

Agenda Item 3-E.4 (Supplemental)

Track 2: Listed Entity and Public Interest Entity (PIE) – Question 3D

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)?

Q03D Agree

2. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies (CEAOB)

Agree (with no further comments)

Financial Reporting Council – UK (FRC)

Agree (with no further comments)

3. Jurisdictional and National Auditing Standard Setters

Institut der Wirtschaftsprüfer in Deutschland e.V.(IDW)

Not applicable

Agree (with no further comments)

Instituto Mexicano de Contadores Públicos, A.C. (IMCP)

Agree (with no further comments)

Nordic Federation of Public Accountants (NRF)

Agree (with no further comments)

Royal Netherlands Institute of Chartered Accountants (NBA)

Agree (with no further comments)

Wirtschaftsprüferkammer (WPK)

Agree (with no further comments)

4. Accounting Firms

BDO International Limited

Agree (with no further comments)

5. Member Bodies and Other Professional Organizations

Botswana Institute of Chartered Accountants

Agree (with no further comments)

Chartered Accountants Ireland

Agree (with no further comments)

Federación Argentina de Consejos Profesionales de Cs. Económicas (FACPCE)

Agree (with no further comments)

Federation of Accounting Professions of Thailand

Agree (with no further comments)

Institute of Chartered Accountants of Jamaica

Agree (with no further comments)

International Federation of Accountants (IFAC)

Agree (with no further comments)

Malaysian Institute of Certified Public Accountants (MICPA)

Agree (with no further comments)

Virginia Society of CPAs

Agree (with no further comments)

Q03D Agree With Comments

1. Monitoring Group

International Organization of Securities Commission (IOSCO)

We support the IAASB's proposal to align the differential requirements already established within the IAASB Standards for listed entities today with the definition of a PIE resulting from the IESBA project. We believe it is an important public interest matter that those entities that meet the definition of a PIE are subject to the same requirements within the IAASB Standards.

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

We believe that it better serves the public interest by addressing stakeholder feedback, promoting consistency globally, and reducing complexity in auditing standards. This enhances the communicative value of the auditor's report by providing greater transparency about the audit that was performed.

Agree, with comments below

Independent Regulatory Board for Auditors – South Africa (IRBA)

Agree, with comments below

We agree with extending KAMs to apply to PIEs.

In South Africa, the IRBA has published the Enhanced Auditor Reporting Rule, which extends the communication of Key Audit Matters to the audit of PIEs, and this is effective for financial periods ending on or after 15 December 2024. The project was informed by comprehensive research and consultation among various stakeholders that largely supported this type of enhancement in additional disclosures in the auditor's report.

3. Jurisdictional and National Auditing Standard Setters

Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)

In the European Union, we have been applying this requirement since 2016 as the Audit Regulation (537/2014/EU) introduced the mandatory disclosure of Key Audit Matters (KAMs) for Public Interest Entities starting from the end of 2016.

With this new and largest definition of PIE, there may be a risk that the auditor will become through certain KAMs a provider of information not disclosed by the entity, as not all PIEs have the same reporting requirements (while listed entities have to report publicly any information that may have an incidence on the share price, other PIEs do not have that requirement and may not have communicated any information publicly).

Agree, with comments below

We are concerned that this consultation does not deal with proposed revisions of ISA 240 Fraud (ED in progress) and ISA 570 Going concern (ED closed). Indeed, several requirements in proposed revised ISA 240 and ISA 570 relate to listed companies, especially regarding transparency in the auditor's report.

As mentioned in our answer to question 3D, with the new and largest definition of PIE, there may be a risk that the auditor will become a provider of original information on the entity, due to requirements to communicate some going concern or fraud matters in the auditor's report. Indeed, not all PIEs have the same reporting requirements (while listed entities have to report publicly any information that may have an incidence on the share price, other PIE entities do not have that requirement and may not have communicated some information publicly). As an example, a non-listed company may not have publicly communicated a going concern temporary issue that does not anymore exist at year end. We believe it is not public interest for the auditor to disclose in the auditor's report an issue that does not exist anymore and for which there is no mandatory requirement for the entity.

Hong Kong Institute of Certified Public Accountants

We also support the IAASB's proposals to extend the existing differential requirements in ISQM 1, ISA 260 (Revised), ISA 700 (Revised) and ISA 720 (Revised) to PIEs. As highlighted in IESBA's Basis for Conclusions, one of the objectives of the PIE definition project was to bring greater clarity to the concepts of PIE with a focus on independence and audit quality that underpin the concepts of PIEs. In our views, extending the differential requirements to PIEs represents a pragmatic and effective approach to enhancing audit quality in entities that hold significant public interest.

Japanese Institute of Certified Public Accountants

Considering the overarching objective and purpose for differential requirements for PIEs and the definition of PIE proposed in the ED, we agree with the IAASB's proposal for extending the extant differential requirements for communicating KAM to apply to PIEs. However, we propose that the IAASB provide flexibility by permitting the jurisdiction not to extend KAM requirements to the audits of certain PIEs which have a limited number of intended users of the auditor's report, such as non-publicly traded entities, even if the jurisdiction decided to refine the scope of the PIEs to include those entities.

Agree, with comments below

New Zealand Auditing and Assurance Standards Board

We support expanding the application of key audit matters to public interest entities.

In New Zealand, key audit matters are already required for the types of entities contemplated by the global definition, including listed entities, deposit takers and insurers.

Our Trust and Confidence: Views from Audit Committee Chairs research report issued in 2023 highlights the value of key audit matters.

We also note that key audit matters are voluntarily reported in audit reports issued by the Office of the Auditor-General in a few public sector audits, as well as for audits of some non-for-profit entities.

Agree, with comments below

Saudi Organization for Chartered and Professional Accountants (SOCPA)

Agree, with comments below

Extending the requirement of communicating KAM in the audit report to the users of the financial statements of other than listed entities should further help in narrowing the audit expectation gap. This is important although the definition of PIE in certain jurisdiction may include entities that may not be expected to have sophisticated stakeholders who might be interested to read lengthy audit reports (e.g. stakeholders of entities which become PIE because of the nature of their services). For instance, in listed entities, the stakeholders (in specific the primary users of financial reports; investors) are expected to have a level of sophistication that could allow them to appreciate the complexity added to the audit reports. Therefore, there is always a concern that auditor reports are becoming complex with additional details, while their costs might not be justifiable considering the nature and needs of the audit report stakeholders.

4. Accounting Firms

Mazars

In principle, we believe that the extension of the applicability of KAMs is reasonable given the level of interest from stakeholders (particularly investors). However, we believe the definition of PIEs is too wide for this particular requirement and may be a challenge for many audit firms and entities.

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)?

The IAASB may wish to consider limiting the reporting of KAM requirements to the following entities only:

A publicly traded entity;

An entity one of whose main functions is to take deposits from the public; and

An entity one of whose main functions is to provide insurance to the public.

As also alluded to in question 8, the IAASB's proposals for extending differential requirements to PIEs would likely also affect other or ongoing IAASB projects. For example, IAASB standards currently under revision include ISA 240 (Fraud) and ISA 570 (Revised) (Going concern), both of which include differential requirements related to listed entities.

To illustrate, we are concerned that non-listed PIEs may not be subject to local or regulatory requirements to communicate information relating to, for example, fraud or going concern to the market and entity stakeholders. Consequently, the auditor may become responsible to communicate or provide such

information through the auditor's report, while such information is excluded from the scope of required entity management communications.

This may also impact the appropriate effective date for the narrow scope amendments (as recognized in question 8).

Agree, with comments below

5. Member Bodies and Other Professional Organizations

Accountancy Europe

In the European Union, we have been applying this requirement since 2016 as the Audit Regulation (537/2014/EU) introduced the mandatory disclosure of Key Audit Matters (KAMs) for Public Interest Entities.

Agree, with comments below

We are concerned that this consultation does not address the implications of extending differential requirements to PIEs for its ongoing projects. ISA 240 Fraud and ISA 570 Going concern are being revised and they include differential requirements related to listed entities, especially regarding transparency in the auditor's report.

Transparency is only useful if it provides useful information for stakeholders. In most jurisdictions, being a PIE creates obligations not only for the auditors but also, and foremost, for the entities. In general, not all PIEs have the same reporting requirements. As an example, a non-listed company may not have publicly communicated a temporary going concern issue that does not exist anymore at year end. We believe it is not public interest for the auditor to disclose in the auditor's report an issue that does not exist anymore and for which there is no mandatory reporting requirement applicable to the entity.

Asociación Interamericana de Contabilidad

Yes, we agree.

We understand that the proposals in Section 1-D, paragraphs 27–46 are sufficiently explicit of the IAASB's intent to expand the differential requirements existing in the ISQMs and ISAs for application by independent auditors when auditing financial statements of Public Interest Entities.

Yes, we agree.

We suggest that in the event of key issues, that, in the auditor's opinion, may generate major problems for the audited entity and that put at risk the third-party resource, invested in or entrusted to it, a report on these key issues be issued to the controlling entity of that institution, so that, not only the management of that institution is subject to making key decisions, but that in some way a timely decision is guaranteed that safeguards the resources, not only of the entity but, also of third parties.

We find the adjustments to the proposed amendment to IAASB standards contained in paragraphs 30, 31 and 40 (c) of ISA 700 and in paragraph 5 of ISA 701 to be appropriate and consistent with the new definition of PIEs.

3D.ISA 700 (Revised), paragraphs 30-31, 40(c), and ISA 701, paragraph 5 – communicating KAM.

Institute of Singapore Chartered Accountants (ISCA)

Agree, with comments below

We agree with the proposal for extending the extant differential requirements to PIEs, except for entities that fall within the definition of PIE under the Ethics Codes of individual jurisdictions for reasons not related to the significance of public interest in the financial condition of the entity (as described under the response to Question 2).

The Malta Institute of Accountants

Communicating KAM will provide more information to stakeholders.

Agree, with comments below

Q03D Disagree

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

Due to the reasons listed above, KAM reporting in the auditor's reports for entities other than listed entities should be a jurisdictional decision at the discretion of regulators or national standard setters. We believe our view is supported by paragraph A41 of ISA 700 (Revised) which states: "The auditor may also decide to communicate key audit matters for other entities, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies, and pension funds), and other entities such as charities."

To further illustrate our view: in the U.S., an investment company registered under the Investment Company Act of 1940 would be a public interest entity under the recently revised AICPA code of ethical and independence requirements. However, that revised definition of a PIE defers to the relevant U.S. regulator for purposes of the specific independence requirements that are applicable for the auditor. For investment companies in the U.S., the communication of "critical audit matters" (a KAM equivalent) is not required under paragraph 5 in PCAOB Auditing Standard 3101: The Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion.

We also believe the IAASB (as part of our recommendation to develop an overarching strategy for PIEs) needs to conduct outreach with national standard setters and regulators to address those situations when an auditor reports under two sets of standards. We are concerned that this proposal in the Exposure Draft could jeopardize dual reporting if the proposed requirement is not limited to listed entities only.

While we appreciate the IAASB's endeavors to improve transparency, we question whether the requirement to communicate KAMs would uniformly benefit all entities categorized as PIEs (particularly non-listed entities considered to be PIEs). The value derived from KAMs may differ significantly based on an entity's specific circumstances and the resulting reasons for it being treated as a PIE. For example, KAM reporting may not be particularly useful for owner-managed businesses, where stakeholders already have regular interactions with auditors. Additionally, smaller firms, often engaged in auditing not-for-profit organizations and donor-funded projects, would need to overhaul their audit policies, procedures, methodologies, tools, and guidance related to KAMs. The potential benefits of KAMs for not-for-profit entities may not justify the associated costs. Paragraph 29 of the Explanatory Memorandum acknowledges several of these concerns and we note these concerns have not abated in the years since the release of ISA 701.

Disagree, with comments below

Australian Auditing and Assurance Standards Board (AUASB)

In December 2022, the AUASB conducted an Auditor Reporting Post Implementation Review (PIR) and issued a Discussion Paper Expanding Key Audit Matters beyond listed entities seeking feedback to inform the AUASB whether to expand the scope of reporting KAMs in Australia. The key themes in the feedback received from Australian stakeholders were:

All stakeholders supported the continued requirement of communicating KAMs in the auditor's report for listed entities only.

There was no support for requiring the communication of KAMs for entities other than listed entities in the absence of clear evidence that there would be benefits for users. Stakeholders acknowledged that it is difficult to gather this evidence.

Several stakeholders pointed out that ISA 701 currently permits auditors of non-listed entities to voluntarily report KAMs, but this is done infrequently because KAMs are not considered valuable for such entities.

Whilst KAMs are not mandatory in the public sector, a number of public sector audit offices in Australia have adopted the reporting of KAMs for certain entities that they audit, noting they are an effective tool for increasing the transparency of auditors in the conduct of their work.

The requirement to communicate KAMs should only apply to Publicly Traded Entities.

Disagree, with comments below

Canadian Auditing and Assurance Standards Board

Disagree, with comments below

Suggestion to address Concern 1: We suggest that the IAASB not extend the differential requirements relating to KAM reporting to apply to PIEs until a follow-up PIR survey on KAM reporting is performed. This approach will provide the IAASB with more substantive evidence of the public interest benefits of extending KAM reporting to PIEs to support the increased costs. In the meantime, we suggest amending the applicability of KAM reporting to apply to "publicly traded entity".

Suggestion to address Concern 2:

If the IAASB maintains its existing position to extend the applicability of KAM reporting to apply to PIEs, paragraph A43 of ISA 700 (Revised) should be deleted.

If the IAASB agrees with our suggestion to limit KAM reporting to PTEs, the first sentence of paragraph A43 of ISA 700 that was proposed to be deleted should be retained (but "listed entity" should be replaced with "PTE").

Key Concern 1: Benefits of extending KAM reporting to PIEs may not justify the cost

We disagree with extending the differential requirements for KAM reporting to apply to PIEs. We do not believe that sufficient evidence has been provided to demonstrate the public interest benefits of extending this requirement to PIEs to justify the costs. We therefore believe that more information is needed before the IAASB can make this decision. Until such time, we are of the view that KAM reporting should be limited to PTEs.

We acknowledge the support for extending the differential requirement for KAM reporting to apply to PIEs in the IAASB's Auditor Reporting Post-Implementation Review (PIR) survey. However, we note the following:

The IAASB's Auditor Reporting PIR survey was conducted in 2020, a time when KAM reporting was not yet effective in many jurisdictions. This circumstance was acknowledged in the IAASB's September 2021 Agenda Item 5, paragraph 9(c).

Subsequent studies conducted by various national standard-setters since the IAASB's Auditor Reporting PIR survey present a more nuanced perspective on the benefits and costs associated with KAM reporting for listed entities. For example, an independent research study undertaken in Canada titled "Lessons Learned from KAM Reporting on Audits of TSX-Listed Entities: Observations from the 2020 Canadian Experience," found limited benefits to KAM reporting. A summary of the research study is also on the AASB website.

While paragraph 46 of the EM points to the guidance in paragraph A59 of ISA 701 that there may be certain limited circumstances when there are no KAMs, we note that even in such instances, significant costs are still incurred. This was evidenced in the Canadian research study mentioned above, where most interviewees reported discomfort with the prospect of reporting zero KAMs and noted that it led to extensive consultations across the firm.

Concern 2: Paragraph A43 of ISA 700 (Revised) is no longer relevant (if KAM reporting extended to PIEs)

Based on the IAASB's current position on KAM reporting, we believe paragraph A43 of ISA 700 (Revised) is no longer relevant.

Extant paragraph A43 was intended to highlight circumstances when the public sector entity may be significant due to size, complexity or public interest aspects but is not a listed entity, and the auditor may decide (or be required by law) to report KAM. In our view, the public sector entities that include the qualitative factors listed in paragraph A43 would likely be already captured by the guidance in:

Paragraph A40 of ISA 700 (Revised) on category (iv) of PIEs;

Paragraph A81G of ISA 200 on whether to treat other entities as PIEs (as highlighted in the first sentence of paragraph A41 of ISA 700 (Revised)); or

Paragraph A41 (second sentence) on the auditor's decision to communicate KAM for entities other than PIEs.

Accordingly, there is no need to retain paragraph A43.

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)?

4. Accounting Firms

Deloitte Touche Tohmatsu Limited

Based on our understanding of the IESBA's imminent plan to communicate their support for PIEs to be determined by jurisdiction (see response to Question 1), we believe definitions of PIE will continue to vary greatly within jurisdictions around the world. Should the IAASB change the requirement from "listed entity" to PIE, significant inconsistency in practice across jurisdictions will ensue. We believe this will lead to confusion by audit and review report users and other stakeholders.

Furthermore, we do not believe it is appropriate to over-turn the decisions made by the previous board without appropriate outreach to determine whether the original goals of establishing the requirement for listed entities has been achieved, such that extension of the requirement to additional PIEs is warranted.

Disagree, with comments below

Ernst & Young Global Limited

As stated in our response to Q2, on balance, we do not believe the IAASB should proceed at this time with the definition of PIE as currently proposed in the ED-PIE.

We believe that the extension of the requirements related to KAMs to PIEs as proposed in the ED-PIE would be beneficial only if the individual jurisdictions consider the facts and circumstances in their jurisdiction and appropriately refine the definition of PIEs or the requirements for reporting KAM (e.g., certain jurisdictions do not require KAM for smaller listed entities). If jurisdictions do not refine this definition or the reporting requirements, there may be unintended consequences due to firms and auditors being required to apply the extended KAM requirements in the IAASB standards to entities for which the increased audit cost outweighs the benefits of the incremental procedures.

Refer to our response to Q2 for suggestions for the potential path forward for the IAASB.

Disagree, with comments below

Grand Thornton International Limited

We do not agree with extending the extant differential requirements for communicating KAM (ISA 700 (Revised), paragraphs 30-31, 40(c) and ISA 701, paragraph 5 in the ED) to apply to PIEs. The definition of PIE as proposed in the Listed Entity and PIE Track 2 project ED may not be consistent with the definition of PIE for independence requirements, leading to inconsistencies within the auditor's report regarding whether the entity is treated as a PIE or not (see our response to Question 2). Further, the IAASB has not shown that the benefits of communicating KAM outweigh the costs for PIEs or publicly traded entities other than listed entities.

We believe the differential requirement related to communicating KAM should only apply to listed entities. Accordingly, we believe there should be no changes to extant requirements related to communicating KAM, unless a cost-benefit analysis supports extending the requirements to PIEs.

Disagree, with comments below

KPMG International Limited

We do not consider it would be appropriate to extend the differential requirements for communicating KAMs to apply to PIEs, as we describe in our response to Question 1.

We believe that, in the absence of a consistent global baseline definition, not all jurisdictions may adopt/implement the PIE definitions/concepts in line with the IAASB's intentions. In such circumstances, the costs of applying certain of the differential requirements for PIEs, such as communicating KAMs, when performing an audit of such entities may be disproportionate and significantly outweigh the benefits.

Disagree, with comments below

Please refer to our response to Question 1.

PricewaterhouseCoopers International Limited

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).

See response to question 3B.

Disagree, with comments below

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.

RSM International Limited

For the reasons stated above, we agree with the scope in paragraphs 30-31 of extant ISA 700 (Revised) and paragraph 5 of extant ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report, which indicate that the auditor shall communicate KAMs in the auditor's report for audits of complete sets of general purpose financial statements of listed entities or when required by law or regulation. Paragraph 31 of extant ISA 700 (Revised) and paragraph 5 of extant ISA 701 also state that KAMs may be communicated in the auditor's report when the auditor otherwise decides to (i.e., at the option of the auditor).

We believe that the existing requirements are appropriate and recommend the IAASB not to modify them. However, since 'publicly traded entities' is replacing 'listed entities' in the IAASB standards, we support replacing 'listed entity(ies)' with 'publicly traded entity(ies)' in paragraphs 30, 40(c), A40, A43 and the appendix of extant ISA 700 (Revised) and paragraphs 5 and A59 of extant ISA 701. In addition, these revisions may have an incidental impact resulting in similar revisions where 'listed entities' are referred to, such as certain illustrative reports in appendices of various standards. Since publicly traded entities are a subset of public interest entities, differential reporting requirements proposed for public interest entities would also apply to public traded entities in the illustrations and appendices.

We note that the public interest factors that drive this requirement include enhancing the communicative value of the auditor's report by providing greater transparency about the audit that was performed and to increase intended user confidence in the audit and the audited financial statements.

However, we have reservations about the need to extend the extant differential requirements for communicating KAMs to apply to all PIEs, in particular with respect to entities where the financial statements may not be publicly available (e.g., owner-managed entities). We appreciate that communicating KAMs in the auditor's report may still be relevant if the PIE is required to submit their financial statements to their respective regulators, required by their bank under certain financing arrangements or required by potential investors.

We, therefore, believe that in instances where KAMs may not be necessary, such as where the financial statements may not be publicly available (e.g., owner-managed entities) and the financial statements are

not required to be provided to other stakeholders or those stakeholders do not require KAMs to be reported in the auditor's report, the IAASB should consider allowing KAMs to be optional.

Disagree, with comments below

5. Member Bodies and Other Professional Organizations

Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)

Disagree, with comments below Detailed comments (if any):

While we recognise that research shows important benefits of key audit matters (KAMs), such as ACCA's thought leadership report Key audit matters: unlocking the secrets of an audit, we note that the IAASB's Auditor Reporting Post-Implementation Review found there was a strong preference that any extension of KAM to entities beyond listed entities should remain a jurisdictional decision.

On this basis we recommend the IAASB retains the focus in ISA 701 on listed entities/publicly traded entities and leaves it to each jurisdiction to determine whether to extend this to other entities, which many have already done. NSS are better placed to identify the existence of user needs for KAMs to be reported by entities other than listed entities/publicly traded entities, and conduct an appropriate cost/benefit analysis, before extending the requirement to a broader group of entities.

We would support changing the engagements for which KAMs are required to be communicated in the auditor's report from a "listed entity" to a "publicly traded entity" to align terminology with the IESBA Code.

CPA Australia

Disagree, with comments below

CPA Australia does not agree with the IAASB's proposal to extend current differential requirements for communicating Key Audit Matters (KAM) to Public Interest Entities (PIEs).

In light of the potential expansion of KAM communication beyond listed entities, the Australian Auditing and Assurance Standards Board (AUASB) issued a Discussion Paper seeking feedback on this matter. Consistent with our joint submission with CA ANZ to the AUASB, we find that extending KAM communication beyond listed entities is not presently necessary or supported in the Australian context.

We acknowledge the IAASB's finding in their Feedback Statement from their Auditor Reporting Post Implementation Review that while there's support for mandatory KAM communication for PIEs, respondents feel strongly that extending KAM to entities beyond listed ones should be left as a jurisdictional issue. We firmly believe that the discretion to extend KAM reporting beyond listed entities or publicly traded entities should remain within the purview of local jurisdictions.

Feedback from our outreach and joint submissions to the AUASB indicates no compelling reasons or immediate need to extend KAM reporting beyond listed entities in Australia. Given resource constraints in audit firms and increasing demand for services in areas like sustainability reporting, we urge careful consideration of whether the benefits of extending KAM reporting outweigh the costs.

Korean Institute of Certified Public Accountants (KICPA)

The KICPA doesn't agree with the ED proposals for extending the requirement for communication of KAM to PIEs. Extending this requirement to PIEs is expected to cause problems as described below.

ISA 701 A34-A36 state that it is appropriate for the auditor to seek to avoid inappropriately disclosing the original information about the entity, i.e. the information not disclosed by the entity, when describing KAM. For the listed entity, the auditor can describe KAM without disclosing the original information, only by making reasonable efforts, because the listed entity discloses a wide range of information. However, as for the public interest entity which is an unlisted entity, it may be challenging for the auditor to describe KAM without disclosing the original information, only by making reasonable efforts, due to a very limited disclosed information. In addition, there is a high likelihood that the auditor may disclose the original information inadvertently.

Different countries use different approaches to respond to the public interest in the financial condition of a public interest entity which is not a listed entity. These approaches can be more effective than communication of KAM (e.g.: submission, disclosure and supervision of Solvency and Financial Condition Report). If more effective approaches are available to use, the information user may not have a strong demand for the transparency of auditor's report. Requiring the communication of KAM in all circumstances including the above situation is not likely to produce benefits which significantly outweigh the costs.

The public interest entity which is not a listed entity may have varying governance structures by jurisdiction. In some jurisdiction, some PIEs may not have TCWG which is available for the auditor to fully communicate with when selecting KAM. Disclosing the information that has not been fully communicated with TCWG as KAM is likely to have more negative impacts (i.e., disclosing inappropriate information) than benefits (i.e., enhancing the transparency of auditor's report).

As for the PIE like a financial institution, the areas involving a high audit risk or requiring significant auditor attention are largely similar and easily predictable. Therefore, the information value of KAM is not likely to be high, as KAM only includes highly predictable boiler plate information.

In this regard, it is deemed to be appropriate to maintain the extant requirement, i.e. requiring the auditor to voluntarily describe KAM when the auditor believes that there is a strong demand for transparency among information users.

Disagree, with comments below

Malaysian Institute of Accountants – Auditing and Assurance Standards Board (MIA)

We recommend that, as per the proposal on amending the applicability of the differential requirements for listed entities in ISA 720 (Revised), the communication of KAM as per ISA 701 (Revised) (and the related requirements in ISA 700 (Revised)) should also be limited to 'publicly traded entity' as per the existing practice.

As per the current paragraph 5 of ISA 701 (Revised), the application of the ISA is voluntary for any entities other than listed entities or as required by the law. Extending these requirements to PIEs beyond publicly traded entities, which encompass entities of diverse operations, nature, and size, might result in disproportionate costs outweighing benefits. Auditors/regulators can exercise discretion/implement local regulations to determine whether disclosing such matters would bolster stakeholders' confidence in the audit and the audited financial statements of these entities.

Disagree, with comments below

6. Individuals and Others

Wayne Morgan and Phil Peters

See our response to 3A.

Click to select from dropdown menu

Q03D No Specific Comment

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

2. Regulators and Audit Oversight Authorities

National Association of State Boards of Accountancy (NASBA)

4. Accounting Firms

Crowe LLP