

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)	Financial Reporting Council (FRC)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	James Ferris, Director UK Audit Policy, FRC
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Peter Kitson, Project Director, FRC
E-mail address(es) of contact(s)	j.ferris@frc.org.uk p.kitson@frc.org.uk
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.	Europe
	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.	Regulator or assurance oversight authority
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

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:

The FRC welcomes the IAASB’s initiative aimed at converging definitions and key concepts between the IESBA Code and the ISQMs and ISAs; and reconsidering the applicability and scope of existing differential requirements in the auditing and assurance standards issued by the Board. We particularly welcome the increased and continuing co-ordination between the IAASB and the IESBA to support convergence on key concepts. This convergence facilitates the interoperability of pronouncements made by each board, and further supports enhancing confidence and public trust in audit and assurance.

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 comments below](#)

Detailed comments (if any):

We agree with the setting out the overarching objective and purpose for establishing differential requirements for PIEs, and it is appropriate to build the underlying principles into ISQM 1 and ISA 200 with minimal adaptation.

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):

We welcome this proposed change; the adoption of these definitions support the aim of ensuring consistency and alignment of these important concepts between the ISAs and ISQMs on the one hand, and the IESBA Code on the other.

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

Detailed comments (if any):

N/A

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):

N/A

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(e) 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):

N/A

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):

N/A

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: Disagree, with comments below

Detailed comments (if any):

We support many specific aspects of the proposed changes to ISA 260 (Revised), including the substitution of 'listed entity' with 'public interest entity', and the bifurcation of the extant differential requirements in paragraph 17.

However, we do not agree with the proposed removal of the requirement to communicate fee-related matters which currently sits in paragraph 17(a) of ISA 260 (Revised). The communication of these matters to TCWG are, in our view, an important part of the performance of an audit of financial statements. There are practical benefits to ensuring that the performance standards retain specific ethical requirements. In addition, the removal of this requirement could have the impact of weakening a framework-neutral approach to ethical requirements, since the ISAs will require the application of the IESBA Code or an equivalent set of ethical standards for high standards to be maintained.

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):

We recommend that the requirement to communicate fee-related matters which currently sit in paragraph 17(a) is retained.

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: Agree (with no further comments)

Detailed comments (if any):

N/A

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):

N/A

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(l))?

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

Overall response: Agree (with no further comments)

Detailed comments (if any):

N/A

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):

N/A

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: [Disagree, with comments below](#)

Detailed comments (if any):

We do not agree with the proposal to only apply the differential requirements about the other information to "publicly traded entities". While we understand the basis for the judgement for not extending the requirement to all PIEs, the public interest factors to provide transparency to users described in paragraph 49 of the EM should be given greater weight. From a user perspective, there is also likely to be an expectation that consistent processes are applied for all PIEs. We therefore suggest that the extant differential requirements in ISA 720 should be extended to all PIEs because of the inherent levels of public interest in such bodies. Misstatements in the other information may have significant negative impacts other than price sensitivity considerations for publicly traded financial instruments, and so it is in the public interest to extend these considerations to all PIEs. The IAASB also needs to better articulate the costs and benefits of the proposed approach.

We would also encourage the IAASB to prioritise a revision of ISA 720 (Revised) following the issues noted in the EM when time and resource allow.

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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

The UK does not adopt ISRE 2400 (Revised). However, we welcome the wider application of the underlying principle of transparency in the practitioner's review report with respect to relevant ethical requirements. We also encourage the IAASB to establish this principle in all its assurance standards.

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: [No \(with no further comments\)](#)

Detailed comments (if any):

N/A

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):

N/A

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 that an effective date of 18 to 24 months after approval of the narrow scope amendments set out in the ED provides a sufficient period to support their implementation.

However, we suggest that it would be reasonable to require a short interval between approval and the effective date for these changes, The related changes in the IESBA Code will be effective from 15 December 2024. While we understand the benefits of co-ordinating the issuance of these changes with the introduction of the revised versions of ISA 240 and ISA 570, the delay creates a gap between the respective requirements of the ethical and auditing standards. Audit firms will have already commenced the usage of the new definition of PIE in the IESBA Code, and so the challenges posed in implementing these narrow scope amendments should be limited. We therefore recommend that the IAASB allows for early adoption to allow firms to align with the effective date for IESBA's adoption of the new PIE definition.