

## Agenda Item B.3 For Reference

**Please note:** This is the IAASB PIE Track 2 Issues Paper that will be discussed by the Board at the December 2023 IAASB quarterly meeting (Agenda Item 3). This paper is provided to the IAASB CAG Representatives in December 2023 for reference purposes. Other December 2023 PIE Track 2 Agenda Items, as summarized below, may be accessed through the IAASB's [Meeting Page](#).

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

#### Objective:

The objective of the IAASB discussion in December 2023 is to approve the exposure draft for proposed 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> constituting Track 2 of the listed entity and PIE project.

#### Note for the Board:

Board members are requested to communicate any significant matters to the PIE Task Force (PIE TF) Chair and Staff by **December 6, 2023**, on the **Exposure Draft (ED)** for proposed narrow scope amendments for Track 2 included in **Agenda Item 3-B**. This request is intended to assist the PIE TF Chair in planning for the turnaround of the ED during the Board meeting. All significant matters should still be raised and discussed in the Board plenary session to ensure that such matters are on the public record.

Given the nature and scope of the project, and since there was clear direction from the Board in December 2022, the PIE TF has provided the draft content of the **Explanatory Memorandum (EM)** in **Agenda Item 3-A**. The PIE TF also recognizes that it has been almost a year since the Board discussed the proposals for Track 2 of the project and, therefore, providing a draft of the content of the EM at this stage has the added benefit of serving as a summary of the background of the project and the significant matters discussed. Consistent with our usual practice, the EM does not form part of the plenary discussion. However, Board members have the opportunity in advance of the December 2023 IAASB meeting to simultaneously communicate to the PIE TF and Staff any comments they may have on the draft content of the EM in **Agenda Item 3-A**, including in relation to the proposed questions for respondents. If the ED is approved on Thursday, December 14, 2023, and depending on the nature and extent of any updates required to the EM based on the Board discussion during the December 2023 IAASB meeting, the Board can decide whether it is necessary to again circulate the EM to the Board for fatal flaw comments, after the Board meeting.

<sup>1</sup> International Standards on Quality Management

<sup>2</sup> International Standards on Auditing

<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)*

## Introduction

### Materials Presented

1. This paper sets out:
  - **Section I:** overview of the PIE TF activities to monitor global developments relevant to listed entity and PIE.
  - **Section II:** explanation of key matters considered by the PIE TF since December 2022, and changes made to the proposed narrow scope amendments in the ED for Track 2
  - **Section III:** an overview of other matters relevant for Track 2.
2. This Agenda Item includes the following appendices, other agenda items and supplements:

<b>Appendix 1</b>	PIE TF members and update on activities since June 2023
<b>Agenda Item 3-A</b>	Draft content of the EM for Track 2
<b>Agenda Item 3-B</b>	Proposed ED for the narrow scope amendments for Track 2 (marked from extant)
<b>Agenda Item 3-C (Supplemental)</b>	Proposed narrow scope amendments for Track 2 (marked from <a href="#">Agenda Item 6-A</a> of the December 2022 IAASB meeting)

### Previous IAASB Discussions

3. At the December 2022 IAASB meeting, the PIE TF presented to the Board its initial views and recommendations related to Track 2 of the narrow scope project on listed entity and PIE that are relevant for addressing the project objectives outlined in paragraph 17(a)-(c) of the [project proposal](#).
4. In December 2022, the Board:<sup>5</sup>
  - Supported the overarching objective and purpose for establishing differential requirements for PIEs to be included in ISQM 1<sup>6</sup> and ISA 200,<sup>7</sup> given these standards prescribe the authority for all other ISQMs and ISAs, respectively.
  - Decided to adopt 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.
  - Broadly supported extending the differential requirements for listed entities in ISQM 1, ISA 260 (Revised),<sup>8</sup> ISA 700 (Revised)<sup>9</sup> and ISA 701<sup>10</sup> to apply to PIEs. In doing so, the Board directed

---

<sup>5</sup> See the approved December 2022 [IAASB meeting minutes](#).

<sup>6</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*

<sup>7</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>8</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

<sup>9</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

<sup>10</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

the PIE TF to consider including specific questions for respondents in the EM accompanying the ED for Track 2, to explore stakeholders' views about the proposed extensions for the applicability of engagement quality reviews and communicating key audit matters (KAM), as well as for any practical concerns and anticipated implementation challenges.

- Agreed to bifurcate paragraph 17 of ISA 260 (Revised) and paragraph 40(b) ISA 700 (Revised) into two parts (i.e., a part that applies to audits of financial statements of all entities and addresses communication with those charged with governance (TCWG) about compliance with relevant ethical requirements regarding independence, and a part that applies to audits of financial statements of PIEs, and addresses further communication with TCWG on matters related to independence, such as relationships that bear on independence).
  - Decided to defer any discussion of extending the differential requirements in paragraphs 21 and 22(b) of ISA 720 (Revised)<sup>11</sup> until a broader revision of this standard is undertaken.
  - Agreed to include a central list of factors and examples in the authority of ISQM 1 and ISA 200 to evaluate the extent of public interest in the financial condition of an entity, in considering whether it is appropriate to apply differential requirements applicable to PIEs to entities other than PIEs.
  - Provided directional input and other specific comments for the topics discussed to be considered further in the development of the ED for Track 2.
5. In March 2023, in view of the IESBA's decision to maintain the scope of the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions<sup>12</sup> 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.<sup>13</sup>

### Project Objectives that Support the Public Interest

6. In developing the proposed narrow scope amendments, 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>14</sup> as criteria to assess their responsiveness to the public interest.
7. **Appendix 2 of Agenda Item 3-A** provides a table that compares the actions and project objectives that support the public interest included in the project proposal relevant to Track 2 of the project on listed entity and PIE, and how they have been addressed by the proposed narrow scope amendments. This appendix also highlights the qualitative standard-setting characteristics that were at the forefront, or of most relevance, when determining how to address the proposed actions.

---

<sup>11</sup> ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

<sup>12</sup> See the [Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).

<sup>13</sup> See the March 2023 [IAASB approved minutes](#).

<sup>14</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?").

## Section I – Monitoring Jurisdictional Developments

8. In May 2023, the PIE TF initiated a request for information from Jurisdictional/National Standard Setters (NSS) to gain insights relevant for Track 2 of the narrow scope project on listed entity and PIE. 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.
9. The purpose of these requests was 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 the frequency of review engagements of historical financial statements for PIEs in their jurisdictions.
10. Responses from NSS and IFAC Member Organizations indicated that a number of jurisdictions have already extended the applicability of the differential requirements in the ISQMs and the ISAs that apply to listed entities to apply to other entities, including PIEs. For example:
  - Certain jurisdictions have in full extended the national equivalent auditing requirements in the ISQMs and ISAs to apply to PIEs (e.g., the Netherlands and the United Kingdom), and for reporting entities considered to have a higher level of public accountability in New Zealand.
  - Jurisdictions from the European Union and Japan have also extended the applicability of certain requirements in the ISQMs and ISAs, such as for engagement quality reviews and communicating KAM, to apply to PIEs or to other unlisted entities.
11. In addition, several jurisdictions (i.e., Australia, Canada and South Africa) provided responses that they are currently assessing (or plan to assess in the near future) the extension of the applicability of the differential requirements in the ISQMs and ISAs to other entities. In doing so, these jurisdictions are considering the impact of the revised definition of PIE in the IESBA Code as well as the outcome of the IAASB deliberations for Track 2 of the listed entity and PIE project.
12. Information provided by NSS and IFAC Member Organizations confirmed that reviews of PIEs' historical financial statements under ISRE 2400 (Revised) are rare in practice. In this regard, the PIE TF noted that from the information gathered, only one jurisdiction (i.e., South Africa) responded that there is a regulatory reporting requirement in accordance with ISRE 2400 (Revised) for banks which would qualify as PIEs under the IESBA's revised PIE definition. This information has further informed the PIE TF approach in proposing revisions to ISRE 2400 (Revised), i.e., to undertake the revisions to the minimal extent necessary to maintain the consistency and interoperability with the IESBA Code.
13. The PIE TF has incorporated the key outcomes from the monitoring of jurisdictional developments in developing the draft content of the EM included in **Agenda Item 3-A**.

## Section II – Proposed Narrow Scope Amendments for Track 2

### EM for Track 2

14. **Agenda Item 3-A** sets out the draft content of the EM for Track 2. To facilitate the Board's review of the EM, the text and paragraphs highlighted in grey in **Agenda Item 3-A** are carried over from the Explanatory Memorandum for Track 1 of the listed entity and PIE project with no, or limited, modification.
15. Given that the revisions to the definitions of PIE and “publicly traded entity” were exposed for public comment by the IESBA and have undergone a proper due process in their development, the PIE TF leveraged the IESBA's deliberations to provide context and explanation for certain aspects of the proposals, including the basis for previous decisions reached by the IESBA in their project on the Definitions of Listed Entity and PIE. For example, in the EM, the PIE TF provided an explanation for:
  - The IESBA's rationale for not pursuing further refinements to the wording of categories (b)–(c)<sup>15</sup> of the PIE definition.
  - The IESBA's approach to developing the PIE definition and its commitment to an outreach and rollout program to assist adoption of the revised definition at jurisdictional level.
  - The impact on how the scope of entities to which extant differential requirements in the ISQMs and ISAs would change as a result of replacing the definition of listed entity with “publicly traded entity” by referring to examples provided by the IESBA.
16. In developing the proposed questions for respondents, the PIE TF proposes to seek feedback separately for the impact of extending each differential requirement that was subject to the case-by-case analysis. In doing so, the PIE TF believes this would support the analysis of respondents' feedback on whether it is appropriate to extend the applicability of the differential requirements, including the practicality and implementability of the proposals and whether they are able to be consistently applied globally. The PIE TF also proposes to encourage all respondents to submit their comments electronically using the *Response Template* that will be provided, which will prompt respondents to explain the basis for their answers and the collation and analysis of the responses.

### ED for Track 2

#### *Presentation of the Narrow Scope Amendments for Track 2*

17. **Agenda Item 3-B** includes the proposed narrow scope amendments for Track 2 of the project that address the 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 in the IESBA Code (the IESBA PIE Revisions).
18. Only the paragraphs that are being proposed to be amended, or that are needed to provide context for the proposed narrow scope amendments, are provided. The proposed changes are presented in marked text from the relevant paragraphs of the various standards as published in the IAASB 2022 Handbook (Volumes I-II), as well as:

---

<sup>15</sup> Category (b) of the PIE definition includes “An entity one of whose main functions is to take deposits from the public”, and category (c) of the PIE definition includes “An entity one of whose main functions is to provide insurance to the public.”

- The approved Track 1 narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised), and
  - Conforming and consequential amendments as a result of the revision of other approved ISAs which are not yet effective.
19. In addition, certain references in **Agenda Item 3-B** refer to the IESBA PIE Revisions instead of paragraphs of the IESBA Code. This is because the revisions to the IESBA Code with respect to the definitions of listed entity and PIE will only become effective for audits and reviews of financial statements for periods beginning on or after December 15, 2024.

#### Key Changes Made Since December 2022

20. Paragraphs 21-36 below provide a discussion for the key changes made by the PIE TF since December 2022 to the narrow scope amendments in the development of the ED for Track 2.

#### Definition of PIE

<i>Relevant Paragraphs in <b>Agenda Item 3-B</b>:</i>	<i><b>Paras. 16(p)A, 18A of ISQM 1; 13(I)A, 23A of ISA 200</b></i>
---	--

21. Given the IAASB decision in December 2022 that PIE should also be a defined term for the ISQMs and ISAs, the definition of PIE was included into the Definitions section of ISQM 1 and ISA 200.
22. In December 2022, in incorporating the definitions of the IESBA Code into the ISQMs and ISAs, some changes were applied given the differences in the drafting conventions among the respective Boards' standards. This included that the proposed description in ISQM 1 and ISA 200 of category (d)<sup>16</sup> from the IESBA definition of PIE omitted a reference to the purpose of the differential requirements.<sup>17</sup>
23. In coordinating with the IESBA, it was clarified that the IESBA's intent with such cross-referencing was to address IAASB concerns about an entity being categorized by law or regulation as a PIE for reasons unrelated to the significant public interest in the financial condition of an entity. In response, the PIE TF included the phrase "*for a purpose related to the significance of the public interest in the financial condition of the entity*" in the description of category (d) of the PIE definition.

#### ISA 260 (Revised)

<i>Relevant Paragraphs in <b>Agenda Item 3-B</b>:</i>	<i><b>Paras. 16A, 17, 17A, A29A of ISA 260 (Revised)</b></i>
---	--

24. When updating the proposed narrow scope amendments to ISA 260 (Revised), the PIE TF also considered the changes approved under Track 1 of the project, that included a new general requirement (in paragraph 16A of ISA 260 (Revised) with supporting application material) to communicate with TCWG about the relevant ethical requirements, including whether differential independence requirements were applied.
25. All other elements of the drafting discussed with the Board in December 2022 have been retained,

<sup>16</sup> Category (d) of the PIE definition presented to the Board in December 2022 in **Agenda Item 6-A** included "*An entity specified as such by law, regulation or professional requirements.*"

<sup>17</sup> Category (d) of the PIE definition in the IESBA PIE Revisions includes "*An entity specified as such by law, regulation or professional standards to meet the purpose described in paragraph 400.10.*"

including removing the explicit requirement to communicate fee-related matters in paragraph 17(a) of ISA 260 (Revised), and instead referring to the IESBA Code in the application material to draw attention to the fact that the IESBA Code also contains requirements regarding communication with TCWG (see paragraph A29A in ISA 260 (Revised) of **Agenda Item 3-B**).

26. In this regard, the PIE TF retained its view that this approach is appropriate as the IESBA Code would more robustly address any need to communicate matters with TCWG regarding ethics and independence and is also consistent with the objective to achieve to the greatest extent possible convergence between the key concepts in the IESBA Code and the IAASB standards so as to maintain their interoperability. Furthermore, revising the ISAs to replicate requirements in the IESBA Code does not promote a framework neutral approach to ethical requirements.
27. In response to Board comments made in December 2022 that the removal of the explicit requirement to communicate fee-related matters may be problematic for those jurisdictions that do not adopt the IESBA Code, the PIE TF believes that the removal would not weaken the ISAs. This is because the auditor is already required to comply with relevant ethical requirements in accordance with paragraph 14 of ISA 200 and because the ISAs are premised on the auditor being subject to relevant ethical requirements, including those pertaining to independence, which ordinarily comprise the provisions of the IESBA Code related to audits of financial statements, together with national requirements that are more restrictive.

#### ISA 720 (Revised)

*Relevant Paragraphs in **Agenda Item 3-B**:*

***Paras. 6, 21, 22, Appendix 2 of ISA 720 (Revised)***

28. Given the IAASB's decision in December 2022 to defer a discussion of extending the differential requirements that apply to listed entities to PIEs for ISA 720 (Revised), the proposed drafting was reverted to extant. However, certain changes were proposed to the illustrative auditor's reports in Appendix 2 of ISA 720 (Revised) as they were necessary to maintain the consistency with the proposed extensions for the differential requirements for listed entities in ISA 700 (Revised) and ISA 701 to apply to PIEs. This included:
  - (a) Removing the reference to "*whether listed or other than listed entity*" in illustrations 1, 5-7 in Appendix 2 of ISA 720 (Revised) so as not to cause conflict with requirements and illustrations in ISA 700 (Revised) and ISA 701. These illustrations will continue to apply to "any entity" which may be a public interest/other than a public interest entity (in the context of ISA 700 (Revised) and ISA 701) or a listed entity/other than listed entity (in the context of ISA 720 (Revised)).
  - (b) Adding a clarification to the circumstances in illustrations 2-4 in Appendix 2 of ISA 720 (Revised) that a listed entity is as defined by relevant securities laws or regulations. This was considered helpful because listed entity is no longer a defined term for the purposes of the ISQMs and the ISAs. However, listed entity is still encapsulated as an example within the definition of "publicly traded entity" and on this basis a listed entity as defined by the relevant securities law or regulation in the jurisdiction will continue to meet the definition of a "publicly traded entity" provided the other criteria of the definition are met (subject to any refinements to this category by local bodies such as making reference to specific public markets for trading securities).
29. The PIE TF also proposed the following clarifications:



- (a) Expanding paragraph 6 of ISA 720 (Revised) to address the auditor’s reporting responsibilities in the context of this standard, without causing confusion or complexity for other ISAs that refer to either publicly traded entities or listed entities (i.e., there may be application material in other standards that continue to refer to listed entities by way of example or to describe specific circumstances).
- (b) Including in the IAASB Glossary of Terms a description of “*Listed entity*—(see *Publicly traded entity*)” given the Glossary can include description of other terms to assist in common and consistent interpretation and translation.

Revision to ISRE 2400 (Revised)

<i>Relevant Paragraphs in <b>Agenda Item 3-B:</b></i>	<i><b>Paras. 86(j)A, A137A of ISRE 2400 (Revised)</b></i>
---	---

30. The PIE TF proposed amendments to paragraph 86(j)A of ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for independence applied for certain entities. In doing so, the PIE TF:
- (a) Proposed amendments to the minimal extent necessary to maintain the consistency and interoperability with the IESBA Code.
  - (b) Remained mindful not to address broader matters which go beyond the scope of the narrow scope amendments contemplated by Track 2 of the project.<sup>18</sup>
  - (c) Considered information provided by NSS acknowledging that reviews of PIEs’ historical financial statements under ISRE 2400 (Revised) are rare in practice.
  - (d) Aligned the proposed amendments with those for paragraph 28(c) of ISA 700 (Revised), as approved by the IAASB in June 2023 under Track 1 of the project.<sup>19</sup> In this respect, the PIE TF notes views from respondents to the exposure draft for Track 1,<sup>20</sup> including the broad support for a consistent approach for the amendments in ISRE 2400 (Revised) with those made to paragraph 28(c) of ISA 700 (Revised).
31. The PIE TF subsumed the new requirement into paragraph 86 of ISRE 2400 (Revised), as this achieved a better linkage with the other requirements relevant to the practitioner’s report and avoided the need to update other paragraphs where cross references may be necessary (e.g., updates to paragraphs 33 and A148 of ISRE 2400 (Revised) relating to a practitioner’s report prescribed by law

<sup>18</sup> ISRE 2400 (Revised) is not aligned with the changes to the auditor’s report introduced as part of the IAASB’s auditor reporting project, such as the structure of the report and including new elements introduced to the auditor’s report. Also, paragraph 86(j) requires the practitioner to include a reference in the practitioner’s report of the obligation under ISRE 2400 (Revised) to comply with relevant ethical requirements, however the practitioner is not required to provide a statement similar to the requirement in paragraph 28(c) of ISA 700 (Revised), which requires the auditor to identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code.

<sup>19</sup> The revisions to paragraph 28(c) of ISA 700 (Revised) under Track 1 of the project, and the proposed narrow scope amendments to ISRE 2400 (Revised) in paragraph 86(j)A in **Agenda Item 3-A** include a conditional requirement that applies to certain entities specified in the relevant ethical requirements, which is not considered a differential requirement, given that the differential requirements in the ISQMs and ISAs apply only to listed entities.

<sup>20</sup> See the Exposure Draft: [Proposed Narrow Scope Amendments to ISA 700 \(Revised\) and ISA 260 \(Revised\) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for PIEs.](#)



or regulation).

32. The proposed application material in paragraph A137A of ISRE 2400 (Revised) in **Agenda Item 3-A** refers to the IESBA Code as an example of relevant ethical requirements that have a transparency requirement and provides an illustration of the disclosure in the practitioner's report when the IESBA Code comprises all the relevant ethical requirements that apply to the review engagement.

#### Factors to Evaluate the Extent of Public Interest of an Entity

<i>Relevant Paragraphs in <b>Agenda Item 3-B</b>:</i>	<i><b>Paras. A29G, A128, A130, A134 of ISQM 1; A81G of ISA 200; A32 of ISA 260 (Revised); A41 of ISA 700 (Revised)</b></i>
---	--

33. In response to comments from the Board in December 2022, the PIE TF retained the factor “*entities with a high public profile, or whose management or owners may have a high public profile*” in paragraph A134 of ISQM 1 in **Agenda Item 3-B**. However, this factor was not included in paragraph A130 of ISQM 1 in **Agenda Item 3-B** given that the context is different, and this may not be a relevant factor when considering whether it is appropriate for the firm to communicate with external parties about the firm's system of quality management.
34. The PIE TF also considered Board comments that it may not always be appropriate to rely on the determination of a predecessor firm when making a determination to treat other entities as public interest entities. However, the PIE TF believes that the factor should be retained in paragraph A29G of ISQM 1 and paragraph A81G of ISA 200 in **Agenda Item 3-B**, given it represents a valid consideration when making the determination and because of the desire for keeping the factors and examples in the ISQMs and ISAs as closely as possible aligned with those in the IESBA Code. The PIE TF has however moved this factor down the list of factors for consideration.
35. The PIE TF removed the cross references to the central list of factors in paragraph A29G from paragraphs A128 and A134 of ISQM 1. This was because the cross referencing was duplicative given the factors in paragraph A29G of ISQM 1 already form part of the application material of the standard and would be already considered when applying the requirements for PIEs. The PIE TF also moved the cross reference to the central list of factors in paragraph A32 of ISA 260 (Revised) and paragraph A41 of ISA 700 (Revised) to the beginning of the paragraph to improve the flow of the guidance.

#### Use of Consistent Terminology

36. Several changes to paragraphs and illustrative auditor's reports have been made in **Agenda Item 3-B** as compared to December 2022 to align for consistent use of terminology. This included changes to consistently refer to entities that are not PIEs as either “entities other than public interest entities” when the plural form is used, or “entity other than a public interest entity” when the singular form is used.

<b>Matter for IAASB Consideration:</b>
1. The Board is asked for its views on the proposed narrow scope amendments for Track 2 in <b>Agenda Item 3-B</b> , including on the matters discussed above.

## Section III – Other Matters

### Drafting Guidelines

37. In December 2022, the Board agreed to include guidelines and examples in the CUSP Drafting Principles and Guidelines,<sup>21</sup> to inform future IAASB projects 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. The Board also provided suggestions to be further considered in refining the examples and to better align them with extant differential requirements in the ISQMs and ISAs.
38. The PIE TF notes that because the CUSP Drafting Principles and Guidelines are non-authoritative, the examples do not form part of the public consultation for Track 2.<sup>22</sup> Such examples may be considered in the list of topics when the CUSP Drafting Principles and Guidelines are next updated for new and revised content. In addition, the PIE TF believes that it would be most effective to revisit and refine the examples once the responses from the ED for Track 2 have been considered, given that stakeholder feedback on the overarching objective and purpose for establishing differential requirements for PIEs may inform the approach and the extent of the changes needed for such examples.

### Exposure Period and Timing of Completion

39. Subject to the Board's approval in December 2023, it is expected to publish the narrow scope amendments for Track 2 in quarter 1 2024 for a 90-day comment period. A shorter period than the usual 120 days under IAASB's Due Process and Working Procedures is considered appropriate given the project is narrow scope in nature as contemplated by the IAASB's Framework for Activities, and because of the limited extent of the changes being proposed. In addition, the IESBA's revisions on listed entity and PIE and the IAASB proposals under Track 1 of the project were recently subject to public comment through a due process and respondents had an opportunity to comment on the underlining principles proposed.
40. Based on that date, responses would be due in quarter 2 of 2024. The final pronouncement is expected to be approved by the IAASB in December 2024 to allow for the possible alignment of the effective dates of the revised going concern and fraud standards that are also considering possible revisions that impact auditor reports.

### Proposed Implementation Period

41. The PIE TF proposes to include in the EM accompanying the ED for Track 2 a proposal for an implementation period of approximately 18-24 months after the PIOB's process of certification of the final narrow scope amendments for Track 2.<sup>23</sup> The PIE TF is of the view that such period would allow sufficient time to implement the narrow scope amendments, including adoption and translation by jurisdictions, and incorporating the changes into firm methodologies, enablement tools and training materials.

---

<sup>21</sup> See the Complexity, Understandability, Scalability and Proportionality [\(CUSP\) Drafting Principles and Guidelines](#).

<sup>22</sup> 'Non-authoritative' material is not part of the IAASB International Standards and is not subject to the IAASB's due process (i.e., not subject to the formal approval process as for authoritative documents).

<sup>23</sup> After approval by the IAASB, the PIOB will consider its public certification of an approved new or revised standard(s) to confirm the PIOB's oversight of the standard-setting process throughout the full development cycle, that the standard was developed in a manner consistent with agreed due process and that the standard is responsive to the public interest, in accordance with the Public Interest Framework.

42. It is intended that a question will be asked in the EM accompanying the ED for Track 2 about the expected implementation efforts and the appropriateness of the proposed implementation period.

### **Early Application**

43. The PIE TF proposes that the Board not permit the application of the proposed narrow scope amendments for Track 2 before the effective date to be specified therein. Given that the narrow scope amendments would affect differential requirements that have an impact on the auditor reports, the PIE TF is of the view that permitting early application may result in varying auditor's reports for the same or similar periods within the marketplace, potentially causing confusion for users of financial statements.

### **Due Process Matters**

44. In the PIE TF view, the significant matters identified as a result of deliberations since the beginning of this project have been presented in the issues papers presented to the IAASB for discussion. In the view of the PIE TF, there are no significant matters that have not been brought to the attention of the IAASB.
45. The PIE TF does not believe that a consultation paper, field testing or a roundtable is needed at this stage of the project. The PIE TF has also had the opportunity to engage with various other stakeholders, including the Forum of Firms, and NSS. Finally, this project has benefited from close coordination with the IESBA.

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

2. The IAASB is asked to approve the ED for public exposure. This question will be addressed on Thursday, December 14, 2023.

## Appendix 1

### PIE TF Members and Activities

#### PIE TF Members

1. The PIE TF consists of the following members:

- Sue Almond (Chair)
- Chun Wee Chiew
- Fernando Ruiz Monroy
- Susan Jones

*IESBA correspondent member:*

- Sung-Nam Kim

2. Information about Track 2 of the project can be found [here](#).

#### PIE TF Meetings

3. Since June 2023, the PIE TF held 1 physical and 1 virtual meeting.

#### Coordination with IESBA

4. Sung-Nam Kim joined the PIE TF in March 2022 as a correspondent IESBA member and attends all PIE TF meetings. He is also an IESBA member and a member of the IESBA PIE Rollout Working Group. Staff of the IAASB and the IESBA engage in ongoing coordination activities in relation to this topic.
5. In October 2023, the Chairs of the PIE TF and the IESBA PIE Rollout Working Group, the correspondent IESBA member and the IAASB and IESBA Staff engaged in a coordination discussion. At the meeting matters of mutual relevance were discussed related to listed entity and PIE and an update was received on the IESBA PIE Rollout Working Group activities.