

Meeting: IAASB Consultative Advisory Group (CAG)

Meeting Location: Virtual Zoom Meeting

Meeting Date: December 7, 2023

Agenda Item

B

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

Objective of Agenda Item

1. The objective of this Agenda Item is to obtain the Representatives' views on the Exposure Draft (ED) for proposed *Narrow Scope Amendments to International Standards on Quality Management (ISQMs), International Standards on Auditing (ISAs) and International Standard on Review Engagements (ISRE) 2400 (Revised)*¹ as a Result of the Revisions to the Definitions of Listed Entity and PIE in the IESBA Code.² The ED forms part of Track 2 of the listed entity and PIE project.

Project Status

2. At the IAASB's December 2023 meeting, the IAASB will be asked to approve the ED for Track 2, included in **Agenda Item B.2**.
3. The **Appendix** to this paper provides a history of previous discussions with the IAASB CAG and the IAASB on this topic, including links to the relevant IAASB CAG documentation.

Previous IAASB Decisions Relevant for Track 2

4. In December 2022, the IAASB discussed the PIE Task Force's proposals for Track 2 of the listed entity and PIE project relevant to addressing the project objectives that support the public interest outlined in paragraph 17(a)–(c) of the [project proposal](#). The key IAASB decisions in December 2022 included:³
 - Adopting an overarching objective and purpose for establishing differential requirements for PIEs in ISQM 1⁴ and ISA 200,⁵ given these standards prescribe the authority for all other ISQMs and ISAs, respectively.
 - Adopting the definition of PIE and “publicly traded entity” into the ISQMs and ISAs, including the approach from the IESBA Code that addresses the scoping of PIEs.

¹ ISRE 2400 (Revised), *Engagement to Review Historical Financial Statements*

² The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

³ See the approved December 2022 [IAASB meeting minutes](#).

⁴ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*

⁵ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

- Extending the differential requirements for listed entities in ISQM 1, ISA 260 (Revised),⁶ ISA 700 (Revised)⁷ and ISA 701⁸ to apply to PIEs.
 - Bifurcating paragraph 17 of ISA 260 (Revised) and paragraph 40(b) of ISA 700 (Revised) into two parts (i.e., a part that applies to audits of financial statements of all entities and a part that applies to audits of financial statements of PIEs).
 - Deferring any discussion for extending the differential requirements in paragraphs 21 and 22(b) of ISA 720 (Revised)⁹ until a broader revision of this standard is undertaken.
 - Including a central list of factors and examples in the authority of ISQM 1 and ISA 200 to evaluate the extent of public interest of an entity, in considering whether it is appropriate to apply differential requirements applicable to PIEs to entities other than PIEs.
5. In addition, in March 2023, in view of the IESBA's decision to maintain the scope of the transparency requirement¹⁰ to apply for both audit and review engagements, the Board agreed to revise ISRE 2400 (Revised) as part of Track 2 of the listed entity and PIE project to address transparency about the relevant ethical requirements for independence applied for certain entities, such as PIEs in the IESBA Code.¹¹

Outreach and Monitoring Jurisdictional Developments

6. In November 2022, outreach was undertaken with Forum of Firms Representatives to receive feedback on the PIE Task Force proposals for extending the differential requirements in the ISQMs and ISAs for listed entities to apply to PIEs, and for adopting IESBA's definitions of PIE and "publicly traded entity" in the ISQMs and ISAs.
7. In May 2023, the PIE Task Force initiated a request for information from Jurisdictional/National Standard Setters (NSS) to gather information about whether jurisdictions have extended (or anticipate extending) the applicability of the requirements in the ISQMs and ISAs that apply to listed entities to apply to PIEs. In addition, to inform the proposed revisions to ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities, a question was included seeking input on how frequently a review of historical financial statements for PIEs occurs in their jurisdictions. Also, between June-August 2023, Staff of the International Federation of Accountants (IFAC) solicited input from IFAC Member Organizations for similar questions as those included in the request for input to NSS.

IAASB-IESBA Coordination

8. There has been extensive coordination between the IAASB and the IESBA on the topic of listed entity and PIE. This has been accomplished through Staff coordination; participation of IAASB and IESBA correspondent members in the respective Boards' Task Forces, plenary discussions involving

⁶ ISA 260 (Revised), *Communication with Those Charged with Governance*

⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

⁸ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

⁹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

¹⁰ See paragraphs R400.20–R400.21 of the [Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).

¹¹ See the March 2023 [IAASB approved minutes](#).

representatives of the IAASB and the IESBA at the respective Board's meetings, incorporating specific questions to seek views from stakeholders in the IAASB/IESBA exposure drafts, joint IAASB-IESBA CAG discussions, and joint IAASB-IESBA NSS sessions.

IAASB CAG Discussion in December 2023

9. For purposes of the IAASB CAG discussion in December 2023, the PIE Task Force has prepared a presentation (see **Agenda Item B.1**) highlighting the key matters from the ED (see **Agenda Item B.2**).

Matters for IAASB CAG Consideration:

1. Representatives are asked for views on the ED presented in **Agenda Item B.2** that will be presented to the IAASB for approval at the December 2023 meeting.
2. Representatives are asked whether there are any other matters the PIE Task Force should consider in finalizing the ED for Track 2?

Material Presented – IAASB CAG Papers

Agenda Item B.1	Presentation
Agenda Item B.2	ED for proposed <i>Narrow Scope Amendments to the ISQMs, ISAs and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and PIE in the IESBA Code</i>

Material Presented – IAASB CAG Reference Papers

Agenda Item B.3	IAASB PIE Issues Paper (December 2023)
Agenda Item B.4	Draft Content of the Explanatory Memorandum (EM) for Track 2

Appendix

Project Details and History

Project: Listed Entity and PIE

Link to IAASB Project Pages:

- [Listed entity and PIE \(Track 1\)](#)
- [Listed entity and PIE \(Track 2\)](#)

PIE Task Force Members

- Sue Almond, IAASB Member and Task Force Chair
- Chun Wee Chiew, IAASB Member
- Fernando Ruiz Monroy, IAASB Member
- Susan Jones, IAASB Technical Advisor
- Sung-Nam Kim, IESBA Member (correspondent PIE Task Force member)

Summary

	IAASB CAG Meeting	IAASB Meeting
Information Gathering	N/A	July 2020 November 2020 July 2021 October 2021
Project proposal	March 2022	March 2022
<i>Track 1</i>		
Exposure Draft	June 2022	June 2022
Final pronouncement	March 2023 September 2023	March 2023 June 2023
<i>Track 2</i>		
Exposure Draft	June 2022 March 2023 September 2023	December 2022

IAASB CAG Discussions: Detailed References

Track 1

Project Proposal	<u>March 2022</u> See IAASB CAG meeting material (Agenda Item B).
Exposure Draft Development	<u>June 2022</u> See IAASB CAG meeting material (Agenda Item B).
Final pronouncement	<u>March 2023</u> See IAASB CAG meeting material (Agenda Item H). <u>September 2023</u> See IAASB CAG meeting material (Agenda Item D.1).

Track 2

Project Proposal	<u>March 2022</u> See IAASB CAG meeting material (Agenda Item B).
Exposure Draft Development	<u>June 2022</u> See IAASB CAG meeting material (Agenda Item B). <u>March 2023</u> See IAASB CAG meeting material (Agenda Item H). <u>September 2023</u> See IAASB CAG meeting material (Agenda Item D.1).