

PROPOSED NARROW SCOPE AMENDMENTS TO THE ISQMs,¹ ISAs² AND ISRE 2400 (REVISED)³ AS A RESULT OF THE REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PIE IN THE IESBA CODE⁴ - SELECTED PARAGRAPH

[MARKED-UP FROM AGENDA ITEM 3-C]

This Agenda Item includes the PIE Task Force’s proposed revisions to selected paragraphs for narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) relevant to Track 2 of the listed entity and PIE project to address targeted matters raised in the IAASB Plenary discussion on December 9, 2024.

(Effective for audits of financial statements for periods beginning on or after December 15, 2026)

ISQM 1, QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS

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Application and Other Explanatory Material

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A2A. The firm may determine that there are entities other than publicly traded entities where stakeholders have heightened expectations regarding the audit engagement, reflecting significant public interest in the financial condition of those entities. Therefore, the firm may also apply one or more requirements set out in ~~the-an~~ ISQMs for audits of financial statements of publicly traded entities to the audits of such other entity(ies). Paragraphs A2B–A2E may be relevant in this regard.

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A2E. The firm may also consider the following factors in determining whether it may be appropriate to apply one or more requirements in an ISQM for audits of publicly traded entities to the audits of another entity(ies):

- Whether the entity is treated as a public interest entity for purposes of relevant ethical requirements, including those related to independence.
- Whether the entity is likely to become a publicly traded entity in the near future.

¹ International Standards on Quality Management

² International Standards on Auditing

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

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

- Whether in similar circumstances, the firm has applied the differential requirements for publicly traded entities to other entities.
- Whether the entity has been specified as not being a publicly traded entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the firm to apply the differential requirements for publicly traded entities to the entity and, if so, whether there are any reasons for not meeting this request.
- The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.
- Whether in similar circumstances, a predecessor firm has applied differential requirements for publicly traded entities to the entity.

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ISA 200, OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

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Application and Other Explanatory Material

An Audit of Financial Statements

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Public Interest in the Financial Condition of an Entity (Ref: Para. 9A-9B)

A13A. The auditor may determine that there are entities other than publicly traded entities where stakeholders have heightened expectations regarding the audit engagement, reflecting significant public interest in the financial condition of those entities. Therefore, the auditor may also apply **one or more** requirements set out in **the-an** ISAs for audits of financial statements of publicly traded entities to the audits of such other entity(ies). Paragraphs A13B–A13E may be relevant in this regard.

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A13E. The auditor may also consider the following factors in determining whether to apply **one or more** requirements **in an ISA** for audits of publicly traded entities to **the audits of another entity(ies)**:

- Whether the entity is treated as a public interest entity for purposes of relevant ethical requirements, including those related to independence.
- the entity is likely to become a publicly traded entity in the near future.
- Whether in similar circumstances, the auditor has applied the differential requirements for publicly traded entities to other entities.
- Whether the entity has been specified as not being a publicly traded entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the auditor to apply the differential

requirements for publicly traded entities to the entity and, if so, whether there are any reasons for not meeting this request.

- The entity’s corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.
- Whether in similar circumstances, a predecessor auditor has applied differential requirements for publicly traded entities to the entity.

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ISA 260 (REVISED), COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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Application and Other Explanatory Material

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Matters to Be Communicated

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Auditor Independence (Ref: Para. 17–18A)

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A29A.Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance for matters that may reasonably be thought to bear on independence. For example, the IESBA Code requires the auditor to communicate with those charged with governance information regarding fees,⁵ including fees for sustainability assurance engagements, and the provision of non-audit assurance services for audit clients that are public interest entities.⁶

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ISA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

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Application and Other Explanatory Material

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Auditor’s Report (Ref: Para. 20)

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⁵ See, for example, paragraphs R410.23–R410.28 of the IESBA Code.

⁶ See, for example, paragraphs R600.21–R600.23 of the IESBA Code.

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

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Key Audit Matters (Ref: Para. 31)

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A42. The auditor may also decide to communicate key audit matters for ~~other~~ entities other than publicly traded entities, including those where if the auditor determines that there is significant public interest in the financial condition of those entities.⁷, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.

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⁷ [ISA 200, paragraph A13A](#)