

# Agenda Item 3-B.2 (Supplemental)

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

**2(a) Do you agree with the proposed effective date of the narrow scope amendments, i.e., for audits of financial statements for periods beginning on or after December 15, 2026, to be aligned with the standards from the Going Concern and Fraud projects? (See Section V, paragraphs 35-37.)**

### Q2(a) Agree

#### 2. User of Financial Statements

##### International Corporate Governance Network

Agree (with no further comments)

#### 4. Jurisdictional and National Auditing Standard Setters

##### Group of Latin American Accounting Standard Setters

Agree (with no further comments)

##### Instituto de Auditoria Independente do Brasil

Agree (with no further comments)

##### Nordic Federation of Public Accountants

Agree (with no further comments)

##### Wirtschaftsprüferkammer

Agree (with no further comments)

#### 5. Accounting Firms

##### BDO International

Agree (with no further comments)

##### KPMG International

Agree (with no further comments)

Detailed comments (if any):

##### PriceWaterhouseCoopers

Agree (with no further comments)

##### RSM International

Agree (with no further comments)

#### 6. Member Bodies and Other Professional Organizations

##### Association of Chartered Certified Accountants and Chartered Accountants Australia and New Zealand

Agree (with no further comments)

##### CPA Australia

Agree (with no further comments)

#### **Federation of Accounting Professions of Thailand**

Agree (with no further comments)

#### **Korean Institute of Certified Public Accountants**

Agree (with no further comments)

#### **Malaysian Institute of Accountants - Auditing and Assurance Standards Board**

Agree (with no further comments)

#### **Malaysian Institute of Certified Public Accountants**

Agree (with no further comments)

### **Q2(a) Agree With Comments**

### **3. Regulators and Audit or Assurance Oversight Authorities**

#### **Independent Regulatory Board for Auditors – South Africa**

Agree, with comments below

We agree with aligning the proposed effective date of the narrow scope amendments to the ISQMs and ISAs with the effective date for ISA 570 (Revised) and ISA 240 (Revised). Different effective dates for the narrow scope amendments to the ISQMs and ISAs, compared to ISA 570 (Revised) and ISA 240 (Revised), will introduce additional complexities and possible confusion as it will necessitate references to listed entities to be replaced with publicly traded entities in the aforementioned standards.

Furthermore, while we agree with this alignment, it is important to emphasise the series of changes that will be experienced by stakeholders especially audit firms, as other IAASB and IESBA Standards become effective on the same date. Examples are the International Standard on Sustainability Assurance 5000 and the International Ethics Standards for Sustainability Assurance. Audit firms may face challenges arising from the need to simultaneously change firm methodologies and systems, potential resource constraints and increased training requirements. To this end, we encourage the IAASB to provide the necessary implementation guidance and resources to support firms in managing these concurrent changes.

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

#### **American Institute of Certified Public Accountants**

Agree, with comments below

We agree that the effective dates should be aligned with standards from the going concern and fraud projects. We encourage the IAASB to develop guidance that encourages early adoption given the unexpected delay in the approval of Track 2 and the urgency to have the narrower scope of Track 2 concerning PTEs be interoperable with the IESBA PTE revisions. We believe that the IAASB should not prohibit early adoption under the circumstances. The Track 2 Basis of Conclusions may be an appropriate mechanism to encourage early adoption and explain that early adoption is expressly permitted.

#### **Compagnie Nationale des Commissaires aux Comptes**

Agree, with comments below

We agree with the proposed effective date but believe that the narrow scope amendments could also be early applied by some firms or jurisdictions .

#### **Hong Kong Institute of Certified Public Accountants**

Agree, with comments below

The revised proposal in this Post-Exposure Consultation is to replace listed entities in paragraph 46 of ISA 700 (Revised) with publicly traded entities (PTE). As explained in paragraph 26 of the Explanatory Memorandum (EM) to ED-PIE Track 2, the change would result in entities being scoped out – as described in the EM as entities whose financial instruments might be listed but are not intended to be traded or are not freely transferable – e.g. an entity whose listed debt securities are offered only to institutional investors would not meet the definition of a PTE.

As the definition of extant requirement in paragraph 46 of ISA 700 (Revised) applying to a listed entity will remain effective until the revisions to the pronouncements in PIE Track 2 becomes effective at a later date, the requirement in paragraph 46 of ISA 700 (Revised) would still be applicable to an entity with listed debt securities are being offered only to institutional investors – i.e. not a PTE under the definition of a PTE for the purposes of the IESBA Code, but would still fall under the definition of a listed entity per the Glossary of the IAASB.

It would be helpful if the IAASB could clarify the application of the requirements in ISA 700/ISA 701 for such entities which are currently defined as listed entities but would eventually be scoped out due to the change in the definition to PTE, in particular, for the period before the IAASB PIE Track 2 becomes effective.

#### **Institut der Wirtschaftsprüfer in Deutschland**

Agree, with comments below

To the extent that such narrow scope amendments are issued by the IAASB as proposed, we agree with the proposed effective date so that the application of the amendments become effective together with the Going Concern and Fraud standards.

#### **Royal Netherlands Institute of Chartered Accountants**

Agree, with comments below

We agree in principle with the changes becoming effective as of December 15, 2026, in conjunction with the Going Concern and Fraud changes. If, however, the IAASB and IESBA were able to agree on a final position on the definition and guidance on PIEs, it would be desirable if the effective date of the (revised) definition and guidance in the Code with the effective date of the narrow scope amendments to the Standards were achieved.

### **5. Accounting Firms**

#### **Deloitte**

Agree, with comments below

We agree with the proposed effective date of the narrow scope amendments for the reasons outlined by the IAASB in paragraphs 35-37 of the Post-Exposure Consultation. We also believe that early application of the narrow scope amendments should not be expressly prohibited. While we recognize as a matter of practice the IAASB does not explicitly state in its standards that earlier application is permitted, we believe inclusion

of such an explicit statement within the Basis for Conclusions and other implementation materials that may be prepared would be appropriate.

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

Agree, with comments below

We agree with the proposed effective date of the narrow scope amendments to the ISQMs and ISAs but strongly suggest that the Basis for Conclusions supports the ability to early adopt the narrow scope amendments without also having to early adopt the Going Concern and Fraud standards.

Although we recognize the benefit of implementing the auditor reporting changes from all three projects at the same time, this benefit needs to be weighed against the practical challenges on audits that were imposed upon the effective date of the IESBA revisions to the definitions and that will continue until the effective date of the IAASB revision to the definition of PTE. Specifically, there are entities that are listed entities under the IAASB's current definition that are not publicly-traded entities (or PIEs) under the IESBA revised definition (or vice versa in some cases), which creates complexity for audits that need to continue to apply the incremental audit requirements for listed entities and not the incremental IESBA requirements for PIEs (or vice versa).

As we believe that the only differential requirements for PTE entities in the Going Concern and Fraud standards are related to auditor reporting, we believe it is practical to assume that early adoption of the definition of PTE could occur in 2026 to minimize the length of time for which there is a difference with the IESBA standards.

#### **Forvis Mazars**

Agree, with comments below

We support the proposed effective dates aligning with the Going Concern and Fraud projects. As the IAASB itself notes, this will streamline the adoption of the standards and avoid the need for successive changes to some auditing standards (e.g. reporting) which are impacted by ISA 240, ISA 570 and the PIE definition. This approach is to be welcomed.

Further clarity may be helpful for audit firms considering early adoption, for example whether it is necessary to adopt all three standards early or whether firms could adopt individual standards in advance of the effective date. In our view, given conforming amendments to other standards, it would not be appropriate to adopt individual standards early.

#### **Grand Thornton International**

Agree, with comments below

We agree with the proposed effective date of the narrow scope amendments and alignment with the effective dates from the Going Concern and Fraud projects. As noted in our PIE Track 2 comment letter submitted April 8, 2024, we continue to believe early adoption of the PIE Track 2 project should be tied to early adoption of both ISA 570 (Revised 2024) and ISA 240 (Revised) to prevent piecemeal adoption of standards impacting the auditor's report. We agree with the Board's discussion at their December 2024 meeting to address early adoption in the Basis for Conclusion for each project.

## 6. Member Bodies and Other Professional Organizations

### Accountancy Europe

Agree, with comments below

We agree with the proposed effective date of the narrow scope amendments, i.e., for audits of financial statements for periods beginning on or after December 15, 2026.

We believe that aligning the effective date with the standards from the Going Concern and Fraud projects is appropriate to facilitate a coordinated and efficient implementation process. This alignment will allow firms to address all related changes simultaneously, reducing complexity and enhancing the effectiveness of training and implementation efforts.

### ASEAN Federation of Accountants

Agree, with comments below

We propose allowing early adoption of the narrow-scope amendments to give option for firms to align the definitions across the ethics code and auditing standards.

### Chartered Accountants Ireland

Agree, with comments below

We believe that early adoption should be permitted to align with IESBA's revisions, effective for audits of financial statements for periods beginning on or after December 15, 2024.

Since the definition of a Listed Entity in the ISQMs and ISAs is not currently aligned to IESBA's definition of a Publicly Traded Entity, Irish listed entities that are not publicly traded face a higher than necessary regulatory burden (for example, when the listing is a structural requirement, and the shares, stock, or debt are not traded, or when another party's consent is required to trade them). Consequently, additional auditing requirements apply to all Irish listed entities, including ISA (Ireland) 701, in addition to ISA (Ireland) 700, including the involvement of an engagement quality reviewer along with the engagement partner, regardless of whether the listed entity has a public interest or not. We believe that aligning these definitions serves the public interest as it ensures that the additional ISQM and ISA requirements are better focused on these entities which do impact the broader public interest.

### Institute of Chartered Accountants of Ghana

Agree, with comments below

Early adoption by more developed jurisdictions, and 1. For the benefit of global consistency in PIE definition, comparability of PIE financial statements globally, increased transparency and promoting public interest, The Board could consider;

Aligning the amendments with the two upcoming significant projects, that is ISA 570 and ISA 240, will make transitioning smooth, as this will avoid multiple changes to auditing standards which causes confusion, and increased implementation cost.

An average of 18 months window, is reasonable for preparation towards adoption.

However, phased implementation across jurisdictions could be considered.

Early adoption could also be permitted.

### **Institute of Singapore Chartered Accountants**

Agree, with comments below

We propose allowing early adoption of the narrow scope amendments, including extending this option to entities that are defined as 'listed entities' under the current ISA definition but would subsequently not fall under the definition of 'publicly traded entities' (PTEs). This would provide an option for firms to align the definitions across the ethics and auditing standards.

### **International Federation of Accountants**

Agree, with comments below

We support alignment of the proposed effective date for the narrow scope amendments with the Going Concern and Fraud Projects. This consistency will help firms and professional accountancy organizations (PAOs) coordinate implementation efforts. We note in our consultation responses for these other projects that small- and medium-sized practices (SMPs) and PAOs in some jurisdictions may require additional time to implement the changes effectively, especially where faced with resource constraints. There could also be other situations where early adoption is contemplated, so explicit clarity on whether this is possible would also be appreciated.

The IAASB should also be aware that there are significant concerns about potential disruptions if any further delays in approval occur, so timely resolution of the current predicament is essential. It is important for firms and PAOs to be given clear guidance on expectations so that they can plan effective responses.

## **7. Academics**

### **Hunter College-Auditing Class**

Comment - We agree with the IAASB's assertion that aligning the effective dates for the PIE Track 2, Going Concern and Fraud projects is in the best interest of the public and would minimize both confusion and inefficiency in implementing said revisions.

Comment - We believe an effective date of 24 months after the PIOB certification would better serve the public and practitioners. It could be argued a two-year window is sufficient time for the adoption process to be completed and it would minimize any petitions for extension. Coupled with specific, timely, notice and instruction 24 months can better ensure compliance with the new amendments for Track 2.

Comment - The proposed effective date of December 15, 2026, is reasonable as it aligns with the effective dates of the Going Concern and Fraud projects. This alignment not only supports effective application but also prevents consecutive changes to the auditor's report in short succession, which is in the public interest.

## **Q2(a) Neither Agree Nor Disagree**

### **3. Regulators and Audit or Assurance Oversight Authorities**

#### **National Association of State Boards of Accountancy**

NASBA appreciates the desire to have the proposed effective date of the narrow scope amendments - for audits of financial statements for periods beginning on or after December 15, 2026 - align with the standards from the Going Concern and Fraud projects. However, from a regulator perspective, there would be risk in practice from a compliance standpoint given the extended period of time that may be needed for local jurisdictions to act upon the revised standards.

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

### **Institute of Certified Public Accountants of Uganda**

Neither agree/disagree, but see comments below

While ICPAU may agree with the proposed effective date of December 15 2026, because it will enable auditors to better implement the requirements in the Going Concern and Fraud projects especially those regarding more robust risk assessment procedures and exercise of enhanced professional scepticism, We believe that more time such as an extra year (effective date of December 15 2027) may be required probably with a provision for an allowance for early adoption for those jurisdictions that may be fully prepared.

#### **Q2(a) Disagree**

## **3. Regulators and Audit or Assurance Oversight Authorities**

### **Botswana Accountancy Oversight Authority**

Disagree, with comments below

We propose that the IAASB should wait and revisit the proposed effective date after IESBA post implementation review.

### **Committee of European Auditing Oversight Bodies**

Disagree, with comments below

The CEAOB answered in its initial comment letter for IAASB that it was in favor of aligning the IESBA and IAASB pronouncements for definitions. However, considering the CEAOB comments exposed in point 1 above the CEAOB recommends that the IAASB reconsiders both definitions (PIE and PTE) together, as well as how they are to be applied to all ISAs including on the going concern and fraud upcoming revisions.

#### **Q2(a) No Specific Comment**

## **1. Monitoring Group Members**

### **International Organization of Securities Commission**