

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)	PricewaterhouseCoopers International Limited
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	James Chalmers
Name(s) of contact(s) for this submission (or leave blank if the same as above)	James Chalmers and Gilly Lord
E-mail address(es) of contact(s)	james.chalmers@pwc.com gillian.lord@pwc.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:

In responding to the questions in Part B, we have, in the majority of cases, responded “Disagree, with comments below”, due to the overarching concern described in our response to question 1. We understand the intent of the Board in pursuing this project and are open to further discussing the extension of requirements applicable to listed entities to a broader population of entities. However, due to the significant confusion and uncertainty as to whether the IESBA and the IAASB intentions for the application of the PIE

definition are aligned, we are not able to support any extension of requirements until that confusion is resolved and there is a clear understanding of the basis against which such extension can be evaluated.

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):

PIE definition

We agree in principle with the objective of alignment between the IESBA Code (the “Code”) and the IAASB standards on matters of mutual relevance. This facilitates interoperable auditing/assurance and independence standards and consistency for intended users of financial statements. We also agree in principle with extending certain differential requirements to audits of Public Interest Entities (PIEs) when:

- a jurisdiction has more explicitly defined, e.g., specified thresholds within, the categories of entity described within the PIE definition adopted by the IESBA and proposed for adoption by the IAASB; and
- the requirements in the IESBA Code, ISA 200 and ISQM 1 have been clarified to make clear the expectations of firms in applying those globally defined categories (as further explained below).

The IESBA Code (para R400.17) states that “a firm shall treat an entity as a public interest entity when it falls within any of the following categories...”. R400.18 states that “a firm shall take into account more explicit definitions established by law, regulation or professional standards for the categories set out in paragraph R400.17 (a) to (c)”. R400.18.A1 then provides examples of how a jurisdiction may more explicitly define those categories. In our view, these requirements are quite explicit and establish an obligation on firms to treat entities as PIEs when they fall within the categories outlined in the definition, after factoring in any specific exclusions or thresholds established by a jurisdiction within those categories.

The FAQs issued by the IESBA state that to fully adopt the IESBA’s revised PIE definition, a relevant local body must not exclude any of the mandatory categories set out in paragraph R400.17(a)-(c) from its local definition. The FAQs also state that relevant local bodies have the responsibility, and are best placed, to assess more precisely which entities should be scoped in as PIEs in their jurisdictions. We agree with both statements. We also agree that where a jurisdictional PIE definition aligns with or goes beyond the global PIE definition then that jurisdictional definition continues to apply.

The Code does not, however, address the circumstances when a jurisdiction does exclude a category. In such circumstances, the interaction of R400.17 and R400.18 can only reasonably be interpreted as directing the firm to treat an entity that falls within a category omitted by the jurisdiction as a PIE. However, we also understand, based on Agenda Item 8A of the IESBA March Board meeting that (emphasis added):

- the IESBA undertook its role to set out broad **mandatory categories** that responsible local bodies could further refine (consistent with our understanding set out above);

- firms should **not be required** to determine if other entities should be treated as PIEs but **are encouraged** to determine whether to treat other entities as PIEs (which we logically assume refers to entities over and above those captured by the mandatory categories);
- for this specific project, compliance with the IESBA Code by firms (including a member firm of the Forum of Firms) **means first and foremost compliance with local laws and regulations, whatever they may be** at the time of the audit report (which we understand includes circumstances when a jurisdictional PIE definition excludes one or more of the “mandatory” categories within the definition).

In our view, the interpretation adopted, as described in the last point above, can be viewed as conflicting with the requirements in R400.17 and R400.18. In particular, the statement with respect to transnational auditors (forum of firms members) is particularly challenging. We interpret this to also mean that if a jurisdiction does not have a PIE definition, the same interpretation would also apply i.e., a firm is not required to treat the categories specified within the definition as mandatory but may otherwise determine it appropriate to treat an entity as a PIE. We are concerned that some jurisdictions may also interpret this, and the forthcoming IESBA FAQ, as permission to circumvent a mandatory category, leading to potentially even greater jurisdictional inconsistencies than experienced today.

Our understanding of the IAASB’s proposals is that the intent, consistent with the IESBA published FAQs, was to establish mandatory categories of PIE, which could be more explicitly defined by jurisdictions. The requirements proposed for ISQM 1 and ISA 200, like the requirements in the Code, set a clear expectation, in our view, that any entity falling within a category set out in the definition is to be treated as a PIE, subject to any more explicit thresholds or exemptions defined by a jurisdiction within those mandatory categories.

If our understanding described above is correct, we question whether the intentions of the IAASB and the IESBA are aligned and whether all affected stakeholders have a consistent understanding of the situation. Without clarity on the expectations being set by the requirements, and consistent application of the mandatory categories of PIEs by both Boards, we have significant concerns about the potential unintended consequences of proceeding with the proposals set out in the IAASB ED. It is clearly not in the public interest to have an outcome where an entity may be considered PIE for purposes of an audit but not PIE for purposes of the independence standards. This would give rise to inconsistent provision of information to users of financial statements across jurisdictions and likely contribute to a new expectation gap for users.

We support the creation of a definition of PIE that establishes a proportionate global baseline, built on a clear expectation that:

- the categories of entities to be treated as PIE are mandatory; and
- jurisdictional authorities set appropriate thresholds and/or exemptions for the entities within those categories that are to be treated as a PIE in that jurisdiction.

We acknowledge that in circumstances when a jurisdiction adopts the global PIE definition and does not more explicitly define the categories, or does not adopt the global definition and has a jurisdictional definition that excludes one or more categories set out in the global definition, applying the mandatory categories could result in a significant population of entities being identified as PIEs, which may not directly align with the proposed overarching objective of “significant public interest in their financial condition”. The role of jurisdictional bodies is therefore vital.

We recognise the IESBA and the IAASB may feel constrained in their ability to establish specific thresholds for categories of banks and insurers (as also communicated by the IESBA). However, we encourage the Board to look to the precedent set in the ISA for LCE and establish a stronger expectation for jurisdictions

to establish appropriate thresholds for use in a jurisdiction, including illustrative examples drawn from known jurisdictional practices.

In more explicitly defining the mandatory categories, jurisdictional bodies should provide specificity and reference points (e.g., in law, regulation or other relevant materials) so that it is transparent which entities should be treated as PIEs, and which may, for example, result in excluding certain entities within a particular category by reference to size.

Furthermore, as noted above, in the interests of ensuring transparency with stakeholders, we believe the IESBA and the IAASB should jointly make clear the intended application of the global definition, including the mandatory nature of the categories and the implications when a jurisdiction does not adopt all of the categories or does not have any jurisdictional PIE definition.

For the reasons described above, and as explained in our responses to questions 3A – 3E, without a consistent approach to applying the requirements and definition in the Code and the IAASB standards, we do not believe the Board has a sufficient basis to extend the existing differential requirements applicable to audits of listed entities to all PIEs. We provide additional comments, in our response to question 2, with respect to the new requirements proposed in ISQM 1 and ISA 200 related to the PIE definition.

Overarching objective

While we agree with the inclusion of the overarching objective, we continue to have concerns that the terms “financial condition” and “financial well-being”, as used in paragraphs A29A-A29B of ISQM 1 and A81A-A81B of ISA 200, are ill-defined. There is a risk that stakeholders may interpret these terms differently, further contributing to the expectation gap regarding the role of the auditor in an audit of financial statements.

ISA 200 states that the purpose and overall objectives of the auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. However, the auditor’s role does not extend to opining on the “financial condition” or “financial well-being” of an entity.

It is also unclear if these terms are intended to have the same meaning. Is financial condition intended to be synonymous with the fair presentation of the statement of financial position (balance sheet)? “Financial well-being” may be viewed as a proxy for resilience or viability, which, excluding a few jurisdictions, is not a function of the audit.

We recognise that the IAASB has limited scope to amend this overarching objective in light of the desire to align ISQM 1 and ISA 200 with the Code. However, we encourage the Board to consider whether some further tailoring of the objective is appropriate to reflect the IAASB’s intention to establish a global baseline for audits of financial statements and ensure that stakeholders do not misinterpret this overarching objective as implying an extension of the overall objectives of an audit, thereby further exacerbating the expectation gap.

Coordination between the IESBA and the IAASB

In general, proposals from the IESBA can have significant consequences for the implementation of the IAASB’s standards (and vice versa). We emphasize the importance of the two Boards working in tandem to develop and assess the impact of respective projects and, ideally, exposing changes as a package. That is a more effective approach than one Board running ahead of the other, resulting in the implications for the other Board’s standards being addressed only after the first Board has finalised its changes, thereby

potentially constraining the actions of the second Board and creating a risk of sub-optimal outcomes. That is not in the interests of stakeholders.

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):

See our response to question 1 with respect to the definition of PIE.

While we support the proposed definition of “publicly traded entity”, which resolves some of the challenges associated with the extant definition of “listed entity”, we do not agree with adopting the definition into ISQM 1 and ISA 200 (and the Glossary of Terms) at this time, due to the interrelationship between this definition and the PIE definition. Publicly traded entities are one category of the proposed PIE definition, and until the challenges described in our response to question 1 have been fully resolved, we do not believe it is appropriate to adopt the definition and apply it within the requirements of the ISQMs and ISAs, as this may necessitate further revisions once clarity has been achieved on the intended application of the PIE definition. Piecemeal changes to standards that introduce potential uncertainty and inconsistency are not in the public interest.

Further to our comments with respect to the PIE definition, we also question both the need for proposed paragraphs 18A of ISQM 1 and 23A of ISA 200 and the clarity of the wording adopted in drafting these paragraphs, which state (text below is taken from paragraph 18A of ISQM 1):

“The firm shall treat an entity as a public interest entity in accordance with the definition in paragraph 16(p)A, as well as consider more explicit definitions established by law, regulation or professional requirements for the categories set out in paragraph 16(p)A(i)–(iii).”

While the Code has a similar requirement, this is due to the fact that the definition of PIE, i.e., the categories of entities that comprise the definition, forms part of the requirement itself. For purposes of the IAASB’s standards this requirement is redundant - the definition itself achieves that purpose. We note that neither ISQM 1 nor ISA 200 currently include a requirement that the auditor shall treat an entity as a listed entity when it met the definition of a listed entity, as set out in those standards.

Furthermore, the language stating: *“...as well as well as consider more explicit definitions established by law, regulation or professional requirements...”* is unclear and open to interpretation.

As noted in paragraph 24 of the IAASB’s explanatory memorandum, the IAASB’s intent is to mirror the entire approach to scoping PIEs as contemplated in the Code, to achieve convergence. As described in our response to question 1, we believe there may not be alignment with respect to the application of the mandatory categories of entities to be treated as PIEs, and therefore this will not achieve convergence based on the current ED proposals.

The Code states (in paragraph R400.18) that: “In complying with the requirement in paragraph R400.17, a firm shall take into account more explicit definitions established by law, regulation or professional standards for the categories set out in paragraph R400.17 (a) to (c).”

We understand the IESBA's intent is that more explicit jurisdictional tailoring of the categories of entities to be treated as PIEs is both to be expected and takes precedence over the broadly defined categories in the Code, as also explained in paragraph 23 of the IAASB's explanatory memorandum: “The IESBA noted that the relevant local bodies have the responsibility, and are also best placed, to assess and determine with greater precision which entities or types of entities should be treated as PIEs for the purposes of meeting the Code's overarching objective.”

The IAASB's use, in its requirement, of “as well as” implies a two-part obligation: first, that the auditor must, in all circumstances, treat as a PIE all entities that meet the definition of PIE specified in the IAASB standards; and secondly, a consideration of local jurisdictional requirements. Notwithstanding the supporting application material, the approach could be viewed as undermining the IESBA's process to specifically allow for tailoring of the mandatory categories and could be read as suggesting that auditors are required to apply the broad categories in all circumstances, together with any additional more prescriptive jurisdictional requirements that go beyond those categories.

In the event that the IAASB does not delete this redundant requirement as we suggest, we recommend more closely aligning this requirement with the language of the Code, as follows:

“The firm shall treat an entity as a public interest entity in accordance with the definition in paragraph 16(p)A, ~~as well as consider~~ taking into account more explicit definitions established by law, regulation or professional requirements for the categories set out in paragraph 16(p)A(i)–(iii).”

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):

We believe the current risk-based approach in ISQM 1 paragraph 34(f)(iii), where the firm is required to determine other engagements for which an engagement quality review is an appropriate response to address one or more quality risk(s), remains appropriate. This allows for a firm to determine whether an entity, which may or may not also be a PIE, warrants an engagement quality review based on assessed risk. Not all PIE entities are necessarily complex engagements. Furthermore, as described in our response to question 1, extending this requirement to all PIEs may have a disproportionate impact, especially where a jurisdiction does not more explicitly define the mandatory categories.

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 described in our response to question 1, we believe the IAASB should defer making changes to the requirements applicable to listed entities until there is clarity on the expectations being set by the requirements to treat an entity as a PIE, and consistent application of the mandatory categories of PIEs, by both the IAASB and the IESBA.

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):

While we acknowledge that the principle of communicating relevant information about a firm's system of quality management to those charged with governance (TCWG) of a PIE is reasonable, we believe the IAASB should only extend the existing differential requirements for audits of listed entities to a broader class of entities once there is clarity on the expectations being set by the requirements to treat an entity as a PIE, and consistent application of the mandatory categories of PIEs, by both the IAASB and the IESBA. In the meantime, firms are not precluded from making such communication to entities other than listed entities in accordance with a firm's policies and procedures established in accordance with ISQM 1.

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):

See comments above. Elements of the existing supporting application material to this requirement can therefore also be reinstated i.e., *"in some circumstances, it may be appropriate to communicate with TCWG of entities other than listed entities....., for example entities that may have public interest or public accountability characteristics...."*.

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):

Extending the requirement in paragraph 17 to audits of all entities is a logical and necessary consequence of the introduction of paragraph 16A as part of Track 1 of the IAASB's project. When informing TCWG of which independence requirements the auditor has applied (paragraph 16A), they should also be informed as to whether the auditor has in fact complied with those requirements (paragraph 17).

With respect to the remaining differential elements of extant paragraph 17 (now paragraph 17A), please see our response to question 3B, which is also applicable in relation to this requirement.

As a separate matter, while we understand the IAASB's logic for deleting the requirement to communicate total fees charged, due to the new requirements in the Code to communicate to TCWG fee information, we are concerned that in circumstances when a jurisdiction does not adopt the Code, fee-related threats to independence may not necessarily be communicated to TCWG. We suggest an approach similar to language adopted for the ISA 700 (Revised) requirement under Track 1 of the project could have been adopted to retain a requirement to discuss fee information while still complying with the IAASB's goal of not duplicating or conflicting with the Code requirement:

"For audits of financial statements of listed entities, the statement required by paragraph 17 shall include:

(a) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. When required by relevant ethical requirements, this shall include fee-related information."

With respect to paragraph A32 of ISA 260 (Revised) we note there is a disconnect with paragraph A81G of ISA 200 referenced therein. Paragraph A81G sets out considerations for a firm in making a determination as to whether to treat other entities as PIE. Paragraph A32 implies there are considerations for the auditor having made that determination. Consistent with our previous responses, we believe the IAASB should defer these changes to the application material until there is clarity on the expectations being set by the requirements and consistent application of the mandatory categories of PIEs by both the IAASB and the IESBA.

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):

See response to question 3B.

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):

Consistent with our previous responses, at this time we do not support extending the extant differential requirements for communicating KAM to apply to PIEs. We also note that there are already known practices where jurisdictions have determined, having followed their own local due process, that certain classes of entities that would fall within the proposed PIE definition (e.g., investment funds) should not be subject to KAM reporting requirements for a range of valid reasons. Therefore, we believe the IAASB needs to undertake further outreach to evaluate the merits of extending KAM reporting beyond listed (or publicly traded) entities, taking into account the views of national standard setters about the needs of the users of the auditor's report in their respective jurisdictions.

See also our comment (question 3C) on paragraph A32 of ISA 260 (Revised) that also applies with respect to paragraph A41 of ISA 700 (Revised).

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):

See response to question 3B.

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):

See response to question 3B. We also believe the IAASB needs to undertake a further impact assessment on potential legal considerations across jurisdictions related to extending disclosure of the name of the engagement partner to entities other than listed entities. While a case can be made for publicly traded entities whose shares are traded on a market, the case for disclosure for other classes of entities may be less clear.

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):

See response to question 3B.

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):

As reflected in the findings of the IAASB’s Post Implementation Review of the Revised Auditor Reporting Standards, the differential requirements in ISA 720 (Revised) have caused practical challenges in identifying, reading and considering other information received after the date of the auditor’s report. For these reasons, and the reasons described in our response to question 2, we believe the IAASB should defer making changes to the requirements applicable to listed entities until:

- there is clarity on the expectations being set by the requirements to treat an entity as a PIE, and consistent application of the mandatory categories of PIEs, by both the IAASB and the IESBA; and
- the IAASB has completed a project to revise ISA 720 (Revised) and address the challenges noted by stakeholders.

Furthermore, the public interest benefits of the differential reporting requirements need to be further assessed for PIEs other than listed (or publicly traded) entities in addition to the broader matters described in our response to question 1.

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 comments below](#)

Detailed comments (if any):

In light of the fact that the independence requirements outlined in Part 4A of the Code are applicable to both audit and review engagements we agree there is a need to align ISRE 2400 (Revised) to provide transparency in the practitioner’s review report about the relevant ethical requirements for independence applied for certain entities, to help ensure compliance with the requirements of the Code.

In making the change to paragraph 86 of ISRE 2400 (Revised), we suggest the Board may also want to consider an addition to the application material in paragraph A66, related to “*Communication with management and those charged with governance*” to address the matters included in the revised paragraph A29 of ISA 260 (Revised) as finalised under Track 1 of the IAASB’s project. Such matters, tailored appropriately to reflect the fact ISRE 2400 (Revised) does not require such matters to be communicated, seem appropriate to include in the list of matters that may be communicated to TCWG in light of the proposed reporting requirement. This would maintain consistency between the approach adopted for audits and reviews across both communication and reporting.

With respect to ISRE 2410, we consider that the differential independence requirements are far more likely to be applicable for interim reviews of listed entities than for reviews of financial statements under ISRE 2400 (Revised). As we explained in our response to the exposure draft under Track 1 of the project, we believe it is necessary to also amend ISRE 2410.

This change is of a different nature to other changes for which the IAASB took the decision not to update ISRE 2410. While we understand the IAASB's reasoning, in this particular instance we do not believe the same rationale for not acting can be justified. As the IAASB does not plan to issue a revised ISRE 2410 for several more years, we believe it is necessary and appropriate for the Board to issue a Staff Alert to draw attention to the requirement under the Code and to illustrate how practitioners may amend an ISRE 2410 report to comply with the Code requirement. Remaining silent on the issue will promote a risk of non-compliance with the Code.

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 response](#)

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

Detailed comments (if any):

Acknowledging the overlapping changes to the auditor's report being proposed in the IAASB's Fraud and Going Concern projects, we support, in principle, the proposal to align the effective dates of all three projects, which we understand will be for periods beginning on or after 15 December 2026. This will allow

for one combined update to the auditor reporting requirements and minimise quality risks resulting from piecemeal updates to ISA 700 (Revised) in three consecutive reporting periods (when also factoring in the Track 1 revisions that apply for December 2025 year ends).

However, for the reasons described in our response to question 1, we believe further reconsideration of these proposals will be necessary once there is clarity on the expectations being set by the requirements and consistent application of the mandatory categories of PIEs by both the IAASB and the IESBA. Consequently, the proposed effective date may need to be reconsidered.