustrative auditor's reports included in the Appendices of the 500, 700 and 800 series of ISAs.
33. The PIE TF notes that the feedback received from respondents on the applicability of the differential requirements will be used to inform the Board when it revisits the need for the adoption of the definition of PIE, aligned with the definition of the IESBA Code, and the scope and applicability of differential in the ISQMs and ISAs (see also **Appendix 2**, Section IV).

## Differential Requirements Applicable to PTEs

### *Respondents feedback*

34. In responding to Questions 3A-3E, respondents also provided feedback on other changes that were introduced to the differential requirements in ED, summarized as follows:

### Scalability and Proportionality of Communicating Auditor Independence with TCWG for Audits of All Entities

#### (a) Respondents raised the following comments:

- Communication about independence of auditor's network firms, where applicable, may be more appropriate in the context of PIEs, not all entities. They felt that extending extant paragraph 17 of ISA 260 (Revised)<sup>16</sup> in ED to audits of financial statements of all entities does not provide any incremental information to TCWG given a statement of compliance with independence requirements is already included in the auditor's report.
- Suggestion to clarify this matter and align the wordings in paragraphs 17A of ISA 260 (Revised) and 40(b)(i) of ISA 700 (Revised)<sup>17</sup> in ED.

---

<sup>15</sup> ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

<sup>16</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

<sup>17</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

Communicate Fee-Related Matters for Audits of Financial Statements of PIEs in Paragraph 17A(a) of ISA 260 in ED

- (b) Respondents, including one MG respondent, expressed disagreement with the removal of the extant requirement to communicate fee-related matters in paragraph 17A(a) of ISA 260 (Revised) and its relegation to application material (i.e., describing fee-related matters as one of the examples required by the IESBA Code to be communicated with TCWG). These respondents were of the view that:
- Fee-related matters are one of the important elements to communicate with TCWG as part of the performance of an audit, which helps fulfilling their responsibilities in assessing auditor's independence.
  - Retaining the relevant fee-related information as part of the requirement will ensure greater consistency in application for auditors across various jurisdictions where the IESBA Code is not adopted, or where it has not been updated to reflect these new requirements in a timely manner.

Communication About the Actions Taken to Address the Threats to Auditor Independence with TCWG

- (c) Respondents felt that the last two sentences of paragraph A32 of ISA 260 (Revised) in ED create confusion about whether the circumstances described are an exemption from communication with TCWG about threats to independence.

*PIE TF Views and Recommendations*

35. The PIE TF reflected on the respondents' feedback and have the following views and recommendations:

Scalability and Proportionality of Communicating Auditor Independence with TCWG for Audits of All Entities

- (a) The PIE TF believes that the extension of the requirement to confirm that the engagement team has complied with relevant ethical requirements for all audits of financial statements remains appropriate. In addition, the PIE TF deliberated respondents' feedback about inclusion of network firm in paragraph 17 of ISA 260 in ED and consider the extent of communicating auditor independence with TCWG is unchanged from extant and remains appropriate. (See paragraphs 18 and 40(b)(i) of ISA 700 (Revised) of **Agenda Item 3-A**).

Communicate Fee-Related Matters for Audits of Financial Statements of PIEs in paragraph 17(a) of ISA 260 in ED

- (b) Noting the concern from respondents, including one MG respondent, about the removal of the extant requirement to communicate fee-related matters in paragraph 17A(a) of ISA 260 (Revised), on balance, the PIE TF proposed to restore this requirement in paragraph 18A of **Agenda Item 3-A**. The PIE TF has also proposed to retain the application material in paragraph A29A, which explains that relevant ethical requirements, including the IESBA Code, or laws or regulation may specify matters to be communicated with TCWG about auditor's independence.

Communication About the Actions Taken to Address the Threats to Auditor Independence with TCWG

- (c) The PIE TF believes that paragraph A32 of ISA 260 (Revised) in ED can be enhanced to avoid confusion that there is exemption to communicate with TCWG about independence. (See paragraphs A32 of ISA 260 (Revised) of **Agenda Item 3-A**).

**Differential Requirements Related to Going Concern (ED-570)**

36. ED-570 introduced new differential requirements for listed entities and question 14 of the EM accompanying ED-570 sought views from respondents on whether the differential requirements should be extended to apply to audits of financial statements of entities other than listed entities.
37. From the feedback, there was clear support from Monitoring Group (MG) member respondents, and from the outreach with investors or users of financial statements, for extending the differential requirements for listed entities to apply to PIEs. Other respondents' feedback was mixed, including both views that agreed or disagreed with extending the differential requirements to apply to entities other than listed entities, including PIEs.
38. Given the Board's decision to pursue Option 1, the GC Task Force advised the PIE TF that the differential requirements in proposed ISA 570 (Revised 2024)<sup>18</sup> should apply to PTEs (see **Agenda Item 2**). As both proposed ISA 570 (Revised 2024) and the narrow scope amendments for Track 2 are subject to approval by the Board in December 2024, it was considered appropriate to present the affected paragraphs in proposed ISA 570 (Revised 2024), including the necessary alignment changes, as part of the agenda papers for the Track 2 project.
39. **Agenda Item 3-B** identifies all paragraphs from proposed ISA 570 (Revised 2024) that refer to 'listed entity'. It also reflects the narrow scope amendments to proposed ISA 570 (Revised 2024) to replace 'listed entity' with PTE and to refocus the role of the auditor in determining whether it may be appropriate to apply the differential requirement to audits of other entities.
40. Subject to the Board's approval of both projects in December 2024, as part of the annual update to the IAASB Handbook,<sup>19</sup> the affected paragraphs from the final pronouncement of proposed ISA 570 (Revised 2024) would be updated to reflect the replacement of listed entity with 'publicly traded entity.'

**Matters for IAASB Consideration:**

2. The Board is asked whether they agree with the PIE TF summary of respondents' feedback presented in **Appendix 2** of this Agenda Item, and whether, in the context of the Board decision in September 2024 to pursue Option 1 (see **Part A**), there are any other significant issues raised by respondents that also should be discussed?
3. The Board is asked for its view on the PIE TF views and recommendations to finalize the following narrow scope amendments in **Agenda Item 3-A**?

	<b>Paragraphs in Agenda Item 3-A</b>
--	--------------------------------------

<sup>18</sup> ISA 570 (Revised 2024), *Going Concern*

<sup>19</sup> See the *IAASB Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*.

Objective, definitions and framework	ISQM 1, paragraphs 5A, 5B, 16(p)A, 16(p)B, 18A, A2A-A2E; ISA 200, paragraphs 2A, 2B, 13(l)A, 13(l)B, 23A, A0A-A0E
Engagement Subject to an Engagement Quality Review	ISQM 1, paragraphs 34(f), A133 – A137
Communication with TCWG About the Firm's System of Quality Management	ISQM 1, paragraphs 34(e), A127 – A132
Communicating with TCWG About Auditor Independence	ISA 260 (Revised), paragraphs 18, 18A, A29 – A32; ISA 700 (Revised), paragraph 40(b)
Communicating Key Audit Matters (KAM)	ISA 700 (Revised), paragraphs 30–31, 40(c), A41 –A44; ISA 701, <sup>20</sup> paragraph 5
Name of the Engagement Partner	ISA 700 (Revised), paragraphs 46, 50(l), A62–A64
Transparency About the Other Information	ISA 720 (Revised), paragraphs 21-22(b), A12, A51

4. The Board is asked for its view on the PIE TF views and recommendations to finalize the narrow scope amendments related to Going Concern in **Agenda Item 3-B** and discussed in paragraphs 36-40 above?

## Part C: Other Matters

41. The following NVivo reports are provided for reference purposes:

Question:	Agenda Paper:	
	Nvivo Word Analysis	Nvivo Excel Analysis
Question 6	Agenda Item 3 -E.7	Agenda Item 3 -F.7
Question 7	Agenda Item 3 -E.8	Agenda Item 3 -F.8
Question 8	Agenda Item 3 -E.9	Agenda Item 3 -F.9

## Any Other Matters to Raise

42. Question 6 of ED included an open-ended question, seeking input from respondents if they had any other

<sup>20</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

matters to raise (see the separate NVivo report in **Agenda Items 3-E.7 and 3-F.7** for further details). Respondents shared perspectives on where other enhancements could be considered, provided various editorial and drafting suggestions, or referred to matters previously discussed.

*Transparency related to differential requirements applied*

43. One MG respondent felt that there is a risk that a user of the auditor's report might presume that the differential requirements for PIEs were applied in the audit of an entity's financial statements, which may not be the case. To mitigate this risk, the respondent suggested adding a requirement to communicate in the auditor's report when the auditor has applied differential requirements for PIEs in the ISAs.

*Conforming amendments*

44. Respondents suggested conforming amendments to the authority of the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE) where the term "listed entity" is used, noting that inconsistency between the ISAs and the ISA for LCE may result in illogical scenarios where an entity is not permitted to use the ISA for LCE because they fall under the exiting definition of listed entity even when they are not a PTE under the new definition.
45. Respondents also noted that the narrow scope amendments did not take into consideration the proposed changes in ED-240 and ED-570.

*PIE TF Views and Recommendations*

46. The PIE TF discussed the suggestion for an additional transparency requirement about when differential requirements in the ISAs were applied but concluded that such requirement is not necessary. The differential requirements applicable to PTEs result in additional communications to TCWG and additional information to be communicated in the auditor's report (e.g., KAM, name of the engagement partner). Therefore, the PIE TF believes that the auditor's report already appropriately includes the information that is of relevance to users of the financial statements, taking into account the circumstances of the particular audit engagement, in a manner that does not raise questions or cause confusion about the auditor's responsibilities or the results of the audit.
47. Regarding conforming amendments to the ISA for LCE, the PIE TF notes that the [IAASB Strategy and Work Plan for 2024-2027](#) includes a project to revise the ISA for LCE.
48. Regarding ED-240 and ED-570, the PIE TF notes that the ED appropriately did not address those proposals, since those projects were not completed, and the revised standards had not yet been approved. However, both the Fraud and Going Concern projects contemplated the possible impact of the Track 2 project by including questions for respondents about extending proposed differential requirements in ED-240 and ED-570 to apply to audits of financial statements of entities other than listed entities. In addition:
- (a) Since proposed ISA 570 (Revised 2024) is also targeted for approval in December 2024, the PIE TF has proposed relevant amendments as discussed in **Part B**, paragraphs 36-40.
  - (b) Proposed ISA 240 (Revised)<sup>21</sup> is targeted for approval at the March 2025 IAASB meeting, after the expected approval of the narrow scope amendments addressed in this Agenda Item. Therefore, it

---

<sup>21</sup> ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

would be appropriate for the Fraud project team to consider updates to their proposals based on the finalization of this project and the feedback from respondents to ED-240.

### General Questions

49. Questions 7 and 8 of the ED sought general comments from respondents on potential translation issues and the effective date for the proposed narrow scope amendments. In their responses, respondents across stakeholder groups recognized:
- (a) The limited scope of the proposed amendments in the ED and the fact that the proposed amendments are consistent with the amendments that the IESBA had made to the IESBA Code, which mean that the translation challenges have been minimized.
  - (b) The need to align the effective date with other IAASB projects, including Fraud and Going Concern, given that these projects are also considering possible revisions to the auditor's report to enhance transparency. Some respondents also encouraged the IAASB to minimize the delay between the effective dates of the IESBA PIE revisions and the IAASB proposals, as firms have already begun their work on the adoption of the new PIE definition in the IESBA Code. On the other hand, other respondents noted the implementation period should not be shorter than 24 months, as this project requires jurisdictional amendments, which require adequate time.

### PIE TF Views and Recommendations

50. The PIE TF notes that three IAASB on-going projects (i.e., the Fraud, Going Concern and Track 2 projects) are considering actions that may result in revisions that impact the auditor's reports. Therefore, it is in the public interest to align the effective dates of these projects, to support effective implementation and avoid consecutive changes to the auditor's report in a short succession.
51. In addition, the PIE TF notes the support from respondents to the ED for the proposed effective date of 18-24 months after the PIOB's process of certification of the final narrow scope amendments for Track 2. The PIE TF believes this timeframe is sufficient to allow for translation of the final text, for national adoption processes to occur, and for firms and practitioners to update templates and associated internal materials.
52. Furthermore, in coordinating with the Fraud project team, it was noted that respondents' feedback was predominantly supportive of the proposed effective dates of at least 18 months after approval of the final pronouncements of ED-240 and ED-570.
53. Subject to the Board's approval of the proposed narrow scope amendments in December 2024, the PIOB's certification of the final pronouncement is targeted for early April 2025. Considering the current timeline for finalization of the Fraud and Going Concern projects in March 2025 and December 2024, respectively, the PIE TF proposes the effective date for the narrow scope amendments to be for audits of financial statement for periods beginning on or after December 15, 2026 (i.e., 2027 calendar year audits). This would allow coordinating the effective dates between the Going Concern, Fraud and the Track 2 projects.

### Matters for IAASB Consideration:

5. The Board is asked whether they agree with the PIE TF summary of respondents' feedback presented in **Part C**, and whether, in the context of the Board decision in September 2024 to pursue



Option 1 (see **Part A**), there are any other significant issues raised by respondents that also should be discussed?

6. Does the Board agree with the PIE TF's views and recommendations relating to the proposed effective date for the narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised)?

## Part D – Due Process Considerations

### Significant Matters Identified by the PIE TF

54. In the PIE TF view, the significant matters it has identified as a result of its deliberations since the beginning of this project, including the substantial matters raised by respondents to the ED, and its conclusions and recommendations thereon, have been carefully considered. The PIE TF analysis of the significant matters and proposals has been reflected in the public agenda materials presented to the IAASB at its meetings. In the PIE TF view, there are no significant matters discussed in the course of this project that have not been brought to the IAASB's attention.

### Need for Further Consultation

55. The PIE TF considered the adequacy of consultation with stakeholders that has been undertaken, and in particular with stakeholder groups that may be under-represented in submitting comment letters, such as investors or other users of financial statements. Given that no written responses to the ED had been received from investors or users of financial statements, the PIE TF leveraged 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 (see **Appendix 2**).
56. The PIE TF reflected on the fact that only eight respondents raised the potential divergence between the IAASB's proposal and the IESBA PIE revisions. Given the short time lapse between the first IESBA discussion on the clarification of the IESBA PIE revisions in March 2024 and the closure of the IAASB public consultation in April 2024, it is unclear whether other respondents were aware of the perceived divergence when providing their comments letters. However, as the significance of the possible divergence between the IAASB proposals and the IESBA PIE revisions had already been established, the PIE TF responded to the feedback from all respondents to Questions 1 and 2 in the EM and further coordination with IESBA, and provided two options to the Board for deliberation.
57. The PIE TF has had the opportunity to engage with various other stakeholders throughout the life cycle of this project, including MG members, the Forum of Firms, and Jurisdictional / National Standard Setters. Finally, this project has benefited from close coordination with the IESBA.
58. The PIE TF does not believe that a consultation paper, field testing, or a roundtable is warranted at this time, given the Board's decision to pursue Option1.

### Consideration of the Need for Re-Exposure

#### Overview

59. If the Board votes to approve the proposed narrow scope amendments for Track 2, then a separate affirmative vote of the Board is required on whether the proposed standard needs to be re-exposed. Based on the rationale set out in **Part A** and the draft as presented in **Agenda Items 3-A and 3-B**,

and prior to any changes proposed at the December 2024 IAASB meeting, the PIE TF is of the view that the proposed narrow scope amendments for Track 2 do not warrant re-exposure.

60. **Appendix 4** to this agenda item includes relevant extracts from the IAASB’s due process related to re-exposure. The main consideration in the due process is “whether there has been substantial change to the exposed document such that re-exposure is necessary.” This section sets out the PIE TF’s analysis of the provisions of the due process and the circumstances of this project in reaching a view on whether the approved proposals would need to be re-exposed.

*Considerations Relevant to the Development of the PIE TF’s View on Re-Exposure*

61. The rationale for pursuing Option 1 to advance the IAASB PIE proposals is detailed in **Part A**. This includes the Board’s fundamental and pervasive concerns for deciding that the original proposals in the ED should be completed in relation to certain elements only and that the alternative, which would have involved incorporating in the ISQMs and ISAs a conditional requirement for the application of the mandatory categories of entities in the definition of PIE, was not a viable option due to unintended consequences for the IAASB’s standards-design more broadly (see also paragraphs 19-21).
62. The proposals in **Agenda Items 3-A and 3-B**, subject to the Board’s discussion at the December 2024 IAASB meeting, encapsulate the elements of the ED that were finalized (i.e., the adoption of the definition of PTE, incorporating in the ISQMs and ISAs the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework for when it may be appropriate to apply a differential requirement to other entities, and amending the extant differential requirements that apply to audit of listed entities, to apply to audits of PTEs).
63. The overall tone of the comment letters as they related to the elements of the ED that have been advanced, was positive. However, there were some areas where suggestions were made by respondents on how the proposals could be strengthened. The PIE TF thoroughly considered these matters in developing the narrow scope amendments post exposure. The key revisions to the requirements since the ED are presented in **Agenda Item 3–A** and are also summarized in the table below:

Significant Matters Raised by Respondents to the ED	Key Revision to the ED
<b>Objective and Purpose of Differential Requirements</b>	
<ul style="list-style-type: none"> <li>General support for the objective and purpose of differential requirements. However, respondents noted that these paragraphs would be better placed in the introductory paragraphs as they are not application material for the definition.</li> </ul>	<ul style="list-style-type: none"> <li>The objective and purpose for establishing differential requirements have been relocated to the introductory paragraphs of ISQM 1 and ISA 200.</li> </ul>
<b>Definition of PTE</b>	
<ul style="list-style-type: none"> <li>Support to adopt the definition of PTE as a replacement for “listed entity” in the ISQMs</li> </ul>	<ul style="list-style-type: none"> <li>The definition of PTE adopted for the ISQMs and ISAs is the same as the definition in the IESBA PIE revisions. In</li> </ul>

and ISA.	<p>addition, owing to the Boards decision to pursue Option 1, essential application material has been included regarding if law, regulation or professional requirements define more explicitly publicly traded entity in a specific jurisdiction. This is aligned with the equivalent provisions in the IESBA PIE revisions.</p>
<b>Extending the Differential Requirements to PIE in the ISQMs and ISAs</b>	
<ul style="list-style-type: none"> <li>The respondents that raised the potential divergence of the application of the PIE definition between the IAASB and IESBA, suggested not to extend the extant differential requirements to PIEs.</li> <li><b>Appendix 2</b> provides the summary of feedback received from all respondents on the individual questions that addressed the extant differential requirements on a case-by-case basis.</li> </ul>	<ul style="list-style-type: none"> <li>The applicability to the extent differential requirements in the ISQMs and ISAs has been amended to apply to audits of PTEs.</li> <li>Given the Board's decision for advancing the IAASB PIE Proposals in accordance with Option 1, the feedback received will be considered when the IAASB revisits the need for the adoption of the definition of PIE, aligned with the definition in the IESBA Code, and extending differential requirements to apply to audits of PIEs, when the global adoption and implementation of such definition has sufficiently matured (see <b>Part A</b>).</li> <li>The application material to the differential requirements have been updated to reflect that it may be appropriate to apply a differential requirement in the ISQMs and ISAs to an entity other than a PTE, guided by considerations of significant public interest in the financial condition of such entity.</li> </ul>
<i>Communicating about auditor independence</i>	
<ul style="list-style-type: none"> <li>Respondents did not agree with the proposal to remove the extant requirement in ISA 260 (Revised) to communicate fee-related matters with those charged with governance, owing to the relative importance of these matters to those charged with governance and to ensure consistency of application.</li> </ul>	<ul style="list-style-type: none"> <li>Reinserted the requirement for communicating fee-related matters.</li> </ul>

<i>ISA 720 (Revised)</i>	
<ul style="list-style-type: none"> <li>Strong support for amending the applicability of the differential requirements to apply to audits of PTEs.</li> </ul>	<ul style="list-style-type: none"> <li>Some updates for consistency with the other differential requirements in the ISAs.</li> </ul>
<b>Proposed Revisions to ISRE 2400 (Revised)</b>	
<ul style="list-style-type: none"> <li>Support for the proposals included in the ED</li> </ul>	<ul style="list-style-type: none"> <li>No change required</li> </ul>

64. Regarding the elements of the ED that have been advanced and that, after approval, will represent the Board's final position for the narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised), the PIE TF notes that:
- There are no substantial changes to the key concepts of the project and the relevant elements presented in the ED have been retained. Some of these elements have been modified and clarified in response to comments received on exposure and related coordination activities with IESBA.
  - No new key concepts have been introduced that have not been exposed.
  - The changes to the text post exposure are in response to feedback from respondents to the ED and, for the relevant elements, do not fundamentally or substantively change the proposals in the ED.
  - The final proposals have not resulted in a departure from the project objectives in paragraph 17(a)-(c) of the project proposal relevant to Track 2 of the project (see also paragraph 22).
65. If approved, the Board's final position for the narrow scope amendments will not include certain elements of the original proposals in the ED (i.e., the definition of PIE and extending the extant differential requirements in the ISQMs and ISAs that apply to audits of listed entities, to apply to audits of PIEs other than PTEs). These elements were not advanced post exposure and is a substantial change from the ED. However, the PIE TF believes that this change must be considered in the context of the rationale that is detailed in **Part A**.
66. Furthermore, the PIE TF is of the view that re-exposing the narrow scope amendments as finalized would likely prompt stakeholders to provide feedback on:
- The narrow scope amendments directly. As explained in the agenda materials post exposure, the key concepts and elements of these proposals have not changed, were aired in the ED, and received positive feedback from respondents, subject to certain suggestions that have been considered and, as appropriate, reflected in the final drafting. Therefore, this is unlikely to result in significant new information or concerns that have not been shared and responded to.
  - The elements of the original proposals in the ED that have been excluded from the Board's final position. Although the IAASB may receive feedback that reaffirms support and concerns as were previously expressed by stakeholders, or that may raise additional issues, any feedback is unlikely to overcome the Board's identified fundamental and pervasive concerns at this stage. As has been highlighted in this paper, the Board is committed to revisiting its decision in due course (see

paragraphs 4, 23-24).

## **Part E – Way Forward**

67. Subject to the Board's approval of the final pronouncement of the narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) in December 2024, project staff, in coordination with the PIE TF Chair, will prepare relevant due process documentation for submission to the PIOB. The final pronouncement will be published in early April 2025 after the PIOB meeting where certification of the narrow scope amendments will be considered. The IAASB will also publish a Basis for Conclusions<sup>22</sup> document with the final pronouncement (this document may also provide explanations and examples relevant to implementation, commensurate with the purpose of a Basis for Conclusions).
68. As discussed in **Part A** (paragraphs 23-24), IAASB staff will work with IESBA staff in monitoring the adoption of the IESBA PIE revisions and to coordinate related information-gathering and outreach activities, including leveraging IESBA's anticipated post-implementation review of its PIE revisions. The annual meetings of the IAASB- and IESBA-NSS groups that are planned for May 2025 will be used as a first step to undertake relevant activities in stages to gain insights regarding progress in adoption over time. IAASB staff will update and request the Board for direction at appropriate times regarding implications for IAASB standards.

---

<sup>22</sup> The Basis for Conclusions document will be circulated to the Board for fatal flaw comments, in due course after the December 2024 IAASB meeting.

## Appendix 1

### PIE TF Members and Activities

#### PIE TF Members

1. The PIE TF consists of the following members:
  - Sue Almond (Chair)
  - Hernán 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 two virtual meetings since September 2024.

## Appendix 2

### Summary of Respondents' Comments to the ED on Questions 3A-E and 4 in the EM

1. This appendix summarizes respondents' comments to the following questions in the EM to the ED:
  - Question 3 – Extending the extant differential requirements in the ISQMs and ISAs to apply to PIE;
    - (a) High-level summary of respondents' comments (**section I**)
    - (b) Case-by-case analysis (**section II**)
  - Question 4 – Amending the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to “publicly traded entity” (**section III**)

**Section IV** addresses the PIE TF views and recommendations.

2. NVivo reports are provided for reference purposes (see table below).

Question:	Agenda Paper:	
	Nvivo Word Analysis	Nvivo Excel Analysis
Question 3A	Agenda Item 3-E.1	Agenda Item 3-F.1
Question 3B	Agenda Item 3-E.2	Agenda Item 3-F.2
Question 3C	Agenda Item 3-E.3	Agenda Item 3-F.3
Question 3D	Agenda Item 3-E.4	Agenda Item 3-F.4
Question 3E	Agenda Item 3-E.5	Agenda Item 3-F.5
Question 4	Agenda Item 3-E.6	Agenda Item 3-F.6

### Section I – High-level Summary of Respondents' Comments on Extending the Extant Differential Requirements in the ISQMs and ISAs to Apply to PIEs

3. Question 3 in the EM to the ED asked respondents whether they agreed to extend the differential requirements in the ISQMs and ISAs to apply to PIEs. Respondents were asked to provide comments separately for each of the relevant differential requirements:
  - (a) Engagement quality reviews (ISQM 1, paragraph 34(f));
  - (b) Communication with TCWG about the firm's system of quality management (ISQM 1, paragraph 34(e));
  - (c) Communicating about auditor independence (ISA 260 (Revised), paragraphs 17, 17A and ISA 700 (Revised), paragraph 40 (b));
  - (d) Communicating KAM (ISA 700 (Revised), paragraphs 30-31, 40(c), and ISA 701, paragraph 5); and
  - (e) Name of the engagement partner (ISA 700 (Revised), paragraphs 46 and 50(l)).

4. Although respondents were asked to provide comments on each proposed differential requirement, the PIE TF identified common themes, which are summarized below.

*Significant Concern on Extending the Extant Differential Requirements to apply to PIEs*

5. Respondents who have commented on the possible divergence between the IAASB proposals and the IESBA PIE revisions (including the IESBA Clarification)<sup>23</sup> have raised a significant concern on extending the extant differential requirements to apply to PIEs and strongly advise against it. Respondents believe that the application of the definition of PIE will vary greatly across jurisdictions. This will result in inconsistent practices globally and lead to confusion for users of the financial statements and other stakeholders. These respondents predominantly suggested to amend the differential requirements that apply to listed entities in the ISQMs and ISAs to apply to PTEs solely.

*Other feedback*

*Monitoring Group Respondents*

6. MG respondents expressed their broad support for the IAASB's proposal to extend extant differential requirements in the ISQMs and ISAs that are applicable to audits of listed entities to PIEs (Questions 3A–E).

*Other Respondents*

7. Other respondents also expressed their broad support for extending the extant differential requirements in the ISQMs and ISAs to apply to PIEs related to engagement quality reviews (Question 3A), communication with 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).
8. Respondents who agreed with the proposals believed that the proposals promote consistency among jurisdictions globally when applying the ISQMs and ISAs, given that some jurisdictions have already extended (or are considering extending) the applicability of the differential requirements to apply to PIEs in their national equivalent auditing standards. In addition, respondents noted that the proposed change will promote and enhance audit quality and provide greater confidence to the public.
9. However, other respondents expressed mixed views regarding differential requirements for PIEs related to communication with TCWG about auditor independence in paragraphs 17(a)(i)–(ii) of extant ISA 260 (Revised) (Question 3C) and communicating KAMs in the auditor's report (Question 3D).
10. In addition, respondents raised a general concern regarding the potential jurisdictional variations in the application of the PIE definition. Individual jurisdictions are allowed to scope in additional entities as PIEs for the purposes of applying ethical requirements. Therefore, entities that fall within the definition of PIE may be wider than that intended by the overarching objective of establishing the differential auditing requirements.

*Investors and users of financial statements*

11. While comment letters included responses provided by a diverse representation of stakeholder constituencies and geographical regions, it is notable that no written responses were received from

---

<sup>23</sup> See the paragraphs 19-23 of [the IAASB's September 2024 Agenda Item 7 – Feedback and Issues](#).



investors or users of financial statements. The PIE TF noted that considering the nature of the extant differential requirements in the ISQMs and ISAs, matters affecting the auditor's report would be of most interest to this stakeholder constituency. Therefore, when forming views and recommendations, the PIE TF had leveraged the feedback received from investors and other users of financial statements on relevant topics addressed in the Auditor Reporting post-implementation review<sup>24</sup>, as well as the public consultations on and further outreach undertaken as part of the IAASB's current projects on Fraud<sup>25</sup> and Going Concern<sup>26</sup>, that included considering extending the scope of certain (proposed) differential requirements.

12. The feedback analyzed in the different sources is summarized as follows:
  - (a) The Auditor Reporting post-implementation review shows that above 80% of investors and other users of financial statements respondents have a preference for auditors to communicate KAM for PIEs. In addition, respondents (including investors and other users of financial statements) commented that the IAASB would need a common definition for PIEs to achieve global consistency in the determination of which entities to treat as PIEs.
  - (b) In responding to ED-240, two respondents from the Investors and Analysts constituency expressed their support for extending the proposed transparency requirements in the auditor's report about KAM related to fraud to apply to audits of financial statement of entities other than listed entities, such as PIEs. A third respondent neither agreed nor disagreed with extending the transparency requirements.
  - (c) After closure of the consultation period for ED-570, the Going Concern Task Force conducted focused discussions with users of financial statements. The users interviewed broadly supported the enhanced auditor reporting about going concern for audits of financial statements of listed entities to be extended to apply to entities other than listed entities, such as for PIEs.

## Section II – Case-by-Case Analysis

### Engagement Subject to an Engagement Quality Review (Question 3A)

#### *Overview of Responses*

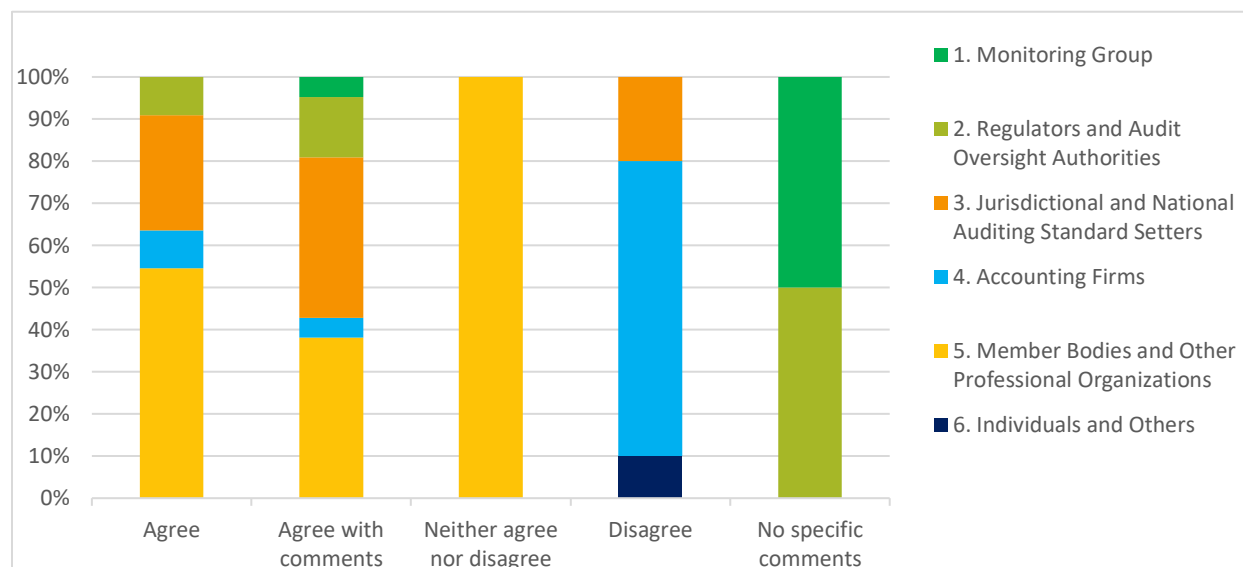
13. Question 3A asked respondents whether they agreed to extend the differential requirement applied to listed entities in ISQM 1, paragraph 34(f) regarding engagement quality reviews to PIEs.
14. The chart below shows an analysis of the responses to question 3A per stakeholder group (see the separate NVivo reports in **Agenda Items 1-E.1 and 1-F.1** for further details).

---

<sup>24</sup> The [Auditor Reporting post-implementation review](#) was concluded in September 2021. An analysis of the results from the post-implementation review survey was discussed at the February 2021 IAASB mid-quarter meeting – see [Agenda Item 3](#).

<sup>25</sup> See comment letters from CFA Institute, Corporate Reporting Users' Forum and Emuedion on the [ED-240](#) webpage on the IAASB website. The Fraud Task force will present the full analysis of comments to the Board for discussion in December 2024.

<sup>26</sup> See Appendix 2 of [Agenda Item 3 of IAASB Quarterly Board Meeting – June 18-21, 2024, Spain](#) webpage.



## Respondents' Comments

### Monitoring Group Respondents

15. One MG respondent expressed support for the IAASB's proposal in the ED and commented that it is of public interest that those entities meeting the definition of a PIE are subject to the differential requirements for listed entities within the ISAs and ISQMs.

### Other Respondents

16. Key areas where respondents raised concerns across all response categories (e.g., agree with comments, neither agree nor disagree, and disagree with comments) were as follows:

#### Scalability of the Requirement for Engagement Quality Reviews for Lower-Risk or Small and Less Complex PIEs

- Respondents were of the view that requiring engagement quality reviews for all PIEs may scope-in lower-risk PIEs for engagement quality reviews. Respondents highlighted the previous IAASB decision, which is included in the [Basis for Conclusions](#) for ISQM 2,<sup>27</sup> that requiring engagement quality reviews to be performed on certain engagements based on various criteria relating to the nature and circumstances of the engagement or the entity, which may be for reasons other than addressing one or more quality risk(s), is inconsistent with and may be viewed as undermining the principle of a risk-based approach in ISQM 1.
  - Respondents also commented that extending the differential requirement for engagement quality reviews to all PIEs may negatively impact audit firms in terms of costs and resources, especially small and medium practices (SMPs), as SMPs often serve those lower-risk or small and less complex PIEs.
17. In addition, respondents recommended that, if an engagement quality review is required for all PIE audits, the IAASB should introduce a rebuttable presumption that if rebutted, the firm or auditor would be required

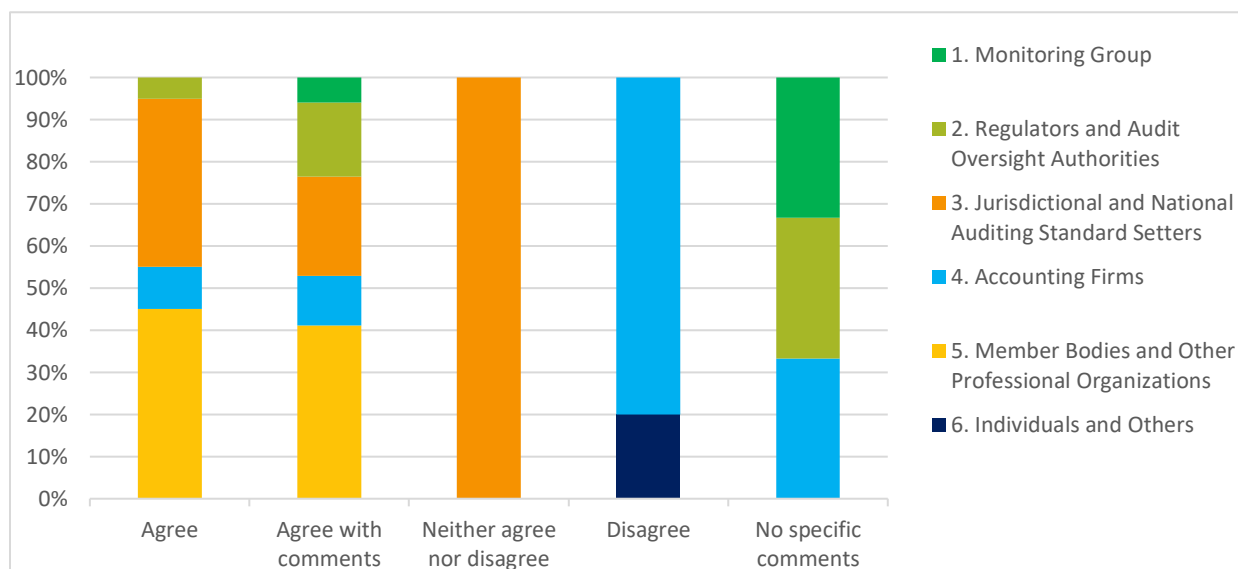
<sup>27</sup> ISQM 2, *Engagement Quality Reviews*

to provide and document their rationale for not performing an engagement quality review for a particular PIE audit (e.g., related to a lower-risk or small and less complex PIE).

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

#### Overview of Responses

18. Question 3B asked respondents whether they agreed to extend the differential requirement applied to listed entities in ISQM 1, paragraph 34(e) regarding communication with TCWG about the firm's System of Quality Management to PIEs.
19. The chart below shows an analysis of the responses to question 3B per stakeholder group (see the separate NVivo reports in **Agenda Items 3-E.2** and **3-F.2** for further details).



#### Respondents' Comments

##### Monitoring Group Respondents

20. One MG respondent expressed support for the IAASB's proposal in the ED and commented that it is of public interest that those entities meeting the definition of a PIE are subject to the differential requirements applicable to listed entities within the ISAs and ISQMs.

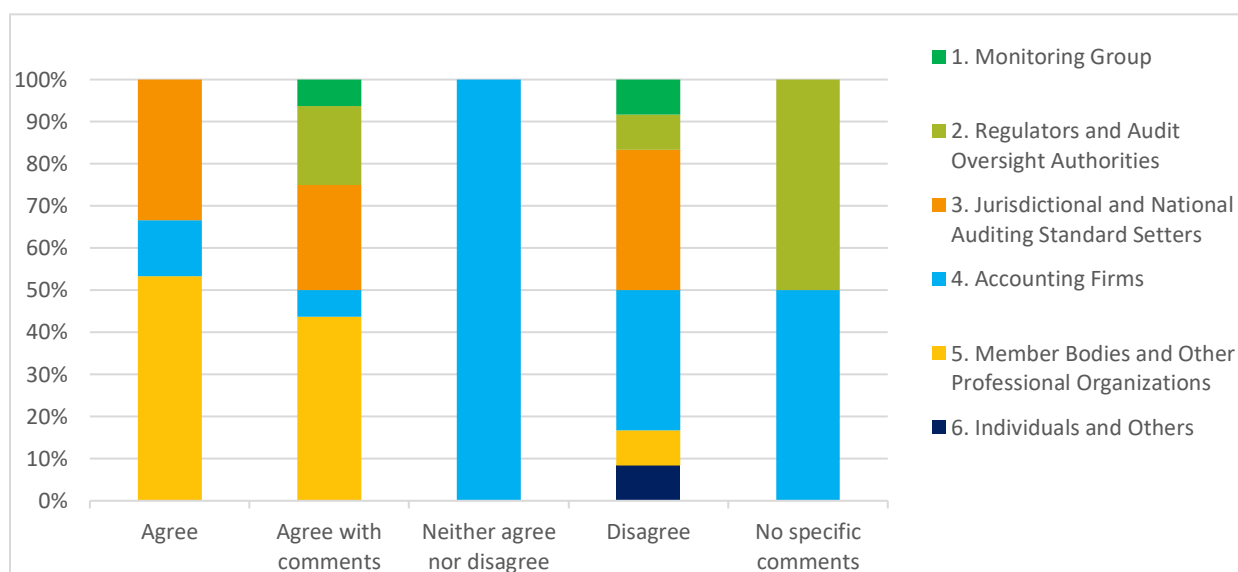
##### Other Respondents

21. Key areas where respondents raised concerns across all response categories (e.g., agree with comments, neither agree nor disagree, and disagree with comments) were as follows:
  - (a) Respondents commented that there might be difficulties for the auditor to identify a relevant body as TCWG since the governance structure of a PIE might not be the same as listed entities.
  - (b) The public awareness about the importance of PIE might vary across jurisdictions, so respondents felt that it might lead to uncertainty regarding how TCWG perceive the value of information about the firm's system of quality management. In view of that, respondents recommended that the IAASB conduct outreach with specific TCWG to understand how the information regarding the firm's system of quality management helps in fulfilling the responsibility of TCWG.

## Auditor Independence (Question 3C)

### Overview of Responses

22. Question 3C asked respondents if they agreed with extending the extant differential requirements in ISA 260 (Revised) (paragraph 17A) and ISA 700 (Revised) (paragraph 40(b)) regarding communicating about auditor independence to PIEs.
23. The chart below shows an analysis of the responses to question 3C per stakeholder group (see the separate NVivo reports in **Agenda Items 3-E.3 and 3-F.3** for further details).



### Respondents' Comments

#### Monitoring Group Respondents

24. Two MG respondents supported bifurcation of the extant differential requirement in paragraph 17 of ISA 260 in ED, and the extension of the requirement to confirm that the engagement team have complied with relevant ethical requirements to apply to all audits of financial statements.

#### Other Respondents

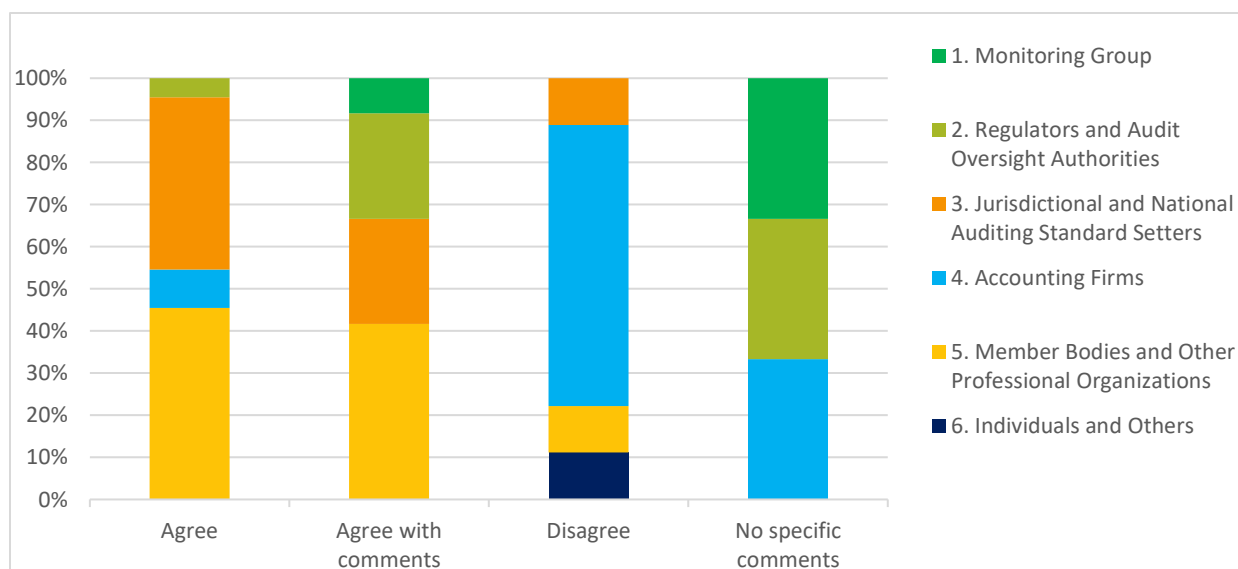
25. Respondents felt that the proposed changes might create confusion that auditors of non-PIE audits are less independent than the auditors of PIE audits and suggested to limit the proposed requirements to PTEs.

## Communicating KAMs (Question 3D)

### Overview of Responses

26. Question 3D asked respondents if they agreed to extend the extant differential requirement in ISA 700 (Revised) (paragraphs 30-31, 40(c)) and ISA 701 (paragraph 5) regarding communicating KAM for PIEs.
27. The chart below shows an analysis of the responses to question 3D per stakeholder group (see the separate NVivo reports in **Agenda Items 3-E.4 and 3-F.4** for further details).

Listed Entity and Public Interest Entity (PIE) – Track 2 – Issues and Due Process Consideration  
IAASB Main Agenda (December 2024)



### Respondents' Comments

#### Monitoring Group Respondents

28. One MG respondent expressed support for the IAASB's proposal in the ED and commented that it is of public interest that those entities meeting the definition of a PIE are subject to the differential requirements for listed entities within the ISAs and ISQMs.

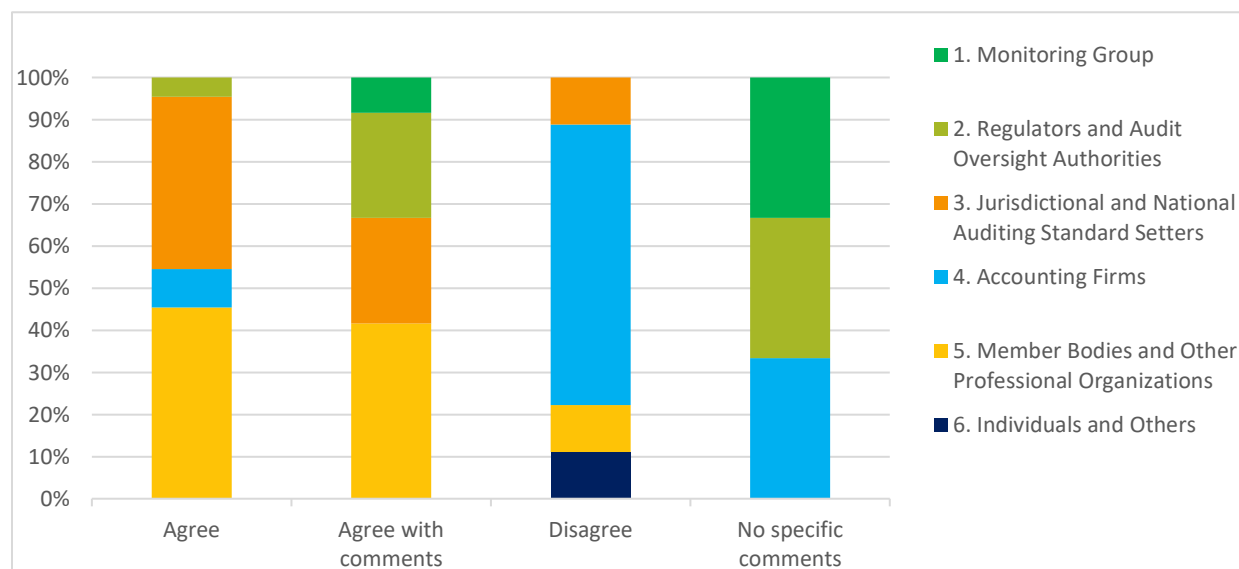
#### Other Respondents

29. Respondents who agreed or agreed with comments, although broadly supporting the proposal, nevertheless commented that.
- (a) The auditor has to be cautious about describing KAM without disclosing original information as described in paragraph A34-A36 of ISA 701.
  - (b) The cost for communicating KAM to stakeholders of PIE might outweigh the benefit, noting that the nature, diverse operations, financial reporting requirements and needs of stakeholders of the auditor's report of PIEs are different from listed entities. Respondents suggested allowing flexibility to exempt certain PIEs from disclosing KAM, especially those have a limited number of intended users of the auditor's report e.g., non-publicly traded entities.
30. In addition to the similar concerns regarding difficulties for the auditor to identify a relevant body as TCWG of a PIE as described in paragraph 21 (a) of this Appendix and the concerns of extending disclosure to PIEs described in paragraph 29(b) of this Appendix, respondents who disagreed noted the following:
- (a) Jurisdictional post-implementation reviews carried out in Australia and Canada show a more nuanced perspective on benefits and costs associated with communicating KAM for listed companies as opposed for PIEs. In addition, there were no compelling reasons found from these jurisdictional post-implementation reviews for extending the KAM requirement beyond listed entities. These respondents therefore did not support extending the requirement for communicating KAM to all PIEs and suggested limiting the KAM requirements to PTEs.
  - (b) These respondents also suggested conducting further outreach with jurisdictional or national standard setters and regulators about the needs of the users of the auditor reports.

## Name of the Engagement Partner (Question 3E)

### Overview of Responses

31. Question 3E asked respondents if they agreed to extend the extant differential requirement in ISA 700 (Revised), paragraphs 46, 50(l) regarding the name of engagement partner to audits of PIEs.
32. The chart below shows an analysis of the responses to question 3E per stakeholder group (see the separate NVivo reports in **Agenda Items 3-E.5** and **3-F.5** for further details).



### Respondents' Comments

#### Monitoring Group Respondents

33. One MG respondent expressed support for the IAASB's proposal in the ED and commented that it is of public interest that those entities meeting the definition of a PIE are subject to the differential requirements for listed entities within the ISAs and ISQMs.

#### Other Respondents

34. In addition to the similar concerns of extending disclosure of KAM to PIEs described in paragraphs 29(b) of this Appendix, respondents commented that providing information in the auditor's report like other key personnel involved in the audit process or qualifications of engagement partners is more meaningful than requiring disclosure of the name of the engagement partner in the auditor's report. Respondents felt that the responsibilities of engagement partners were governed by ISA 220 (Revised)<sup>28</sup> and disclosure of their names does not bring any additional value to accountability or stakeholder's confidence regarding audits of PIE and therefore it is unclear how the disclosure of the name of the engagement partner can improve audit quality given that intended users of the auditor's report often derive value from the firm reputation, instead of who the engagement partner is. Some respondents further pointed out that stakeholders found the name of the engagement partner less useful from the IAASB's Auditor Reporting post-implementation review and there were differing views between stakeholders as to the necessity of the requirement, including safety and privacy concerns. These respondents suggested performing further information-

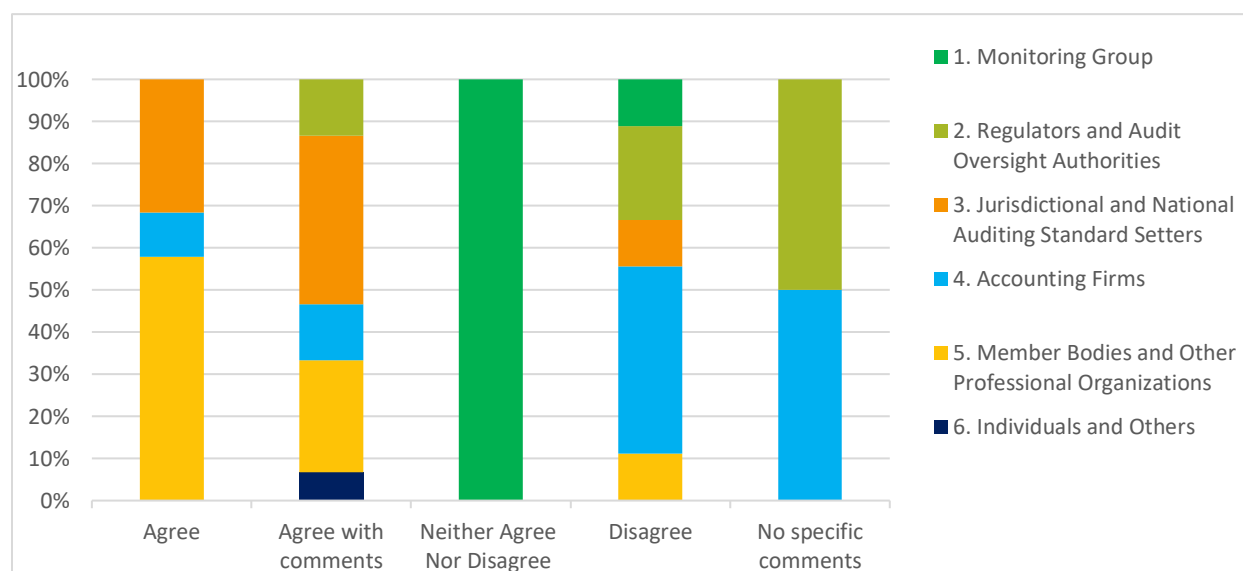
<sup>28</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

gathering activities, including stakeholder outreach and academic literature research to determine how such a requirement has affected audit quality in jurisdictions. Some respondents also suggested limiting the requirement to PTEs.

## Section III – Transparency About Other Information

### Overview of Responses

35. Question 4 asked respondents if they agreed to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to PTEs. It is relevant to note, that the proposals in the ED were to extend the extant differential requirements that were addressed by Questions 3A to 3E in Section II above, to apply to audits of PIE's. However, regarding ISA 720 (Revised), the EM, paragraphs 47-51, explain the IAASB's rationale for not extending the differential requirements regarding other information for listed entities to PIEs, but rather to amend those requirements to apply to PTEs.
36. The chart below shows an analysis of the responses to question 4 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-E.6** and **3-F.6** for further details).



### Respondents' Comments

#### Monitoring Group Respondents

37. MG Group members expressed some concerns about the IAASB proposal for the extant differential requirements for listed entities in ISA 720 (Revised) to apply to PTEs only. They highlighted that the public interest factors described in paragraph 49 of the EM should be given greater weight and, therefore, suggested extending the differential requirements to all PIEs.
38. One MG respondent suggested that the IAASB consider doing additional outreach to other stakeholders, such as prudential regulators to seek their views on this matter.
39. The other MG respondent encouraged the IAASB to consider a revision of ISA 720 (Revised) considering the issues noted in the EM.

### *Other Respondents*

40. Respondents agreed with the IAASB's proposal to extend the differential requirements to PTEs solely, noting the practical issues which arise in various jurisdictions when applying ISA 720 (Revised) as explained in the EM, which may be exacerbated if the differential requirements are extended to PIEs. Respondents suggested that the IAASB could revisit the need to extend the differential requirements to all PIEs when a complete revision of the standard is undertaken, addressing the current challenges.
41. On the other hand, respondents noted that extending the differential requirement to PTEs solely may lead to confusion, complexity and inconsistency in practice as there will be two groups for differential requirements (i.e., PIEs and PTEs).

## **Section IV – PIE TF Views and Recommendations**

42. The PIE TF reflected on respondents' feedback and have the following views and recommendations for the Board's consideration when it next considers the need for the adoption of the definition of PIE, aligned with the definition in the IESBA Code, and extending differential requirements to apply to audits of PIEs (i.e., as a consequence of pursuing Option 1 as discussed in **Part A** of this issues paper).

### Direction of Further Outreach Activities

- (a) In response to respondent's feedback (as described in paragraphs 21(b), 30(a)-(b), 34 in this Appendix), the PIE TF suggests that the IAASB undertake further engagement with stakeholders across different stakeholder groups to better understand the rationale for benefits and concerns that have been raised about extending the application of differential requirements in the areas listed below to a broader population of entities, such as PIEs. Such engagement with stakeholders may be undertaken together with other information-gathering activities, for example academic literature research and surveys of jurisdictional adoption and implementation, and impact analyses of the affected IAASB requirements.
  - The actual or perceived value to TCWG of communicating information about the firm's system of quality management (Question 3B).
  - Communication of KAM in the auditor's report (Question 3D).
  - The actual or perceived impact on audit quality when the name of the engagement partner is disclosed in the auditor's report (Question 3E).

### Engagement Subject to an Engagement Quality Review (Question 3A)

- (b) Regarding the scalability of the requirement for engagement quality reviews for lower-quality risk or small and less complex PIEs (as described in paragraph 16 in this Appendix), the PIE TF acknowledges respondents' 'scoping' concerns. Presently, under Option 1, the relevant differential requirement will only be amended to apply to PTEs. When the Board revisits the scope of differential requirements for engagement quality reviews for PIEs in future, separate assessments would need to be undertaken for the proposed alternatives suggested by the respondents.

### Auditor Independence (Question 3C)

- (c) In response to the concerns related to the possible confusion for users that auditors of non-PIE audits are less independent than the auditors of PIE audits, the PIE TF notes that



differential requirements do not introduce different levels of independence for auditors but rather enhance users' confidence in that independence. They are meant to meet the heightened expectations from stakeholders regarding audit engagements of certain entities because of the significance of the public interest in the financial condition of those entities.

43. The PIE TF believes that on balance, there is no pressing need or compelling argument for the IAASB to consider amendments to any of the current differential requirements in the ISQMs and ISAs, other than what have been proposed as a result of the narrow scope amendments discussed in this paper and as reflected in **Agenda Items 3-A and 3-B**.

## Appendix 3

### Mapping the Proposed Narrow Scope Amendments for Track 2 to the Actions and Objective in the Project Proposal that Support the Public Interest

1. This appendix maps the proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) to the actions and objectives in the project proposal that support the public interest relevant for Track 2 of the project. It also highlights what qualitative standard-setting characteristics were at the forefront, or of most relevance, when determining how to address the proposed actions.
2. Qualitative standard-setting characteristics considered when developing the narrow scope amendments:

- (a) *Coherence* – among the overall body of the IAASB's and IESBA's standards (e.g., by acknowledging and referring to the revisions to the IESBA Code regarding the definition of PIE, adopting the same definition of PTE, aligning on an overarching objective and purpose for establishing differential requirements in the respective Boards' standards and maintaining the interoperability between the standards).
- (b) *Scalability and proportionality* – addressed by considering the relative impact that the proposals may have on different stakeholders and by recognizing heightened stakeholder expectations regarding the performance of audit engagements for certain types of entities that may not be publicly traded, but for which the differential requirements would be appropriate to be apply.
- (c) *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments (e.g., the need to maintain the relevance and robustness of the ISQMs and ISAs given the heightened expectations of stakeholders regarding the performance of audit engagements for PTEs and entities other than PTEs, and by recognizing situations when the IESBA Code requires an action that also has relevance to the IAASB's standards).
- (d) *Comprehensiveness* – limits the extent to which there are jurisdictional exceptions and variations in the application of the definition of PTE and the differential requirements in the ISQMs and ISAs.
- (e) *Clarity and conciseness*, including overall *understandability* – addresses minimizing the likelihood of differing interpretations when concepts across the IAASB's and the IESBA's standards differ or are misaligned.
- (f) *Implementability* and ability of being *consistently applied and globally operable* – focuses on reducing complexity and supporting consistent application and understanding when concepts across the IAASB and the IESBA standards are aligned (e.g., by supporting consistency among jurisdictions globally when applying the ISQMs and ISAs, and by minimizing complexity when too many differential requirements for certain types of entities apply).

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered <sup>29</sup>
	Description	
A. Project Objective: Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs and ISAs to maintain their interoperability.		
<p><b>A.1: The IESBA definition of PIE</b></p> <p><i>Consider adopting the IESBA definition of PIE into the ISQMs and ISAs, or the IAASB Glossary of Terms.</i></p> <p>This project would consider whether the PIE definition should be adopted in the ISQMs and ISAs, because extant differential requirements for listed entities in the ISQMs and ISAs may be amended to apply to all categories of PIEs (also see item C.4 below).</p> <p>This project would also consider the application material in the ISQMs and ISAs that describes entities that have public interest or public accountability characteristics, and any new application material supporting the differential requirements considered as part of this project, and whether it should also reflect the concepts underpinning the definition of PIE (also see item C.5 below).</p> <p>This project would consider whether the PIE definition should be included in the IAASB Glossary of Terms, if it is not defined in the ISQMs and ISAs, but still used, for example, in application material (also see item C.5 below).</p>	<p>The IAASB decided not to adopt the definition of PIE for the ISQMs and ISAs (see rationale in <b>Part A</b>).</p> <p><i>Introduction Section on ISQM 1 and ISA 200</i></p> <ul style="list-style-type: none"><li>• Incorporating in the Introduction and related application material of ISQM 1 and ISA 200 the approach for establishing differential requirements in the ISQMs and ISAs, aligned with the IESBA Code.</li><li>• This includes providing a framework for when it may be appropriate to apply a differential requirement set out in the ISQMs or ISAs for audits of financial statements of publicly traded entities to the audits of other entities.</li></ul> <p><i>Para’s. 5A–5B and A2A–A2E of ISQM 1; 9A–9B and A13A–A13E of ISA 200</i></p>	<ul style="list-style-type: none"><li>• <i>Scalability and proportionality</i></li><li>• <i>Coherence</i></li><li>• <i>Relevance</i></li><li>• <i>Clarity and conciseness</i></li><li>• <i>Implementability, and ability of being consistently applied and globally operable</i></li></ul>

<sup>29</sup> The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, when determining how to address each proposed action.

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered <sup>29</sup>
	Description	
<p><b>A.2: The IESBA definition of “publicly traded entity”</b></p> <p><i>Consider adopting the IESBA definition of “publicly traded entity” into the ISQMs and ISAs, as a replacement of listed entity.</i></p> <p>The project would consider the impact on the ISQMs and ISAs of adopting the definition of “publicly traded entity” and replacing “listed entity” with “publicly traded entity” (also see item C.4 below). In particular, the replacement of the term may result in changes in the underlying entities that such requirements apply to, for example:</p> <ul style="list-style-type: none"> <li>• Additional entities may be scoped into the definition of “publicly traded entity” that are not scoped into the extant definition of “listed entity” in the ISQMs and ISAs.</li> <li>• The definition of “publicly traded entity” refers to “a listed entity as defined by relevant securities law or regulation” as an example of a publicly traded entity. As a result, depending on how the term “listed entity” is defined in securities law or regulation, the notion of a listed entity may be broader or narrower than the extant definition of a “listed entity” in the ISQMs and ISAs.</li> </ul>	<p><i>Definitions</i></p> <ul style="list-style-type: none"> <li>• Adopting the definition of “publicly traded entity” in the Definitions section of the ISQMs and ISAs.</li> </ul> <p><i>Introduction Section on ISQM 1 and ISA 200</i></p> <ul style="list-style-type: none"> <li>• See item A.1 above related to incorporating in the ISQMs and ISAs the overarching objective and purpose for establishing differential requirements, and the framework for when it may be appropriate to apply a differential requirement to an audit of financial statement of an entity other than a publicly traded entity.</li> </ul> <p><i>Para’s. 16(p)B, 5A–5B and A2A–A2E of ISQM 1; 13(l)B, 9A–9B and A13A–A13E of ISA 200</i></p>	<ul style="list-style-type: none"> <li>• Scalability and proportionality</li> <li>• Coherence</li> <li>• Relevance</li> <li>• Comprehensiveness</li> <li>• Clarity and conciseness</li> <li>• Implementability, and ability of being consistently applied and globally operable</li> </ul>
<p><b>B. Project Objective: Establish an objective and guidelines to support the IAASB’s judgments regarding specific matters for which differential requirements for certain entities are appropriate.</b></p>		
<p><b>B.3: An objective and guidelines for establishing differential requirements for certain entities in the ISQMs and ISAs</b></p> <p><i>Adopt the overarching objective established by the IESBA in paragraph 400.8 of the IESBA Code as a principle for establishing differential requirements for certain entities and application material in the ISQMs</i></p>	<p><i>Introduction Section on ISQM 1 and ISA 200</i></p> <ul style="list-style-type: none"> <li>• Adopting the overarching objective for establishing differential requirements in the ISQMs and ISAs, based on paragraph 400.8 of the IESBA PIE revisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Scalability and proportionality</li> <li>• Coherence</li> <li>• Relevance</li> </ul>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered <sup>29</sup>
	Description	
<p>and ISAs.</p> <p><i>Develop a tailored objective, based upon the overarching objective, and taking into consideration paragraph 400.10 of the IESBA Code, that explains the purpose for differential requirements for certain entities in the ISQMs and ISAs.</i></p> <p><i>Develop guidelines that assist the IAASB in identifying when differential requirements for certain entities may be appropriate, and if so, how such requirements should be established in the ISQMs and ISAs.</i></p> <p><i>Determine the appropriate location and accessibility of the objective or guidelines described above.</i></p> <p>The objective and guidelines would be used as a basis for:</p> <ul style="list-style-type: none"> <li>• Undertaking a case-by-case analysis of existing differential requirements for listed entities in the ISQMs and ISAs to determine whether those requirements need to be amended to apply to all categories of PIEs (also see item C.4 below); and</li> <li>• Future IAASB projects in determining whether differential requirements need to be established for certain entities in the ISQMs and ISAs (i.e., it would be used to inform the approach by providing principles against which future proposals for differential requirements can be tested).</li> </ul>	<ul style="list-style-type: none"> <li>• Tailoring the purpose for the objective in paragraph 400.10 of the IESBA PIE revisions to meet “the heightened expectations of stakeholders regarding the audit engagement.”</li> <li>• Including a framework for determining when it may be appropriate to apply a differential requirement set out in the ISQMs or ISAs for audits of financial statements of publicly traded entities to the audits of other entities.</li> </ul> <p><i>Paras. 5A–5B and A2A–A2E of ISQM 1; 9A–9B and A13A–A13E of ISA 200</i></p>	<ul style="list-style-type: none"> <li>• <i>Comprehensiveness</i></li> <li>• <i>Clarity and conciseness</i></li> <li>• <i>Implementability, and ability of being consistently applied and globally operable</i></li> </ul>
<p><b>C. Project Objective: 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.</b></p>		
<b>C.4: Case-by-case analysis of extant differential requirements for</b>	<i>Scope and Requirements</i>	<ul style="list-style-type: none"> <li>• <i>Scalability and</i></li> </ul>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered <sup>29</sup>
	Description	
<p><b>listed entities in the ISQMs and ISAs</b></p> <p><i>Undertake a case-by-case analysis to determine:</i></p> <ul style="list-style-type: none"> <li>• Whether the extant differential requirements for listed entities should be amended to apply to all categories of PIEs; and</li> <li>• The impact on extant differential requirements for listed entities of adopting the definition of “publicly traded entity” as a replacement of “listed entity.”</li> </ul> <p>In undertaking the case-by-case analysis, the project would consider:</p> <ul style="list-style-type: none"> <li>• The objective and guidelines for establishing differential requirements for certain entities in the ISQMs and ISAs (also see item B.3 above).</li> <li>• The impact of amending the extant differential requirements for listed entities to apply to other entities, including the impact of adopting the definition of “publicly traded entity” as a replacement of “listed entity” if the differential requirements were to apply to “publicly traded entities” (also see items A.1 and A.2 above).</li> <li>• Other information available (e.g., the post-implementation review of the auditor reporting standards, respondents’ feedback from the Exposure Draft on Proposed ISQM 1<sup>30</sup> regarding the scope of entities that should be subject to an engagement quality review, the Board’s deliberations and decisions at the time when certain differential requirements were established, and, where appropriate, how national standard setters have addressed this</li> </ul>	<ul style="list-style-type: none"> <li>• Amending the differential requirements for listed entities to apply to “publicly traded entity” in ISQM 1, ISA 260 (Revised), ISA 700 (Revised), ISA 701 and ISA 720 (Revised).</li> <li>• Bifurcating the requirements in paragraph 18 of ISA 260 (Revised), to address the communication about compliance with independence requirements in the auditor’s report for all audit engagements.</li> </ul> <p><i>Paras. 34(e)–(f) of ISQM 1; 18, 18A of ISA 260 (Revised); 30–31, 40(b)–(c), 46, 50(l) of ISA 700 (Revised); 5 of ISA 701; 21–22(b) of ISA 720 (Revised)</i></p>	<p><i>proportionality</i></p> <ul style="list-style-type: none"> <li>• <i>Relevance</i></li> <li>• <i>Clarity and conciseness</i></li> <li>• <i>Comprehensiveness</i></li> <li>• <i>Implementability, and ability of being consistently applied and globally operable</i></li> </ul>

<sup>30</sup> See Exposure Draft: [Proposed International Standard on Quality Management 1 \(Previously International Standard on Quality Control 1\), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements](#).

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered <sup>29</sup>
	Description	
issue at jurisdictional levels).		
<p><b>C.5: Application and introductory material in the ISQMs and ISAs</b></p> <p><i>As a consequence of undertaking the case-by-case analysis, consider whether:</i></p> <ul style="list-style-type: none"> <li><i>The application material in the ISQMs and ISAs should be updated as a result of any changes to entities to which the extant differential requirements apply and to align with the concepts underpinning PIEs.</i></li> <li><i>Updates may be needed to application material (e.g., examples and appendices) and introductory material (e.g., scope and scalability paragraphs) that use the term “listed entity(ies)” or otherwise make reference to listed entities (e.g., entities that are listed or entities other than listed entities).</i></li> </ul> <p>The ISQMs and ISAs include application material to explain that certain entities other than listed entities could have characteristics that give rise to similar public interest issues as listed entities to alert auditors that it may be appropriate to apply a requirement that was designed for an audit of financial statements of a listed entity to a broader range of entities.<sup>31</sup> Various examples are included in application material to illustrate the types of entities that may exhibit such characteristics.</p> <p>This project will consider whether such application material should be updated:</p>	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>Inclusion of a framework in the application material to the Introduction sections of ISQM 1 and ISA 200 that supports consideration of whether there are other types of entities for which it may be appropriate to apply the differential requirements in the ISQMs and ISAs that apply to audits of publicly traded entities.</li> <li>Changes to align the entities to which the extant differential requirements apply as well as to align with the concepts underpinning the definition of “publicly traded entity.”</li> </ul> <p><i>Various application and introductory material paragraphs and the illustrative auditor’s reports in the ISAs</i></p>	<ul style="list-style-type: none"> <li><i>Comprehensiveness</i></li> <li><i>Implementability, and ability of being consistently applied and globally operable</i></li> </ul>

<sup>31</sup> References in the application material made with respect to “public interest entities”, “public entities”, “entities with public accountability”, “entities with public interest or public interest characteristics”, “entities with significant public interest” and other similar descriptions.

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered <sup>29</sup>
	Description	
<ul style="list-style-type: none"> <li>As a consequence of the IAASB's decisions regarding which entities the differential requirements apply to; and</li> <li>To include the categories of entities included in the definition of PIE (i.e., if the requirement continues to apply to listed entities or publicly traded entities only), the factors in the IESBA Code for evaluating the extent of public interest in the financial condition of an entity and the factors in the IESBA Code for firms to consider in determining whether to apply the requirements in the IESBA Code for PIEs to other entities.</li> </ul> <p>The ISQMs and ISAs include references to listed entities and related terms<sup>32</sup> (e.g., examples in application material, appendices, and scope and scalability paragraphs). The project will consider whether such application material needs to be updated.</p>		

<sup>32</sup> Related terms include the following: “non-listed”, “other than listed”, “unlisted” and “smaller listed” entity.



## Appendix 4

### Relevant Extracts from the IAASB's Due Process

The matter of re-exposure is addressed in the IAASB's [Due Process and Working Procedures](#), paragraphs 23 and A40-A42.

23. After approving the final revised content of an exposed international pronouncement, the PIAC<sup>33</sup> votes on whether there has been substantial change to the exposed document such that re-exposure is necessary. An affirmative vote in accordance with the PIAC's terms of reference that re-exposure is necessary is required to issue a re-exposure draft. The basis of the PIAC's decisions with respect to re-exposure is recorded in the minutes of the PIAC meeting at which the related project is discussed. (Ref: Para. A40-A42).

...

#### Re-Exposure (Ref: Para. 23)

- A40. When an exposure draft has been subject to many changes, a summary comparative analysis is presented to the PIAC. This analysis shows, to the extent practicable, the differences between the exposure draft and the proposed final international pronouncement.
- A41. The senior staff member of the PIAC, in consultation with the Chair of the PIAC and chair of the Project Task Force, advises the PIAC on whether a draft international pronouncement, or part thereof, needs to be re-exposed.
- A42. Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the PIAC before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the PIAC; or substantial change to the substance of a proposed international pronouncement.

---

<sup>33</sup> Public Interest Activity Committee, i.e., the IAASB.