

Listed Entity and Public Interest Entity (PIE)

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Listed Entity and PIE Task Force Chair

IAASB CAG Meeting

March 7–8, 2023

Agenda Item H.1

Agenda

Track 1 **Overview of** **Significant** **Comments to the** **Exposure Draft (ED)**

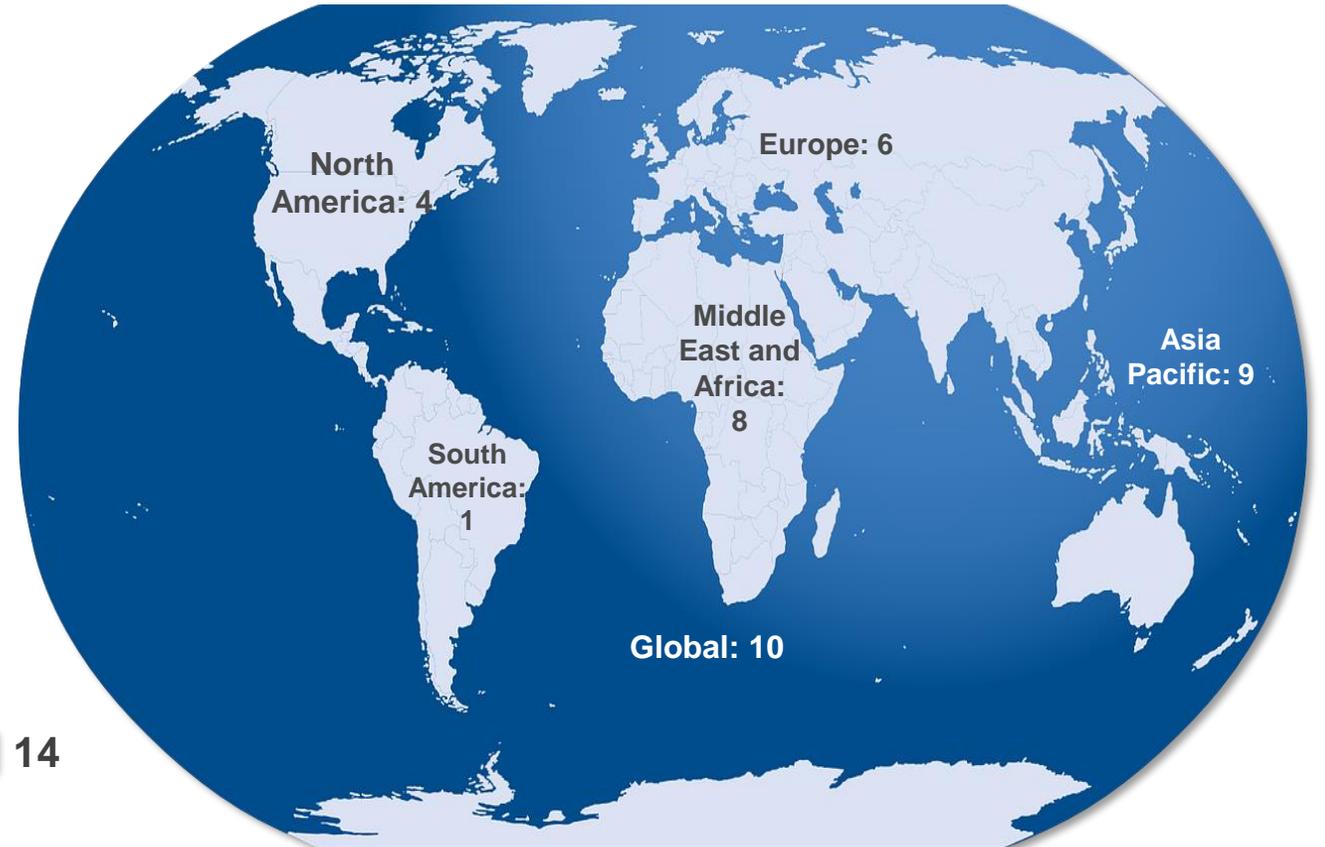
*Proposed Narrow Scope
Amendments to ISA 700
(Revised) and ISA 260
(Revised) as a Result of
the Revisions to the Code*

Track 2 **Update on PIE TF** **Proposals and IAASB** **Deliberations in** **December 2022**

Way forward for
IAASB's project on
listed entity and PIE

Track 1: Overview of Responses to the ED

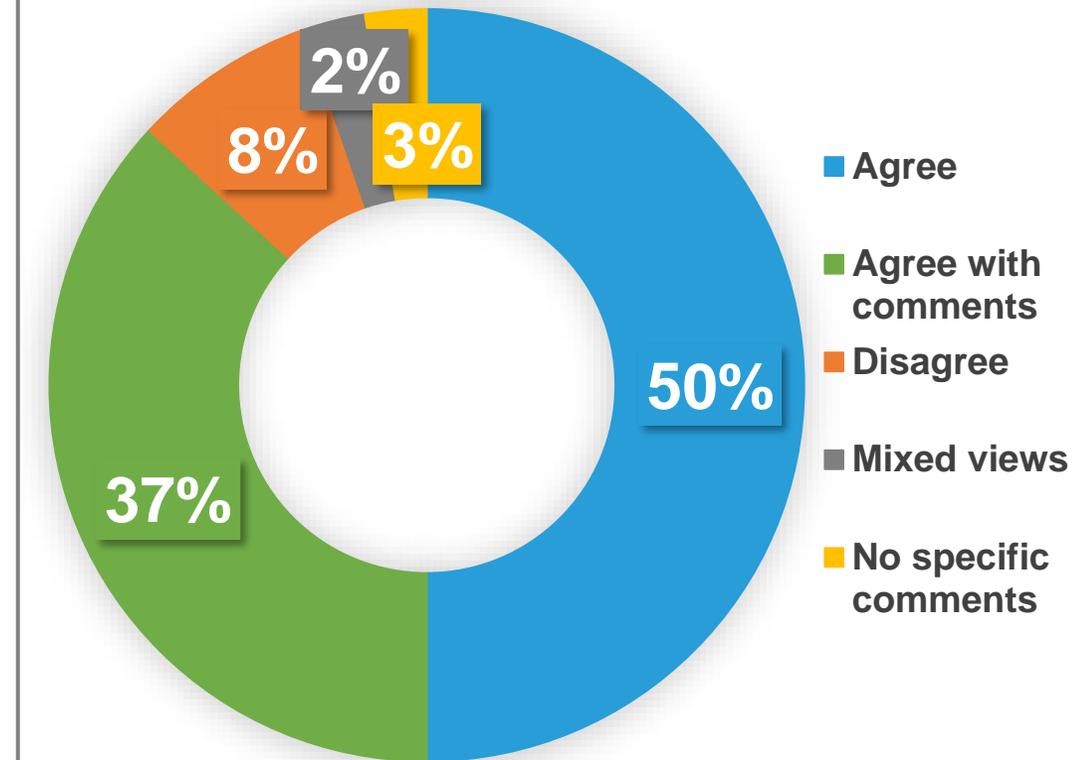
Respondents by Type



Total responses: 38

The Auditor's Report as a Mechanism for Public Disclosure

- Broad support for the auditor's report
 - Seen as preferable to other mechanisms
 - Optimal in terms of timeliness, accessibility and consistency for users
- Views that
 - Flexibility for jurisdictions is important when there are alternative mechanisms available
 - Further clarity necessary when the auditor's report is not publicly available (a matter for IESBA's consideration)



Proposed Revisions in the ED

Revisions to ISA 700 (Revised)

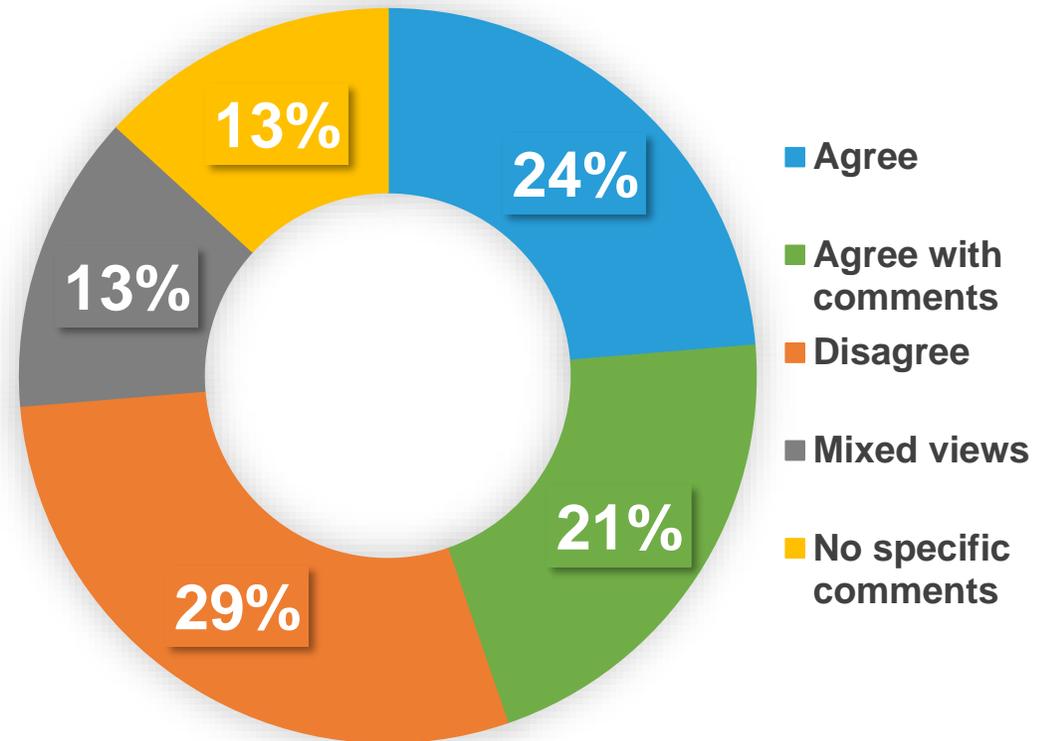
- Broad support for a conditional requirement
 - 3 respondents, including the 2 Monitoring Group (MG) respondents preferred an unconditional approach
- Consideration needed for
 - Use of term “differential” in the requirement
 - Enhancing the Basis for Opinion illustrations and the application material

Revision to ISA 260 (Revised)

- Support for the application material
 - 4 Respondents, including the 2 MG respondents preferred an explicit requirement
- Consideration needed for
 - Inconsistency between the applicability of the requirement and the AM

ISRE 2400 (Revised)

- Mixed views whether a revision of ISRE 2400 (Revised) should be pursued under Track 2 to address the transparency disclosure
- Majority support for a conditional approach, consistent with the proposals for ISA 700 (Revised), should a revision be pursued



IESBA's Further Deliberations for Review Engagements

- In February 2023, the IESBA
 - Supported the PIE Rollout Working Group proposal to maintain the scope of the transparency requirement in paragraph R400.20 of the IESBA Code to be applicable to both audit and review engagements
 - Agreed to consider updating the staff-prepared Questions and Answers to clarify circumstances when performing an interim review engagement under ISRE 2410, subject to the IESBA's further concurrence to ensure that any guidance should not amount to interpreting the requirement or introducing an exception

PIE TF Initial Views and Recommendations

- The auditor's report is a **clear mechanism** to be used to operationalize the IESBA's transparency requirement
- The proposed **conditional requirement** in ISA 700 (Revised) is an appropriately proportionate response for a global standard
- As part of Track 2 of the project
 - Address the requirement in paragraph 17 of ISA 260 (Revised) to include **explicitly requiring communication with TCWG** about the independence requirements applied for certain entities
 - Revising ISRE 2400 (Revised) to address **transparency for reviews** of historical financial statements

Matters for IAASB CAG Consideration



Question 1

Representatives are asked for their views on the PIE Task Force's initial views and recommendations in response to the feedback to the ED for Track 1 of the narrow scope project on listed entity and PIE

Question 2

Representatives are asked if there are any other matters the PIE TF should consider as it finalizes the final pronouncement for approval by the IAASB for Track 1 in June 2023

Track 2: Topics Discussed in December 2022

Objective and Guidelines

for Establishing
Differential Requirements
for Certain Entities in the
ISQMs and ISAs

Case-by-Case Analysis

of Extant Differential
Requirements for Listed
Entities in the ISQMs and
ISAs

Factors and Examples

in Evaluating the Extent of
Public Interest of an Entity

Adopting the IESBA
Definition of PIE and
“Publicly Traded
Entity”

Aligning the
Introductory and
Application Material
in the ISQMs and
ISAs

Relevant Requirements in ISQMs and ISAs

ISQMs

- Communication with Those Charged With Governance (TCWG) About the System of Quality Management
- Engagements Subject to an Engagement Quality Review

ISAs

- Communicating Auditor Independence
- Communicating Key Audit Matters
- Naming the Engagement Partner
- Transparency About the Other Information

IAASB Key Decisions

- Adopting in the authority of ISQM 1 and ISA 200 an **objective for establishing differential requirements for PIE**, based on paragraph 400.8 of the IESBA Code
- **Extending the differential requirements** in ISQM 1, ISA 260 (Revised), ISA 700 (Revised) and ISA 701 for listed entities to apply to PIEs and seeking specific feedback from respondents on exposure about impact (e.g., for engagement quality reviews and communicating key audit matters)
- Defer the discussion of extending the differential requirements in **ISA 720 (Revised)** until a broader revision of this standard is undertaken
- **Adopting the IESBA definition of PIE and “publicly traded entity”** into the definitions in ISQM 1, ISA 200 and the Glossary of Terms, and including further requirements and application material from the IESBA Code that address the scoping of PIEs

Matter for IAASB CAG Consideration



Question 3:

Representatives are asked for their views on the PIE TF's proposals relevant to Track 2 of the narrow scope project on listed entity and PIE. In particular, in relation to

- a) Amending the differential requirements that currently apply to listed entities to apply to PIEs (e.g., the scope of engagements subject to engagement quality review or communicating key audit matters in the auditor's report)
- b) Replacing the definition of "listed entity" with "publicly traded entity" in the ISQMs and ISAs

Way Forward

Ongoing Coordination and Collaboration with IESBA

Track 1:

- **June 2023:** Expected Approval of Final Pronouncement

Track 2:

- **June 2024:** Expected Approval of ED
- **June 2025:** Expected Approval of Final Pronouncement

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