

Hunter College Graduate Program

Economics Department

Advanced Auditing

Acc 77500-01

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Advanced Auditing

ACC 77500-01 (6600)

Post-Exposure Consultation

Prepared by the Staff of the International Auditing and Assurance Standards Board® (IAASB)

Invitation to Comment Before the IAASB Finalizes the Narrow Scope Amendments to the ISQMs and ISAs as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code

We examined the draft, and its purpose was clear. It is important to have clear definitions for what is a Public Interest Entity. Given these entities are subject to higher risks, greater regulatory scrutiny, and the potential for a larger impact on stakeholders. Therefore, differential requirements for PIEs should be designed to enhance the quality of audits and assurance services by addressing these heightened risks, ensuring that audits are more robust and provide greater reliability and transparency to stakeholders.

The inclusion of large international entities such as charities, insurance companies, banks, and similar organizations (even if they are not publicly listed) into the scope of Public Interest Entities (PIEs) for the purposes of the ISQMs and ISAs is an important development. While these entities may not be publicly traded, their size, complexity, significant public impact, or systemic importance may justify their inclusion under the more rigorous requirements traditionally reserved for PIEs.

Specific questions on forward-looking matters:

(a) Do you agree with the proposed effective date of the narrow scope amendments, i.e., for audits of financial statements for periods beginning on or after December 15, 2026, to be aligned with the standards from the Going Concern and Fraud projects? (See Section V, paragraphs 35-37.)

Comment - We agree with the IAASB's assertion that aligning the effective dates for the PIE Track 2, Going Concern and Fraud projects is in the best interest of the public and would minimize both confusion and inefficiency in implementing said revisions.

Comment - We believe an effective date of 24 months after the PIOB certification would better serve the public and practitioners. It could be argued a two-year window is sufficient time for the adoption process to be completed and it would minimize any petitions for extension. Coupled with specific, timely, notice and instruction 24 months can better ensure compliance with the new amendments for Track 2.

Comment - The proposed effective date of December 15, 2026, is reasonable as it aligns with the effective dates of the Going Concern and Fraud projects. This alignment not only supports effective application but also prevents consecutive changes to the auditor's report in short succession, which is in the public interest.

(b) Do you agree with the IAASB's commitment to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs? (See Section IV, paragraph 31 and Section V, paragraph 38.)

Comment - We support the decision to revisit the definition of PIE in the IESBA Code. Given the global reach and scope of some large non-listed entities, such as non-profit foundations, it makes sense to subject them to the same audit rigor standards as publicly listed entities. This approach ensures that these organizations adhere to high standards of financial reporting and ethical practices, which is crucial given their significant impact.

Comment - We believe the IAASB's commitment to revisit the decision to adopt the definition of PIE in the IESBA Code and extend differential requirements to audits of PIEs is appropriate. This commitment ensures that the IAASB remains responsive to global adoption and implementation progress of the IESBA definition, allowing for informed future decisions.

Please note: When the decision is revisited, the IAASB will develop an exposure draft for public consultation. Therefore, you do not now need to provide comments or to repeat comments previously provided regarding the extant differential requirements in the ISQMs and ISAs

(c) Do you agree with the proposed timing for revisiting the matters highlighted in (b) above? (See Section V, paragraphs 39-41.)

Comment - The proposed timing for revisiting the matters highlighted in (b) aligns with the plan that was set forth with the IAASB where they plan to report back in the second half of 2026. The results of this report will help them assess whether to revisit the decision to adopt the definition of PIE in the IESBA code or if different requirements should continue applying to audits of PIEs. We have drawn the conclusion that the timing of this makes sense and it is agreed it should be followed upon because it also considers the IESBA's planned post-implementation review of PIE revisions in 2027 which will make sure that both boards are in alignment.

Comment - When a policy has global reach it is instructive to be thorough in its development and its implementation. Given the wide reach of the decision to redefine the definition of Public interest Entities and how their audit will thus need to be of similar standard to those performed

for publicly listed entities; the decision for IAASB staff plans to report back and request the Board for direction in the second half of 2026 about revisiting the decision makes sense.