

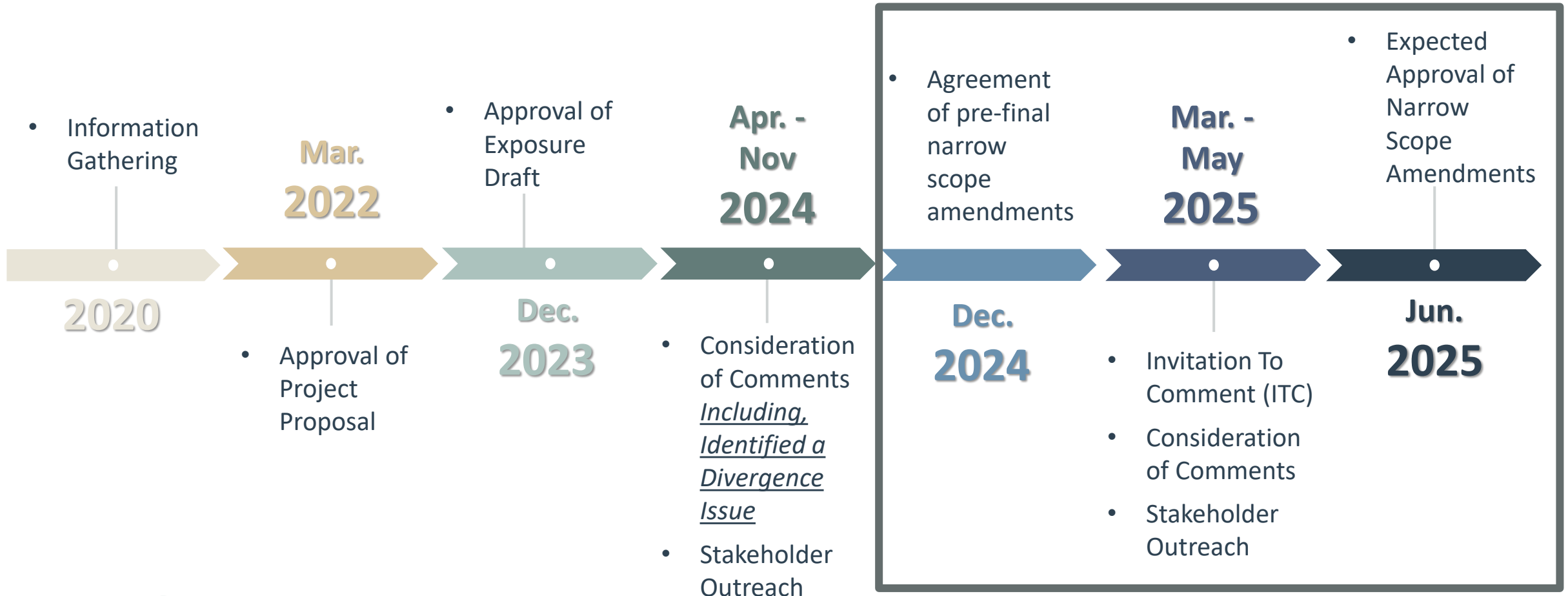
Listed Entity and PIE: Track 2

IAASB Meeting
June 18-20, 2025
Agenda Item 3

June 2025



Journey of Narrow Scope Amendments to the ISQMs, ISAs and ISRE 2400 (Revised)



Pre-Final Revisions and the Listed Entity and PIE Project Objectives

01

Achieve convergence to the greatest extent possible with key concepts in the IESBA Code and the ISQMs / ISAs.

02

Establish an objective and guidelines to support judgments about differential requirements.

03

Determine whether and extent to which to amend applicability of extant differential requirements.



IAASB's Final Position Agreed in December 2024

REFLECTED IN THE PRE-FINAL NARROW SCOPE AMENDMENTS



Adoption of:

- **PTE definition** – core definition (same as IESBA definition) with essential explanatory material to explain that for purposes of the ISQMs / ISAs, local bodies may define more explicitly a PTE
- **Objective and purpose** for differential requirements, including a **framework** for when it may be appropriate to apply such requirements to entities other than PTEs



Differential Requirements

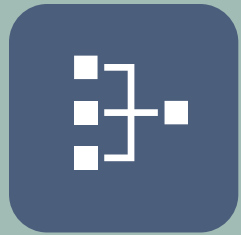
- Amending the applicability of **extant differential requirements** to apply to PTEs



Commitment

- IAASB remains **committed to all elements** of its ED Proposals
- Agreement to **revisit the decision to adopt the PIE definition** and extending differential requirements to apply to audits of PIEs, when the global adoption and implementation of the IESBA definition has sufficiently matured

Coordination Activities and Outreach Since Last Update



IESBA

Discussed the ethics-related aspects

- Feedback from ITC and Narrow Scope Amendments of ISQMs and ISAs
- Way forward



**Stakeholder
Outreach**

Meeting with

- IOSCO (Committee 1)

Comments from IOSCO (Committee 1)



“We do not support the IAASB’s proposal to revisit the decision to adopt the definition of PIE at a later date “...when the global adoption and implementation of such definition has sufficiently matured.” While we encourage the IAASB to finalize certain aspects of this project, including the PTE definition and updates to the differential requirements, we believe the IAASB should also carve out a project to reconsider a PIE definition for use in the ISAs and ISQMs that is not constrained by an objective to converge with the broad PIE definition developed by the IESBA. ... we believe it is in the public interest for the IAASB to establish the PIE definition for use in the ISAs and ISQMs, and for a project with revised objectives to be commenced immediately since it appears that much of the work has been done, including outreach, stakeholder feedback, and staff and IAASB level deliberations.”

Post-Exposure Consultation Before Finalizing

Prompt: Timing of the identification of the divergence issue and the Board's final position is different from the position presented in the ED

Purpose: Bring awareness to the IAASB's position and rationale in finalizing the narrow scope amendments to the ISQMs and ISAs

- 45 days consultation, closed on March 27, 2025
- Request for observations on:
 - IAASB's position prior to finalizing the narrow scope amendments
 - Forward-looking matters (i.e., effective date; commitment and timeline to revisit proposals)

Overview of Responses to ITC

RESPONDENTS BY STAKEHOLDER GROUPS AND GEOGRAPHICAL SPREAD



Q1: Respondents' Observations on IAASB's Final Position



Broad support for the IAASB's final position and rationale for pursuing the PTE path over the ED path and Conditional path

Observations and Suggestions:



- Value of PIE proposals in ED and limited benefits of PTE only
- Difference in standards-design of IAASB standards and IESBA Code
- Concerns with having essential explanatory material to the definition
- Drafting suggestions

Project Team Recommendations

Move forward with **IAASB's Final Position** as agreed in December 2024

Matters for IAASB Consideration

Questions

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 of Agenda Item 3 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?



Matters for IAASB Consideration

Questions

3. The Board is asked for its views on the Project Team recommendations discussed in paragraphs 34 and 35 of Agenda Item 3 (i.e., the narrow scope amendments for approval).



Q2(a): Respondents' Observations on Effective Date



Broad support for alignment with the Going Concern and Fraud projects



Observations and Suggestions:

- Transitional challenges for certain listed entities that are not PTEs; seeking clarification whether early adoption is permitted
- Defer until after IESBA PIR or until approval of PIE and PTE together

Project Team Recommendations

- Reaffirm proposed effective date of **December 15, 2026**
- **Early adoption** (i.e., same approach as Going Concern and Fraud)

Matters for IAASB Consideration

Questions

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 of Agenda Item 3 regarding the **proposed effective date** of the narrow scope amendments?



Q2(b,c): Respondents' Observations on Revisit Commitment



General support for revisiting the decision to adopt the PIE definition, but concern about the timing



Observations and Suggestions:

- Joint IAASB-IESBA action on PIR, outreach, stand-setting project, etc.
- Align timeline with IESBA's PIR to avoid premature decisions

Project Team Recommendations

Proposed **joint action** by the IAASB and IESBA, subject to agreement by both Boards (see next slide)

Proposed Joint Action By the IAASB and IESBA



Coordination between IAASB and IESBA staff and Planning Committees to **integrate joint action**, aligning with the IESBA PIR



Dual purposes:

- IESBA PIR (normal aims of a PIR)
- IAASB information gathering – adoption of PIE definition and broader differential requirements



Joint **PIE Project Team** comprising IAASB and IESBA staff, and Board Advisors from each Board



Joint project team to **present to both Boards** throughout period of joint action – in each Board's plenary sessions and in joint plenary sessions

Matters for IAASB Consideration

Questions

4. Do Board members agree that Part C appropriately summarizes the observations received from respondents?
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 of Agenda Item 3.



Track 2 of Listed Entity and PIE: Way Forward





Questions

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Proposed drafting regarding PTE definition in ISQM 1.16(p)B

Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

For purposes of the ISQMs:

- (i), If law, regulation or professional requirements define more explicitly a publicly traded entity in a specific jurisdiction, the firm applies that more explicit definition. For example, law, regulation or professional requirements may define publicly traded entities for purposes of defining entities that are considered public interest entities, by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria.
- (ii) When terms other than publicly traded entity are applied to entities by law, regulation or professional requirements to meet the purpose described in paragraphs 5A and 5B, ~~designate an entity as described in the above definition, including, for example, using specific descriptions for the concepts of “financial instruments”, “transferrable and traded”, “publicly accessible market mechanism” or “stock exchange”~~, such terms are regarded as equivalent to “publicly traded entity”.