Crowe LLP
Independent Member Crowe Global

April 8, 2024

International Auditing and Assurance Standards Board

Re: Proposed Narrow Scope Amendments to:
- International Standards on Quality Management;
- International Standards on Auditing; and
- International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements

as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code.

To the Board:

Crowe LLP appreciates the opportunity to comment on the Proposed Narrow Scope Amendments to International Standards on Quality Management (ISQM), International Standards on Auditing, and International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements,* as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code (the Proposal).

We appreciate the Board's efforts to update these standards with the objective of converging and enabling interoperability between the concepts of Public Interest Entity (PIE) and "Publicly Traded Entity" in IESBA and IAASB standards, with the overarching objective of meeting the heightened expectations of stakeholders when performing an audit engagement for a PIE given the significance of the public interest in the financial condition of such entities.

We note the broad categories in the Proposal's definition of PIE and welcome the Proposal's explicit deference in ISQM 1, paragraph 18A, to the "more explicit definitions [of PIEs] established by law, regulation or professional requirements for the categories set out in paragraph 16A(i)–(iii)".

We agree with the concept in ISQM 1, paragraph A29C that "the extent of public interest in the financial condition of an entity may, for example, be affected by consideration of whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations". In jurisdictions where such regulatory supervision exists, we believe that the requirements mandated by those supervising regulators should be a determining factor in the application of the differential requirements in the ISQMs to PIEs. For example, the specified responses in ISQM 1, paragraph 34(f), that addresses Engagement Quality Reviews (EQR), results in an EQR requirement for SEC supervised entities, consistent with SEC requirements. However, the amendment will result in an EQR for certain US banks and insurance entities, which requirement is not mandated by their supervising regulators, the Federal Deposit Insurance Corporation (FDIC) and the National Association of Insurance Commissioners (NAIC). We believe that such an inconsistency is not in the best interests of the stakeholders. We believe it is more appropriate to default to EQR requirements set forth by local jurisdiction regulators in determining whether an EQR is required. We suggest that ISQM 1 paragraph 34(f)(i) be modified to "*Audits of financial statements of public interest entities that are not subject to local jurisdiction regulatory supervision".* Alternatively, paragraph 34(f)(i) could be deleted.

If the proposed requirement for an EQR of all PIE engagements in paragraph 34(f) are retained, we recommend that the effective date should be for financial reporting periods beginning no less than twentyfour months after the PIOB's process of certification of the final narrow scope amendments. We believe that practitioners will need this time for resource planning purposes, as well as for informing and communicating the EQR requirements to affected public interest entity clients.

We would be pleased to respond to any questions regarding our observations noted within this letter. If there are any other questions regarding this letter, please contact Jennifer Kary at 574.276.5895 or jennifer.kary@crowe.com or Claire McAuliffe at 303.831.5043 or claire.mcauliffe@crowe.com.

Sincerely,

Crowe LLP

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