

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)	Deloitte
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Jennifer Haskell
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	jhaskell@deloitte.com
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).	

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:

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: [Disagree, with comments below](#)

Detailed comments (if any):

Overall

Deloitte Touche Tohmatsu Limited (DTTL) understands that the rationale for the IAASB's project with respect to PIEs was (1) to enable the IAASB standards to remain aligned (to the extent appropriate) with changes made by the IESBA to its code in December 2021 and (2) premised on an understanding that the objective of the IESBA in making those changes was to establish a global baseline for definition of PIE to drive a level of greater consistency across jurisdictions.

We have become aware of recent IESBA discussions that clarify and further explain the intent and objective of the 2021 changes. We believe the outcome of these discussions significantly impacts the IAASB's project on PIEs, including its proposed changes to incorporate the IESBA's PIE definition 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*. Further, we understand that the IESBA plans to imminently issue Questions and Answers capturing the outcomes of these deliberations. As a result of these developments, we believe the IAASB should pause its PIE project, reconsider the revised objective as articulated in the IESBA's pending guidance, coordinate with the IESBA, and evaluate whether the objective of the IAASB project is still appropriate. We also believe the IAASB should seek outreach from broader stakeholders in order to inform the way forward.

Overall, we believe it is essential that the two boards, and board staff, work in a collaborative and integrated manner, so that an understanding of project objectives, goals, and desired outcomes are well known prior to either board undertaking a project that has potential or likely implications for the other board's standards. Throughout such projects both boards should remain apprised of, and in agreement with the "direction of travel". Without such cohesion, we are concerned that there is a heightened risk of (1) misapplication of professional requirements by users of the standards and the code and (2) confusion by stakeholders who use audit and review reports, neither of which is in the public interest.

Additional perspective

In developing the revised PIE definition, we understand that the IESBA had an objective to establish broad categories that responsible local bodies could use as a consistent baseline which they may further refine. Q14 and Q15 of the March 2023 *IESBA Staff Questions & Answers – Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code* (IESBA PIE Q&As), provide further clarity on the operability of the PIE definition, including an acknowledgment that local jurisdictions are best placed to decide the entities that should be scoped in as PIEs. Further, we understand that at its March 2024

meeting (and in related meeting materials), the IESBA reaffirmed its acknowledgment of the role and authority of local bodies in establishing the definition of PIE for the purposes of independence requirements, given their local knowledge and understanding of the broader issues that impact public expectations in their jurisdictions.

In its proposal, the IAASB acknowledged the IESBA's difficulty in establishing a concise definition of PIE that could be universally adopted at the global level because of the variety of circumstances that exist across jurisdictions (paragraph 23 of the ED) as discussed above. However, the IAASB's response appears to put the role and authority for identifying PIEs in the hands of the individual accounting firm and/or partner (ISQM 1, paragraph 18A and ISA 200, proposed paragraph 23A) at an individual engagement level, versus the IESBA approach of recognizing local bodies making that determination at a jurisdiction level. This divergence between the IESBA and the IAASB creates what we believe to be unacceptable risks of inconsistent application of PIE -related requirements to similar entities in the same jurisdiction, which is not in the public interest.

As noted above, given our understanding of the recent discussions related to the IESBA's intent and objective related to its project, we strongly recommend that the IAASB table its proposal until such time as it can undertake further dialogue with the IESBA and together with the IESBA perform outreach to regulators, national standard setters and other relevant parties (e.g., local accounting bodies). This outreach would include understanding or clarifying which entities are, or will be, considered PIEs in which jurisdiction, and whether local bodies agree or have a basis for expecting that audits of PIEs should be subject to certain proposed differential requirements, such as "key audit matter" reporting, in those jurisdictions, or whether jurisdictions believe that leaving such requirements at the "listed entity" level is more appropriate.

While we recognize that the definition of PIE was exposed for public comment by the IESBA, this process did not contemplate or seek input as to the applicability of the differential requirements the IAASB now proposes imposing upon audits of PIEs (i.e., expanding the applicability of the extant standards where they apply to audits of listed entities).

Additional outreach will allow the IAASB to develop a long-term vision and strategy for audits of PIEs, including a clear articulation of "why" changes are needed and "why" the IAASB needs to establish an overarching objective and purpose for establishing differential requirements for audits of PIEs. While we acknowledge that the ED (paragraphs 13-18) provided discussion on the intended objective and guidelines to support the IAASB's judgments regarding differential requirements, we do not believe the rationales provided are sufficiently clear or persuasive. Once a well-informed long-term vision and strategy for audits of PIEs is developed, it can be applied to questions on extending differential requirements. In addition, as part of the vision and strategy for audits of PIEs, the IAASB should consider the need for extending differential requirements to entities other than listed entities. Many of the existing differential requirements were only recently debated by the IAASB (e.g., the differential requirements that are the subject of this ED), and we do not believe the IAASB has demonstrated why there are compelling reasons, or outreach support, to overturn decisions previously made by the IAASB.

In addition, see our response to Question 2 for additional recommendations on the definition of PIE.

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: [Disagree, with comments below](#)

Detailed comments (if any):

Specifically related to the definition of PIE and the resulting determination of differential requirements, we believe that the IAASB should take action similar to the IESBA, and specifically acknowledge that the local bodies in a jurisdiction that set auditing standards (such as regulators or oversight bodies, national standard setters, or professional accountancy bodies, hereafter referred to as “local bodies”) determine PIEs for purposes of the ISAs. In addition, such bodies should be the ones to dictate which differential requirements in the ISAs should be applicable to the various categories of PIEs. This approach will allow for the appropriate flexibility in determining PIEs for ISAs, consistent with the approach the IESBA is taking, and the following:

- The definition of PIE for ISAs to align to the definition of PIE for independence, when local bodies determine this is appropriate.
- The ability of the local body to determine the applicability of differential requirements to PIEs, or to certain of the categories of PIEs.

In adopting this approach, we believe definitions of PIE will continue to vary greatly across jurisdictions around the world. Therefore, should the IAASB change the requirement from “listed entity” to PIE, significant inconsistency in practice across jurisdictions will ensue. We believe this will lead to confusion by audit and review report users and other stakeholders, particularly with respect to reporting on multinational entities.

In addition, we do not believe that the term “listed entity” should be replaced with publicly traded entity, until such time as the IAASB can address the broader issues related to the definition of PIEs (see our response to Question 1). For example, we are not supportive of a “phased in” approach, whereby the IAASB first adopts the definition of publicly traded entity, and then subsequently addresses the remainder of the PIE definition. We believe such an approach would potentially result in local bodies reversing initial decisions around the definition of publicly traded entities (e.g., because a fulsome understanding hasn’t been obtained as to how the IESBA PIE definition impacts existing definitions of PIE used in auditing standards in a jurisdiction) and would be inefficient and confusing to stakeholders.

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):

Based on our understanding of the IESBA’s imminent plan to communicate their support for PIEs to be determined by jurisdiction (see response to Question 1), we believe definitions of PIE will continue to vary greatly across jurisdictions around the world. Should the IAASB change the requirement from

“listed entity” to PIE, significant inconsistency in practice across jurisdictions will ensue. We believe this will lead to confusion by audit and review report users and other stakeholders.

If the IAASB continues its PIE standard-setting project, we would not agree with extending this differential requirement. There was significant debate during the project on ISQM 2, *Engagement Quality Reviews*, about the factors that should drive the need for an engagement quality review. The *Basis for Conclusions - ISQM 2* discusses how the IAASB was of the view that requiring an engagement quality review in response to reasons that are not risk-based is inconsistent with, and may be viewed as undermining, the principle of a risk-based approach. We do not believe there are compelling reasons, or outreach support, to overturn previously made decisions related to this matter.

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):

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: [Disagree, with comments below](#)

Detailed comments (if any):

Based on our understanding of the IESBA’s imminent plan to communicate their support for PIEs to be determined by jurisdiction (see response to Question 1), we believe definitions of PIE will continue to vary greatly across jurisdictions around the world. Should the IAASB change the requirement from “listed entity” to PIE, significant inconsistency in practice across jurisdictions will ensue. We believe this will lead to confusion by audit and review report users and other stakeholders.

In addition, these communication requirements were extensively debated when ISQM 1 was finalized (a process which included extensive stakeholder outreach) and, given that it has only recently become effective, if the IAASB continues its PIE standard-setting project, we believe that before extending any requirements related to communicating information about a firm’s system of quality management, the IAASB should perform additional outreach to stakeholders (including TCWG) to obtain information about the effectiveness of this requirement, including whether TCWG understand *why* this communication is being made (e.g., how information on a firm’s system of quality management will assist TCWG in fulfilling their responsibility to oversee the financial reporting process). The IAASB can use this information to make future decisions on extending the requirement, as well as whether additional guidance and support for auditors and TCWG are necessary (e.g., guidance to auditors as to how to approach conversations with management related to the firm’s system of quality management or guidance to TCWG as to *why* the auditor is communicating this information to them).

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)?

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: [Disagree, with comments below](#)

Detailed comments (if any):

Based on our understanding of the IESBA's imminent plan to communicate their support for PIEs to be determined by jurisdiction (see response to Question 1), we believe definitions of PIE will continue to vary greatly across jurisdictions around the world. Should the IAASB change the requirement from "listed entity" to PIE, significant inconsistency in practice across jurisdictions will ensue. We believe this will lead to confusion by audit and review report users and other stakeholders.

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):

Based on our understanding of the IESBA's imminent plan to communicate their support for PIEs to be determined by jurisdiction (see response to Question 1), we believe definitions of PIE will continue to vary greatly within jurisdictions around the world. Should the IAASB change the requirement from "listed entity" to PIE, significant inconsistency in practice across jurisdictions will ensue. We believe this will lead to confusion by audit and review report users and other stakeholders.

Furthermore, we do not believe it is appropriate to over-turn the decisions made by the previous board

without appropriate outreach to determine whether the original goals of establishing the requirement for listed entities has been achieved, such that extension of the requirement to additional PIEs is warranted.

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):

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):

We do not agree with extending this differential requirement. Based on our understanding of the IESBA's imminent plan to communicate their support for PIEs to be determined by jurisdiction (see response to Question 1), we believe definitions of PIE will continue to vary greatly across jurisdictions around the world. Should the IAASB change the requirement from "listed entity" to PIE, significant inconsistency in practice across jurisdictions will ensue. We believe this will lead to confusion by audit and review report users and other stakeholders.

Furthermore, the question of applicability of this requirement was debated extensively during the auditor reporting project, with multiple and diverse perspectives from stakeholders. During that time, it was acknowledged the demand for such transparency had come primarily from institutional investors, regulators, and audit oversight authorities (paragraph 126 of *Basis for Conclusions - Reporting on Audited Financial Statements - New and Revised Auditor Reporting Standards and Related Conforming Amendments*). Given the conflicting views expressed at the time related to naming the engagement partner in the auditor's report for listed entities (including disagreement between stakeholders as to the necessity of this requirement, as well as safety and privacy concerns), we do not believe there is compelling reason to extend this requirement to all PIEs. If the IAASB continues its standard setting project, we suggest that before proposing to extend this topic, the IAASB perform specific stakeholder outreach.

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):

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):

See our response to Question 2.

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

Detailed comments (if any):

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: [No response](#)

Detailed comments (if any):