

Track 2: Listed Entity and Public Interest Entity (PIE) – Issues Paper and Due Process Considerations

Objective:

The objective of the International Auditing and Assurance Standards Board (IAASB) discussion in June 2025 is to:

- (a) Provide an analysis of respondents' comments to questions from the [Post-Exposure Consultation: Invitation to Comment Before the IAASB Finalizes the Narrow Scope Amendments to the ISQMs and ISAs as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code](#) (herein referred to as the "ITC").
- (b) Approve the narrow scope amendments to the ISQMs,¹ ISAs,² and ISRE 2400 (Revised)³ as a result of the revisions to the definitions of listed entity and PIE in the IESBA Code,⁴ (collectively referred to as "narrow scope amendments" for the purpose of this agenda item) as presented in **Agenda Item 3-A**.
- (c) Obtain the Board's input on the PIE Project Chair and Staff (the "Project Team") views and recommendations on the way forward regarding adopting the PIE definition.

Request for Board Comments in Advance of the Meeting

Board members are requested to communicate any significant matters to the Project Team by **Thursday, June 12, 2025**. This will assist the Project Team in preparing for the plenary discussion and finalizing the narrow scope amendments for approval. All significant matters should still be raised and discussed in the Board plenary session to ensure that such matters are on public record.

Approach to the Board Discussion:

On **Monday, June 16, 2025**, the Project Team will:

- Provide a brief presentation regarding **Part B** of this agenda item to receive the Board's feedback on the summary of respondents' comments to the ITC, and discuss and obtain the Board's views on the limited changes presented in **Agenda Item 3-A** to the pre-final narrow scope amendments that the Board agreed to in December 2024.
- Present a summary of **Part C** of this agenda item to receive the Board's feedback on the summary of respondents' feedback and obtain direction regarding the way forward related to the Board's commitment to adopt the PIE definition.

If necessary, the Project Team will distribute an updated draft of the proposed narrow scope amendments by **5:30 pm EDT on Tuesday, June 17, 2025**, which will be used for the approval session on **Wednesday, June 18, 2025**.

After the vote on the approval of the proposed narrow scope amendments and, if the final pronouncement is approved, the Board will be asked for overall views about the Project Team analysis of the provisions of due process related to whether the narrow scope amendments need to be re-exposed (see **Part E**).

Introduction

Background

1. At the September and December 2024 IAASB meetings, the PIE Task Force presented to the Board the stakeholder feedback to questions in the accompanying explanatory memorandum (EM) to the Exposure Draft (ED): [*Proposed Narrow Scope 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 \(PIE\) in the IESBA Code*](#) (the PIE Track 2 project). At these meetings, the Board considered the analysis and summary of the comment letters received, as well as input from additional outreach, coordination and information-gathering activities. The Board also deliberated on the feedback received, issues identified and the views and recommendations of the PIE Task Force.
2. Following the deliberation, the Board agreed on a different position from the one that was presented in the ED. Although the Board remains committed to the key elements of its original proposals that were presented in ED (the IAASB PIE proposals), the change in position was necessitated by the identification of an issue of divergence between the IAASB PIE proposals and the IESBA PIE revisions⁵ read together with a clarification from IESBA in 2024 about which entities a firm should treat as PIEs for purposes of the firm complying with the IESBA Code (the IESBA clarification).⁶
3. At the December 2024 IAASB meeting, the Board:
 - (a) Agreed that it would be prudent to undertake an additional consultation process to ensure that the IAASB is as clear and transparent as possible with its stakeholders about the Board's final position, rationale and pathway to broader differential requirements; and
 - (b) Unanimously confirmed their agreement with the content of the narrow scope amendments for the PIE Track 2 project, subject to observations from the additional consultation process.
4. The approved minutes of the September 2024 IAASB meeting are available on the *IAASB Quarterly Board Meeting – September 16-20, 2024 webpage* and for the December 2024 IAASB meeting on the *IAASB Quarterly Board Meeting – December 9-12, 2024 webpage*.
5. In February 2025, the Board published the ITC for public consultation, with a 45-day comment period which closed on March 27, 2025. The ITC invited respondents to share any observations that might be relevant to the Board prior to finalizing the narrow scope amendments to the ISQMs and ISAs. The ITC also sought feedback from respondents on forward-looking matters.

¹ International Standards on Quality Management (ISQMs)

² International Standards on Auditing (ISAs)

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)*

⁵ See the [Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#)

⁶ At the March 2024 IESBA meeting, the IESBA Staff presented its proposals to add a question in the [IESBA Staff Questions & Answers – Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code \(IESBA PIE Q&A\)](#) to clarify the IESBA's position that, for this specific project, compliance with the IESBA Code by firms means first and foremost compliance with local laws and regulations, whatever they may be at the time of the audit report. In September 2024, IESBA Staff released an update to its [IESBA PIE Q&A](#). This update includes a new question and answer (Q16) to address the scenario where a jurisdiction has no PIE definition or excluded one or more of the mandatory categories in the IESBA PIE definition.

Materials Presented

6. This paper sets out the following:
- **Part A:** Summary of the broad range of stakeholders who have submitted written responses to the ITC and an explanation of the presentation of respondents' comments.
 - **Part B:** Analysis of respondents' comments for Question 1 of the ITC, and the Project Team views and recommendations for finalizing the narrow scope amendments.
 - **Part C:** Analysis of respondents' comments for Questions 2(a)-(c) of the ITC, and the Project Team views and recommendations on the forward-looking matters.
 - **Part D:** Other matters.
 - **Part E:** Due process considerations.
 - **Part F:** Way forward.
7. This agenda item includes the following appendices and other agenda items:

Appendix 1	Overview of the Project Team and activities since December 2024
Appendix 2	List of respondents to the ITC
Appendix 3	Mapping of the proposed narrow scope amendments for Track 2 to the actions and objectives that support the public interest in the project proposal
Appendix 4	Relevant Extracts from the IAASB's Due Process
Agenda Item 3-A	Proposed narrow scope amendments for Track 2 (mark-up from extant and pre-final version)
Agenda Items 3-B.1 to B.4	Word NVivo reports that include comments from respondents to the ITC
Agenda Items 3-C.1 to C.4	Excel NVivo reports that analyze respondents' comments to the ITC

Project Objectives that Support the Public Interest

8. **Appendix 3** of this agenda item provides a table that maps the proposed narrow scope amendments for Track 2 of the Listed entity and PIE project to the actions and project objectives that support the public interest included in the [project proposal](#). **Appendix 3** also indicates how the public interest issues have been addressed by the proposed narrow scope amendments, taking into account the comments received in response to the ED and the ITC.
9. In developing the narrow scope amendments, the PIE Task Force and Project Team considered the qualitative standard-setting characteristics set out in paragraph 31 of the project proposal and those

included in the Public Interest Framework (PIF)⁷ as criteria to assess their responsiveness to the public interest. **Appendix 3** also highlights the qualitative standard-setting characteristics that were at the forefront, or of most relevance, when determining how to address the proposed actions.

Liaison with Others

IESBA

10. There has been extensive interaction between the IAASB and the IESBA on the topic of listed entity and PIE, as has been reported in the agenda materials throughout the course of the project. This has been accomplished through staff-to-staff coordination, discussions involving the Chairs of the respective Boards' task forces or working groups and participation of an IESBA correspondent member in the PIE Task Force.
11. More recently, staff on both Boards coordinated when developing the ITC and on the request for Input to the Jurisdictional Auditing Standards Setters (JSS) (see **Part D**). The IAASB Program and Senior Director briefed the IESBA Program and Senior Director on the feedback received on the ITC and the Project Team's recommendations to the IAASB. They also discussed options for joint action to monitor the adoption and implementation of the IESBA PIE definition. The Project Team shared with IESBA Staff and PIE Rollout Working Group a summary of the feedback on the ITC, including matters that specifically addressed the IESBA revisions and clarification. The IAASB Program and Senior Director will provide an update to IESBA at their June 2025 meeting.

Part A: Overview of the Written Responses to the ITC

12. The IAASB received 37 written responses to the ITC, as follows (see also **Appendix 2**):

Stakeholder Type	No.	Region	No.
Monitoring Group ⁸	1	Global	12
Users of Financial Statements	1	Asia Pacific	8
Regulators and Audit or Assurance Oversight Authorities	4	Europe	8
JSS	9	Middle East and Africa	4
Accounting Firms	8	North America	3
IFAC Member Bodies and Other Professional Organizations	13	South America	2
Academics	1		
Total	37	Total	37

⁷ 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?").

⁸ See composition of the Monitoring Group on International Organization of Securities Commission (IOSCO)'s [webpage](#).

13. The IAASB received 46 responses on the ED for the PIE Track 2 project, as summarized in paragraph 2 of the ITC. 30 respondents to the ITC also had responded to the ED. This is significant because one of the drivers for undertaking the ITC was that not all stakeholders may have been aware of the IESBA clarification or have fully appreciated the implications of the divergence issue when they responded to the ED.
14. Upon opening of the public consultation period for the ITC, the Program and Senior Director reached out directly and individually to 16 stakeholders representing users of financial statements, which were an underrepresented group in the responses to the public consultation on the ED. These were selected from user representative groups that had recently engaged on other IAASB projects through responding to public consultations or participating in project-specific outreach events, as well as selected members of the Stakeholder Advisory Council. Four stakeholders replied to the Program and Senior Director. Three indicated that they could not formally respond to the ITC because of certain constraints, of which two shared high-level informal views about the need for consistency between IAASB and IESBA standards, noting that alignment of definitions is key. One stakeholder submitted a comment letter as reflected in the table in paragraph 12.

Presentation of Comments

15. NVivo has been used to assist with the analysis of the responses to the questions in the ITC. The table below provides a summary of the NVivo reports relevant for each question analyzed and the related Part in this agenda item where the summary is presented:

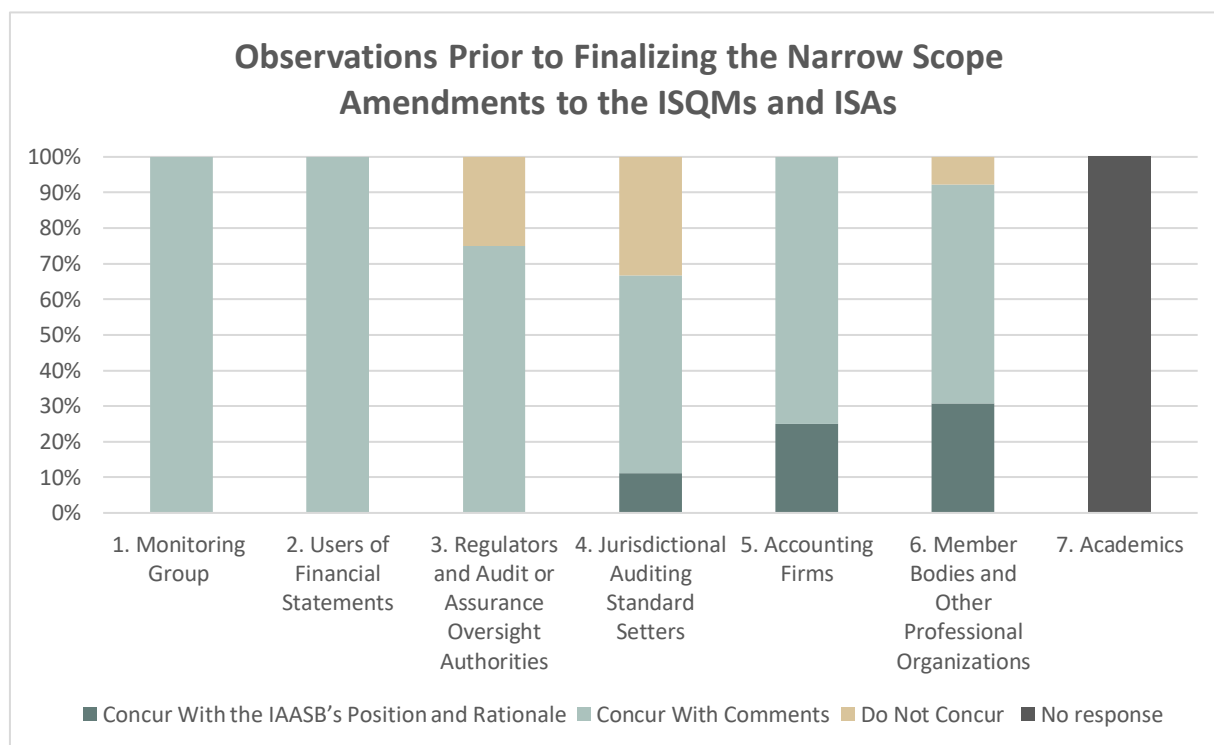
Question:	Section of this Agenda Paper:	Agenda Paper:	
		Nvivo Word Reports	Nvivo Excel Analysis
Question 1	Part B	Agenda Item 3-B.1	Agenda Item 3-C.1
Question 2(a)	Part C: Section I	Agenda Item 3-B.2	Agenda Item 3-C.2
Question 2(b)	Part C: Section II	Agenda Item 3-B.3	Agenda Item 3-C.3
Question 2(c)		Agenda Item 3-B.4	Agenda Item 3-C.4

16. **Parts B and C** below provide an overview of the observations received and an analysis of respondents' comments to the questions of the ITC, highlighting the main themes identified. In presenting the analysis, the Project Team grouped respondents' observations by main theme(s) identified (including instances where a comment(s) to a different question(s) addressed the same theme).
17. In analyzing the observations, the Project Team identified comments related specifically to the IESBA PIE revisions and IESBA clarification. The Project Team acknowledged these comments; however, these comments are not included in this agenda item as they do not relate to the IAASB project. The Project Team has shared this feedback with IESBA (see also paragraph 11).

Part B: Analysis of Responses to Question 1 by Main Theme and the Project Team Views and Recommendations

Overview of Responses

18. Question 1 of the ITC asked respondents to share any observations that they believe might be relevant to the IAASB prior to finalizing the narrow scope amendments to the ISQMs and ISAs. The chart below shows an analysis of the responses to Question 1 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.1 and 3-C.1** for further details).



Summary of Respondents' Comments

Monitoring Group Respondent

19. The Monitoring Group member expressed appreciation for the IAASB's transparency to stakeholders in communicating its change in position necessitated by stakeholders' identification of an anticipated divergence issue as explained in the ITC (see Section III of the ITC). They also emphasized that establishing a PIE definition that results in a global baseline for assurance over financial reporting is the public interest.
20. The Monitoring Group member supported the IAASB's efforts to finalize the PTE definition and updates to the differential requirements (see "concur with comments" in the table presented in paragraph 18). This support was in the context of indicating their belief that the IAASB should carve out a project to reconsider a PIE definition for use in the ISQMs and ISAs, noting that such project ought to commence immediately to capitalize on the work that has already been done through the current PIE Track 2 project and the specific aims of the IAASB. In a follow-up video call by IAASB staff with representatives that were involved in developing the comment letter, further clarity was provided that the Monitoring Group member continues to support the elements of the IAASB PIE

proposals, as originally contemplated in the ED, noting that it would result in the establishment of a global baseline. However, they expressed concern with postponing the work to adopt a PIE definition to the second half of 2026 (suggested in the ITC) or to 2027 (i.e., referring to the planned timing of the IESBA post-implementation review). See also **Part C, Section II** that addresses respondents' feedback on the timing of revisiting the IAASB's decision to adopt the PIE definition.

Other Respondents' Comments

21. Generally, respondents supported the IAASB's final position and rationale for the PTE path and considered it to be a practical solution at this time (compared to the ED path and the Conditional path as discussed in the ITC – see Section IV in the ITC). Respondents highlighted the importance of the alignment of the definition of PTE in the ISQMs and ISAs with the IESBA Code to ensure consistent application of the IAASB standards and IESBA Code. Respondents also noted that the adoption of the PIE definition in the ED at this stage would be problematic considering the divergence issue as highlighted in Section III of the ITC and indicated that it would not be in the public interest for the IAASB to issue standards that could lead to a different outcome compared to the IESBA PIE revisions.
22. However, some respondents did not concur with the IAASB's final position or rationale. These respondents, and certain respondents who concurred, provided comments explaining concerns they have. Respondents noted the following:

- (a) Value of the IAASB PIE proposals as presented in ED and limited benefits for the adoption of the PTE definition

Respondents expressed their support for the objective and purpose for differential requirements to apply to PIE and for the definition of PIE in the IESBA Code, as was included in the IAASB PIE proposals. Respondents were of the view that the heightened expectations of stakeholders regarding the audit engagement for a PIE would only be met by extending the applicability of the extant differential requirements to PIE, not solely PTE (i.e., the IAASB PIE proposals as presented in ED).

These respondents did not see a reason for the immediate adoption of the PTE definition, without addressing the broader issue related to the definition of PIE. Respondents did not see much added value in making multiple amendments to the ISQMs and ISAs solely for this limited update and suggested that the IAASB consider the adoption of the PIE and PTE definitions and related amendments at a later stage.

- (b) Difference in standards-design of the IAASB standards and IESBA Code

Respondents highlighted a key underlying difference in the way that the IESBA and IAASB treat departures from, or conflicts between, requirements in their standards and provisions of law or regulations. They encouraged that this requires careful consideration in project-related coordination activities of the two Boards, in general, and specifically in relation to the definition of PIE. The difference in standards-design on this point is apparent from paragraphs R100.7 and 100.7 A1 of the IESBA Code and paragraphs 18, 20 and A60 of ISA 200.⁹ In essence, this

⁹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

manifests as follows:

- For the IESBA Code, if there is a conflict with the provisions of law or regulation, law or regulation prevails, and the professional accountant would still be in compliance with the IESBA Code.
- For the IAASB, although the requirements of the ISAs do not override the provisions of law or regulation, in the case of a conflict, compliance with law or regulation does not automatically result in compliance with the ISAs. On occasion, the ISAs use the phrase “unless prohibited by law or regulation” to recognize a known potential for conflict, and in these circumstances compliance with law or regulation would result in compliance with the ISAs.

Respondents who raised the ‘difference in standards-design issue’ explained that owing to such difference, the application of the PTE definition under the respective standards of the two Boards may still lead to a different outcome, even when the definition of PTE has been refined for a jurisdiction as contemplated under both sets of standards. For example, as explained in some comments received, when certain jurisdictions have no definition of PTE, the firms in those jurisdictions need not apply the PTE category in the IESBA PIE definition and will still be in compliance with the IESBA Code. In contrast, in such jurisdictions, not applying the definition of PTE in the ISQMs and ISAs would lead to the firms not being in compliance with the ISQMs and the ISAs. These respondents also acknowledged that this may be much more limited in the case of PTEs compared to if the IAASB had decided to adopt the PIE definition.

(c) Concerns with the essential explanatory material for the PTE definition

Respondents acknowledged the purpose of incorporating essential explanatory material into the definition of PTE in the ISQMs and ISAs, which specifies the role of local bodies in more explicitly defining PTE within their jurisdictions. This approach aims to converge the PTE definition in the ISQMs and ISAs with the IESBA Code. However, respondents expressed concerns that:

- The inclusion of such essential explanatory material may conflict with the principle that IAASB definitions should be standalone. One respondent noted that attaching the proposed essential explanatory material directly to the definition of PTE violates the [CUSP Drafting Principles and Guidelines](#) in that application material or essential explanatory material cannot override a definition or requirement. They proposed that the application of the PTE definition and allowance for its refinement should be addressed in a requirement and related application material in each of ISQM 1 and ISA 200.
- This may hinder the promotion of global harmonization as it allows jurisdictional requirements to take precedence over the IAASB standards.

In addition, certain European Union (EU) respondents cited an issue with the PTE definition and its application in the EU jurisdictions. Currently, different situations may occur in that certain EU jurisdictions may apply the EU definition of *PIE*, while others use the IAASB's definition of *listed entities* alongside the EU *PIE* definition. With the IAASB now proposing to only adopt the *PTE* definition without also adopting the *PIE* definition, the complication is that the term *PTE* is not defined in the EU (i.e., the EU *PIE* definition refers only to entities whose transferable securities are admitted to trading on a regulated market). Respondents felt that

the proposed essential explanatory material does not resolve this issue around PTEs.

23. Respondents also provided drafting suggestions to clarify the proposed narrow scope amendments. In particular, respondents suggested to:
- (a) Separate the essential explanatory material for the definition of PTE into two sentences to enhance readability of the paragraph.
 - (b) Align the terms used in the framework to identify other entities to be treated as PTEs (in paragraphs A2D of ISQM 1¹⁰ and A13D of ISA 200) and the examples provided in the differential requirements. That is, the framework refers to not-for-profit organizations whereas the examples focus only on charities.
 - (c) Clarify that, although the term PIE is not being adopted by the IAASB standards, the term “PIE” has been included in paragraph A29A of ISA 260 (Revised)¹¹ in reference to the IESBA Code. Respondents suggested adding “as defined by the IESBA Code” at the end of the paragraph.
24. Respondents also highlighted the importance of joint efforts by the two Boards for ongoing monitoring of the adoption of the IESBA PIE revisions and other standard-setting activities. This includes outreach and coordination with JSS, and, as appropriate, coordinated actions for the IAASB standards and the IESBA Code.

Project Team Views and Recommendations

25. The Project Team acknowledged that there is broad support for the IAASB’s position and its rationale in pursuing the PTE path. On balance, the Project Team believes that the IAASB’s decision for the adoption of the PTE definition alongside its commitment to revisiting the IAASB’s original PIE proposals remains well-considered and appropriate (i.e., at this time choosing the PTE path over the ED path and Conditional path as discussed in the ITC). See also paragraph 32 of the ITC for the Board’s consideration of the PTE path vis-à-vis the project objectives outlined in the [project proposal](#) for the PIE project.

Value of the IAASB PIE Proposals as Presented in ED and Limited Benefits for the Adoption of the PTE Definition

26. The Project Team reflected on the concern raised by the Monitoring Group member and two other respondents about the final position not fully addressing PIEs at this stage and the view by the latter that the adoption of the PTE definition alone is a marginal change with limited added value.
27. The Project Team reiterates that the Board is committed to adopting the definition of PIE in the IESBA Code, adapted as necessary for the ISQMs and ISAs, when the global adoption and implementation of such definition has sufficiently matured and extending the differential requirements to apply to audits of PIE (based on a case-by-case analysis of extant differential requirements in the ISQMs and ISAs in the same way as provided for in the current project proposal for the PIE project). This approach significantly increases the chance of a successful outcome in future in terms of establishing a global baseline definition and alignment of the IAASB standards and the IESBA Code. See also

¹⁰ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

¹¹ ISA 260 (Revised), *Communication with Those Charged with Governance*

Part C, Section II that addresses respondents' feedback on the timing of revisiting the IAASB's decision to adopt the PIE definition.

28. Furthermore, the Project Team is of the view that the adoption of the PTE definition will have benefits over retaining the definition of listed entity, which was also highlighted by many respondents to the ITC across stakeholder groups. Benefits include:
- Convergence between the IAASB standards and the IESBA Code in so far as the PTE definition.
 - Adoption of the PTE definition is responsive to issues that had been identified with the listed entity definition (as comprehensively discussed in the agenda materials of the PIE Track 2 project and highlighted in the Explanatory Memorandum to the ED (paragraphs 25-26) and in the ITC (paragraph 16)).
 - In addition to adopting the PTE definition and the application of extant differential requirements in the ISQMs and ISAs to PTEs, the pre-final narrow scope amendments also incorporate an overarching objective and purpose for differential requirements in the ISQMs and ISAs, which are fully aligned with the equivalent objective and purpose for differential requirements for auditor independence in the IESBA Code

Difference in Standards-Design of the IAASB Standards and IESBA Code

29. The Project Team notes that the IAASB indeed considers the difference in the way that the IESBA and IAASB treat departures from, or conflicts between, requirements in their standards and the provisions of law or regulations when coordinating standard-setting activities. At a fundamental level this difference is related to the fact the two Boards' standard serve different purposes. Specifically in relation to the PIE definition, the reality of this difference is a reason why the IAASB had suggested waiting until the global adoption and implementation of the PIE definition under the IESBA Code has sufficiently matured.
30. The Project Team agrees that although the PTE definition, including the ability to define more explicitly a PTE for a specific jurisdiction, is aligned between the IAASB standards and the IESBA Code, the application of the PTE definition may still lead to a different outcome under the two Boards' standards. However, given the relatively restricted nature of PTEs compared to PIEs, including the fact that the definition of PTE explicitly recognizes that a listed entity as defined by relevant securities law or regulation is an example of a PTE, the Project Team anticipates limited instances of this occurring – a fact that was recognized by certain respondents who raised the issue.

Concerns with the Essential Explanatory Material for the PTE Definition

31. Three respondents raised the matter that the definitions in the IAASB standards should be standalone and cannot be overridden by essential explanatory material. The Project Team notes that this was previously deliberated by the Board in the context of the approach that was agreed to acknowledge and give effect to the role of relevant local bodies in defining more explicitly the categories of entities provided for in the PIE or PTE definitions. Local bodies are best placed to assess and determine with greater precision which entities or types of entities should be treated as PIEs or PTEs in a specific jurisdiction. This approach informed the proposals in the ED and was upheld in developing the pre-final narrow scope amendments to the ISQMs and ISAs in responding to feedback on the ED. Two

of the three respondents also acknowledged that the underlying reason for following this approach is a legitimate compromise in the circumstances of this project.

32. In reflecting on the suggestion to address the application of a standalone PTE definition in a requirement with application material, the Project Team noted that the ED did originally propose this. Based on responses to the ED that the requirement was redundant or, otherwise, ambiguous, unclear or confusing, the PIE Task Force at the time proposed a change to move all relevant material into the definition, i.e., have a core definition with essential explanatory material. This was presented to the Board in September 2024 and December 2024 in completing the pre-final narrow scope amendments. The Project Team also notes that whether the ability to define more explicitly a PTE is addressed in the definition with essential explanatory material, or in a requirement with related application material, the outcome is the same. The former has benefits of enhanced clarity and understandability.
33. In response to the observation in paragraph 22(c) relating to the fact that not all jurisdictions may use “publicly traded entity”, the Project Team revised the proposed essential explanatory material to clarify that, when terms other than PTE are applied to entities by law, regulation or professional requirements to designate an entity as described in the PTE definition (such as in the EU), such terms are regarded as equivalent to “publicly traded entity”.

Narrow Scope Amendments for Approval

34. The Project Team considered the drafting suggestions provided by respondents and:
 - (a) Noted that the revisions to the essential explanatory material as explained in paragraph 33 also address the readability concerns as highlighted in paragraph 22(c).
 - (b) Aligned the examples provided in the differential requirements to refer to not-for-profit organizations rather than charities (see paragraphs A128 and A134 of ISQM 1, paragraph A32 of ISA 260 (Revised), paragraph A82 of ISA 570 (Revised 2024)¹² and paragraph A42 of ISA 700 (Revised)¹³ of **Agenda Item 3-A**).
 - (c) Noted that the sentence of paragraph A29A of ISA 260 (Revised) starts with “For example, the IESBA Code...”. Therefore, the Project Team is of the view that it is not necessary to add “as defined by the IESBA Code” at the end of the sentence.
35. **Agenda Item 3-A** includes:
 - (a) The pre-final narrow scope amendments to the ISQMs and ISAs for the PIE Track 2 project as confirmed and agreed by the Board in December 2024, with limited revisions based on the observations provided by respondents to the ITC as explained in paragraph 34 above.
 - (b) The proposed narrow scope amendments to ISA 240 (Revised)¹⁴ and ISA 570 (Revised 2024). These proposed amendments replaced the proposed narrow scope amendments of ISA 240¹⁵

¹² ISA 570 (Revised 2024), *Going Concern*. The Board already considered the amendments to ISA 570 (Revised 2024) at its meeting in December 2024 (see [Agenda Item 3-B](#) of the December 2024 IAASB meeting).

¹³ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹⁴ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁵ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

and ISA 570 (Revised)¹⁶ included in the pre-final narrow scope amendments given that both these standards have since been approved by the IAASB.

- (c) The proposals for amendments to ISRE 2400 (Revised) to include a new requirement and application material to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code. Based on the feedback received on the ED, the PIE Task Force proposed that these proposals be finalized without any further changes, which the Board supported in December 2024.

Matters for IAASB Consideration:

1. Do Board members agree that **Part B** appropriately summarizes the observations received from respondents to the ITC?
2. Do Board members agree with the Project Team recommendation in paragraph 25 to continue to use the PTE path to finalize the narrow scope amendments or were there observations from respondents to the ITC that would cause the IAASB to modify its position?
3. The Board is asked for its views on the Project Team recommendations discussed in paragraphs 34 and 35 above (i.e., the narrow scope amendments for approval).

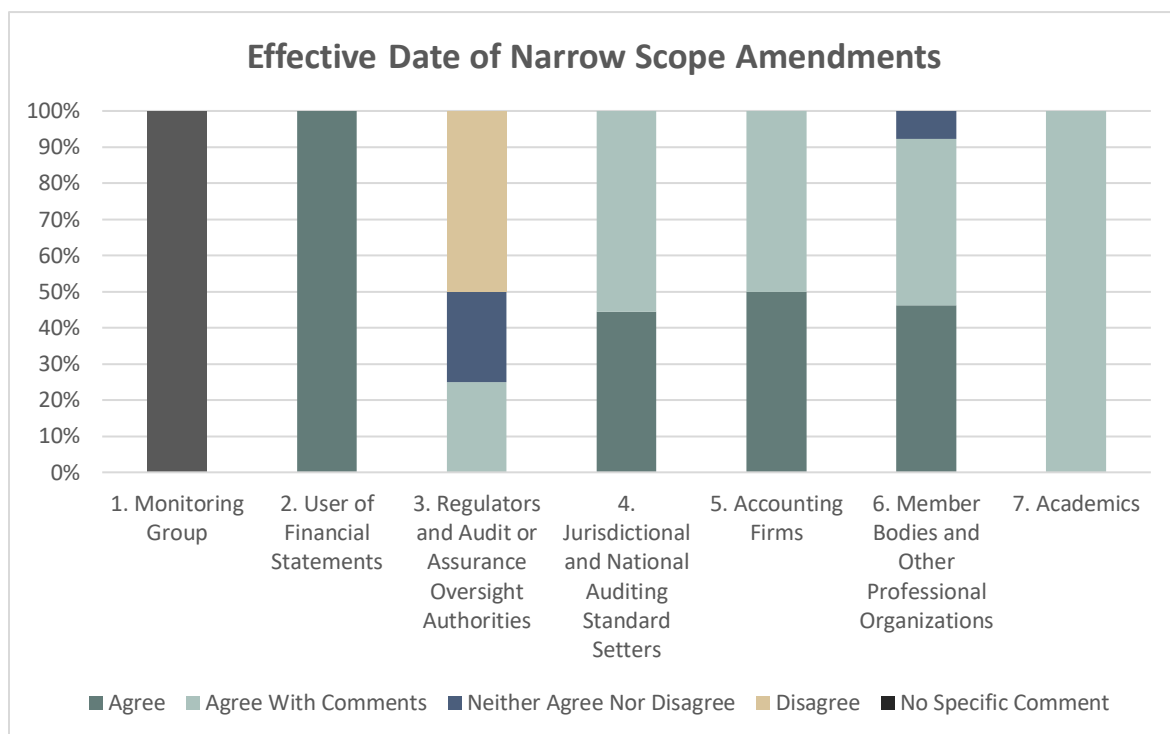
Part C: Analysis of Responses to Forward-Looking Matters and the Project Team Views and Recommendations

Section I: Effective Date of Narrow Scope Amendments (Question 2(a))

Overview of Responses

36. Question 2(a) of the ITC asked respondents if they agreed with the proposed effective date for 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. The chart below shows an analysis of the responses to Question 2(a) per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.2 and 3-C.2** for further details).

¹⁶ ISA 570 (Revised), *Going Concern*



Summary of Respondents' Comments

Monitoring Group Respondent

37. The Monitoring Group respondent did not provide a response to this question.

Other Respondents' Comments

38. Respondents generally supported the proposed effective date, noting the importance of aligning the proposed effective date with the Going Concern and Fraud projects. Further, they highlighted the benefits of implementing the auditor reporting changes from all three IAASB projects simultaneously.
39. Some respondents provided comments about a practical transitional challenge for audits of certain entities that are listed entities under the IAASB's current definition (e.g., entities whose financial instruments are listed but are not intended to be traded or are not freely transferable), which will continue to apply until the proposed effective date of December 15, 2026. However, under the IESBA Code, with an effective date of December 15, 2024, these entities are not PTEs. Respondents felt that, during this transition period, it will be inconsistent for these audits to be exempt from the PTE requirements under the IESBA Code but still be required to apply the extant differential requirements in the ISQMs and ISAs for listed entities. Respondents suggested permitting early adoption of the IAASB narrow scope amendments to address the inconsistency.
40. Respondents who did not agree with the proposed effective date suggested deferring the proposed effective date until after the post-implementation review of the IESBA PIE revisions or until the Board approves the adoption of the PIE and PTE definitions altogether in the ISQMs and ISAs.

Project Team Views and Recommendations

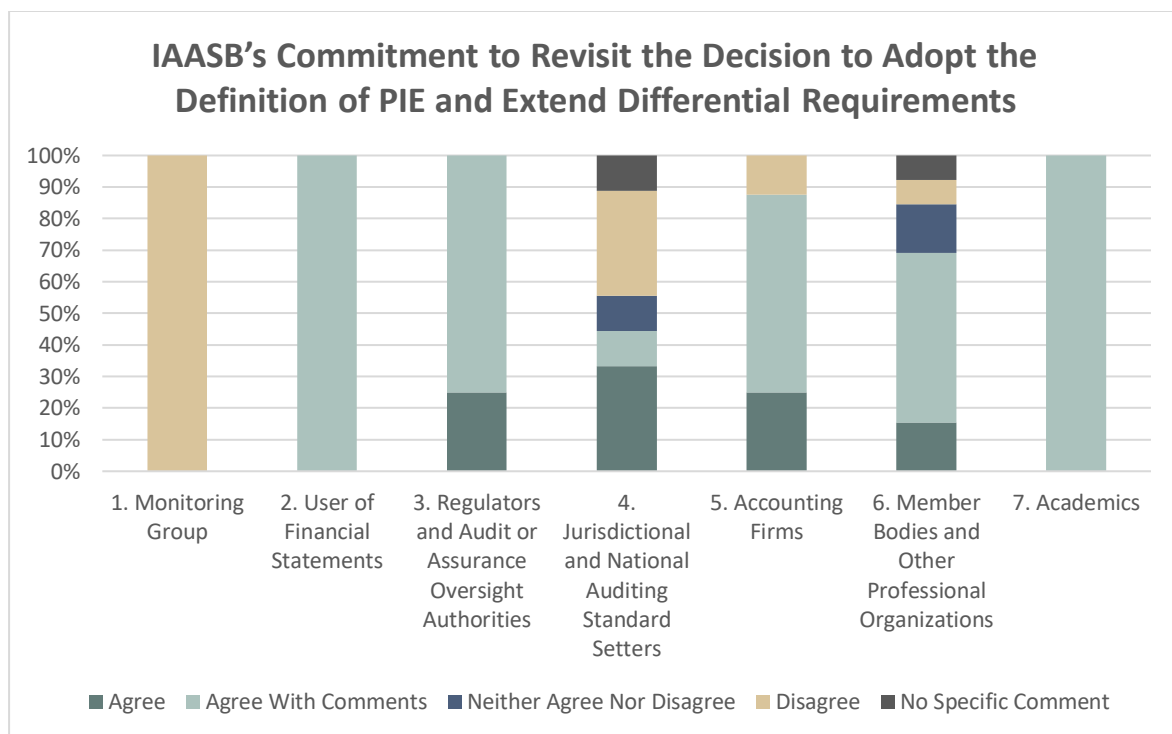
41. In view of the overwhelming support by respondents across stakeholder groups, the Project Team reaffirms the Board's decision in December 2024 of an effective date for audits of financial statements for periods beginning on or after December 15, 2026.
42. The Project Team reflected on previous Board discussions regarding the early adoption of the recently approved revisions to ISA 570 (Revised 2024). As explained in the Basis for Conclusions of the Going Concern Project,¹⁷ the Board believes that, if early adoption is contemplated, the collective changes arising from the Going Concern, Fraud and Listed Entity and PIE projects would need to be early adopted as a package, rather than on a piecemeal basis. This is to limit the potential confusion for users if auditors' reports for the same or similar periods within the marketplace lack consistency. The Basis for Conclusions for ISA 240 (Revised), which was approved in March 2025, and for the narrow scope amendments for the PIE Track 2 project, subject to approval at the June 2025 IAASB meeting, will contain the same messaging about early adoption.

Section II: IAASB's Commitment to Revisit the Decision to Adopt the Definition of PIE and Extend Differential Requirements (Question 2(b)) and the Proposed Timeline for Revisiting Matters (Question 2(c))

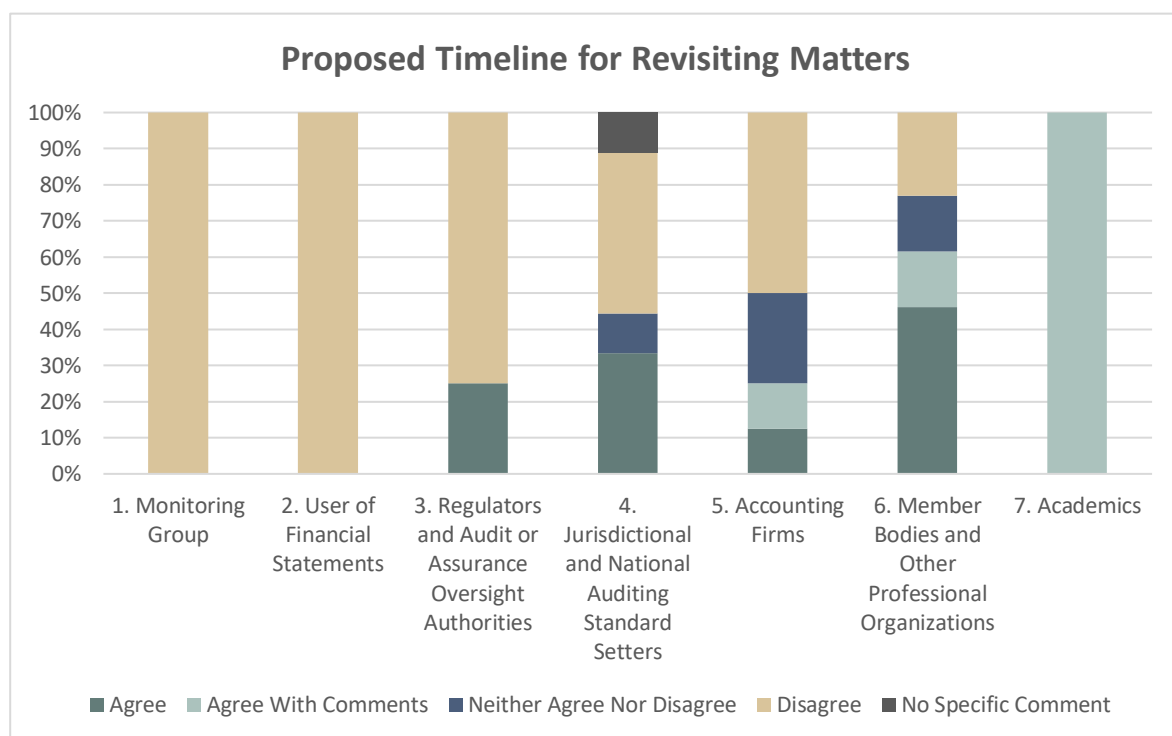
Overview of Responses

43. When analyzing the responses, the Project Team found that the main themes emerging from the feedback to questions 2(b) and 2(c) of the ITC significantly overlapped. Therefore, the Project Team analyzed the two questions together.
44. Question 2(b) of the ITC asked respondents if they agree with IAASB's commitment to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to the audits of PIEs. The chart below shows an analysis of the responses to Question 2(b) per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.3 and 3-C.3** for further details).

¹⁷ Refer to paragraph 103 of the Going Concern's [Basis for Conclusions](#)



45. Question 2(c) of the ITC asked respondents if they agree with the proposed timing for revisiting the matters highlighted in question 2(b). The chart below shows an analysis of the responses to Question 2(c) per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.4 and 3-C.4** for further details).



Summary of Respondents' Comments

Monitoring Group Respondent

46. The Monitoring Group member disagreed with the IAASB regarding its commitment to revisit the original proposals as outlined in the ED, as well as the proposed timing. As mentioned in paragraph 20, the Monitoring Group member recommended that the Board initiate a separate project, to commence immediately, to reassess the PIE definition for application in the ISQMs and ISAs.

Other Respondents' Comments

47. Respondents, who supported the IAASB's commitment and timeline, viewed it to be a pragmatic solution. Their perspectives included the following key points:

- The approach facilitates a more informed assessment of the practical implications of the adoption of the PIE definition.
- Convergence or consistency of terminology and concepts of the IAASB standards and IESBA Code is crucial to support global harmonization of standards and clarity for stakeholders.

48. However, many other respondents, across different categories of respondents, recommended the following:

- (a) Joint action by the IAASB and IESBA

Respondents strongly noted the need to strengthen the coordination and collaboration between the IAASB and IESBA. Respondents were of the view that current coordination between the two Boards may not be sufficient to agree on the definitions and their applicability. Respondents suggested a joint standard-setting project to facilitate the adoption of an appropriate global baseline definition of PIE. Respondents believed that a joint project would be beneficial to ensure greater alignment and consistency between the two boards, while mitigating the risk of diverging interpretations in practice.

Respondents suggested joint information-gathering activities such as targeted outreach with stakeholders and a post-implementation review to understand challenges and issues in the adoption of the PIE and PTE definitions in local jurisdictions.

In addition to staff coordination, respondents also suggested utilizing joint IAASB-IESBA plenary sessions or plenary time during each Board's meetings to promote Board level coordination. Early coordination and collaboration between the two Boards is important to avoid the risk of one Board taking a lead and setting expectations that subsequently create pressures for the other to follow.

- (b) Timing of the post-implementation review of the IESBA PIE revisions

Respondents were of the view that the Board's decision rests upon the status of adoption and implementation of the IESBA PIE revisions across jurisdictions. Specifically, the Board would have to determine whether the refinement of the definition at the local level resulted in the establishment of a consistent global baseline. Given that some jurisdictions might still be in the process of adopting and implementing the IESBA PIE revisions, and that the IESBA post-implementation review is scheduled to commence in 2027, respondents doubted that the Board would have a thorough understanding of the impact and effectiveness of the IESBA PIE

revisions by the second half of 2026.

(c) Case-by-case evaluation of extending differential requirements applying to PTEs to PIEs

Respondents commented that the IAASB's commitment should include a reassessment on a case-by-case basis of extending the applicability of the differential requirements in the ISQMs and ISAs that apply to audits of PTEs, to PIEs. Additionally, a respondent highlighted the importance for the Board to undertake evidence-based research to assess the cost and benefit for differential requirements before contemplating applying to a broader group of entities.

Project Team Views and Recommendations

49. The Project Team agrees with respondents who called for joint action by the IAASB and IESBA, recognizing that IESBA already has a PIE definition and the IAASB has yet to adopt a PIE definition. See recommendation in paragraph 52.
50. A majority of respondents disagreed with the proposed timing of the IAASB revisiting the decision to adopt the definition of PIE in the IESBA Code, adapted as necessary for the ISQMs and ISAs. The Project Team agrees that it is appropriate to reconsider the timing of this action and proposes that it should be jointly undertaken with IESBA. The Project Team considered the following in arriving at this recommendation:
 - The strong call for postponing the decision until after or aligning with the post-implementation review of the IESBA PIE revisions, allowing for a comprehensive assessment of the maturity of the baseline PIE definition in the IESBA Code.
 - Although the Monitoring Group respondent also disagreed with the timing, they had a different reason, proposing immediately undertaking a project to establish a PIE definition for the ISQMs and ISAs. The Project Team reflected on the importance of aligning the PIE definition between the IAASB standards and the IESBA Code, as highlighted by many respondents, to ensure consistent application and interoperability of both Boards' standards. Also relevant are the Project Team views and recommendations in paragraphs 26–28, in particular that the PTE path increases the chance of a successful outcome in future regarding the PIE definition, and the impact of the difference in standards-design relating to the treatment of conflicts with the provisions of law or regulation (see paragraphs 29–30).
 - The strong call for a coordinated approach and joint action by the IAASB and IESBA from many respondents (see also paragraph 48(a)).
51. In response to feedback in paragraph 48(c) above, the Project Team reaffirms the IAASB's commitment to adopting a case-by-case approach when determining whether extant requirements for PTEs should be expanded to all PIEs. The feedback received on the ED will continue to inform the IAASB's decisions during its case-by-case analysis in future.
52. The Project Team recommends the following as a forward path:
 - IAASB staff will coordinate with IESBA staff, in consultation with the Planning Committees of the Boards, to integrate joint action regarding PIE with the post-implementation review of the IESBA PIE revisions to achieve efficiency and effectiveness of work effort and to maximize the likelihood of a satisfactory and interoperable outcome. The IESBA post-implementation review is currently planned to commence in 2027.

- Joint action should recognize the following overarching dual purposes which are to culminate in achieving to the greatest extent possible convergence between the definition and the key concepts underlying the definition of PIE used in the IESBA Code and the ISQMs and ISAs to maintain their interoperability:
 - For the IESBA, to undertake a post-implementation review of the IESBA PIE revisions read together with the IESBA clarification, to determine whether these are being consistently understood and effectively implemented, to identify practical challenges and concerns regarding the operation of these revisions and to determine what actions, if any, are needed to address identified matters.
 - For the IAASB, to undertake information-gathering and outreach activities and develop proposals for the adoption of the definition of PIE in the ISQMs and ISAs as a global baseline for determining which audits are PIE audits, and to determine whether, and the extent to which, to extend the application of differential requirements in the ISQMs and ISAs for PTEs, to PIEs.
- Subject to discussion and agreement with the IESBA, a joint PIE project team is assigned, comprising IAASB and IESBA staff and at least one Project Board Member / Board Advisor from each Board. The joint progression of work will mean that recommendations and their impact will mutually inform the decisions within the remit of each Board.
- The joint PIE project team will present and advance proposals during the IAASB and IESBA plenary sessions, which, for practical reasons, will include both separate discussions of proposals by the two Boards and joint plenary sessions.

Matters for IAASB Consideration:

4. Do Board members agree that **Part C** appropriately summarizes the observations received from respondents?
5. The Board is asked for its views on the Project Team recommendations discussed in paragraphs 41–42 above regarding the proposed effective date of the narrow scope amendments?
6. The Board is asked for its views on recommendations for joint action by the IAASB and IESBA as a way forward as set out in paragraph 49–52.

Part D: Other Matters

53. In March 2025, the Project Team initiated a request for input from JSS in advance of the annual IAASB-JSS Liaison Group¹⁸ meeting in May to gain insights on the status of adoption and implementation of the definition of PIE in the IESBA Code (see also paragraph 11 regarding coordination with IESBA). JSS were also asked to share whether they have more explicitly defined the mandatory categories included in the PIE definition in the IESBA Code, and if so, the nature of such refinements.

¹⁸ The IAASB-JSS Liaison Group comprise JSS from 18 countries or jurisdictions as indicated on the [IAASB website](#), under “Jurisdictional Auditing Standard Setters”.

54. 16 JSS submissions were received, which can be summarized as follows:
- 15 jurisdictions indicated that they have adopted and implemented the definition of PIE in the IESBA Code, with 12 JSS indicating that their jurisdictions have made specific refinements as contemplated in the IESBA PIE revisions. In addition, certain JSS from the EU indicated that their local definition of PIE is according to the definition of PIE in the EU regulation, which is appropriate and does not need revision (i.e., it meets the requirements of the IESBA Code).
 - 1 jurisdiction indicated that the adoption of the PIE definition is in progress. An exposure draft proposing a definition for PIE to more closely align with the definition in the IESBA Code was published in June 2024. Feedback on this exposure draft is currently being reviewed and will inform further decisions.
55. The Project Team notes that this initial information gathering may be a relevant data point for when the IAASB revisits its commitment to adopt the PIE definition in the IESBA Code. However, this information will need to be updated for current information at that point, including obtaining input from a wide range of stakeholders (i.e., beyond the IAASB-JSS Liaison Group).

Part E: Due Process Considerations

Significant Matters Identified by the Project Team

56. In the Project Team's view, the significant matters it has identified as a result of its deliberations since the beginning of this project, including the substantial matters raised by respondents to the ED and the ITC, and its conclusions and recommendations thereon, have been carefully considered. The Project Team analysis of the significant matters and proposals has been reflected in the public agenda materials presented to the IAASB at its meetings. In the Project Team's view, there are no significant matters discussed in the course of this project that have not been brought to the IAASB's attention.

Need for Further Consultation

57. The Project Team considered the adequacy of consultation with stakeholders for this project, including the need for an additional consultation step and the post-exposure consultation that was undertaken as discussed in the Background section of this paper (paragraphs 1-5). Given that no written responses to the ED had been received from investors or users of financial statements, the PIE Task Force at the time leveraged the feedback received from investors and other users of financial statements on relevant topics addressed in the Auditor Reporting post-implementation review, as well as the public consultations on and further outreach undertaken as part of the IAASB's current projects on Fraud and Going Concern, that included considering extending the scope of certain (proposed) differential requirements. For purposes of the ITC, the Program and Senior Director took an additional step to reach out to specific stakeholders representing users of financial statements (see paragraph 14).
58. During the analysis of comments to the ED, the PIE Task Force had identified an issue of divergence between the IAASB PIE proposal and the IESBA PIE revisions read together with the IESBA clarification (see Section II of the ITC for a discussion of the identified divergence issue). The Board ultimately agreed on a different position from the one that was presented in the ED and the ITC that was undertaken provided stakeholders the opportunity to familiarize themselves with the identified divergence issue, as well as the Board's final position, rationale and pathway to broader differential requirements. **Part A** provides an overview of responses to the ITC and related observations (paragraphs 12-14).

59. The PIE Task Force and Project Team have also had the opportunity to engage with various other stakeholders throughout the life cycle of this project, including MG members, the Forum of Firms, and JSS. Finally, this project has benefited from close coordination with the IESBA.
60. The Project Team does not believe that further consultation is warranted at this time.

Consideration of the Need for Re-Exposure

Overview

61. If the Board votes to approve the proposed narrow scope amendments, then a separate affirmative vote of the Board is required on whether the proposed standard needs to be re-exposed. Based on the rationale set out in the ITC for arriving at the pre-final narrow scope amendments that the Board agreed to in December 2024 and the fact that the responses to the ITC have not raised observations that have resulted in a change in position (see **Part B**), and prior to any changes proposed at the June 2025 IAASB meeting, the Project Team is of the view that the proposed narrow scope amendments in **Agenda Item 3-A** do not warrant re-exposure.
62. **Appendix 4** to this agenda item includes relevant extracts from the IAASB's due process related to re-exposure. The main consideration in the due process is "whether there has been substantial change to the exposed document such that re-exposure is necessary." This section sets out the Project Team's analysis of the provisions of the due process and the circumstances of this project in reaching a view on whether the approved proposals would need to be re-exposed.

Considerations Relevant to the Development of the PIE TF's View on Re-Exposure

63. As explained above, the ITC was undertaken as an additional consultation step to address the circumstance that the Board ultimately agreed on a different position from the one that was presented in the ED.
64. The proposed narrow scope amendments in **Agenda Items 3-A**, subject to the Board's discussion at the June 2025 IAASB meeting, encapsulate the elements of the ED that were finalized (i.e., the adoption of the definition of PTE, incorporating in the ISQMs and ISAs the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework for when it may be appropriate to apply a differential requirement to other entities, and amending the extant differential requirements that apply to audit of listed entities, to apply to audits of PTEs).
65. The overall tone of the comment letters to the ED as they related to those elements of the ED proposals that have been finalized was positive. In addition, respondents expressed general support for the Board's final position in their comment letters to the ITC; the Project Team thoroughly considered observations to the contrary and presented their views and recommendations for the Board's consideration at the June 2025 IAASB meeting. In addition, there were some areas where suggestions were made by respondents to the ITC on how the pre-final narrow scope amendments could be enhanced, which were taken into account in making limited revisions as reflected in **Agenda Item 3-A**. The key revisions to the definitions and requirements since the ED are summarized in the table below:

Significant Matters Raised by Respondents	Key Revisions to those elements of the ED proposals that have been finalized
Objective and Purpose of Differential Requirements	
<ul style="list-style-type: none"> General support for the objective and purpose of differential requirements. However, respondents noted that these paragraphs would be better placed in the introductory paragraphs as they are not application material for the definition. 	<ul style="list-style-type: none"> The objective and purpose for establishing differential requirements have been relocated to the introductory paragraphs of ISQM 1 and ISA 200.
Definition of PTE	
<ul style="list-style-type: none"> Support to adopt the definition of PTE as a replacement for “listed entity” in the ISQMs and ISA. 	<ul style="list-style-type: none"> The definition of PTE adopted for the ISQMs and ISAs is the same as the definition in the IESBA PIE revisions. In addition, essential explanatory material has been included regarding if law, regulation or professional requirements define more explicitly PTE in a specific jurisdiction. This is aligned with the equivalent provisions in the IESBA PIE revisions. In response to an issue raised by respondents to the ITC, the essential explanatory material was extended to clarify that, when terms other than PTE are applied to entities by law, regulation or professional requirements to designate an entity as described in the PTE definition, such terms are regarded as equivalent to “publicly traded entity”.
Extending the Differential Requirements to PIE in the ISQMs and ISAs	
<ul style="list-style-type: none"> The respondents to the ED that raised the identified divergence issue regarding the application of the PIE definition between the IAASB and IESBA, suggested not to extend the extant differential requirements to PIEs. Agenda Item 3, Appendix 2 of the December 2024 IAASB meeting included a summary of feedback received from all 	<ul style="list-style-type: none"> The applicability to the extent differential requirements in the ISQMs and ISAs has been amended to apply to audits of PTEs. Given the Board's decision to adopt only the definition of PTE at this time, the feedback received will be considered when the IAASB revisits the decision to adopt the definition of PIE, aligned with the definition in the IESBA Code, and

Significant Matters Raised by Respondents	Key Revisions to those elements of the ED proposals that have been finalized
respondents to the ED on the individual questions that addressed the extant differential requirements on a case-by-case basis.	<p>extending differential requirements to apply to audits of PIEs, when the global adoption and implementation of such definition has sufficiently matured.</p> <ul style="list-style-type: none"> The application material to the differential requirements has been updated to reflect that it may be appropriate to apply a differential requirement in the ISQMs and ISAs to an entity other than a PTE, guided by considerations of significant public interest in the financial condition of such entity.
<i>Communicating about auditor independence</i>	
<ul style="list-style-type: none"> Respondents did not agree with the proposal to remove the extant requirement in ISA 260 (Revised) to communicate fee-related matters with those charged with governance, owing to the relative importance of these matters to those charged with governance and to ensure consistency of application. 	<ul style="list-style-type: none"> Reinserted the requirement for communicating fee-related matters.
<i>ISA 720 (Revised)</i> ¹⁹	
<ul style="list-style-type: none"> Strong support for amending the applicability of the differential requirements to apply to audits of PTEs. 	<ul style="list-style-type: none"> Some updates for consistency with the other differential requirements in the ISAs.
Proposed Revisions to ISRE 2400 (Revised)	
<ul style="list-style-type: none"> Support for the proposals included in the ED 	<ul style="list-style-type: none"> No change required

66. Regarding the elements of the ED that have been finalized and that, after approval, will represent the final pronouncement of narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised), the Project Team notes that:

- (a) There are no substantial changes to the key concepts of the project and the relevant elements presented in the ED have been retained. Some of these elements have been modified and

¹⁹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

clarified in response to comments received on exposure or consultation and related coordination activities with IESBA.

- (b) No new key concepts have been introduced that have not been exposed.
- (c) The changes to the text post exposure are in response to feedback from respondents to the ED and the ITC and, for the relevant elements, do not fundamentally or substantively change the proposals in the ED.
- (d) The final proposals have not resulted in a departure from the project objectives in paragraph 17(a)-(c) of the project proposal relevant to Track 2 of the project. The ITC, paragraph 32, sets out the Board's consideration of the PTE path vis-à-vis the project objectives outlined in the project proposal for the PIE project.

67. Furthermore, taking into account the additional consultation step that has been undertaken through the ITC, the Project Team is of the view that re-exposing the narrow scope amendments as finalized is unlikely to result in significant new information or concerns that have not been shared and responded to. It also is important to note the Project Team views and recommendations for a way forward for the IAASB to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and for broader differential requirements for PIEs, which was informed by responses to the ITC (see paragraphs 49–52).

Part F – Way Forward

- 68. Subject to the Board's approval of the final pronouncement of the narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) in June 2025, the Project Team will prepare relevant due process documentation for submission to the PIOB. Subject to PIOB certification, the final pronouncement will be published in July 2025. The IAASB will also publish a Basis for Conclusions document with the final pronouncement.
- 69. Subject to the Board's input at the June 2025 IAASB meeting, further action will be guided by the proposed forward path as discussed in paragraph 52.

Appendix 1

Project Team Members and Activities

Project Team Members

1. The Project Team consists of the following members:
 - Sue Almond (Chair)
 - Ida Diu
 - Isabelle Raiche
2. Information about the project can be found [here](#).

Outreach

3. The IAASB Program and Senior Director and IAASB Staff met with select representatives of IOSCO Committee C1 in April 2025.

Appendix 2

List of Respondents to the ITC – PIE Track 2

No.	Respondent	Region
Monitoring Group		Total: 1
1.	International Organization of Securities Commission	Global
Users of Financial Statements		Total: 1
2.	International Corporate Governance Network	Global
Regulators and Audit Oversight Authorities		Total: 4
3.	Botswana Accountancy Oversight Authority	Middle East and Africa
4.	Committee of European Auditing Oversight Bodies	Europe
5.	Independent Regulatory Board for Auditors – South Africa [#]	Middle East and Africa
6.	National Association of State Boards of Accountancy	North America
Jurisdictional Auditing Standards Setters (JSS)		Total: 9
7.	American Institute of Certified Public Accountants [#]	North America
8.	Compagnie Nationale des Commissaires aux Comptes [#]	Europe
9.	Hong Kong Institute of Certified Public Accountants [#]	Asia Pacific
10.	Group of Latin American Accounting Standards Setters	South America
11.	Institut der Wirtschaftspruefer in Deutschland e.V. [#]	Europe
12.	Instituto de Auditoria Independente do Brasil [#]	South America
13.	Nordic Federation of Public Accountants [#]	Europe
14.	Royal Netherlands Institute of Chartered Accountants [#]	Europe
15.	Wirtschaftsprüferkammer [#]	Europe
Accounting Firms²⁰		Total: 8
16.	BDO International*	Global
17.	Deloitte LLP*	Global
18.	Ernst & Young Global Limited*	Global
19.	Forvis Mazars*	Global
20.	Grand Thornton International Limited*	Global

Denotes members of the [IAASB-JSS Liaison Group](#)

²⁰ Forum of Firms members are indicated with a *. The Forum of Firms is an association of international networks of accounting firms that perform [transnational audits](#).

Listed Entity and Public Interest Entity (PIE) – Track 2 – Issues and Due Process Consideration
 IAASB Main Agenda (June 2025)

No.	Respondent	Region
21.	KPMG International Limited*	Global
22.	RSM International Limited*	Global
23.	PriceWaterhouseCoopers*	Global
Member Bodies and Other Professional Organizations		Total: 13
24.	Accountancy Europe	Europe
25.	ASEAN Federation of Accountants	Asia Pacific
26.	Association of Chartered Certified Accountants and Chartered Accountants Australia and New Zealand	Global
27.	Chartered Accountants Ireland	Europe
28.	CPA Australia	Asia Pacific
29.	Federation of Accounting Professions of Thailand	Asia Pacific
30.	Institute of Certified Public Accountants of Uganda	Middle East and Africa
31.	Institute of Chartered Accountants of Ghana	Middle East and Africa
32.	Institute of Singapore Chartered Accountants	Asia Pacific
33.	International Federation of Accountants	Global
34.	Korean Institute of Certified Public Accountants	Asia Pacific
35.	Malaysian Institute of Certified Public Accountants	Asia Pacific
36.	Malaysian Institute of Accountants – Auditing and Assurance Standards Board	Asia Pacific
Academics		Total: 1
37.	Hunter College-Auditing Class	North America

Appendix 3

Mapping the Proposed Narrow Scope Amendments for Track 2 to the Actions and Objective in the Project Proposal that Support the Public Interest

1. This appendix maps the proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) to the actions and objectives in the project proposal that support the public interest relevant for Track 2 of the project. It also highlights what qualitative standard-setting characteristics were at the forefront, or of most relevance, when determining how to address the proposed actions.
2. Qualitative standard-setting characteristics considered when developing the narrow scope amendments:

- (a) *Coherence* – among the overall body of the IAASB's and IESBA's standards (e.g., by acknowledging and referring to the revisions to the IESBA Code regarding the definition of PIE, adopting the same definition of PTE, aligning on an overarching objective and purpose for establishing differential requirements in the respective Boards' standards and maintaining the interoperability between the standards).
- (b) *Scalability and proportionality* – addressed by considering the relative impact that the proposals may have on different stakeholders and by recognizing heightened stakeholder expectations regarding the performance of audit engagements for certain types of entities that may not be publicly traded, but for which the differential requirements would be appropriate to be apply.
- (c) *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments (e.g., the need to maintain the relevance and robustness of the ISQMs and ISAs given the heightened expectations of stakeholders regarding the performance of audit engagements for PTEs and entities other than PTEs, and by recognizing situations when the IESBA Code requires an action that also has relevance to the IAASB's standards).
- (d) *Comprehensiveness* – limits the extent to which there are jurisdictional exceptions and variations in the application of the definition of PTE and the differential requirements in the ISQMs and ISAs.
- (e) *Clarity and conciseness*, including overall *understandability* – addresses minimizing the likelihood of differing interpretations when concepts across the IAASB's and the IESBA's standards differ or are misaligned.
- (f) *Implementability* and ability of being *consistently applied and globally operable* – focuses on reducing complexity and supporting consistent application and understanding when concepts across the IAASB and the IESBA standards are aligned (e.g., by supporting consistency among jurisdictions globally when applying the ISQMs and ISAs, and by minimizing complexity when too many differential requirements for certain types of entities apply).

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered ²¹
	Description	
A. Project Objective: Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs and ISAs to maintain their interoperability.		
<p>A.1: The IESBA definition of PIE</p> <p><i>Consider adopting the IESBA definition of PIE into the ISQMs and ISAs, or the IAASB Glossary of Terms.</i></p> <p>This project would consider whether the PIE definition should be adopted in the ISQMs and ISAs, because extant differential requirements for listed entities in the ISQMs and ISAs may be amended to apply to all categories of PIEs (also see item C.4 below).</p> <p>This project would also consider the application material in the ISQMs and ISAs that describes entities that have public interest or public accountability characteristics, and any new application material supporting the differential requirements considered as part of this project, and whether it should also reflect the concepts underpinning the definition of PIE (also see item C.5 below).</p> <p>This project would consider whether the PIE definition should be included in the IAASB Glossary of Terms, if it is not defined in the ISQMs and ISAs, but still used, for example, in application material (also see item C.5 below).</p>	<p>The IAASB decided not to adopt the definition of PIE for the ISQMs and ISAs (see rationale in Part A).</p> <p><i>Introduction Section on ISQM 1 and ISA 200</i></p> <ul style="list-style-type: none">• Incorporating in the Introduction and related application material of ISQM 1 and ISA 200 the approach for establishing differential requirements in the ISQMs and ISAs, aligned with the IESBA Code.• This includes providing a framework for when it may be appropriate to apply a differential requirement set out in the ISQMs or ISAs for audits of financial statements of publicly traded entities to the audits of other entities. <p><i>Para’s. 5A–5B and A2A–A2E of ISQM 1; 9A–9B and A13A–A13E of ISA 200</i></p>	<ul style="list-style-type: none">• <i>Scalability and proportionality</i>• <i>Coherence</i>• <i>Relevance</i>• <i>Clarity and conciseness</i>• <i>Implementability, and ability of being consistently applied and globally operable</i>

²¹ The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, when determining how to address each proposed action.

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered ²¹
	Description	
<p>A.2: The IESBA definition of “publicly traded entity”</p> <p><i>Consider adopting the IESBA definition of “publicly traded entity” into the ISQMs and ISAs, as a replacement of listed entity.</i></p> <p>The project would consider the impact on the ISQMs and ISAs of adopting the definition of “publicly traded entity” and replacing “listed entity” with “publicly traded entity” (also see item C.4 below). In particular, the replacement of the term may result in changes in the underlying entities that such requirements apply to, for example:</p> <ul style="list-style-type: none"> Additional entities may be scoped into the definition of “publicly traded entity” that are not scoped into the extant definition of “listed entity” in the ISQMs and ISAs. The definition of “publicly traded entity” refers to “a listed entity as defined by relevant securities law or regulation” as an example of a publicly traded entity. As a result, depending on how the term “listed entity” is defined in securities law or regulation, the notion of a listed entity may be broader or narrower than the extant definition of a “listed entity” in the ISQMs and ISAs. 	<p><i>Definitions</i></p> <ul style="list-style-type: none"> Adopting the definition of “publicly traded entity” in the Definitions section of the ISQMs and ISAs. <p><i>Introduction Section on ISQM 1 and ISA 200</i></p> <ul style="list-style-type: none"> See item A.1 above related to incorporating in the ISQMs and ISAs the overarching objective and purpose for establishing differential requirements, and the framework for when it may be appropriate to apply a differential requirement to an audit of financial statement of an entity other than a publicly traded entity. <p><i>Para’s. 16(p)B, 5A–5B and A2A–A2E of ISQM 1; 13(l)B, 9A–9B and A13A–A13E of ISA 200</i></p>	<ul style="list-style-type: none"> <i>Scalability and proportionality</i> <i>Coherence</i> <i>Relevance</i> <i>Comprehensiveness</i> <i>Clarity and conciseness</i> <i>Implementability, and ability of being consistently applied and globally operable</i>
<p>B. Project Objective: Establish an objective and guidelines to support the IAASB’s judgments regarding specific matters for which differential requirements for certain entities are appropriate.</p>		
<p>B.3: An objective and guidelines for establishing differential requirements for certain entities in the ISQMs and ISAs</p> <p><i>Adopt the overarching objective established by the IESBA in paragraph 400.8 of the IESBA Code as a principle for establishing differential requirements for certain entities and application material in the ISQMs</i></p>	<p><i>Introduction Section on ISQM 1 and ISA 200</i></p> <ul style="list-style-type: none"> Adopting the overarching objective for establishing differential requirements in the ISQMs and ISAs, based on paragraph 400.8 of the IESBA PIE revisions. 	<ul style="list-style-type: none"> <i>Scalability and proportionality</i> <i>Coherence</i> <i>Relevance</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered ²¹
	Description	
<p>and ISAs.</p> <p><i>Develop a tailored objective, based upon the overarching objective, and taking into consideration paragraph 400.10 of the IESBA Code, that explains the purpose for differential requirements for certain entities in the ISQMs and ISAs.</i></p> <p><i>Develop guidelines that assist the IAASB 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.</i></p> <p><i>Determine the appropriate location and accessibility of the objective or guidelines described above.</i></p> <p>The objective and guidelines would be used as a basis for:</p> <ul style="list-style-type: none"> • Undertaking a case-by-case analysis of existing differential requirements for listed entities in the ISQMs and ISAs to determine whether those requirements need to be amended to apply to all categories of PIEs (also see item C.4 below); and • Future IAASB projects in determining whether differential requirements need to be established for certain entities in the ISQMs and ISAs (i.e., it would be used to inform the approach by providing principles against which future proposals for differential requirements can be tested). 	<ul style="list-style-type: none"> • Tailoring the purpose for the objective in paragraph 400.10 of the IESBA PIE revisions to meet “the heightened expectations of stakeholders regarding the audit engagement.” • Including a framework for determining when it may be appropriate to apply a differential requirement set out in the ISQMs or ISAs for audits of financial statements of publicly traded entities to the audits of other entities. <p><i>Paras. 5A–5B and A2A–A2E of ISQM 1; 9A–9B and A13A–A13E of ISA 200</i></p>	<ul style="list-style-type: none"> • <i>Comprehensiveness</i> • <i>Clarity and conciseness</i> • <i>Implementability, and ability of being consistently applied and globally operable</i>
<p>C. Project Objective: Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.</p>		
C.4: Case-by-case analysis of extant differential requirements for	<i>Scope and Requirements</i>	<ul style="list-style-type: none"> • <i>Scalability and</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered ²¹
	Description	
<p>listed entities in the ISQMs and ISAs</p> <p><i>Undertake a case-by-case analysis to determine:</i></p> <ul style="list-style-type: none"> • Whether the extant differential requirements for listed entities should be amended to apply to all categories of PIEs; and • The impact on extant differential requirements for listed entities of adopting the definition of “publicly traded entity” as a replacement of “listed entity.” <p>In undertaking the case-by-case analysis, the project would consider:</p> <ul style="list-style-type: none"> • The objective and guidelines for establishing differential requirements for certain entities in the ISQMs and ISAs (also see item B.3 above). • The impact of amending the extant differential requirements for listed entities to apply to other entities, including the impact of adopting the definition of “publicly traded entity” as a replacement of “listed entity” if the differential requirements were to apply to “publicly traded entities” (also see items A.1 and A.2 above). • Other information available (e.g., the post-implementation review of the auditor reporting standards, respondents’ feedback from the Exposure Draft on Proposed ISQM 1²² regarding the scope of entities that should be subject to an engagement quality review, the Board’s deliberations and decisions at the time when certain differential requirements were established, and, where 	<ul style="list-style-type: none"> • Amending the differential requirements for listed entities to apply to “publicly traded entity” in ISQM 1, ISA 260 (Revised), ISA 570 (Revised 2024), ISA 700 (Revised), ISA 701²³ and ISA 720 (Revised). • Bifurcating the requirements in paragraph 18 of ISA 260 (Revised), to address the communication about compliance with independence requirements in the auditor’s report for all audit engagements. <p><i>Paras. 34(e)–(f) of ISQM 1; 18, 18A of ISA 260 (Revised); 34, 35 of ISA 570 (Revised 2024), 30–31, 40(b)–(c), 46, 50(l) of ISA 700 (Revised); 5 of ISA 701; 21–22(b) of ISA 720 (Revised)</i></p>	<p><i>proportionality</i></p> <ul style="list-style-type: none"> • <i>Relevance</i> • <i>Clarity and conciseness</i> • <i>Comprehensiveness</i> • <i>Implementability, and ability of being consistently applied and globally operable</i>

²² See Exposure Draft: [Proposed International Standard on Quality Management 1 \(Previously International Standard on Quality Control 1\), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements](#).

²³ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered ²¹
	Description	
appropriate, how jurisdictional standards setters have addressed this issue at jurisdictional levels).		
<p>C.5: Application and introductory material in the ISQMs and ISAs</p> <p><i>As a consequence of undertaking the case-by-case analysis, consider whether:</i></p> <ul style="list-style-type: none"> <i>The application material in the ISQMs and ISAs should be updated as a result of any changes to entities to which the extant differential requirements apply and to align with the concepts underpinning PIEs.</i> <i>Updates may be needed to application material (e.g., examples and appendices) and introductory material (e.g., scope and scalability paragraphs) that use the term “listed entity(ies)” or otherwise make reference to listed entities (e.g., entities that are listed or entities other than listed entities).</i> <p>The ISQMs and ISAs include application material to explain that certain entities other than listed entities could have characteristics that give rise to similar public interest issues as listed entities to alert auditors that it may be appropriate to apply a requirement that was designed for an audit of financial statements of a listed entity to a broader range of entities.²⁴ Various examples are included in application material to illustrate the types of entities that may exhibit such characteristics.</p> <p>This project will consider whether such application material should be</p>	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Inclusion of a framework in the application material to the Introduction sections of ISQM 1 and ISA 200 that supports consideration of whether there are other types of entities for which it may be appropriate to apply the differential requirements in the ISQMs and ISAs that apply to audits of publicly traded entities. Changes to align the entities to which the extant differential requirements apply as well as to align with the concepts underpinning the definition of “publicly traded entity.” <p><i>Various application and introductory material paragraphs and the illustrative auditor’s reports in the ISAs</i></p>	<ul style="list-style-type: none"> <i>Comprehensiveness</i> <i>Implementability, and ability of being consistently applied and globally operable</i>

²⁴ References in the application material made with respect to “public interest entities”, “public entities”, “entities with public accountability”, “entities with public interest or public interest characteristics”, “entities with significant public interest” and other similar descriptions.

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30)	Key Changes Proposed	Qualitative Standard-Setting Characteristics Considered ²¹
	Description	
<p>updated:</p> <ul style="list-style-type: none"> As a consequence of the IAASB's decisions regarding which entities the differential requirements apply to; and To include the categories of entities included in the definition of PIE (i.e., if the requirement continues to apply to listed entities or publicly traded entities only), the factors in the IESBA Code for evaluating the extent of public interest in the financial condition of an entity and the factors in the IESBA Code for firms to consider in determining whether to apply the requirements in the IESBA Code for PIEs to other entities. <p>The ISQMs and ISAs include references to listed entities and related terms²⁵ (e.g., examples in application material, appendices, and scope and scalability paragraphs). The project will consider whether such application material needs to be updated.</p>		

²⁵ Related terms include the following: “non-listed”, “other than listed”, “unlisted” and “smaller listed” entity.

Appendix 4

Relevant Extracts from the IAASB's Due Process

The matter of re-exposure is addressed in the IAASB's [Due Process and Working Procedures](#), paragraphs 23 and A40-A42.

23. After approving the final revised content of an exposed international pronouncement, the PIAC²⁶ votes on whether there has been substantial change to the exposed document such that re-exposure is necessary. An affirmative vote in accordance with the PIAC's terms of reference that re-exposure is necessary is required to issue a re-exposure draft. The basis of the PIAC's decisions with respect to re-exposure is recorded in the minutes of the PIAC meeting at which the related project is discussed. (Ref: Para. A40-A42).

...

Re-Exposure (Ref: Para. 23)

- A40. When an exposure draft has been subject to many changes, a summary comparative analysis is presented to the PIAC. This analysis shows, to the extent practicable, the differences between the exposure draft and the proposed final international pronouncement.
- A41. The senior staff member of the PIAC, in consultation with the Chair of the PIAC and chair of the Project Task Force, advises the PIAC on whether a draft international pronouncement, or part thereof, needs to be re-exposed.
- A42. Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the PIAC before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the PIAC; or substantial change to the substance of a proposed international pronouncement.

²⁶ Public Interest Activity Committee, i.e., the IAASB.