

Agenda Item 3-E.6 (Supplemental)

Track 2: Listed Entity and Public Interest Entity (PIE) – Question 4

4. Do you agree with the IAASB’s proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to “publicly traded entity”? If not, what do you propose and why? (See EM Section 1-D, paragraphs 47-51)

Q04 Agree

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

Agree, with comments below

We agree with the rationale in paragraph 50 in the Explanatory Memorandum in support of this proposal.

Canadian Auditing and Assurance Standards Board

Agree (with no further comments)

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

Agree (with no further comments)

Nordic Federation of Public Accountants (NRF)

Agree (with no further comments)

Saudi Organization for Chartered and Professional Accountants (SOCPA)

Agree (with no further comments)

Wirtschaftsprüferkammer (WPK)

Agree (with no further comments)

4. Accounting Firms

BDO International Limited

Agree (with no further comments)

Mazars

Agree (with no further comments)

5. Member Bodies and Other Professional Organizations

Asociación Interamericana de Contabilidad

Yes, we agree.

We consider relevant the reasons given by the IAASB in Section 1-D, paragraphs 47 to 51 to justify its decision not to extend the differential requirements of ISA 720 (Revised) to PIEs.

Botswana Institute of Chartered Accountants

Agree (with no further comments)

Chartered Accountants Ireland

Agree (with no further comments)

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

Agree (with no further comments)

Federation of Accounting Professions of Thailand

Agree (with no further comments)

Institute of Chartered Accountants of Jamaica

Agree (with no further comments)

Institute of Singapore Chartered Accountants (ISCA)

Agree, with comments below

We noted similar observations highlighted under paragraph 48 of the Explanatory Memorandum in our jurisdiction.

Korean Institute of Certified Public Accountants (KICPA)

Agree (with no further comments)

Malaysian Institute of Certified Public Accountants (MICPA)

Agree (with no further comments)

The Malta Institute of Accountants

Agree (with no further comments)

We agree with the Board's proposal to replace "listed entity" with "publicly traded entity" in this case and to defer consideration of extending this requirement to audits of all PIEs until a future revision of ISA 720 (Revised).

Virginia Society of CPAs

Agree (with no further comments)

Q04 Agree With Comments

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Agree, with comments below

In addition to listed entities, the proposed new term of "publicly traded entity" scopes in more entities.

Independent Regulatory Board for Auditors – South Africa (IRBA)

Agree, with comments below

We note that stakeholders consulted by the IAASB were of the view that the practical difficulties encountered with identifying and considering the other information received after the date of the auditor's report outweighed the public interest benefits of doing so. Identifying other information after the report signing date can be complicated, as also experienced in our jurisdiction. As such, we support the IAASB's proposal to not extend the differential requirements on Other Information to PIEs, but to defer a discussion

on extending these requirements to apply to PIEs until a comprehensive revision of the standard is undertaken, based on future IAASB work plan decisions.

3. Jurisdictional and National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

Agree, with comments below

The AUASB agrees with the position of the IAASB in not expanding extant ISA 720 differential reporting requirements to PIEs given existing practical issues. However, some Australian stakeholders have commented that applying ISA 720 (Revised) to publicly traded entities may potentially create confusion, complexity and inconsistent application in practice as there will be two groups for differential requirements (i.e. PIEs and publicly traded entities)..

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

Agree, with comments below

We agree with the proposal to replace the differential requirements in ISA 720 to “publicly traded entity” and not PIE.

We take the opportunity to mention that we believe that ISA 720 needs to be amended to better reflect current thinking on connectivity between financial statements and sustainability reporting.

At present paragraph A5 of ISA 720 excludes from the scope of “other information” reports that, when issued as standalone documents, are not typically part of the combination of documents that comprise an annual report (subject to law, regulation or custom), such as “sustainability reports”, “diversity and equal opportunity reports”, “human rights reports”...; we believe that these sustainability reports should be read in connection with the financial statements and should therefore not be excluded from the scope of “other information». This would require changes to paragraph A5.

Hong Kong Institute of Certified Public Accountants

We also support the IAASB's proposals to extend the existing differential requirements in ISQM 1, ISA 260 (Revised), ISA 700 (Revised) and ISA 720 (Revised) to PIEs. As highlighted in IESBA's Basis for Conclusions, one of the objectives of the PIE definition project was to bring greater clarity to the concepts of PIE with a focus on independence and audit quality that underpin the concepts of PIEs. In our views, extending the differential requirements to PIEs represents a pragmatic and effective approach to enhancing audit quality in entities that hold significant public interest.

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

Agree, with comments below

We agree with the IAASB's proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to “publicly traded entity” because the definition of publicly traded entity (with the exception of the matters noted in our response to Question 2) is superior to that for listed entity.

Furthermore, we agree with the proposed way forward set forth in paragraphs 47 to 51 in the Explanatory Memorandum that differential requirements for listed entities in ISA 720 (Revised) relating to other information should NOT be extended to all entities that meet the PIE definition, because we believe that

amending the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to PIEs is inappropriate due to the need to fundamentally overhaul ISA 720 (Revised), as described in the Explanatory Memorandum, and that therefore that consideration of the scope of differential requirements in ISA 720 (Revised) should be undertaken as part of a separate project in the medium term encompassing all necessary changes to that standard.

Japanese Institute of Certified Public Accountants

Agree, with comments below

We agree with the IAASB's proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to "publicly traded entity". As described in the Explanatory Memorandum to the ED, the findings from the Auditor Reporting PIR noted the practical issues which arise in various jurisdictions when the other information is not available at the time the auditor's report is signed for the entity not listed on the market. Therefore, we believe that it is appropriate to amend the differential requirements of ISA 720 (Revised) to apply not to PIEs but to "publicly traded entity".

New Zealand Auditing and Assurance Standards Board

Agree (with no further comments)

We support the IAASB recommendation not to extend the differential requirements in ISA 720 to public interest entities until a comprehensive revision of the standard is undertaken. Extending the differential requirements to PIEs at this time may exacerbate implementation issues including:

identifying which other information is included in the annual report and therefore affecting the scope of the auditor's responsibilities to read and consider the other information.

practical issues that arise when the other information is not available at the time the auditor's report is signed.

4. Accounting Firms

KPMG International Limited

Agree, with comments below

We agree as we do not support extending any of the differential requirements to apply to PIEs for the reasons outlined in our response to Question 1.

RSM International Limited

Agree, with comments below

Whilst we understand the IAASB's decision to defer the discussion on extending the differential requirements in ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information, to all PIEs for the reasons identified in paragraphs in 48-49 of the Explanatory Memorandum, we agree with the public interest factors that would drive the requirement, which include providing transparency to intended users about the other information and auditor's work effort in relation to such information.

Thus, we encourage the IAASB to consider whether extending the differential requirements from PTEs to all PIEs would be appropriate when a comprehensive revision of ISA 720 (Revised) is undertaken based on future work plan decisions.

5. Member Bodies and Other Professional Organizations

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

Agree, with comments below

We support amending the applicability of the differential requirements in ISA 720 (Revised) from a “listed entity” to a “publicly traded entity”. We agree that if the differential requirements in ISA 720 (Revised) were extended from a “listed entity” to a “PIE” it may exacerbate the challenges and practical difficulties identified by the IAASB’s Auditor Reporting Post-Implementation Review.

CPA Australia

Agree, with comments below

CPA Australia supports the IAASB’s proposal to modify the applicability of the differential requirements in ISA 720 (Revised) The Auditor’s Responsibilities Relating to Other Information (ISA 720) to apply only to “publicly traded entities” at present.

We also endorse the rationale provided in the EM for postponing amendments to the differential requirements of ISA 720 for PIEs at present. We agree that this discussion should be deferred until a comprehensive revision of ISA 720 is undertaken.

International Federation of Accountants (IFAC)

Agree, with comments below

We note that a project in relation to ISA 720 (Revised) has been placed into reserve in the IAASB’s Strategy and Workplan. This project will offer a more substantive opportunity to comment on the requirements of ISA 720, so at this stage we have no objection to the changes proposed here.

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

Agree, with comments below

We note the findings of the IAASB’s Post Implementation Review of the Revised Auditor Reporting Standards and agree with the decision to only extend these differential requirements to apply to publicly traded entities rather than all PIEs until the IAASB completes a project to revise ISA 720 (Revised) and address the challenges faced by stakeholders.

6. Individuals and Others

Wayne Morgan and Phil Peters

Agree, with comments below

See our response to 3A. We agree with this amendment because it appears to remove a differential requirement.

Q04 Neither Agree Nor Disagree

1. Monitoring Group

International Organization of Securities Commission (IOSCO)

We encourage the IAASB to seek input from other stakeholders, such as prudential regulators, regarding the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to “publicly traded entity” only.

With that said, in the IAASB’s decision not to amend the differential requirements in paragraphs 21 – 22(b) of ISA 720 (Revised) to apply to PIEs, the IAASB cited findings from the Auditor Reporting Post-Implementation Review (PIR) that noted challenges and practical difficulties which arose in various jurisdictions with the implementation of ISA 720 (Revised), including practical issues that arise when the other information is not available at the time the auditor’s report is signed. However, in addition to the feedback received through the Auditor Reporting PIR, we believe it is important for the IAASB to also consider the more recent feedback received on proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, specifically feedback received about ‘Other Information’ given the importance of connectivity between financial and sustainability reporting.

Q04 Disagree

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

We also do not agree with the proposition to only apply the differential requirements about the other information to “publicly traded entities”. While we understand the basis for the approach set out in the ED, we believe that the public interest factors described in paragraph 49 of the EM should be given greater weight. We therefore believe that the extant differential requirements in ISA 720 should be extended to all PIEs because of the inherent levels of public interest in such bodies. Misstatements in the other information may have impacts other than price sensitivity considerations for publicly traded financial instruments, and it is in the public interest to extend these considerations to all PIEs. We would also encourage the IAASB to consider a revision of ISA 720 (Revised) considering the issues noted in the EM, when time and resources allow.

2. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies (CEAOB)

Other information (ISA 720 Revised)

The IAASB has decided not to amend the existing differential requirements for listed entities in paragraphs 21(a) and 22(b)(ii) of ISA 720 (Revised) to apply to PIEs. Based on the rationale mentioned in articles 36, 48 and 49 of the Explanatory Memorandum, the CEOAB does not understand why such rationale does not apply also to PTEs.

Furthermore, the CEOAB draws the IAASB’s attention to the fact that some European jurisdictions have clarified that all other information required by law or regulation shall be obtained before the date of the auditor’s report to enable the auditor to perform the required procedures before the date of the audit report and to report in compliance with the requirements of the laws, regulations, and ISA 720 (Revised).

Therefore, the CEOAB is of the view that the auditor should obtain the other information before the date of its audit report and should not be required to perform additional procedures on other information obtained after the date of the auditor’s report, nor should (s)he be required to include specific information in the audit report on other information the auditor will receive and consider after the date of the report.

The CEAOB believes the risk that a material misstatement in the other information may undermine the credibility of the financial statements and of the auditor's report is covered by paragraph 22 (b) (ii) of ISA 720 (Revised) according to which the auditor is required to clearly indicate in the audit report the other information that has been obtained and considered before the date of the audit report.

Disagree, with comments below

The IAASB has decided not to amend the existing differential requirements for listed entities in paragraphs 21(a) and 22(b)(ii) of ISA 720 (Revised) to apply to PIEs. Based on the rationale mentioned in articles 36, 48 and 49 of the Explanatory Memorandum, the CEAOB does not understand why such rationale does not apply also to PTEs.

Furthermore, the CEAOB draws the IAASB's attention to the fact that some European jurisdictions have clarified that all other information required by law or regulation shall be obtained before the date of the auditor's report to enable the auditor to perform the required procedures before the date of the audit report and to report in compliance with the requirements of the laws, regulations, and ISA 720 (Revised).

Therefore, the CEAOB is of the view that the auditor should obtain the other information before the date of its audit report and should not be required to perform additional procedures on other information obtained after the date of the auditor's report, nor should (s)he be required to include specific information in the audit report on other information the auditor will receive and consider after the date of the report.

The CEAOB believes the risk that a material misstatement in the other information may undermine the credibility of the financial statements and of the auditor's report is covered by paragraph 22 (b) (ii) of ISA 720 (Revised) according to which the auditor is required to clearly indicate in the audit report the other information that has been obtained and considered before the date of the audit report.

Financial Reporting Council – UK (FRC)

Disagree, with comments below

We do not agree with the proposal to only apply the differential requirements about the other information to “publicly traded entities”. While we understand the basis for the judgement for not extending the requirement to all PIEs, the public interest factors to provide transparency to users described in paragraph 49 of the EM should be given greater weight. From a user perspective, there is also likely to be an expectation that consistent processes are applied for all PIEs. We therefore suggest that the extant differential requirements in ISA 720 should be extended to all PIEs because of the inherent levels of public interest in such bodies. Misstatements in the other information may have significant negative impacts other than price sensitivity considerations for publicly traded financial instruments, and so it is in the public interest to extend these considerations to all PIEs. The IAASB also needs to better articulate the costs and benefits of the proposed approach.

We would also encourage the IAASB to prioritise a revision of ISA 720 (Revised) following the issues noted in the EM when time and resource allow.

3. Jurisdictional and National Auditing Standard Setters

Royal Netherlands Institute of Chartered Accountants (NBA)

Disagree, with comments below

We disagree with the rationale provided for limiting the differential requirements in ISA 720 to only apply to ‘publicly traded entity’. The NBA is of the view that the interest in consistently applying differential requirements to all Public Interest Entities outweighs the additional burden created by ISA 720.

In the Netherlands, we have already expanded all requirements for ‘listed entities’ in the extant ISAs to apply also to PIEs, and we have not observed any difficulties in applying this also with respect to other information under ISA 720.

4. Accounting Firms

Deloitte Touche Tohmatsu Limited

Disagree, with comments below

See our response to Question 2.

Ernst & Young Global Limited

Disagree, with comments below

As stated in our response to Q2, we support the concept of converging with the IESBA Code's definition of “publicly traded entity”, replacing the existing definition of “listed entity”, as we believe the proposed definition of “publicly traded entity” is capable of consistent implementation by auditors and will result in consistent implementation across jurisdictions regardless of the actions in the jurisdiction. However, because the definition of publicly traded entity is integral to the definition of PIE, we believe that any decisions to adopt the definition should not be made until the IAASB determines its direction of the PIE definition based on the challenges we outline in our response to Q2.

Grand Thornton International Limited

Disagree, with comments below

We do not agree with the proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to “publicly traded entity.” Historically, the auditor’s responsibilities related to other information have been limited to listed entities because the requirements related to annual reports are clearer for such entities. Nevertheless, the requirements in ISA 720 (Revised) have resulted in several issues in practice, which the IAASB has acknowledged. The concept of an annual report may not be as clear for some entities that will be classified as publicly traded. Accordingly, we believe the differential requirements in ISA 720(Revised) should only apply to listed entities and, therefore, there should be no changes to extant requirements in ISA 720 (Revised).

PricewaterhouseCoopers International Limited

Disagree, with comments below

As reflected in the findings of the IAASB’s Post Implementation Review of the Revised Auditor Reporting Standards, the differential requirements in ISA 720 (Revised) have caused practical challenges in identifying, reading and considering other information received after the date of the auditor’s report. For these reasons, and the reasons described in our response to question 2, we believe the IAASB should defer making changes to the requirements applicable to listed entities until:

there is clarity on the expectations being set by the requirements to treat an entity as a PIE, and consistent application of the mandatory categories of PIEs, by both the IAASB and the IESBA; and

the IAASB has completed a project to revise ISA 720 (Revised) and address the challenges noted by stakeholders.

Furthermore, the public interest benefits of the differential reporting requirements need to be further assessed for PIEs other than listed (or publicly traded) entities in addition to the broader matters described in our response to question 1.

5. Member Bodies and Other Professional Organizations

Accountancy Europe

Disagree, with comments below

We prefer a consistent scope of application for the differential requirements in ISAs.

Q04 No Response

2. Regulators and Audit Oversight Authorities

National Association of State Boards of Accountancy (NASBA)

4. Accounting Firms

Crowe LLP