

Response Template for the Invitation to Comment Before the IAASB Finalizes the Narrow Scope Amendments to the ISQMs and ISAs for the IAASB PIE Track 2 Project

Guide for Respondents

Comments are requested by **March 27, 2025**.

This template is for providing comments on the matters set out in the Invitation to Comment (ITC) for the pre-final narrow scope amendments to the International Standards on Quality Management (ISQMs) and the International Standards on Auditing (ISAs) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code. 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 as explained in the ITC, please provide specific reasons for your disagreement. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - 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 IAASB [web page](#) to upload the completed template.

Responses to IAASB's ITC for the Pre-Final Narrow Scope Amendments to the ISQMs and ISAs 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)	International Federation of Accountants (IFAC)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Christopher Arnold Harpal Singh
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	ChristopherArnold@ifac.org ; HarpalSingh@ifac.org
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ITC). 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 ITC). Select the most appropriate option.	Member body and other professional organization
	If "Other", please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	IFAC are the global voice for the accountancy profession. IFAC serves the public interest through advocacy, development, and support for our member organizations & the millions of professional accountants around the world who are crucial to our global economy.

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.

Information, if any, not already included in responding to the questions in Part B:

IFAC are supportive of the direction the IAASB propose for this project. Whilst generally, we would prefer to see a fully unified strategy between both the IAASB and IESBA when developing definitions and considering application, the uncertainty created through the IESBA clarification of the PIE definition has created issues which we agree the IAASB needed to address within this project. We believe the IAASB was left with no realistic option but to defer consideration of the PIE definition as it would not be possible to reconcile the IAASB position as expressed within the original ED for this project to the clarified IESBA view.

Any vision of setting a global baseline for PIE would be challenging under the latter, so a solution that ensures interoperability of standards is necessary where harmonization is not possible. Moving forward, the IAASB should consider a more holistic approach to standard revisions in coordination with IESBA to avoid piecemeal updates that may create unintended inconsistencies, wherever possible. The development of this project stresses the importance of early coordination and collaboration between the two Boards in projects that affect them both. Standardized definitions should be formulated within joint projects to avoid the risk of one Board taking a lead and setting expectations that subsequently create pressures for the other to follow.

PART B: Responses to Specific Questions in the ITC

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.

1. You are invited to share any observations that you believe might be relevant to the IAASB prior to finalizing the narrow scope amendments to the ISQMs and ISAs.

Please note:

- *This ITC does not extend to and is not inviting comment on the IESBA PIE revisions read together with the IESBA clarification. IESBA's Listed Entity and PIE project is complete.*
- *If you submitted a comment letter to ED-PIE Track 2 in April 2024, the IAASB has fully considered those responses during its deliberations in September and December 2024; therefore, it is not necessary to repeat comments previously provided. You may believe that a specific matter remains relevant to share as an observation here, in which case the request is that you please clearly relate such matter to the IAASB's decisions and rationale in this Post-Exposure Consultation. (See **Section IV**, paragraphs 23-32.)*

Overall response: Concur and wish to share the following observations

Detailed comments (if any):

We are strongly supportive of the proposed change since the ED, whereby differentiating requirements will apply for Publicly Traded Entities (PTEs) as opposed to Public Interest Entities (PIEs). Application of differential requirements for PIEs would be highly problematic considering the issues we raised in our original response as well as the recent challenges created by interpretation and clarification of the IESBA definition. We also note that within the consultation for the IESBA Code changes for sustainability, there was a question on the suitability of use of the financial statement audit PIE definition for sustainability assurance. This raises a question as to whether future changes are anticipated in the IESBA Code definition of PIEs in relation to sustainability. Consequently, it would be best for the IAASB to suspend further consideration until all these matters can be resolved at the same time to reduce uncertainty and complexity for all involved within the reporting and assurance ecosystem.

The IAASB should actively continue to monitor the impact of the PTE and PIE definitions and remain open to refinement to ensure these are practicable.

We are also aware that there is a diversity of views within the profession about the PTE definition allowing for local adjustment. The PTE definition within the ISAs and ISQMs identifies that where law, regulation or professional requirements define more explicitly a PTE in that jurisdiction, the more explicit local definition should be applied. Many would agree this to be appropriate, but there are some concerns this

fails to encourage global harmonization and consistency as this allows jurisdictional requirements to supersede what is in the IAASB standards.

Specific questions on forward-looking matters (See *ITC Section V*):

2(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.)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We support alignment of the proposed effective date for the narrow scope amendments with the Going Concern and Fraud Projects. This consistency will help firms and professional accountancy organizations (PAOs) coordinate implementation efforts. We note in our consultation responses for these other projects that small- and medium-sized practices (SMPs) and PAOs in some jurisdictions may require additional time to implement the changes effectively, especially where faced with resource constraints. There could also be other situations where early adoption is contemplated, so explicit clarity on whether this is possible would also be appreciated.

The IAASB should also be aware that there are significant concerns about potential disruptions if any further delays in approval occur, so timely resolution of the current predicament is essential. It is important for firms and PAOs to be given clear guidance on expectations so that they can plan effective responses.

2(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.)

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.

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

Detailed comments (if any):

We are supportive of the change in differential requirements shifting from listed to PTE but have concerns around the extension of these requirements to PIEs. Any decision to revisit this in future needs careful consideration and a commitment should not be made until the impact of adoption and implementation of the IESBA Code definition is better understood and future intentions (e.g. in relation to any changes for sustainability) are clearer.

Designation as a PIE should not be seen as a proxy for the level of risk. There will always be some entities that carry higher risks, but by their nature would not legitimately fall to be classified as PIEs due to an absence of the required level of public interest. It is therefore, not always clear what would be achieved by extending differential requirements to PIEs or by expansion of PIEs to include additional entities.

We understand the importance of a globally consistent approach that aligns IAASB and IESBA standards, but there is a real risk that extension of differential requirements to PIEs could lead to unintended consequences. Especially if a definition similar to that which was originally proposed is used, as strict application could impose additional regulatory burdens on entities that may not traditionally be considered PIEs in their local context. The IAASB should maintain flexibility in adapting the definition to ensure it remains practical and applicable across different regulatory environments if it is committed to revisiting this decision.

2(c). Do you agree with the proposed timing for revising the matters highlighted in 2(b) above? (See **Section V**, paragraphs 39-41.)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

We disagree with the proposed timing. The IAASB should allow sufficient time for the adoption and implementation of the IESBA PIE definition to take effect so that meaningful feedback on its practical impact is available before considering any changes of its own. The process for jurisdictions successfully adopting and implementing international standards can take many years given the time needed for outreach, stakeholder engagement, translation, education etc so the proposed timeframe appears unrealistic in this respect.

A unified and strategic approach to the PIE definition is needed by both the IAASB and IESBA to avoid regular piecemeal changes occurring and to avoid long-term differentiation between IESBA Code and IAASB requirements.