

RESPONSE TEMPLATE FOR THE ED OF PROPOSED NARROW SCOPE AMENDMENTS TO ISQMs, ISAs AND ISRE 2400 (REVISED)

Guide for Respondents

Comments are requested by **April 8, 2024**.

This template is for providing comments on the Exposure Draft (ED) of proposed Narrow Scope Amendments to the International Standards on Quality Management (ISQMs), the International Standards on Auditing (ISAs) and the International Standard on Review Engagement (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code*, in response to the questions set out in the Explanatory Memorandum (EM) to the ED. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of the ED that your response relates to, for example, by reference to sections, headings or specific paragraphs in the ED.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the ED [web page](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the EM for the ED, Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and PIE in the IESBA Code

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	RSM International Limited
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Marion Hannon, Global Leader, Quality & Risk, RSM International
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	Marion.Hannon@rsm.global
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option.	Global
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.	Accounting Firm
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	RSM International Limited, a worldwide network of independent firms, is the leading provider of audit, tax and consulting services to the middle market.

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to the ED).

Information, if any, not already included in responding to the questions in Parts B and C:

We appreciate the opportunity to comment on the IAASB’s exposure draft, *Narrow Scope Amendments to the International Standards on Quality Management (ISQMs); International Standards on Auditing (ISAs); and International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statement as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code*. We support the IAASB’s objective to converge the definitions and related key concepts, establish an objective and guidelines to determine differential requirements, and make

certain of the proposed revisions to the standards to meet heightened expectations for public interest entities (PIEs).

However, we have concerns relating to a number of the other proposed revisions in relation to extending the extant differential requirements from listed entities to public interest entities regarding the scope of engagements subject to engagement quality reviews (see question 3A below for details), communicating key audit matters (KAMs) in the auditor's report (see question 3D below for details) and disclosing the name of the engagement partner in the auditor's report (see question 3E below for details).

In addition, we note that potentially having three levels of differentiating requirements (i.e., all entities, PIEs and publicly traded entities (PTEs)) may cause additional confusion or complexity in determining which requirements are applicable to a particular engagement. Accordingly, we recommend the IAASB consider this matter in determining which, if any, extant differentiation requirements should be extended to all PIEs.

Language recommended for deletion is ~~struck through~~. Language recommended for addition is underlined.

PART B: Responses to Specific Questions in the EM for the ED

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Objective for Establishing Differential Requirements for PIEs

1. Do you agree with establishing the overarching objective and purpose for establishing differential requirements for PIEs proposed in paragraphs A29A–A29B of ISQM 1 and paragraphs A81A–A81B of ISA 200 in the ED? If not, what do you propose and why?

(See EM Section 1-B, paragraphs 13-18)

Overall response: [Agree \(with no further comments\)](#)

Detailed comments (if any):

Definitions of PIE and “Publicly Traded Entity”

2. Do you agree with adopting the definitions of PIE and “publicly traded entity” into ISQM 1 and ISA 200 (see proposed paragraphs 16(p)A–16(p)B of ISQM 1 and paragraphs 13(l)A–13(l)B of ISA 200 in the ED)? If not, what do you propose and why?

(See EM Section 1-C, paragraphs 19-26)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

As a member of the Forum of Firms, we committed to have policies and methodologies that conform to the *International Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and national codes of ethics. Accordingly, adopting the definitions of PIE and PTE into ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, will have a minimal impact on our network, since our member firms are required to comply with the IESBA Code of Ethics.

However, we acknowledge that there are jurisdictions that may use the IAASB quality management and auditing standards but have not adopted the IESBA Code of Ethics. We believe the IAASB should consider addressing these cases, as this may result in entities being considered a PIE or PTE for legal, regulatory or ethical purposes, but not being considered a PIE or PTE for quality management and auditing purposes or vice versa. We, therefore, consider that allowing national standard setters to define PIE and PTE, and not to incorporate these definitions into ISQM 1 and ISA 200, is the appropriate approach to follow.

Differential Requirements in the ISQMs and ISAs

3A. Do you agree with the IAASB's proposals for extending the extant differential requirements for engagement quality reviews to apply to PIEs (ISQM 1, paragraph 34(f) in the ED)?

(See EM Section 1-D, paragraphs 27-40 and Appendix 1)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

ISQM 1 and ISQM 2, *Engagement Quality Reviews*, were issued in December 2020. ISQM 1 deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.

The explanatory memorandum to the IAASB's exposure draft of ISQM 2 (ED-ISQM 2) stated that one of the IAASB's objectives was to strengthen the requirements for engagements that should be subject to an engagement quality review by extending the requirement for an engagement quality review to engagements other than audits of listed entities. Paragraph 34(f) of extant ISQM 1 addressed this objective. During the process of developing this paragraph, the IAASB debated whether to include PIEs as a category where engagement quality reviews were required, and ultimately it was decided not to do this in the final ISQM 1.

In December 2018, the IAASB confirmed its view that the term 'entities of significant public interest' was a more appropriate term to use in the IAASB standards than PIEs as the term is already used in ISA 260 (Revised), *Communication with Those Charged with Governance*, and ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*. When analysing the consultation responses to ED-ISQM 2 in September 2019, the IAASB highlighted that 41 of 99 respondents indicated either concerns over inconsistency in the application of 'significant public interest' versus the PIE concept, requested clarification in application material or guidance on 'significant public interest', or seemed to misunderstand the concept of 'significant public interest' to mean PIE or that it would be translated as such.

Upon further deliberations, the IAASB decided to remove the requirement to perform engagement quality reviews on entities with significant public interest and absorb the intended concept and entities that may be included in IESBA's definition of PIE in paragraph A134 of extant ISQM 1. This paragraph includes examples of conditions, circumstances, actions or inactions giving rise to quality risks for which an engagement quality review may be an appropriate response per paragraph 34(f)(iii) of extant ISQM 1. It should be noted that entities included in both the extant and pending definitions of PIE are listed in these examples.

In addition, paragraph A135 of extant ISQM 1 states that the firm's responses to address quality risks (including those related to PIEs) may include other forms of engagement reviews that are not engagement quality reviews. Accordingly, the IAASB allowed firms to use judgment in deciding which entities that may be considered PIEs under the IESBA Code of Ethics should have an engagement quality review.

ISQM 1 and ISQM 2 were required to be implemented by 15 December 2022 which is very recent. The IAASB has not performed a post-implementation review on ISQM 1 and ISQM 2, and such post-implementation review is not planned until after the current workplan period of 2024-2027. In addition, the 2024-2027 Strategy and Work Plan states that:

Post-implementation reviews (PIRs) of new or revised standards are only considered after a significant period of global adoption and implementation of a standard (i.e., 3–5 years). This allows sufficient time for a new or revised standard to be properly embedded in practice and for internal and external monitoring purposes, in the context of global adoption across jurisdictions.

The proposal to extend the differential requirements for performing engagement quality reviews from listed entities to PIEs would not give sufficient time for the requirements of ISQM 1 and ISQM 2 to be properly embedded in practice and for internal and external monitoring purposes to determine if there is a need to modify the extant requirements.

Accordingly, as the IAASB

- (i) has recently considered and discussed whether PIEs should be subjected to engagement quality reviews during the drafting of ISQM 1 and ISQM 2,
- (ii) made a deliberate decision not to subject all PIEs to engagement quality reviews per extant ISQM 1 and
- (iii) has not allowed sufficient time to pass to adequately assess and determine if the extant requirements for engagements subject to engagement quality review under ISQM 1 should be revised,

we do not believe it would be appropriate to extend the scope of engagements subject to engagement quality reviews under paragraph 34(f) of ISQM 1 from listed entities to PIEs.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

For the reasons stated above and taking into consideration that 'publicly traded entities' is replacing 'listed entities' in the IAASB standards, we suggest paragraph 34(f)(i) of ISQM 1 be revised as follows (from extant ISQM 1):

- (i) Audits of financial statements of ~~listed~~ publicly traded entities.

In addition, we suggest the following revision replace the last main bullet in the examples of types entities with conditions, circumstances, actions or inactions giving rise to quality risks for which an engagement quality review may be an appropriate response in paragraph A134 of extant ISQM 1 (derived from pending paragraph 400.8 in the IESBA Code of Ethics) to reflect IESBA's change in the definition of PIE:

- Public interest entities, which reflect the significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. Entities other than listed entities that may have public interest or public accountability characteristics, for example:
 - ~~Entities that hold a significant amount of assets in a fiduciary capacity for a large number of stakeholders including financial institutions, such as certain banks, insurance companies, and pension funds for which an engagement quality review is not otherwise required by law or regulation.~~
 - ~~Entities with a high public profile, or whose management or owners have a high public profile.~~
 - ~~Entities with a large number and wide range of stakeholders.~~
- Entities with a high public profile, or whose management or owners have a high public profile.

3B. Do you agree with the IAASB's proposals for extending the extant differential requirements for communication with TCWG about the firm's system of quality management to apply to PIEs (ISQM 1, paragraph 34© in the ED)?

(See EM Section 1-D, paragraphs 27-38 and Appendix 1)

Overall response: Agree (with no further comments)

Detailed comments (if any):

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3C. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating about auditor independence to apply to PIEs (ISA 260 (Revised), paragraphs 17 and 17A, and ISA 700 (Revised), paragraph 40(b) in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 41-45 and Appendix 1)

Overall response: Agree (with no further comments)

Detailed comments (if any):

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3D. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating KAM to apply to PIEs (ISA 700 (Revised), paragraphs 30-31, 40(c) and ISA 701, paragraph 5 in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 46 and Appendix 1)

Overall response: Disagree, with comments below

Detailed comments (if any):

We note that the public interest factors that drive this requirement include enhancing the communicative value of the auditor's report by providing greater transparency about the audit that was performed and to increase intended user confidence in the audit and the audited financial statements.

However, we have reservations about the need to extend the extant differential requirements for communicating KAMs to apply to all PIEs, in particular with respect to entities where the financial statements may not be publicly available (e.g., owner-managed entities). We appreciate that communicating KAMs in the auditor's report may still be relevant if the PIE is required to submit their financial statements to their respective regulators, required by their bank under certain financing arrangements or required by potential investors.

We, therefore, believe that in instances where KAMs may not be necessary, such as where the financial statements may not be publicly available (e.g., owner-managed entities) and the financial statements are not required to be provided to other stakeholders or those stakeholders do not require KAMs to be reported in the auditor's report, the IAASB should consider allowing KAMs to be optional.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

For the reasons stated above, we agree with the scope in paragraphs 30-31 of extant ISA 700 (Revised) and paragraph 5 of extant ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, which indicate that the auditor shall communicate KAMs in the auditor's report for audits of complete sets of general purpose financial statements of listed entities or when required by law or regulation. Paragraph 31 of extant ISA 700 (Revised) and paragraph 5 of extant ISA 701 also state that KAMs may be communicated in the auditor's report when the auditor otherwise decides to (i.e., at the option of the auditor).

We believe that the existing requirements are appropriate and recommend the IAASB not to modify them. However, since 'publicly traded entities' is replacing 'listed entities' in the IAASB standards, we support replacing 'listed entity(ies)' with 'publicly traded entity(ies)' in paragraphs 30, 40(c), A40, A43 and the appendix of extant ISA 700 (Revised) and paragraphs 5 and A59 of extant ISA 701. In addition, these revisions may have an incidental impact resulting in similar revisions where 'listed entities' are referred to, such as certain illustrative reports in appendices of various standards. Since publicly traded entities are a subset of public interest entities, differential reporting requirements proposed for public interest entities would also apply to public traded entities in the illustrations and appendices.

3E. Do you agree with the IAASB's proposals for extending the extant differential requirements for the name of the engagement partner to apply to PIEs (ISA 700 (Revised), paragraphs 46 and 50(I))?
(See EM Section 1-D, paragraphs 27-38 and Appendix 1)

Overall response: Disagree, with comments below

Detailed comments (if any):

Transparency

We support increased transparency related to the audit where such transparency improves audit or better enables financial statement users to make well-informed decisions about their investments or their voting decisions. We believe that a balance must be achieved when weighing the potential benefits of transparency about the identity of the engagement partner with the impact of the consequences for audit firms, audit partners, issuers, investors and other stakeholders and the capital markets at large. As communicated in our consultation response to the exposure draft on *Reporting on Audited Financial Statements: Proposed new and revised International Standards on Auditing* dated 22 November 2013, we continue to believe the requirement to disclose the name of the engagement partner for audits of financial statements for all entities should be left to national standard setters and should not be a requirement of ISA 700 (Revised). This includes extending the extant differential requirements for the name of the engagement partner to apply to all PIEs.

We understand the intent of the objective of providing greater transparency to intended users about the engagement partner who is responsible for the audit to enhance the intended users' confidence in the audit that has been performed. We also understand that investors and other stakeholders could gather and analyse certain data about the engagement partner, and the engagement partner may develop a reputation based on the industry specialization, audit history and track records. However, we do not believe disclosing the engagement partner in auditor's report would necessarily achieve that objective.

Context of Engagement Partner Qualifications

Including the engagement partner's name in the auditor's report does not provide the appropriate context around, or insight into, the partner's work experiences or skill level. Because this is not included in the disclosure, investors may draw inappropriate conclusions about an engagement partner's qualifications to serve as the engagement partner for a PIE (including a PTE). For example, if an engagement's partner name is disclosed in only one auditor's report of a PIE within a certain industry, the financial statement user could infer that the engagement partner has very limited experience in auditing a PIE within that industry. What may be unknown to the investor is that the engagement partner has robust experience in auditing entities in that industry, such as when that engagement partner also (a) is the engagement quality reviewer for other audits of entities in that industry, (b) is the engagement partner for audits of non-public interest entities in that industry and/or (c) has extensive experience in the firm's national office as a consultant for matters related to audits in that industry. Thus, the users may reach erroneous, inappropriate or uninformed conclusions about the engagement partner or quality of the audit.

This type of information is provided to the audit committee, or equivalent, when engaging and evaluating the external auditor. As a part of these communications, the audit committee, or equivalent, generally asks probing questions of the external auditor, which allows the opportunity to continually assess the competency of the engagement partner.

Accountability

Engagement partners already have reasons to feel accountable for their work. Under the ISAs, the engagement partner is responsible for the engagement and its performance. Engagement partners are accountable to audit committees, to investors, to their firm, to other partners within their firm and to regulators. As such, a lack of professional accountability can have direct consequences. Engagement partners may be held liable in enforcement actions taken by the regulators without regard to whether their name is disclosed in the audit report.

Public Availability of Financial Statements

There may be some jurisdictions that may have entities that are considered PIEs due to the nature and size of the entities; however, the entities' financial statements may not be publicly available (e.g., owner-managed entities), and therefore, we question the need to expand the differential requirements to all PIEs.

Costs and Benefits

As discussed above, engagement partners are already held accountable for their audits by various parties, which generally result in high-quality audits and achieve the objective of an audit in accordance with ISA 200. By naming the engagement partner, we believe audit fees may increase disproportionately as there could be a tendency to move away from a risk-based audit to performing additional procedures to gather more evidence to protect themselves even if there was not an associated risk. As such, the costs associated with this proposal may outweigh any benefits.

In addition, we believe there may be some negative unintended consequences, particularly in jurisdictions where there may be concern regarding potential legal liability associated with disclosing the name of the engagement partner in the auditor's report. This additional potential legal liability and assumed risk are likely to also contribute to increased audit fees.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

Preferred Alternative: Rescinding Disclosure Requirement

We suggest that the requirement to disclose the name of the engagement partner for audits of financial statements for **all** entities be left to jurisdictions or national standard setters and should not be a requirement of ISA 700 (Revised).

Second Alternative: Disclosure Required for Publicly Traded Entities Only

If the IAASB decides to retain the requirement to disclose the name of the engagement partner in the auditor's report, we believe the requirement should continue to be limited to listed entities (or publicly traded entities, since 'publicly traded entities' is replacing 'listed entities' in the IAASB standards). We would support replacing 'listed entity(ies)' with 'publicly traded entity(ies)' in paragraphs 46, 50(l) and A61-A62 of extant ISA 700 (Revised). In addition, these revisions may have an incidental impact resulting in similar revisions where 'listed entities' are referred to, such as certain illustrative reports in appendices of various standards. Since publicly traded entities are a subset of public interest entities, differential reporting requirements proposed for public interest entities would also apply to public traded entities in the illustrations and appendices.

Alternative if the Disclosure is Required for Public Interest Entities

If the IAASB does not adopt our other recommendations and moves forward with the proposed revision in the exposure draft, we have the following recommendations:

Currently, there is an exception to disclosing the engagement partner's name in the case of a significant personal security threat (paragraph 46 of ISA 700 (Revised)). Paragraph A63 of ISA 700 (Revised) clarifies that such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Given the different legal landscape of jurisdictions, the public availability of entities' financial statements and the potential nature and size of entities that would be newly scoped in by expanding this requirement to all PIEs, we suggest the IAASB consider moving the last sentence in paragraph A63 of ISA 700 (Revised) that states, 'law, regulation or national auditing standards may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement partner may be omitted' to the end of paragraph 46 or as a separate application paragraph after A63 (e.g., A63A) of ISA 700 (Revised).

We also recommend adding the following sentence to paragraph A18 of ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, to clarify consideration of law, regulation or national auditing standards in omitting naming the engagement partner in the auditor’s report on financial statements prepared in accordance with special purpose frameworks:

‘Law, regulation or national auditing standards may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement partner may be omitted.’

Alternatively, if the IAASB moves this sentence to paragraph 46 of ISA 700 (Revised) as suggested above, we believe it would not need to be added to paragraph A18 of ISA 800 (Revised), as paragraph 46 of ISA 700 (Revised) is incorporated by reference in paragraph 11 of ISA 800 (Revised).

4. Do you agree with the IAASB’s proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to “publicly traded entity”? If not, what do you propose and why?

(See EM Section 1-D, paragraphs 47-51)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

Whilst we understand the IAASB’s decision to defer the discussion on extending the differential requirements in ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*, to all PIEs for the reasons identified in paragraphs in 48-49 of the Explanatory Memorandum, we agree with the public interest factors that would drive the requirement, which include providing transparency to intended users about the other information and auditor’s work effort in relation to such information.

Thus, we encourage the IAASB to consider whether extending the differential requirements from PTEs to all PIEs would be appropriate when a comprehensive revision of ISA 720 (Revised) is undertaken based on future work plan decisions.

Proposed Revisions to ISRE 2400 (Revised)

5. Do you agree with the new requirement and application material in ISRE 2400 (Revised) 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? If not, what do you propose and why?

(See EM Section 1-E, paragraphs 52-57)

Overall response: [Agree \(with no further comments\)](#)

Detailed comments (if any):

Other Matters

6. Are there any other matters you would like to raise in relation to the ED? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

We encourage the IAASB to consider any revisions to ISRE 2410 as part of a broader project to revise the standard during any future work plan decisions, as explained in paragraph 57 of the Explanatory Memorandum.

Central List of Factors in Evaluating the Extent of Public Interest of an Entity

One of the proposed changes to ISQM 1 and ISA 200 to align to the revised IESBA Code of Ethics, is to incorporate a central list of factors to support 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. However, this list is not exhaustive, as indicated in paragraph 61 of the Explanatory Memorandum. We suggest the IAASB indicate that the list of factors is not exhaustive in the proposed paragraphs A29C and A29G of ISQM 1 and paragraphs A81C and A81G of ISA 200, to provide emphasis.

Requirements for PIEs in ISQM 1 and ISA 200

Paragraph 18A of ISQM 1 and paragraph 23A of ISA 200 state that the firm (ISQM 1) or auditor (ISA 200) shall treat an entity as a PIE in accordance with the definition in ISQM 1 and ISA 200, respectively, as well as consider more explicit definitions established by law, regulation or professional requirements. However, paragraph 23A of ISA 200 also includes the following that is not included in paragraph 18A of ISQM 1, 'in doing so, the auditor shall follow the firm's related policies and procedures.'

We believe it is unclear what is meant by 'follow the firm's policies and procedures'. In addition, we are unclear why this sentence is only included in paragraph 23A of ISA 200 and not included with paragraph 18A of ISQM 1.

Other Entities Treated as PIEs

Proposed paragraphs A29G of ISQM 1 and A81G of ISA 200 explain that the firm or auditor may determine that it is appropriate to treat an entity as a PIE when the entity that does not meet the definition of a PIE, and those paragraphs also provide factors to consider in such determination, including whether the firm or auditor treated an entity as a PIE for purposes of applying relevant ethical and independence requirements. The factors included in these application paragraphs were based on the IESBA Code paragraph 400.24 A1.

Per paragraph 61 of the Explanatory Memorandum, the purpose of this was to drive a consistent approach when determining to treat other entities as PIEs between the IESBA Code and the ISQMs and ISAs. However, the proposed paragraphs A29G of ISQM 1 and A81G of ISA 200 indicate that the firm or auditor may consider these factors; thus given that the factors to consider in determining whether to treat an other entity as a PIE are similar, we believe it is unclear whether the firm or auditor would be required to treat an other entity that does not meet the definition of a PIE consistently for purposes of complying with the ISQMs and ISAs and for purposes of applying relevant ethical requirements, including those related to independence, in accordance with the IESBA Code. We believe it is also unclear if the auditor would need to comply with *all* relevant differential requirements for PIE, for an other entity that is treated as a PIE, but does not meet the definition of a PIE. We recommend that the IAASB clarify these points. In addition, if it is acceptable to treat an other entity that may not meet the definition of a PIE as a PIE for purposes of applying relevant ethical requirements and not as a PIE for purposes of the ISQMs and ISAs, or vice versa, we believe the IAASB should consider providing examples of when this may occur.

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

7. Translations—Recognizing that many respondents may intend to translate the final narrow scope amendments for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED.

Overall response: [No response](#)

Detailed comments (if any):

8. Effective Date—Given it is preferred to coordinate effective dates with the fraud and going concern projects, the IAASB believes that an appropriate effective date for the narrow scope amendments would be for financial reporting periods beginning approximately 18-24 months after approval of the final narrow scope amendments for Track 2. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the narrow scope amendments for Track 2 of the listed entity and PIE project.

Overall response: [See comments on effective date below](#)

Detailed comments (if any):

We agree with the alignment of the effective date with the fraud and going concern projects, given these projects are also considering possible revisions to the auditor's report to enhance transparency. We believe it is in the public interest to make all the revisions to the auditor's report at the same time, to assist auditors with a consistent implementation of the changes as well as providing clarity to users in their understanding of the changes.