

## Track 2: Listed Entity and Public Interest Entity (PIE) – Question 6

### 6. Are there any other matters you would like to raise in relation to the ED?

#### Q06 Yes

#### 1. Monitoring Group

#### International Organization of Securities Commission (IOSCO)

We further believe there may be a risk of inconsistent scoping of public interest entities as it relates to the recently completed ISA for Audits of Financial Statements of Less Complex Entities (the ISA for LCE) as the final pronouncement of the ISA for LCE includes a specific scoping prohibition for entities that are listed entities. We believe the IAASB should consider conforming amendments within the ISA for LCE to replace the term “listed entity” with “publicly traded entity”, consistent with the proposed amendments throughout the ISAs, ISREs, and ISQMs. For example, an entity may meet the definition of a public interest entity and be subject to the differential requirements under the ISQMs and ISAs but may not be explicitly prohibited from being audited in accordance with the ISA for LCE.

Furthermore, we believe the IAASB should also contemplate the revised PIE definition as it progresses through its approved Strategy and Work Plan for 2024-2027. For example, we believe it is important for the IAASB to consider revisions to ISRE 2410 as part of its project planned to start in 2025.

Furthermore, we believe the IAASB should also contemplate the revised PIE definition as it progresses through its approved Strategy and Work Plan for 2024-2027. For example, we believe it is important for the IAASB to consider revisions to ISRE 2410 as part of its project planned to start in 2025.

Transparency related to differential requirements:

We acknowledge the IAASB's recently completed Narrow Scope Amendments to ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements; and ISA 260 (Revised), Communication with Those Charged with Governance, to operationalize the IESBAs transparency requirement to publicly disclose when a firm has applied the independence requirements for PIEs. In addition to the requirement to enhance transparency about the relevant ethical requirements for independence applied for certain entities, and as it relates to the differential requirements for certain entities as determined by the IAASB in this ED, we believe the IAASB should consider adding a transparency requirement to also publicly disclose when a firm has applied the differential ISA requirements for PIE since there may be circumstances where PIE requirements may be applied by a practitioner for independence purposes but not assurance purposes. A lack of transparency on this matter may lead a user of the auditor's report to presume the differential requirements for PIE's were applied when that may not be the case.

We further believe there may be a risk of inconsistent scoping of public interest entities as it relates to the recently completed ISA for Audits of Financial Statements of Less Complex Entities (the ISA for LCE) as the final pronouncement of the ISA for LCE includes a specific scoping prohibition for entities that are listed entities. We believe the IAASB should consider conforming amendments within the ISA for LCE to replace the term “listed entity” with “publicly traded entity”, consistent with the proposed amendments throughout the ISAs, ISREs, and ISQMs. For example, an entity may meet the definition of a public interest entity and be subject to the differential requirements under the ISQMs and ISAs but may not be explicitly prohibited from being audited in accordance with the ISA for LCE.

## 2. Regulators and Audit Oversight Authorities

### Committee of European Auditing Oversight Bodies (CEAOB)

Examples in ISQM1

The first example mentioned in the box under paragraph A166 states “The nature of the identified deficiency: The firm’s procedures to understand the root cause(s) of an identified deficiency may be more rigorous in circumstances when an engagement report related to an audit of financial statements of a listed publicly traded entity was issued that was inappropriate or the identified deficiency relates to leadership’s actions and behaviors regarding quality.” The CEAOB believes that this also applies to PIE and the term PTE in this example should be replaced by PIE.

Yes, with comments below

### Independent Regulatory Board for Auditors – South Africa (IRBA)

Yes, with comments below

In reading the exposure draft, we noted a possible error in the proposed changes to paragraph A166. The change is being made to replace “listed entity” by “publicly traded entity”. The related proposals in the requirements replace listed with “public interest entity”.

Should the highlighted wording be changed to “public interest entity”, instead of “publicly traded entity”?

The same comment also applies to proposed changes to paragraph A30 of ISA 240, as indicated in the ED on page 52. The ED proposes to replace “listed entities” with “certain public interest entities”. We propose the deletion of the word “certain” because this should be all public interest entities.

## 3. Jurisdictional and National Auditing Standard Setters

### American Institute of Certified Public Accountants (AICPA)

Yes, with comments below

In addition to our overarching comments within Part A of this response, we urge IAASB to develop concurrent stakeholder education, adoption, and implementation support materials or other nonauthoritative guidance with the approval of final changes to Exposure Draft. In addition to the specific requests for such materials as noted above, we continue to believe there is a need for such guidance following the recent issuance of the Track 1 amendments to ISA 700 (Revised) and ISA 260 (Revised). While the IAASB staff intended to address certain implementation and other nonauthoritative matters in the Basis for Conclusion document accompanying the issuance of the Track 1 amendments to ISA 700 (Revised) and ISA 260 (Revised), we believe the adoption and implementation issues we raised in our Track 1 response are unresolved.

### Canadian Auditing and Assurance Standards Board

Yes, with comments below

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

Yes, with comments below

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

Yes, with comments below

#### **Nordic Federation of Public Accountants (NRF)**

Yes, with comments below

The ED also includes suggested changes in ISA 240 and ISA 570. The suggested changes are based on the extant versions of those standards although ISA 570 (Revised) was recently out for exposure and ISA 240 (Revised) currently is. Consequently, for example, paragraph A30 in extant ISA 240, where a change is suggested, has a different content in proposed ISA 240 (Revised). At the same time paragraph A108 in the proposed ISA 240 (Revised) ED refers to “listed entities”. Therefore, we wonder how suggested conforming and consequential amendments will be addressed in the final versions given that the wording has been changed in the revised paragraphs/illustrations.

This is also one of the reasons why we stress the importance to work closely with both the Fraud and Going Concern project when finalizing this one.

#### **Royal Netherlands Institute of Chartered Accountants (NBA)**

Yes, with comments below

#### **Wirtschaftsprüferkammer (WPK)**

Yes, with comments below

### **4. Accounting Firms**

#### **BDO International Limited**

ISA 240, paragraph A30 Risks of Fraud in Revenue Recognition

A30. The risks of fraud in revenue recognition may be greater in some entities than others. For example, there may be pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition in the case of listed certain public interest entities when, for example, performance is measured in terms of year over year revenue growth or profit. Similarly, for example, there may be greater risks of fraud in revenue recognition in the case of entities that generate a substantial portion of revenues through cash sales.

The word ‘listed’ entities is replaced with the words ‘certain public interest entities’ in paragraph A30 of ISA 240. We support replacing the word ‘listed’ with ‘public interest entities’, but we do ask the IAASB reconsider what is intended by inclusion of the word ‘certain’ in this context. The phrase ‘certain public interest entities’ has not been used in any of the other narrow scope amendments and from a public interest perspective it has the potential to imply, albeit inadvertently, that risks of fraud in revenue do not need to be considered on all public interest entities.

The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities

We ask the IAASB to consider applying conforming amendments to the recently published ISA for LCEs for example in paragraph A1(b) - ‘listed entity’ to be replaced with ‘publicly traded entity’ to align to the definition of public interest entity contained in the ISAs, as well as the IESBA Code.

Yes, with comments below

#### **Ernst & Young Global Limited**

Timely updates to the Authority of the ISA for LCE

We note that paragraph 10 of the ED-PIE acknowledges that the IAASB has considered the impact of the adoption of the PIE definition on the Authority of the ISA for Audits of Financial Statements of Less Complex Entity (the ISA for LCE). However, no further action is noted. We believe that the IAASB should deliberate and implement conforming amendments to the Authority of the ISA for LCE concurrently with the effective date of the ED-PIE. We believe the criteria in the Authority of the ISA for LCE would need to be aligned to any new definitions at the same time as the IAASB standards, otherwise, illogical scenarios may occur (e.g., an entity not being permitted to use the ISA for LCE because they fall under the existing definition of listed entity, even when they are not a publicly traded entity or PIE under the new definitions).

Yes, with comments below

#### **Grand Thornton International Limited**

Click to select from dropdown menu

#### **Mazars**

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

Yes, with comments below

#### **RSM International Limited**

Yes, with comments below

### **5. Member Bodies and Other Professional Organizations**

#### **Accountancy Europe**

Yes, with comments below

#### **International Federation of Accountants (IFAC)**

Yes, with comments below

### **6. Individuals and Others**

#### **Wayne Morgan and Phil Peters**

Yes, with comments below

### **Q06 No or No Response**

#### **1. Monitoring Group**

##### **International Forum of Independent Audit Regulators (IFIAR)**

#### **2. Regulators and Audit Oversight Authorities**

##### **Botswana Accountancy Oversight Authority (BAOA)**

No response

##### **Financial Reporting Council – UK (FRC)**

No (with no further comments)

##### **National Association of State Boards of Accountancy (NASBA)**

#### **3. Jurisdictional and National Auditing Standard Setters**

**Australian Auditing and Assurance Standards Board (AUASB)**

No (with no further comments)

**Hong Kong Institute of Certified Public Accountants**

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

No (with no further comments)

**Japanese Institute of Certified Public Accountants**

No (with no further comments)

**New Zealand Auditing and Assurance Standards Board**

No response

**Saudi Organization for Chartered and Professional Accountants (SOCPA)**

No (with no further comments)

**4. Accounting Firms**

**Crowe LLP**

**Deloitte Touche Tohmatsu Limited**

No (with no further comments)

**KPMG International Limited**

No (with no further comments)

**PricewaterhouseCoopers International Limited**

No response

**5. Member Bodies and Other Professional Organizations**

**Asociación Interamericana de Contabilidad**

We have no other matter to raise in relation to the ED, we understand that the document covers all relevant matters to achieve the definitions of PIE and listed entities, the differential requirements and the necessary operability between the IESBA Code, the standards of independences and IAASB ISQM and ISA and ISRE.

**Botswana Institute of Chartered Accountants**

No response

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

No (with no further comments)

**Chartered Accountants Ireland**

No (with no further comments)

**CPA Australia**

No (with no further comments)

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

No (with no further comments)

**Federation of Accounting Professions of Thailand**

No (with no further comments)

**Institute of Chartered Accountants of Jamaica**

No (with no further comments)

**Institute of Singapore Chartered Accountants (ISCA)**

No (with no further comments)

**Korean Institute of Certified Public Accountants (KICPA)**

No response

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

No (with no further comments)

**Malaysian Institute of Certified Public Accountants (MICPA)**

No (with no further comments)

**The Malta Institute of Accountants**

No (with no further comments)

**Virginia Society of CPAs**

No (with no further comments)