

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)	Ernst & Young Global Limited
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Jay Paulson, Global Vice Chair Professional Practice
E-mail address(es) of contact(s)	Jay.paulson@ky.ey.com
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.	Accounting Firm
	If "Other", please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	Ernst & Young Global Limited is the central coordinating entity of the Ernst & Young organization

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:

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 strongly support the direction of the IAASB in taking the PTE path, as described in paragraph 28 of the Post-Exposure Consultation, for the reasons described in sections III and IV of that same document. We also support the finalization of the narrow scope amendments to the ISQMs and ISAs as presented in Appendix 1 to the Post-Exposure Consultation.

Because we agree that it is not in the public interest for the IAASB to issue standards that could lead to a different outcome compared to the IESBA PIE revisions (i.e., the same entity being treated differently for audit and ethics purposes), or that result in a lack of a global baseline for PIEs that could be consistently applied across jurisdictions, we do not believe either the ED path or the Conditional path (as described in paragraphs 24-27 of the Post-Exposure Consultation) are viable options.

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 agree with the proposed effective date of the narrow scope amendments to the ISQMs and ISAs but strongly suggest that the Basis for Conclusions supports the ability to early adopt the narrow scope amendments without also having to early adopt the Going Concern and Fraud standards.

Although we recognize the benefit of implementing the auditor reporting changes from all three projects at the same time, this benefit needs to be weighed against the practical challenges on audits that were imposed upon the effective date of the IESBA revisions to the definitions and that will continue until the effective date of the IAASB revision to the definition of PTE. Specifically, there are entities that are listed entities under the IAASB's current definition that are not publicly-traded entities (or PIEs) under the IESBA revised definition (or vice versa in some cases), which creates complexity for audits that need to continue to apply the incremental audit requirements for listed entities and not the incremental IESBA requirements for PIEs (or vice versa).

As we believe that the only differential requirements for PTE entities in the Going Concern and Fraud standards are related to auditor reporting, we believe it is practical to assume that early adoption of the definition of PTE could occur in 2026 to minimize the length of time for which there is a difference with the IESBA standards.

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: [Agree, with comments below](#)

Detailed comments (if any):

We support the IAASB's commitment to revisit the decision to adopt the definition of PIE in the ISQMs and ISAs; however, we do not believe the IAASB should consider revisiting this project without joint coordination with IESBA.

We strongly support the IAASB's objective to adopt a definition of PIE that provides a global baseline that could be consistently applied across jurisdictions, and that also would result in convergence between the IAASB standards and the IESBA Code. However, the Post-Exposure Consultation stated (paragraph 10) that IESBA has a consistent view that local bodies are best placed to ascertain the significance of the public interest in the financial condition of entities to determine whether these entities should be PIEs, as that significance is relevant from a local (rather than international) perspective. This view seems to directly contradict the IAASB's objective.

Furthermore, as long as the IESBA Code does not change, the concerns described in paragraph 27 of the Post-Exposure Consultation, specifically that the differential requirements in the ISQMs and ISAs would be subject to jurisdiction interpretation and variation and that conditional requirements would be introduced for the first time into the ISQMs and ISAs, will not be able to be alleviated.

Therefore, for the IAASB to be in a position to be able to achieve its objective, we believe the best path forward is for the IAASB to participate in the evaluation of the results of the IESBA's post-implementation

review of IESBA PIE revisions (PIR) that is planned to commence in 2027 and then to determine how to move forward together with IESBA. We do not believe the IAASB should take a decision to create its own baseline PIE definition (for all the reasons included in the Post-Exposure Consultation). Instead, we suggest that the IAASB discuss with IESBA the need for change after the PIR and implement a joint project to achieve alignment.

The Post-Exposure Consultation (paragraph 41) states that as the IAASB's direction becomes clearer and proposals are developed, Board level coordination between the IAASB and IESBA will take place, as appropriate, and that this may include keeping the IESBA Board informed of IAASB progress (and vice versa) by, for example, providing updates during each Board's meetings or utilizing joint IAASB-IESBA plenary sessions. We do not believe that this level of coordination is sufficient for the IAASB to be able to achieve its objectives and suggest that the IAASB instead coordinate a joint project with IESBA.

Until such time that the IAASB can achieve its objectives related to this project, we continue to support that individual jurisdictions that adopt the ISAs make their own determinations of whether any of the "publicly traded entity" requirements in the ISAs should be applicable to certain other entities in their jurisdictions.

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 do not believe the IAASB staff should request direction from the IAASB in the second half of 2026 about revisiting the decision (and the process for doing so) 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, and any other implications for the IAASB's standards that may be relevant at that time.

The Post-Exposure Consultation (paragraph 39) states that IESBA plans to commence a PIR in 2027. We do not believe that the IAASB should make any decisions about the direction of their standards ahead of the planned PIR, as explained in our response to Question 2(b).

In addition, the Post-Exposure Consultation (paragraphs 31 and 38) states that the IAASB agreed to revisit the decision to adopt the definition of PIE in the IESBA Code when the global adoption and implementation of such definitions has sufficiently matured. Even though some insights may be attainable about the variations in the definitions across jurisdictions and the implications of those variations, we challenge whether there will be enough information to inform a decision by the IAASB by the second half of 2026.