

Please note this paper represents the IAASB PIE Working Group Issues paper (Agenda Item 3) presented at the July 2021 IAASB meeting and is provided to the Representatives for context only. Specific questions for Representatives are included in Agenda Item J (Cover Note) as well as Agenda Item J-1 (Presentation)

Implications for the IAASB Standards¹ of the IESBA² Project on the Definitions of Listed Entity and Public Interest Entity (PIE)

Objective of the Agenda Item:

The objective of this Agenda Item is to:

- (a) Provide an overview of respondent's comments to the specific matters for IAASB Consideration in the IESBA's [Exposure Draft, Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code \(PIE ED\)](#).
- (b) Obtain the Board's feedback on the initial views of the IAASB PIE Working Group (PIE WG) relating to the following matters:
 - Use of the overarching objective for both IESBA and IAASB in establishing differential requirements for certain entities (see **Section VI** of this paper);
 - Proposed case-by-case approach relating to requirements applicable to listed entities in the IAASB's Standards (see **Section VII** of this paper);
 - Disclosure within the auditor's report that the firm has treated an entity as a PIE (see **Section VIII** of this paper); and
 - Other matters as presented in the way forward section (see **Section X** of this paper).

I. Introduction

Background

1. The IESBA commenced their project proposing revisions to the Code³ relating to the definitions of listed entity and public interest entities (the PIE Project) in December 2019, in response to demands globally for reexamining the PIE definition, in particular to include financial institutions such as banks. Given that a number of jurisdictions have their own definition of PIE, the IESBA suggested that a revised definition could drive greater convergence globally on the meaning and interpretation of a PIE. At the same time, the IESBA noted that questions have been raised about whether the definition of a listed entity should be updated to reflect developments in capital markets around the world and

¹ For this Agenda Item, 'IAASB Standards' refers to International Standards on Auditing (ISAs) and International Standards on Quality Management (ISQM).

² International Ethics Standards Board for Accountants

³ The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

new forms of capital raising. In January 2021, the IESBA published the PIE ED, with the comment period closing May 3, 2021.

2. The objectives of the IESBA PIE Project as stated in their project proposal are as follows:

The objectives of the PIE project are:

- (a) To review, in coordination with the IAASB, the definitions of the terms “listed entity” and “PIE” in the Code with a view to revising them as necessary so that they remain relevant and fit for purpose; and
- (b) In doing so, to:
 - (i) Establish agreement between the IESBA and IAASB on a common revised definition of the term “listed entity” that would be operable for both Boards’ standards; and
 - (ii) Develop a pathway that would achieve convergence between the concepts underpinning the definition of a PIE in the Code and the description of an entity of significant public interest in the IAASB standards to the greatest extent possible.

3. Accordingly, the ongoing involvement and input of the IAASB in the IESBA PIE Project is key to successfully achieving these outcomes. The IAASB’s current activities related to IESBA’s PIE Project include the following:

- (a) Two IAASB Board Members have been appointed as correspondent members to the IESBA PIE Task Force (IESBA PIE TF). They attend all meetings of the IESBA PIE TF, thereby providing input into IESBA’s proposals as they are developed. Furthermore, IAASB Staff and IESBA Staff regularly engage on this project.
- (b) In May 2021, the IAASB established its own PIE Working Group (PIE WG) to consider the implications for the IAASB’s Standards of the proposed revisions to the definitions of the terms listed entity and PIE and explore whether further narrow-scope amendments to the IAASB’s Standards may be appropriate to achieve convergence with the Code.

4. This paper sets out:

- (a) Background providing an overview of IESBA’s PIE ED and previous IAASB discussions (see **Section II** of this paper);
- (b) An explanation of the IAASB’s approach in relation to IESBA’s PIE Project (see **Section III** of this paper);
- (c) An overview of respondents’ comments relating to the questions for IESBA’s consideration,⁴ and an overview of the IESBA June 2021 Board Meeting discussion on the IESBA PIE TF’s current thinking and preliminary views on key matters⁵ (see **Section IV** of this paper);

⁴ The Matters for IESBA Consideration include Questions 1-14 of the PIE ED. Question 15 (a)-(c) of the PIE ED relates to matters for IAASB’s Consideration.

⁵ The PIE Project was discussed at IESBA’s Board Meeting on 25 June 2021, see [Agenda Item 3](#).

- (d) An overview of stakeholders who responded to Question 15 of the PIE ED – matters for IAASB Consideration (see **Section V** of this paper);
- (e) A summary of respondent’s comments on the specific matters for IAASB Consideration in the PIE ED, separated into the following topics:

Matters for IAASB Consideration	Section
Use of the overarching objective for both IESBA and IAASB in establishing differential requirements for certain entities	VI
Proposed case-by-case approach relating to requirements applicable to listed entities in the IAASB’s Standards	VII
Disclosure within the auditor’s report that the firm has treated an entity as a PIE	VIII

- (f) Matters related to the definition of “publicly traded entity” (see **Section IX**); and
- (g) The way forward (see **Section X**).

Materials Presented—Appendices and Other Agenda Items Accompanying This Paper

- 5. This Agenda Item includes the following appendices:
 - (a) **Appendix 1** sets out a list of respondents to the PIE ED.
 - (b) **Appendix 2** provides a summary of ISA⁶ and ISQM⁷ requirements that apply to audits of financial statements of listed entities.
 - (c) **Appendix 3** provides an overview of the PIE WG activities.
- 6. Accompanying Agenda Items include:
 - (a) **Agenda items 3-A to 3-C** include the Word Nvivo reports that have all of the comments from respondents to the questions for IAASB Consideration in the PIE ED.
 - (b) **Agenda items 3-D to 3-F** include the Excel Nvivo reports that analyze the respondents’ comments to the questions for IAASB Consideration in the PIE ED.
 - (c) **Agenda item 3-G** includes the presentation that will be used for the IAASB Board discussion. It includes slides that will be presented by an IESBA Representative. The IESBA Representative will provide an overview of the feedback from respondents relating to the questions for IESBA’s consideration and the IESBA Board’s discussion in June 2021 on the preliminary views of the IESBA PIE TF to address key matters. *(See also **Section IV** of this paper for an overview of respondents’ comments on questions for IESBA consideration and an overview of the IESBA June 2021 Board discussion. For reference purposes, [Agenda Item 3-B](#) of the IESBA June 2021 meeting presents the IESBA PIE TF’s preliminary analysis which was discussed with their Board).*

⁶ International Standards on Auditing

⁷ International Standards on Quality Management

II. Background

Overview of IESBA's PIE ED

7. In January 2021, the IESBA issued its PIE ED seeking public comments from stakeholders with respect to various matters, including the following:
 - (a) An overarching objective that provides the basis for defining a class of entities as PIEs for which auditors are subject to additional independence requirements under the Code, which includes factors that affect the extent of public interest in an entity. The PIE ED also sought stakeholder input on whether the overarching objective could be used by the IAASB in establishing differential requirements in the IAASB Standards for certain entities.
 - (b) The proposed approach to addressing the PIE definition, i.e.:
 - (i) Having a broad definition of PIE in the Code that includes a list of high-level categories of entities that should be treated as PIEs;
 - (ii) Providing for those bodies responsible for setting ethics standards for professional accountants to refine these categories, which may include making reference to local law and regulation governing certain types of entities, or excluding entities that would otherwise be regarded as falling within one of the broad categories (e.g., due to size or particular organizational structure); and
 - (iii) Requiring firms to determine if any additional entities should be treated as PIEs, with factors set out in the Code for firms to consider in making this determination.
 - (c) The proposed high-level categories of entities that should be treated as PIEs, and whether entities raising funds through less conventional forms of capital raising such as an initial coin offering should be captured as a further PIE category in the Code.
 - (d) Replacing the term “listed entity” with a newly defined term, “publicly traded entity.” Publicly traded entity is one of the high-level categories of entities included in the proposed PIE definition.
 - (e) Requiring firms to publicly disclose if an audit client has been treated as a PIE. The PIE ED also sought respondent’s views on the appropriate mechanism that may be used to achieve such disclosure, including whether it would be appropriate to disclose this within the auditor’s report and if so, how might this be approached in the auditor’s report.
 - (f) The IAASB’s approach to establishing differential requirements for certain entities in the ISAs and ISQMs. The PIE ED also sought respondents’ views on whether the IAASB should use a case-by-case approach for determining whether differential requirements already established within the IAASB Standards for listed entities should continue to apply only to listed entities or might be more broadly applied to all categories of PIEs.
8. The Explanatory Memorandum accompanying the PIE ED recognized that coordination between the IESBA and IAASB is integral to the project achieving its objectives and outlined the ongoing coordination activities between the two Boards. As a result, specific questions were included in the PIE ED to seek preliminary views from the IAASB’s stakeholders on those matters affecting the IAASB Standards. Respondents’ feedback will be used as part of the IAASB’s information gathering and research activities as a basis for determining whether narrow-scope amendments to the IAASB

Standards are appropriate (i.e., targeted changes to one or more ISAs or ISQMs). The questions in the PIE ED specifically relating to the IAASB are as follows:

Matters for IAASB consideration

15. To assist the IAASB in its deliberations, please provide your views on the following:

- (a) Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 for use by both the IESBA and IAASB in establishing differential requirements for certain entities (i.e., to introduce requirements that apply only to audits of financial statements of these entities)? Please also provide your views on how this might be approached in relation to the ISAs and ISQMs;**
- (b) The proposed case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIEs; and**
- (c) Considering IESBA's proposals relating to transparency as addressed by questions 11 and 12 above, and the further work to be undertaken as part of the IAASB's Auditor Reporting Post-Implementation Review (PIR), do you believe it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE? If so, how might this be approached in the auditor's report.**

Previous IAASB Discussions

- 9. The PIE Project was initially discussed with the IAASB at the July 2020 IAASB videoconference (see [Agenda Item 1](#) and approved [IAASB Minutes](#)). At its November 2020 videoconference, the IAASB discussed the proposed revisions to the Code relating to the definitions of listed entity and PIE (see [Agenda Item 1](#) and the approved [IAASB Minutes](#)).
- 10. The following summarizes the IAASB discussion in November 2020, and the main decisions reached in relation to the IAASB's questions in the PIE ED:
 - (a) *Overarching objective for establishing differential requirements in the IAASB's Standards that apply to certain entities.*
 - (i) Subject to their further comments, the IAASB supported the proposed overarching objective for use by both the IESBA and IAASB in establishing differential independence requirements and requirements in the IAASB Standards for certain entities.
 - (b) *Case-by-case approach for determining whether differential requirements already established within the IAASB Standards for listed entities should continue to apply only to listed entities or might be more broadly applied to all categories of PIEs.*
 - (i) The Board noted that "listed entity" in the ISAs and the ISQMs is currently the only class of entities that are subject to differential requirements with respect to the audits of their financial statements.⁸ Furthermore, the key focus of the relevant provisions, with the

⁸ The ISAs also include, when necessary, considerations specific to public sector entities and considerations specific to smaller entities, however, such considerations are always addressed in the application material of relevant standards – there are no differential requirements relating to the audits of financial statements for these types of entities.

exception of subparagraph 34(f) of ISQM 1,⁹ is on enhanced transparency about aspects of the audit to those charged with governance or to intended users of the auditor's report through communication with those charged with governance or including specific statements or information in the auditor's report, respectively.

- (ii) The majority of the Board continued to support a case-by-case approach when determining whether differential requirements already established within the ISAs and ISQMs should continue to be applied only to listed entities or more broadly to all categories of PIEs.
- (iii) The Board noted that the IAASB needs to properly assess the impact of expanding the differential requirements to PIEs, taking into account the rationale for applying these requirements to listed entities in the current standards.
- (iv) It was also noted that the IAASB will take into consideration the need for alignment of terms used in the IAASB Standards and the Code, including possible replacement of "listed entity" with another term such as "publicly traded entity."

Appendix 2 to this paper includes a summary of the requirements in the ISAs and ISQMs that apply to audits of financial statements of listed entities. It also summarizes the relevant application material in relation to those requirements. This summary was originally presented to the Board as part of [Agenda Item 1-B](#) of the IAASB November 2020 videoconference.

- (c) *Providing transparency to users of auditor's reports and audited financial statements regarding the entity being treated as a PIE.*
 - (i) Three options¹⁰ were presented to the Board for the IAASB to address the matter of transparency in the auditor's report, including illustrative proposed wording in the auditor's report of how this could be approached. The majority of Board members supported pursuing the possibility of enhanced transparency as part of the Auditor Reporting PIR workstream.

- 11. As a result of its deliberations, the Board agreed to utilize the PIE ED to seek views from stakeholders on the matters discussed above. This feedback would form part of the IAASB's information gathering and research activities that will help inform the IAASB's discussions on this topic and possible further actions.

III. The IAASB's Approach in Relation to the IESBA's PIE Project

- 12. The PIE WG is of the view that the following matters represent what needs to be considered by the IAASB in relation to the PIE Project:
 - (a) Using the overarching objective in paragraphs 400.8 and 400.9 of the PIE ED as a basis for establishing differential requirements in the IAASB Standards for certain entities.

⁹ Paragraph 34(f) of ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*, addresses engagements for which an engagement quality review is required.

¹⁰ The options were: (i) Option 1 – No change to be made to the auditor's report; (ii) Option 2 – IAASB to pursue the possibility of enhanced transparency as part of its Auditor Reporting Post-Implementation Review and (iii) Option 3 – IAASB to explore potential revisions to ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 28(c).

- (b) The definition of “publicly traded entity” and the proposal to replace the term “listed entity” with “publicly traded entity.”
 - (c) The case-by-case approach to determining whether requirements for listed entities in the IAASB Standards should be expanded to all categories of PIEs, and whether any application material in the IAASB Standards should more directly refer to PIEs (as defined) or align with the categories of PIEs.
 - (d) Enhanced transparency through the auditor’s report about whether the entity is or has been treated as a PIE for purposes of the *International Independence Standards*.¹¹
 - (e) Adopting the IESBA PIE definition into the IAASB Standards as a consequence of the IAASB’s decisions in respect of (a)-(d) above. This may be the case even if the IAASB Standards, for example, only include application material that refers to PIEs. As a result, specific consideration may be needed about the effect on the IAASB Standards of adopting the IESBA PIE definition.
13. As highlighted previously in this paper, the two Boards have worked closely to coordinate on this project. It is envisaged that the close coordination will continue and the IAASB will continue to provide input to IESBA as they progress to approval of the revisions to the Code, which is targeted for December 2021. This will be accomplished through the participation of the IAASB correspondent members in the IESBA’s PIE TF, Staff level coordination, the work of the IAASB PIE WG, and IAASB plenary discussions. The aim of the coordination is to obtain the concurrence of the two Boards on the proposals to the greatest extent possible, such that the IAASB may use the IESBA’s final approved changes to the Code as the basis for an IAASB project that will explore, and seek stakeholder input on, narrow-scope amendments (targeted changes) to one or more IAASB Standards.
14. Accordingly, in pursuance of the objectives in the IESBA PIE project proposal (see paragraph 2 above), the PIE WG will present their initial proposals on the matters to be explored by the IAASB in October 2021. The initial proposals will address the matters outlined in paragraph 12 above, with the view to present a project proposal to the IAASB in March 2022.
15. It is noted that although the IAASB plans to engage with IESBA as they approve their final revisions to the Code in December 2021, the IAASB will need to follow their own due process in determining whether, and if so, how to incorporate these concepts in the IAASB Standards. This would involve the IAASB undergoing public exposure and consultation as part of the IAASB’s own project on this matter.

IV. Overview of Respondents’ Comments Relating to the Questions for IESBA Consideration and an Overview of the IESBA June 2021 Board Meeting Discussion on the IESBA PIE TF’s Current Thinking and Preliminary Views on Key Matters

16. This section provides an overview of the feedback to Questions 1-14 of the PIE ED (i.e., questions for IESBA Consideration). At the June 2021 IESBA Board Meeting, the IESBA Board discussed the

¹¹ The *International Independence Standards* of the Code set out additional material that applies to professional accountants in public practice when providing assurance services, as follows: Part 4A – *Independence for Audit and Review Engagements*, which applies when performing audit or review engagements; and Part 4B – *Independence for Assurance Engagements Other than Audit and Review Engagements*, which applies when performing assurance engagements that are not audit or review engagements.

current thinking and preliminary views of the IESBA PIE TF to address key matters raised by respondents, which has also been summarized in this section. The IESBA was presented with [Agenda Item 3-B](#) in June 2021 for reference, which contains the IESBA PIE TF's preliminary analysis of respondent comments. A full review of respondent comments and proposals will be presented to the IESBA at its September 2021 meeting.

Overarching Objective (Questions 1 and 2 of the PIE ED)

Respondents' Comments

17. A substantial portion of respondents, including the one Monitoring Group (MG) respondent, were supportive of the use of an overarching objective (set out in paragraphs 400.8 and 400.9 of the PIE ED) to explain the need for additional independence requirements for PIE entities. Only a small number of respondents disagreed.
18. One of the key issues raised by respondents in paragraph 400.8 of the PIE ED was related to the term "financial condition," in particular that it is undefined, and therefore lacks the necessary clarity.¹²
19. Respondents also raised concern that the reference to enhancing confidence in the audit of financial statements of PIEs stated in paragraph 400.9 of the PIE ED may imply there are different levels of independence or that audits of PIEs are of a higher quality than audits of non-PIEs. Respondents also noted that the differential requirements serve a different purpose in the IAASB Standards than the Code.
20. Respondents were generally supportive of the non-exhaustive list of factors set out in paragraph 400.8 of the PIE ED, although various suggestions were made to clarify and refine the factors. Respondents recommended clarifying that each of the proposed factors on its own may not amount to significant public interest in the financial condition of an entity and should not be considered in isolation. Respondents also suggested additional factors that should be considered when determining the level of public interest in an entity.

Overview of the IESBA June 2021 Meeting Discussion on the IESBA PIE TF's Preliminary Views on Key Matters Related to the Overarching Objective

21. The IESBA PIE TF suggested that the term "financial condition" be retained in the objective in paragraph 400.8, as it is a broader term than "financial statements" and reflects the fact that the public interest lies in the overall financial well-being of the entity as opposed to the vehicle through which confidence in such financial well-being is conveyed (i.e., the financial statements). Instead, the IESBA PIE TF suggested that it may consider including application material to clarify the intended meaning of "financial condition," i.e., to recognize the potential impact of a PIE's financial well-being on stakeholders.
22. The IESBA PIE TF noted that it remains of the view that the objective does not imply that there are different levels of independence or audit quality. Instead, the objective emphasizes that the additional provisions *increase confidence* in the independence or quality because when an audit client is a PIE, stakeholders have heightened expectations regarding the independence of the firm conducting the audit. The IESBA PIE TF is suggesting adding material in paragraph 400.9 on stakeholders'

¹² It is noted that at the November 2020 IAASB videoconference call, the IAASB continued to support the proposed overarching objective, as presented in paragraphs 400.8 and 400.9, with some Board members making similar suggestions in respect of clarifying the term "financial condition."

heightened expectations regarding auditor independence, which also aligns with application material the IESBA included in the final revisions to the non-assurance services provisions of the Code.¹³

23. The IESBA Board broadly supported the IESBA PIE TF's preliminary views as outlined in paragraphs 21-22 above. The IESBA Board is also supportive of keeping paragraphs 400.8 and 400.9 separate, since doing so may enable the IAASB to use paragraph 400.8 as a common overarching objective.
24. To illustrate its preliminary views, the IESBA PIE TF presented the following draft revisions to paragraphs 400.8 and 400.9 of the PIE ED at the IESBA June 2021 meeting:
400.8 Some of the requirements and application material set out in this Part are applicable only to the audit of financial statements of public interest entities, reflecting significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders.
400.9 When an audit client is a public interest entity, stakeholders have heightened expectations regarding the independence of the firm conducting the audit. The additional requirements and application material are intended to meet these expectations in order to enhance confidence in the financial statements used by stakeholders to assess the financial condition of such entities.
25. Further changes to the factors in paragraph 400.8 to address respondents' comments, including possibly relocating the factors from the objective in paragraph 400.8, will be considered by the IESBA PIE TF following the IESBA meeting in June 2021.

The PIE Definition (Questions 3, 5 and 6 of the PIE ED)

Respondents' Comments

26. Overall there was more support for the broad approach than not (i.e., replacing the extant PIE definition with a list of high-level categories of PIEs, and providing for those bodies responsible for setting ethics standards to refine these categories).
27. The MG respondent supported a narrow approach (i.e., defining PIEs through a short and narrow list of categories similar to the current definition of PIE, to which those bodies responsible for setting ethics standards may continue to add). The MG respondent was concerned that a broad approach may allow jurisdictions the option of excluding categories of entities from the definition established by the Code.
28. Respondents who supported the broad approach raised concern that allowing local bodies to refine the PIE definition (e.g., through setting size criteria or adding or exempting certain entities) will lead to significant inconsistencies between, and within, jurisdictions. They suggested that it may result in confusion to the public and the profession, and could undermine the universal applicability and purpose of the Code.
29. With respect to the categories in the PIE definition, respondents broadly supported the following categories:
 - Category (a): A publicly traded entity (see further discussion on the definition of a publicly traded entity in paragraphs 34-37);

¹³ Refer to <https://www.ethicsboard.org/consultations-projects/non-assurance-services> for further information on IESBA's Non-Assurance Services project.

- Category (b): An entity one of whose main functions is to take deposits from the public;
 - Category (c): An entity one of whose main functions is to provide insurance to the public; and
 - Category (f): An entity specified as such by law or regulation to meet the objectives set out in paragraph 400.9.
30. However, respondents raised a number of comments and concerns on categories (d) and (e) as set out below, in particular that there are a broad range of entities in these categories, and in some cases, it may be inappropriate to scope such entities into the more onerous ethical requirements applicable to PIEs:
- Category (d): An entity whose function is to provide post-employment benefits; and
 - Category (e): An entity whose function is to act as a collective investment vehicle and which issues redeemable financial instruments to the public.
31. Respondents did not support adding an additional category to the PIE definition that scopes in entities raising funds through less conventional forms of capital raising such as an initial coin offering.

Overview of the IESBA June 2021 Meeting Discussion on the IESBA PIE TF's Preliminary Views on Key Matters Related to the PIE Definition

32. The IESBA PIE TF's preliminary view was that the IESBA should continue with the broad approach in relation to the PIE definition. In keeping with the broad approach, however, the IESBA PIE TF suggested considering whether categories (d) and (e) should be removed.
33. The IESBA Board generally supported the IESBA PIE TF's preliminary view to retain the broad approach by keeping the description of the categories at a high level as outlined in paragraph 32 above. With regards to the suggestion of possibly removing categories (d) and (e) from the final definition:
- There was some support among IESBA members to remove category (d).
 - The IESBA Board encouraged the IESBA PIE TF to further consider the comments received from respondents, including whether the categories can be more clearly worded and whether other alternatives were feasible, such as subsuming category (e) into category (a).

Publicly Traded Entity (Question 4 of the PIE ED)

Respondents' Comments

34. There was strong support for replacing the term "listed entity" with the proposed new term "publicly traded entity" in the Code. However, the MG respondent did not support the new term and preferred retaining "listed entity" on the basis that it is an important and well understood term, which is encapsulated in existing national accountancy regulation across numerous jurisdictions, and should continue to be prominently featured in the Code. Instead, the MG respondent preferred that IESBA consider updating its listed entity definition, or provide additional guidance on the term "recognized stock exchange" to better reflect its use in global capital markets.
35. Whilst there was strong support for the new term, respondents suggested that more clarity, explanation, or guidance to the term's definition is needed, particularly in respect of "financial instruments."

Overview of the IESBA June 2021 Meeting Discussion on the IESBA PIE TF's Preliminary Views on Key Matters Related to the Definition of Publicly Traded Entity

36. The IESBA PIE TF intends discussing the comments received from the MG respondent with them in Quarter 3. Depending on the outcome of those discussions, the IESBA PIE TF will further explore possible clarifications, revisions and alternatives to address the definition of "publicly traded entity" and present these to IESBA in September 2021. Alternatives that may be explored may include keeping the notion of "listed entity," and either adding a new category to capture other publicly traded entities or specifying that listed entities are a subset of "publicly traded entities."
37. The IESBA Board supported the IESBA PIE TF preliminary views to undertake further outreach with the MG respondent and to further consider if any revisions to the new term and its definition are necessary.

Role of Local Bodies (Questions 7 and 8 of the PIE ED)

Respondents' Comments

38. Respondents generally supported local bodies refining the PIE definition as part of the local adoption process. However, they had varying views on the extent of that role, driven by factors such as a respondent's view on whether a broad or narrow approach to the PIE definition is appropriate.
39. One of the key concerns raised by respondents related to the suggestion that a local body is allowed to exclude a PIE category from the IESBA definition. In addition, respondents noted concerns around the level of reliance on local bodies to further adapt and refine the PIE definition at a local level, and indicated a heightened risk of local bodies not undertaking a proper review and refinement process.
40. Respondents were generally supportive of IESBA's proposed outreach and education support to local jurisdictions and have provided suggestions for different types of education activities for IESBA's consideration.

Overview of the IESBA June 2021 Meeting Discussion on the IESBA PIE TF's Preliminary Views on Key Matters Related to the Role of Local Bodies

41. On a preliminary basis, the IESBA PIE TF is considering clarifying in the proposals that it is not generally expected that local bodies will remove entire categories. The IESBA PIE TF will further consider how to address respondents' comments on the paragraphs addressing the role of local bodies in the Code and present proposals to IESBA at the September 2021 meeting.

Role of Firms (Questions 9 and 10 of the PIE ED)

Respondents' Comments

42. Respondents had mixed views on IESBA's proposal to introduce a requirement for firms to determine if any additional entities should be treated as PIEs. Almost all the firm respondents that responded did not support this proposed requirement. In contrast, almost all the respondents in the regulator and Independent National Standard Setters groups that responded, including the MG respondent, expressed their support. The views of the Professional Accountancy Organizations, including NSS were more mixed with slightly more of these respondents supporting the proposed requirements.
43. One of the key reasons cited by respondents for not supporting the new requirement in proposed R400.16 is that a firm's determination in this regard is subjective in nature and will create divergence

and undue inconsistency in the treatment of PIEs between firms, and may lead to confusion in the market and undermine the confidence the Board is seeking to enhance.

44. Respondents in general supported the factors for consideration by firms in determining whether additional entities or certain categories of entities should be treated as public interest entities, including respondents that did not support the proposed firm requirement. Various other suggestions were proposed to refine and clarify the factors.

Overview of the IESBA June 2021 Meeting Discussion on the IESBA PIE TF's Preliminary Views on Key Matters Related to the Role of Firms

45. The IESBA PIE TF noted the various issues raised by respondents with respect to the requirement for firms to determine whether to treat additional entities, or certain categories of entities, as PIEs. Accordingly, the IESBA PIE TF has proposed reverting back to “encouraging” firms to make this determination, which is the approach in the extant Code.

46. The IESBA PIE TF presented the following illustrative wording based on its current thinking on the topic, to the Board at the June 2021 IESBA meeting:

R400.16 A firm is encouraged to determine whether to apply the additional independence requirements applicable to public interest entities to the audits of the financial statements of other entities. When making this determination, the firm might consider the factors set out in paragraph 400.8 as well as the following factors: ...

47. The IESBA Board supported the IESBA PIE TF suggestion to revert back to “encouraging” firms to make the determination whether to treat additional entities, or certain categories of entities, as PIEs, provided that there is also an amended transparency requirement that requires the firm to publicly disclose that it has complied with the independence requirements applicable to audits of PIEs in circumstances when the independence requirements applicable to audits of PIEs have been applied (see further discussion on Questions 11 and 12 below).
48. The further comments from respondents on the factors for consideration by firms in determining whether additional entities or certain categories of entities should be treated as PIEs will be considered by the IESBA PIE TF, and proposals will be provided to IESBA at the September 2021 meeting.

Transparency Requirements (Questions 11 and 12 of the PIE ED)

Respondents' Comments

49. Overall, respondents did not support the proposed new requirement for a firm to disclose if an audit client was treated as a PIE. The most common concern raised by respondents was that the proposed disclosure may have unintended consequences since it may be incorrectly interpreted that there are different levels of independence and that audits of non-PIEs are of lesser quality than those of PIEs.
50. Respondents also had mixed views on the appropriate mechanism for disclosing whether a firm has treated an entity as PIE. Respondents agreed that the auditor's report is an adequate mechanism for disclosing information publicly to users, but noted that they did not agree with the transparency requirement as proposed. Other respondents either did not support such disclosure in the auditor's report, recommended that more research is needed, or suggested other mechanisms of disclosure.

Overview of the IESBA June 2021 Meeting Discussion on the IESBA PIE TF's Preliminary Views on Key Matters Related to the Transparency Requirements

51. The IESBA PIE TF's current thinking is to amend the transparency requirement. The amendment would require the auditor, if applicable, to publicly disclose that the auditor has complied with the additional independence requirements applicable to audits of PIEs (whether the entity is a PIE pursuant to the PIE definition as refined by the relevant local body or as a result of the firm's determination to apply such additional independence requirements to audits of other entities).

52. The IESBA PIE TF considers that such a requirement would enhance market transparency as under the extant Code, stakeholders have no visibility of the independence requirements with which the auditor has complied (i.e., the ones applicable to audits of PIEs or the ones applicable to audits of non-PIEs). This is particularly the case when the firm has determined to apply the additional independence requirements applicable to PIEs to the audits of other entities. The tentative proposal on the transparency requirement seeks to steer firms towards specifying the relevant independence requirements that the firm fulfilled relating to the audit. Merely stating that the auditor is independent of the entity in accordance with the Code does not fulfill this objective because the Code contains two sets of independence requirements, one for audits of non-PIEs and one for audits of PIEs.

Paragraph 28(c) of ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, requires the auditor in the "Basis for Opinion" paragraph of the auditor's report to include a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and identify the relevant ethical requirements. (See the further discussion in paragraph 95 of this paper).

53. The IESBA PIE TF presented the following illustrative wording based on its current thinking on the topic, to the Board at the June 2021 IESBA meeting:

R400.17 A firm shall publicly disclose to which of its audit clients the additional independence requirements applicable to the audits of the financial statements of public interest entities described in paragraph 400.8 have been applied.

54. The IESBA Board supported the IESBA PIE TF's preliminary approach to revise the transparency requirement that focuses on whether additional independence requirements applicable to audits of PIEs were complied with, instead of whether a client was treated as a PIE.

Other Matters (Questions 13 and 14 of the PIE ED)

Respondents' Comments

55. Respondents generally supported IESBA's conclusions not to review the definition of "audit client" in paragraph 400.20. Also, respondents supported that IESBA not consider revisions to Part 4B of the Code¹⁴ under the PIE Project.

56. With respect to the effective date, respondents broadly supported the IESBA's proposed effective date of December 15, 2024.

¹⁴ Part 4B of the Code, *Independence for Assurance Engagements Other than Audit and Review Engagements*, applies when performing assurance engagements that are not audit or review engagements.

V. Overview of Stakeholders who Responded to Question 15 of the PIE ED – Matters for IAASB Consideration

57. Sixty-nine written responses were received from a broad range of stakeholders across many regions (see Appendix 1):

Stakeholder Type	No.	Region	No.
Monitoring Group	1	Global	15
Regulators and Oversight Authorities	6	Asia Pacific	13
Public Sector Organizations	2	Europe	16
Preparers and Those Charged with Governance (TCWG)	2	Latin America and Caribbean	2
Independent National Standard Setters ¹⁵	4	Middle East and Africa	8
Professional Accountancy Organizations (PAOs), Including National Standard Setters (NSS) ¹⁶	36	North America	10
Firms	15	South America	5
Others	3	Total	69
Total	69		

Presentation of Respondents' Comments

58. The classification of respondents per stakeholder type and region has been aligned with IESBA's categorization, except for the MG respondent that has been presented separately from the Regulators and Oversight Authorities stakeholder group. It is noted that some stakeholders are typically classified differently by the IAASB, as indicated in **Appendix 1**.
59. Nvivo has been used to assist with the analysis of the responses to Question 15 (a)-(c) of the PIE ED, which are the matters for IAASB Consideration. The table below provides a summary of the Nvivo reports relevant for each question analyzed and the related Section in this Agenda Item where the summary is presented:

Question	Section of this Agenda Paper	Agenda Paper:	
		Nvivo Word Analysis	Nvivo Excel Analysis
Overarching Objective Question 15 (a)	Section VI	Agenda Item 3-A	Agenda Item 3-D
Case-by-Case Approach Question 15 (b)	Section VII	Agenda Item 3-B	Agenda Item 3-E

¹⁵ The "Independent National Standard Setters" category includes National Standard Setters (NSS) that have a mandate to set national ethics standards, including independence requirements, in their jurisdictions and which do not belong to Professional Accountancy Organizations (PAOs).

¹⁶ Included in the category "Professional Accountancy Organizations (PAOs), Including National Standard Setters (NSS)" are 13 organizations who are considered National Standard Setters (NSS) in their jurisdiction.

Question	Section of this Agenda Paper	Agenda Paper:	
		Nvivo Word Analysis	Nvivo Excel Analysis
Disclosure in the Auditor's Report Question 15 (c)	Section VIII	Agenda Item 3-C	Agenda Item 3-F

60. Notwithstanding that the Nvivo analysis focused primarily on stakeholders' responses to the matters for IAASB Consideration (Question 15 (a)-(c)), when preparing the Nvivo analysis for Question 15(c), it was relevant and necessary to take into consideration responses provided by stakeholders to Questions 11 and 12 of the PIE ED (see paragraph 87).
61. Agenda Item 3-B of the June 2021 IESBA Meeting included a *preliminary* analysis of respondent comments to Question 15, i.e., the matters for IAASB consideration. IAASB and IESBA Staff coordinated in arriving at the final analysis of stakeholders' responses for Question 15 (a)-(c), as presented in **Sections VI-VIII** of this paper. Accordingly, the analysis presented in this paper should be used as a basis for understanding respondents' views on question 15. In particular, in preparing the analysis presented in this paper:
- (a) Stakeholders' responses to Question 15(b) were more specifically disaggregated to clearly indicate respondents' views about the manner in which differential requirements should be approached in the IAASB's Standards; and
 - (b) Respondents' responses to Questions 11 and 12 (see paragraph 60 above) were taken into account in order to appropriately understand the overall context in which the response was provided and to avoid misinterpreting the stakeholder's overall intent. Therefore, when a respondent agreed or disagreed with Question 11 (or Question 12), their response for Question 15(c) was similarly categorized as "agree" or "disagree."

VI. Use of the Overarching Objective for both IESBA and IAASB in Establishing Differential Requirements for Certain Entities

Question 15(a)

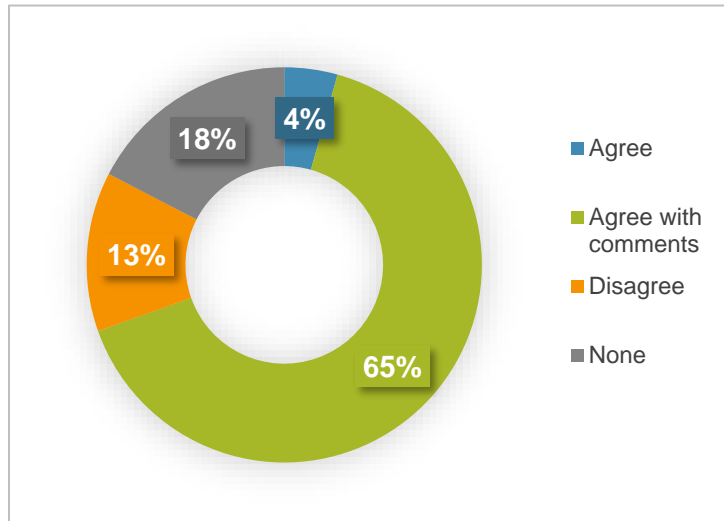
To assist the IAASB in its deliberations, please provide your views on the following:

- (a) Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 for use by both the IESBA and IAASB in establishing differential requirements for certain entities (i.e., to introduce requirements that apply only to audits of financial statements of these entities)? Please also provide your views on how this might be approached in relation to the ISAs and ISQMs.

Overview of Responses

62. Responses to Question 15(a) were as follows (see the separate Nvivo reports 3-A and 3-D for further details):

- 3 respondents agreed – 4%;
- 45 respondents agreed with further comments or concerns – 65%;
- 9 respondents disagreed – 13%, including all 4 Independent National Standard Setters respondents; and
- 12 respondents did not have a specific response – 18%, including the one MG respondent.



63. Respondents provided specific comments and observations in relation to the overarching objective in paragraphs 400.8 and 400.9 of the PIE ED, as part of their response to Questions 1 and 2 (see paragraphs 17-20). As a result, in responding to question 15(a), respondents made reference to their feedback on Questions 1 and 2, and variously emphasized their views on the proposed definition of PIE and the IESBA's broad approach to PIE.

Respondents' Comments

Overarching Objective

64. Respondents broadly supported the IAASB and IESBA using the proposed overarching objective in paragraphs 400.8 and 400.9 of IESBA's proposals in establishing differential requirements for certain entities.

65. Respondents who supported the proposal further commented as follows:

- (a) It is important that IESBA and the IAASB seek consistency and alignment of important principles across the Code and the IAASB's Standards.
- (b) The drivers for determining the differential requirements in the ISAs and ISQMs (i.e., the overarching objective) should be focused on providing increased transparency. Respondents cautioned that the objective should not imply a differential in audit quality of audits of different types or classes of entities.
- (c) The IAASB should further explore the matter and gather feedback from its stakeholders on any proposed changes to the ISAs and ISQMs once the direction of the IESBA PIE Project is determined. Respondents also emphasized that the IAASB needs to undertake its own consultation on the overarching objective because doing so is necessary to fulfill IAASB's due process.
- (d) There should be close coordination between IESBA's PIE Project and the IAASB's Audits of Less-Complex Entities (LCEs) project.

66. Notwithstanding the broad support, all respondents from the Independent National Standard Setters category, as well as certain respondents from other categories disagreed that the overarching objective outlined in paragraphs 400.8 and 400.9 of IESBA's proposals is appropriate for use by the IESBA and IAASB. These respondents commented that:
- (a) The proposed objective lacks the necessary clarity and may be confusing or misunderstood by users to imply that there are two levels of independence or two levels of "audits."
 - (b) User confidence in the audit of the financial statements is a very broad concept that includes many elements, and suggesting that differential requirements enhance confidence in the audit of the financial statements may lead stakeholders to conclude that a different, more extensive audit is performed for certain entities (i.e., widening the expectation gap). Respondents noted that the purpose of all audits is to enhance the degree of confidence of intended users in the financial statements. Respondents also noted that the concept of reasonable assurance applies to all audits equally.
 - (c) It is not clear how the IAASB would use or apply the objective in paragraph 400.9 of the PIE ED in establishing differential requirements.

Differential Requirements

67. Respondents who supported the introduction of differential requirements in the ISAs and ISQMs for certain entities indicated that this would be in line with the increasing public scrutiny over such entities. In terms of how this may be approached in relation to the ISAs and ISQMs, respondents referred to their feedback on question 15(b) (i.e., whether the case-by-case approach is appropriate). Further ad-hoc suggestions included creating a new section in the ISAs that contains the differential requirements for those entities, adding subsections, or using conditional requirements (e.g., "If ..., then ...").
68. Respondents who supported the proposals, cautioned that:
- (a) Without information about how the differential requirements would look, it is difficult to provide commentary on the differential requirements, as doing so could give rise to unintended consequences.
 - (b) The IAASB should minimize the use of differential requirements that only apply to certain entities as much as possible, and that a careful and balanced approach is required when setting any further differential requirements in the ISAs and ISQMs.
 - (c) Expanding the PIE definition in the Code should not systematically lead to creating additional requirements in the IAASB Standards for all PIEs given that the differential requirements for listed entities presently in the ISAs focus on enhancing transparency about aspects of the audit to those charged with governance and/or to intended users of the auditor's report and do not directly affect the auditor's work effort in obtaining sufficient appropriate audit evidence to draw reasonable conclusions on which to base the auditor's opinion. Respondents commented that the IAASB will need to further consider how such differential requirements would enhance user confidence in the quality of the audits for these entities as opposed to a focus on achieving a different level/tier of quality in conducting these audits.

69. Respondents who were not supportive of establishing differential requirements for certain entities emphasized their concerns raised on the overarching objective in response to Question 1 of the PIE ED (see paragraphs 18-19). They also commented that:
- (a) The differential requirements for listed entities presently in the ISAs focus on enhancing transparency, and expanding such differential requirements to PIEs may or may not differentially improve audit quality. Respondents further noted that if increasing confidence in specific audit firms or auditors is the goal, then other mechanisms may be appropriate, such as making internal and external inspection reports public, publicly disclosing the firm's evaluation of its system of quality management or including in the auditor's report recent practice inspection results for that firm or engagement partner.
 - (b) In many jurisdictions, such as the European Union, differential requirements for audits of PIEs mirror the differential requirements for the entity itself (e.g., having an Audit Committee), and therefore it may be inappropriate to create additional requirements for audits of PIEs without the corresponding provisions on the entity itself.
 - (c) A respondent highlighted that there are similar but varying underlying reasons for various differential requirements in the IAASB's Standards, and therefore it may be appropriate for the reasons and objectives to differ in each circumstance. This respondent therefore suggested a collaborative and flexible approach to establishing differential requirements.

PIE WG Initial Views

70. With respect to the overarching objective in paragraphs 400.8 and 400.9 of the PIE ED, the PIE WG:
- (a) Recognized respondents' broad support for the overarching objective for use by both the IESBA and IAASB in establishing differential requirements for certain entities, however the support was conditional upon the overarching objective being further clarified and particular issues being addressed.
 - (b) Noted the need for the IAASB to continue to provide input to IESBA on the overarching objective as they progress their proposal to approval in December 2021, so that the IAASB may be in a position to use the overarching objective as a basis for the IAASB's proposals as part of a future project of targeted changes to the IAASB Standards.
71. The PIE WG discussed the IESBA PIE TF's preliminary views to clarify the objective and address other issues raised by respondents. The PIE WG notes that the differential requirements in the Code and the IAASB's Standards serve a different purpose and there may be more than one rationale why differential requirements for certain entities may be appropriate in the IAASB's Standards. Accordingly, the PIE WG observed that the objective needs to remain neutral, and not overly focused on or be specific to independence, so that it can continue to be used by the IAASB in establishing differential requirements.
72. Given these considerations, the PIE WG is of the view that the IAASB should determine, and more closely describe the rationale for those differential requirements for the purpose of its Standards, while continuing to achieve convergence with the Code to the greatest extent possible. To achieve this, a possible approach may include the following:
- (a) Agree with IESBA on a common objective that could be used by both Boards, for example, paragraph 400.8 discussed by the IESBA in June 2021 could be used for this purpose (see paragraph 24).

- (b) Develop a more tailored overarching objective for the IAASB's Standards that describes the purpose of the differential requirements for certain entities, i.e., more specifically tailoring paragraph 400.9 of the PIE ED for the IAASB's purposes. The PIE WG notes IESBA's initial proposal to tailor paragraph 400.9 to focus on stakeholders' heightened expectations regarding the independence of the firm conducting the audit.
 - (c) Depending on the further changes proposed by the IESBA PIE TF to address respondent comments, consider further how the factors from paragraph 400.8 of the PIE ED can be relevant to the IAASB while tailoring its objective for the purpose of its Standards.
73. Although it is important that the IAASB and IESBA agree on the approach to the overarching objective and any common aspects of the objective that will be used by both Boards as part of the IESBA finalizing their project, the IAASB will still need to undertake its own due process and consult on any proposals that will be developed pursuant to any IAASB project proposal in this regard.
74. It is noted that the overarching objective would be used:
- (a) To undertake a case-by-case analysis of existing requirements in the IAASB's Standards for listed entities, to determine whether those requirements might need to be expanded to all categories of PIEs (see **Section VII**); and
 - (b) As a basis for determining whether differential requirements need to be established as part of future IAASB projects to revise or develop standards.

Matters for IAASB Consideration:

1. Does the Board agree with the possible approach to the overarching objective, as outlined in paragraph 72 above?

VII. Proposed Case-by-Case Approach Relating to Requirements Applicable to Listed Entities in the IAASB's Standards

Question 15(b)

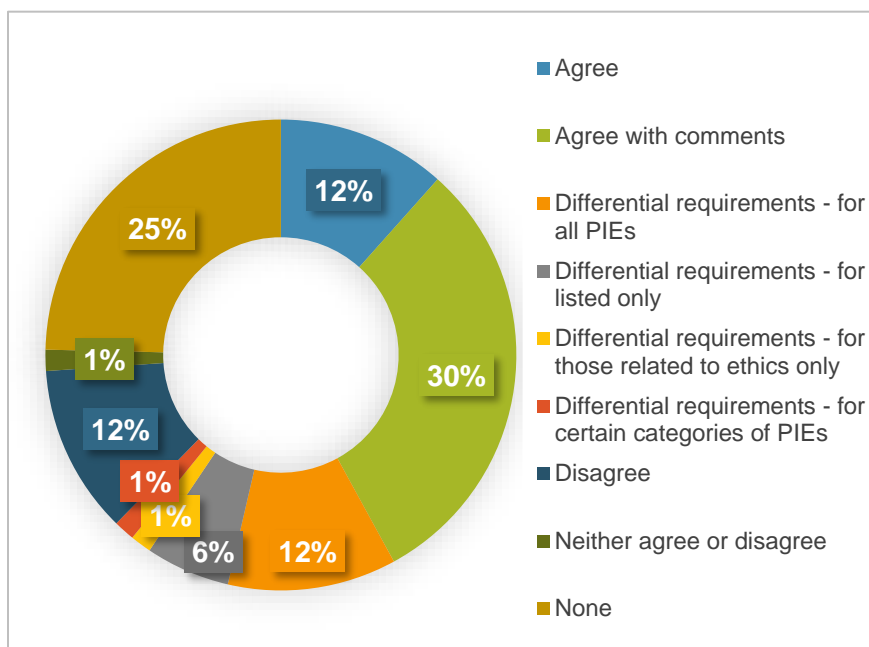
To assist the IAASB in its deliberations, please provide your views on the following:

- (b) The proposed case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIEs

Overview of Responses

75. Responses to Question 15(b) were as follows (see the separate Nvivo reports 3-B and 3-E for further details):

- 8 respondents agreed – 12%;
- 21 respondents agreed with further comments – 30%;
- 8 respondents indicated that all of the differential requirements should extend to all PIEs – 12%, including the one MG respondent;
- 4 respondents indicated that all of the differential requirements should remain for listed entities only – 6%;
- 1 respondent indicated that only the differential requirements related to ethics should be extended to all PIEs – 1%;
- 1 respondent indicated that the differential requirements for listed entities should be extended to certain categories of PIEs – 1%;
- 8 respondents disagreed – 12%;
- 1 respondent neither agreed or disagreed and had comments – 1%; and
- 17 respondents did not have a specific response – 25%.



Monitoring Group Response

76. Notwithstanding that the MG respondent did not support IESBA’s broad approach to the PIE definition (see paragraphs 27 and 34), the MG respondent suggested that the IAASB align the differential requirements already established within the IAASB Standards for listed entities with the enhanced definition of a PIE resulting from IESBA’s project. The MG respondent indicated that they believe it is an important public interest matter for those entities that operate in the capital markets and are defined as PIEs by local bodies, to also be subject to the same requirements within the IAASB Standards.

77. The MG respondent also commented on the revised PIE definition in the context of the IAASB’s current projects, most notably in the scope (i.e., authority) of the Audits of LCEs project. The MG respondent explained that the financial reporting system would benefit where the scope (or restrictions) that standard-setters use result in minimal instances of divergence (e.g., the scope of the IAASB’s standard for audits of LCEs and the IFRS for SME standard¹⁷).

¹⁷ International Financial Reporting Standard for Small and Medium-Sized Entities

Other Respondents' Comments

78. Respondents had the following varying views on whether the differential requirements in the IAASB's Standards should be extended to PIEs and the approach to be taken:
- (a) Support for a case-by-case approach to extending differential requirements for listed entities in the IAASB Standards to PIEs;
 - (b) Extending all of the differential requirements for listed entities in the IAASB Standards to all PIEs;
 - (c) Not extending any differential requirements for listed entities in the IAASB Standards to all PIEs (i.e., keep status quo in context of the proposal to replace "listed entity" with "publicly traded entity");
 - (d) Only the differential requirements in the IAASB Standards related to ethics should be extended to all PIEs (e.g., paragraph 17 of ISA 260 (Revised)¹⁸); and
 - (e) Extending differential requirements for listed entities in the IAASB Standards only to certain categories of PIEs.

However, overall there was support for the case-by-case approach.

79. Respondents who supported the proposed case-by-case approach with further comments, provided additional views as follows:
- (a) While there are relatively few references to "listed entities" across the IAASB's Standards, having a blanket "one size fits all" approach may produce unintended outcomes, especially since the categories of PIEs are still being explored by IESBA and because they are expected to be subject to further refinement on a jurisdictional basis. It would therefore be necessary to perform an exercise to understand the consequences of applying such requirements to PIEs when the revised definition of PIE is stable and jurisdictional implications have been fully explored.
 - (b) The IAASB needs to take a flexible approach in applying different requirements based on the individual objectives of each ISA (e.g., there are different public interest factors which should be considered when determining whether Key Audit Matters should be mandatory for certain types of entities, or when an Engagement Quality Review is necessary). One respondent pointed out an example in ISA 720 (Revised),¹⁹ indicating that the additional disclosure requirements relating to Other Information in this standard may be one instance where retaining a differential requirement for listed entities only may be appropriate, in light of the relevant public listing obligations associated with such entities.
 - (c) The effective date of any changes proposed to the IAASB Standards should be aligned with the effective date of changes to the Code, considering that in practice they both need to be applied consistently.
 - (d) At this stage, until the outcome of IESBA's proposals have been determined, and until the revised definition of PIE is stable and jurisdictional implications have been fully explored, it may not be practical to conduct an exercise to determine the consequences of applying the differential requirements of the IAASB Standards more broadly.

¹⁸ ISA 260 (Revised), *Communication with Those Charged With Governance*

¹⁹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

80. Similar to the feedback on question 15(a), respondents who supported the case-by-case approach encouraged the IAASB to undertake its own due process to understand the nature and extent of the impact of the proposed changes and to determine the rationale for differential requirements. Respondents suggested that the proposed revisions to the IAASB Standards arising from implementation of a definition of PIE, the revised definition of listed entity, and the consequential changes to reporting and other requirements should be subject to separate public consultation.
81. Respondents who disagreed with the case-by-case approach indicated in their responses that:
- (a) Local bodies should be left to decide whether to extend requirements in the IAASB Standards to PIEs because of different circumstances across jurisdictions (i.e., considered an optimal solution as it would allow for greater flexibility to tailor the solutions based on national circumstances), and that each jurisdiction will in any event need to determine how to deal with the definition of PIE in their jurisdiction.
 - (b) The IAASB should use a limited number of categories for determining differential requirements in its Standards and while it is reasonable to expect that users understand what a “listed entity” is, the same may not hold true for all the other proposed PIE categories.
 - (c) The differential requirements could risk providing a false signal to users, thus widening the expectation gap.

PIE WG Initial Views

82. The PIE WG noted the overall support for the IAASB undertaking a case-by-case approach in determining whether requirements specific to listed entities across the IAASB’s Standards should be revised to apply more broadly to all categories of PIEs. The PIE WG noted a respondent view that a “one size fits all” approach may produce unintended outcomes, and that flexibility is required in the approach to apply differential requirements to different types of entities based on the individual objectives of the Standards. The requirements in the IAASB’s Standards that may need to form part of these considerations are included in **Appendix 2**.
83. The PIE WG also noted that a more broader consideration is needed of whether the application material in the IAASB Standards needs to be aligned to the categories of entities within the proposed PIE definition, for example, circumstances when the application material refers to entities with significant public interest or describes the public interest or public accountability characteristics of an entity. The application material in the IAASB’s Standards that may need to form part of these considerations is included in **Appendix 2**.

Matter for IAASB Consideration:

2. In the context of an IAASB project that would explore narrow-scope amendments (i.e., targeted changes) to one or more IAASB Standards:
- (a) Does the Board agree that respondents supported a case-by-case approach in determining whether differential requirements specific to listed entities across the IAASB’s Standards should be revised to apply to all PIEs, and that this should be the approach taken by the IAASB in pursuit of a possible project?
 - (b) Should such a project explore whether the application material in the IAASB Standards needs to be considered for alignment to the categories of entities within the proposed PIE definition?

VIII. Disclosure within the Auditor's Report that the Firm has Treated an Entity as a PIE

Question 15(c)

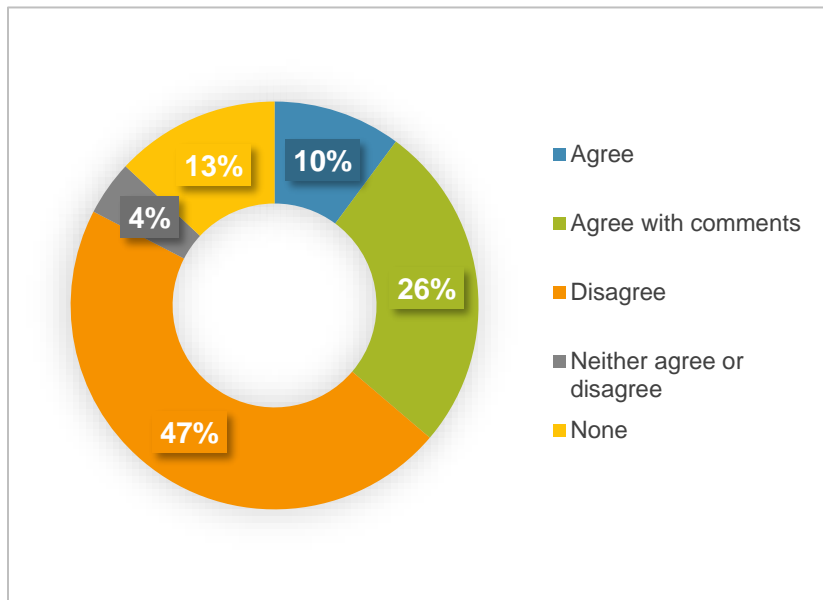
To assist the IAASB in its deliberations, please provide your views on the following:

(c) Considering IESBA's proposals relating to transparency as addressed by questions 11 and 12 above, and the further work to be undertaken as part of the IAASB's Auditor Reporting Post-Implementation Review, do you believe it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE? If so, how might this be approached in the auditor's report?

Overview of Responses

84. Responses to Question 15(c) were as follows (see the separate Nvivo reports 3-C and 3-F for further details):

- 7 respondents agreed – 10%;
- 18 respondents agreed with further comments – 26%, including the one MG respondent;
- 32 respondents did not agree – 47%, including the majority of Firms and Independent National Standard Setters, and Public Sector Organizations;
- 3 respondents neither agreed or disagreed and had comments – 4%; and
- 9 respondents did not have a specific response – 13%.



Monitoring Group Response

85. The one MG respondent agreed with IESBA's proposal that a firm should publicly disclose if an audit client has been treated as a PIE. However, the MG respondent cautioned that the aspiration for sufficient transparency may not be adequately achieved if the disclosure requirement is limited to only stating if the entity was designated as a PIE or not. The MG respondent encouraged the IAASB to consider if it would be beneficial to investors if firms were also required to provide disclosures to allow users of financial statements to understand why an entity was designated as a PIE by the firm, along with the resulting independence and audit requirements.
86. Related to their feedback on the disclosure in the auditor's report, the MG respondent acknowledged that the IESBA's proposed effective date of December 15, 2024 may create challenges because firms may be required to disclose when an entity was treated as a PIE in their auditor's report, yet this issue requires coordination with the IAASB.

Other Respondents' Comments

Transparency Requirements for Firms

87. In their responses to Question 15(c), stakeholders often referred back to their comments provided on Questions 11 and 12 of the PIE ED, because of the linkages between these three questions. In their responses to Questions 11 and 12 (see paragraphs 49-50 above):
- (a) More respondents did not support the proposed new requirement for firms to disclose if an audit client was treated as a PIE than did. The most common concern raised by these respondents was that the proposed disclosure may lead to unintended consequences since it may be incorrectly interpreted that there are different levels of independence and that audits of non-PIEs are of lesser quality than those of PIEs.
 - (b) There were mixed views on the appropriate mechanisms to disclose whether a firm has treated an entity as PIE, and while the majority supported the use of the auditor's report as an appropriate mechanism for public disclosure to users, some did not agree with the proposed requirement for firms to determine whether to treat additional entities, or certain categories of entities as PIEs. Other respondents either did not support such disclosure in the auditor's report, recommended that more research is needed, or suggested other mechanisms of disclosure.

Disclosure within the Auditor's Report that the Firm has Treated an Entity as a PIE

88. Respondents had mixed views on whether it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE. The majority of stakeholders from Firms, Independent National Standard Setters and Public Sector Organizations disagreed, while Professional Accountancy Organizations (PAOs), Including National Standard Setters were divided in their responses (i.e., some agreed, or had comments and some disagreed). Half of the Regulators and Oversight Bodies did not provide comments, two agreed with further comments, and one disagreed.
89. Those respondents who broadly agreed that disclosure should be made, indicated that the additional transparency is important for users who should be made aware if the entity subject to an audit was treated as a PIE for the purposes of understanding that the auditor was subject to additional independence requirements. Respondents commented that this is consistent with the overall objective for increasing confidence in the audit of those financial statements.
90. Respondents who agreed that disclosure should be made in the auditor's report and provided further comments, commented as follows:
- (a) The disclosure of whether the entity has been treated as a PIE should be consistently made for all circumstances when the entity has been treated as a PIE (i.e., if it is a PIE under the Code, regulations of local bodies or because the firms designated it as a PIE). However, there were suggestions that it may be appropriate to distinguish the circumstances when the entity was treated as a PIE because of ethical requirements or law or regulation, versus when the firm made the determination, and provide the basis for the firm's designation as PIE.
 - (b) Given that users may not be able to appropriately understand and interpret what such disclosure means (and what it does not mean), further explanation is needed to explain that it does not mean that the audit was undertaken differently from an audit of a non-PIE, and thereby implying a disparity in audit quality, but that it merely means that the independence requirements were different.

- (c) The disclosure could become detailed and bring into question its value from a cost-benefit perspective (e.g., depending on the outcome of IESBA's proposals, firms may also need to explain why they determined a particular entity to be a PIE from their perspective and there could be different explanations or descriptions among firms of why they treated entities as PIEs).
 - (d) There may be confidentiality issues associated with the disclosure if a firm is required to disclose the name of an audit client anywhere aside from the auditor's report (e.g., on a platform that would be publicly available when it is not public knowledge that the professional accountant is the auditor of the entity) or risks of breaching confidentiality (e.g., in case of a planned initial public offering when the entity has not made that known to the market).
 - (e) The "Basis for Opinion" section of the auditor's report was seen as an appropriate place for such disclosure given that all other relevant disclosures relating to independence and other ethical responsibilities are already contained there. Another suggestion for the location of the disclosure was an "Other Matter" paragraph in the auditor's report.
 - (f) There is a need to clarify what is meant by publicly disclose and address circumstances when auditor's reports are not made public.
 - (g) It may also be necessary to consider whether in some circumstances it would be appropriate to disclose in the auditor's report why the entity was not treated as a PIE and, therefore, the auditor was not subject to the additional independence requirements that apply to audits of PIEs (e.g., for large private companies).
91. Respondents who disagreed that disclosure should be made in the auditor's report, noted in their responses that:
- (a) Confidence in all audits is in the public interest, regardless of whether the audit is performed for a PIE or not, and that without providing a clear rationale and sufficient context for the disclosure, users may misinterpret such transparency as meaning that some auditors are "more independent" than others. Respondents added that this could have a detrimental effect on the confidence in audits that are conducted for non-PIE entities, which contradicts the objective of the project.
 - (b) The disclosure could have unintended consequences and give rise to additional concerns for financial statement users who do not have sufficient awareness or understanding of how an entity is identified as a PIE and what the consequences are for the audit engagement. Respondents encouraged both IESBA and IAASB to further consider these unintended consequences.
 - (c) Given that the differential requirements in the IAASB Standards relate to transparency of communication and are only indirectly linked to engagement performance²⁰ it is not necessary or helpful to disclose the fact that an entity has been treated as a PIE, as this statement provides no incremental information or transparency to users.

²⁰ The requirement set out at ISQM 1.34(f), which addresses engagements for which engagement quality reviews are required to be performed, does not relate to transparency, but to a firm's policies or procedures to respond to one or more quality risk(s). This is considered to have only an indirect effect on engagement performance since the engagement quality (EQ) reviewer is independent of the engagement team (it is a firm-level response), and because the fact that an EQ review takes place does not diminish the responsibilities of the engagement partner as set out in the ISAs.

- (d) Since being a PIE often creates obligations in jurisdictions for the entities themselves, stakeholders may have difficulty in understanding what triggered this determination by a firm and how an entity can be treated as a PIE just for auditor independence purposes.
- (e) The auditor's report already includes a dedicated part on the compliance with ethical and independence rules and by requiring additional disclosures, this could create or increase the expectation gap for stakeholders without providing them with more insight on the financial statements or the audit.
- (f) Practical difficulties could arise when there is a change of auditor and if the entity is no longer treated as a PIE by the new auditor or in a joint audit if one firm considers the client as a PIE and the other firm not.
- (g) Although they did not support the transparency requirement, if the requirement is retained, then the auditor's report will be the logical place for such disclosure.
- (h) Other options could be explored to provide transparency that could increase the confidence in the audit of the financial statements such as:
 - (i) Disclosing other information, such as making internal and external inspection reports or the firm's evaluation of its system of quality management available to the public, or disclosing the number of years that the engagement partner has served together with how many more years are permitted in line with the independence requirements, and information about any non-audit services that have been performed for the client.
 - (ii) Communicating through other mechanisms, for example, a firm's transparency report, on the firm's website, in the management commentaries or in the firm's annual reports.
 - (iii) Disclosing to those charged with governance about whether the entity was treated as a PIE (i.e., instead of disclosing in the auditor's report).
- (i) Concerns were raised that the disclosures in the auditor's report have already become increasingly lengthy, complex and too dense for users to understand. Respondents commented that as with any public disclosure, transparency needs to be evaluated in light of whether the matter being disclosed is meaningful to the intended user and therefore additional context may need to be provided which would likely further exacerbate the readability and understandability concerns variously noted by stakeholders in respect of the length of the auditor's report.
- (j) In some jurisdictions it was suggested that it would be more appropriate for the entity's management to disclose if the entity is a PIE in the footnotes to the financial statements.
- (k) The appropriate place for the disclosure should be determined by relevant local bodies, such as in the case of jurisdictional transparency reporting requirements.

PIE WG Initial Views

92. The PIE WG noted the lack of majority support for disclosing in the auditor's report that the firm has treated an entity as a PIE. The PIE WG observed that this feedback was consistent with respondents' views on IESBA's proposed new requirement for a firm to publicly disclose if an audit client was treated as a PIE (Question 11 to the PIE ED).

93. As explained in paragraphs 51-54, the IESBA PIE TF plans to pursue the transparency requirement in the Code, with further changes to instead focus on disclosing that the firm has complied with additional independence requirements applicable to audits of financial statements of PIEs (i.e., instead of disclosing whether the firm has treated the entity as a PIE). Illustrative drafting to reflect the IESBA PIE TF's current thinking was discussed with the IESBA in the June 2021 meeting (see paragraph 53). In discussing this matter with IESBA, the IESBA PIE TF noted that the revised approach would clarify which independence requirements are being applied.
94. The PIE WG noted that although the Code may require transparency, it does not state that such disclosure needs to be in the auditor's report. Respondents suggested various other mechanisms a firm may use to disclose this information, such as the firm's website, transparency report or through communications to those charged with governance. However, the PIE WG observed that one of the limitations created by the IESBA PIE TF proposals is the reference to "publicly disclose," as this may limit the mechanisms that a firm may use or have available (e.g., communication to those charged with governance is not public, and in some cases the auditor's report may not be public for a PIE). Furthermore, the PIE WG noted that there may be circumstances when disclosing such information could give rise to concerns about confidentiality, in particular when the entity has been treated as a PIE because of an imminent listing.
95. The PIE WG observed the IESBA proposal to shift the focus on clarifying which independence requirements are being applied. The PIE WG noted that paragraph 28(c) of ISA 700 only specifies that the auditor shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the Code, i.e., it does not require that the auditor further specify which independence requirements in the Code were applied. As a result, if the auditor's report were considered the appropriate mechanism to disclose that the firm has complied with additional independence requirements applicable to audits of PIEs, a change would be needed to ISA 700 (Revised), possibly with an illustrative auditor's report to demonstrate how such disclosure would be made. If ISA 700 (Revised) were not amended, and firms choose to disclose this fact in the auditor's report, the PIE WG is of the view that the disclosure would need to be addressed in accordance with the requirements of ISA 700 (Revised) addressing other reporting responsibilities.²¹
96. Recognizing the IESBA's general support for retaining the transparency requirement, including the reference to "publicly disclose", subject to further changes to focus more specifically on the independence requirements with which the auditor has complied, the PIE WG has the following initial views:
- (a) It is appropriate that the Code continues not to specify disclosure in the auditor's report or not imply that the auditor's report is the only mechanism that may be used. It is in the remit of the IAASB to further explore whether the appropriate mechanism for such disclosure is the auditor's report, in view of respondents' feedback to any IAASB proposals for targeted changes to the ISAs and ISQMs. Such proposals will more broadly be affected by IESBA's final

²¹ Paragraph 43 of ISA 700 (Revised) addresses other reporting responsibilities in the auditor's report that are in addition to the auditor's responsibilities under the ISAs. Paragraph 44 explains that if other reporting responsibilities are presented in the same section as the related reporting elements, the auditor's report shall clearly differentiate the other reporting responsibilities from the reporting that is required by the ISAs.

proposals based on its deliberations and decisions post-ED, and how the proposed PIE definition may be incorporated in the IAASB Standards (see **Sections VI** and **VII** above).

- (b) There is the perspective of what mechanisms, other than the auditor's report, may be used for (publicly) disclosing the required information in achieving the overarching objective in the Code. The only mechanism the IAASB has in its Standards for communication externally about the audit that was performed is the auditor's report (except for communications of specific matters to regulatory authorities in certain instances). Accordingly, the Code may inadvertently imply that the auditor's report is the only mechanism for disclosure of the proposed information, if the IESBA PIE TF does not also explore other possible mechanisms to provide such disclosure.
 - (c) Although the IESBA PIE TF's preliminary proposal for a more specific reference to the independence requirements is clearer than what was proposed previously in the PIE ED, the PIE WG is uncertain whether the revised description provides the intended transparency to users. In particular, in order for users to understand what the "additional independence requirements" means, additional information may be needed to explain the additional requirements so that users' confidence in the financial statements is increased.
97. The PIE WG notes that the Auditor Reporting Implementation Working Group (ARIWG) plans to present their recommendations to the IAASB in Quarter 3 of 2021. The current thinking is that the PIE WG may be best placed to address the matter of transparency as it relates to additional requirements that may apply to audits of financial statements of PIEs, with the continued input of the ARIWG.

Matters for IAASB Consideration:

- 3. In view of supporting IESBA in progressing their work, does the Board have any observations on IESBA's proposal to refocus the transparency requirement in the Code on publicly disclosing that the auditor has complied with the additional independence requirements applicable to audits of financial statements of PIEs, as illustrated in the proposed revisions to paragraph R400.17 (see paragraph 53)?

IX. Matters Related to the Publicly Traded Entity Definition

98. IESBA's proposals in the PIE ED included replacing the present term "listed entity" with a new PIE category, "publicly traded entity," defined as follows in the PIE ED: "*An entity that issues financial instruments that are transferrable and publicly traded.*"
99. In developing its proposals in the PIE ED for the new term the IESBA PIE TF introduced the following key changes to the definition:
- (a) The term "financial instruments" was introduced, which is considered a broader term that captures the various assets that can be traded beyond shares, stock, or debt.
 - (b) The reference to a "recognized stock exchange" was removed, as this term had been interpreted differently by stakeholders in practice, driving a need to address the ambiguity associated with the term.
100. While developing its proposals in the PIE ED, the IESBA PIE TF considered that the proposed changes may scope out those entities whose financial instruments are not freely transferable or publicly traded (e.g., having financial instruments that are listed but not available to be traded), and

would scope in those entities that had previously been scoped out on the basis of different interpretations of the term “recognized stock exchange” (e.g., those being traded on less regulated markets such as over-the-counter type markets).

101. The PIE WG noted the strong support expressed by respondents to the PIE ED for the new proposed PIE category “publicly traded entity” to replace the existing term “listed entity” in the Code (see paragraph 34 above).
102. Given the desire to achieve consistency between the Code and the IAASB Standards, it is important that the IAASB continues to provide input to IESBA on this definition. In particular, the IAASB needs to be satisfied with the definition of “publicly traded entity” because it would likely form part of the IAASB’s proposals to its stakeholders for targeted changes to the IAASB Standards, including to replace the term “listed entity” with “publicly traded entity” throughout the IAASB Standards (see objective (a) of the IESBA PIE Project in paragraph 2, above). The PIE WG also notes that transitional provisions will be essential to address the changeover of definitions.
103. The IESBA PIE TF has not presented proposed changes to the definition of “publicly traded entity” to its Board in June 2021, but plans to bring proposals to their meeting in September 2021. In particular, the IESBA PIE TF may explore changes to:
 - (a) Clarify certain terminology used in the definition, such as “financial instruments.”
 - (b) Address the views of the MG respondent about retaining “listed entities,” following further outreach that is planned for Q3 2021.
104. Given that IESBA’s proposals are still under development, the PIE WG discussed that there could be a number of additional matters that also need to be further considered by the IAASB as the IESBA’s proposals are being progressed in order to achieve comfort that the newly proposed definition remains as robust as the present term “listed entity” and that it does not inadvertently scope out entities that should otherwise be considered “listed entities” for the purpose of the IAASB Standards. The PIE WG intends to obtain feedback from the IAASB on the definition of “publicly traded entity” during the IAASB’s meeting in October 2021, once the IESBA has further progressed their work in this regard.

X. Way Forward

105. The PIE WG will present to the Board in October 2021 further proposals addressing the matters of importance related to the PIE workstream set out in paragraph 12 above. The discussion will likely include matters that need to be discussed by the IAASB in order to provide input to IESBA prior to the approval of the final changes to the Code, which are planned for December 2021.
106. The feedback from the Board in July and October 2021 will be used as further input for determining whether a narrow-scope amendment project (i.e., targeted changes to one or more ISAs or ISQMs) should be undertaken by the IAASB in relation to publicly traded entities and PIEs, and if so, the objectives and scope of such a project. If there is agreement that a project should be pursued, a project proposal would be presented to the IAASB for approval in March 2022.

Coordination with IESBA

107. Through December 2021, as IESBA works toward finalizing its proposals, it is envisaged that the close coordination between the two Boards will continue. This will be achieved through participation of IAASB correspondent members in the IESBA’s PIE TF, Staff level coordination and IAASB plenary discussions.

Matters for the IAASB Consideration:

4. In further considering a possible IAASB project in relation to publicly traded entities and PIEs, the Board is asked for their views on whether:
 - (a) The feedback from respondents to the PIE ED in relation to Questions 15(a)-(c) have been appropriately reflected by the PIE WG.
 - (b) There are other matters the PIE WG should consider as it progresses its work in relation to a possible project proposal.

Appendix 1

List of Respondents to PIE ED

1. The classification of respondents per stakeholder type and region has been aligned with IESBA's categorization, except for the MG respondent that has been presented separately from the Regulators and Oversight Authorities stakeholder group.
2. It is noted that some stakeholders are typically classified differently by the IAASB. More specifically, included in the category "Professional Accountancy Organizations (PAOs), Including National Standard Setters (NSS)" are 13 organizations who are considered National Standard Setters (NSS) in their jurisdiction and would therefore be considered a distinct category of respondents for IAASB classification. These respondents are identified with "***" in the table below.

No.	Abbreviation	Respondent	Region
Monitoring Group			Total: 1
1.	IOSCO	International Organizations of Securities Commissions	Global
Regulators and Oversight Authorities			Total: 6
2.	CEOAB	Committee of European Auditing Oversight Bodies	Europe
3.	CPAB	Canadian Public Accountability Board	North America
4.	IAASA	Irish Auditing & Accounting Supervisory Authority	Europe
5.	IRBA	Independent Regulatory Board for Auditors	Middle East and Africa
6.	NASBA	National Association of State Boards of Accountancy	North America
7.	UKFRC	United Kingdom Financial Reporting Council	Europe
Public Sector Organizations			Total: 2
8.	GAO	US Government Accountability Office	North America
9.	OAGA	Office of the Auditor General of Alberta	North America
Preparers and Those Charged with Governance			Total: 2
10.	CFO	CFO Forum	Middle East and Africa
11.	HKICS	The Hong Kong Institute of Chartered Secretaries	Asia Pacific
Independent National Standard Setters²²			Total: 4
12.	AASB	Canadian Auditing and Assurance Standards Board	North America
13.	APESB	Accounting Professional & Ethical Standards Board	Asia Pacific
14.	AUASB	Australian Auditing and Assurance Standards Board	Asia Pacific

²² Independent National Standard Setters that have a mandate to set national ethics standards, including independence requirements, in their jurisdictions and which do not belong to PAOs are categorized as "Independent National Standard Setters." The IESBA has a liaison relationship with a group of NSS (both independent NSS and organizations that hold dual NSS-PAO roles) that share the common goal of promulgating high-quality ethics standards, including independence requirements, and seeking convergence for those standards. Participating jurisdictions include Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Japan, the Netherlands, New Zealand, Russian Federation, South Africa, the UK, and the US.

No.	Abbreviation	Respondent	Region
15.	XRB	New Zealand Auditing and Assurance Standards Board	Asia Pacific
Professional Accountancy Organizations (PAOs), Including NSS²³ ²⁴			Total: 36
16.	ACCA	Association of Chartered Certified Accountants	Global
17.	AE	Accountancy Europe	Europe
18.	AICPA	American Institute of Certified Public Accountants**	North America
19.	ASSIREVI	Association of Italian Audit Firms	Europe
20.	BICA	Botswana Institute of Chartered Accountants**	Middle East and Africa
21.	CAANZ	Chartered Accountants Australia and New Zealand ^δ	Asia Pacific
22.	CAI	Chartered Accountants Ireland ^δ	Europe
23.	CFC	Conselho Federal de Contabilidade – Brazil**	South America
24.	CIIPA	Cayman Islands Institute of Professional Accountants**	Latin America and Caribbean
25.	CNCC	Compagnie Nationale des Commissaires aux Comptes ^δ **	Europe
26.	CPAA	CPA Australia	Asia Pacific
27.	CPAC	Chartered Professional Accountants Canada Public Trust Committee ^δ	North America
28.	EFAA	European Federation of Accountants and Auditors for SMEs	Europe
29.	EXPERTsuisse	Swiss Expert Association for Audit, Tax and Fiduciary	Europe
30.	FACPCE	Argentina Federation of Professional Accountants and Economics	South America
31.	HKICPA	Hong Kong Institute of Certified Public Accountants ^δ **	Asia Pacific
32.	JICPA	Japanese Institute of Certified Public Accountants ^δ **	Asia Pacific
33.	ICAEW	Institute of Chartered Accountants in England and Wales ^δ	Europe
34.	ICAG	Institute of Chartered Accountants Ghana ^δ **	Middle East and Africa
35.	ICAJ	Institute of Chartered Accountants of Jamaica**	Latin America and Caribbean
36.	ICAS	Institute of Chartered Accountants of Scotland ^δ	Europe
37.	ICPAU	Institute of Certified Public Accountants of Uganda ^δ	Middle East and Africa
38.	IDW	Institut der Wirtschaftspruefer ^δ **	Europe
39.	INCP	Instituto Nacional de Contadores Públicos de Colombia	South America
40.	ISCA	Institute of Singapore Chartered Accountants ^δ	Asia Pacific

²³ For purposes of this categorization, a PAO is a member organization of professional accountants, of firms, or of other PAOs. PAOs include but are not limited to IFAC member bodies. PAOs that have full, partial or shared responsibility for setting national ethics standards, including independence requirements, in their jurisdictions are indicated with a “δ”.

²⁴ National Standard Setters of audit and ethics standards, including independence requirements, in their jurisdiction are indicated with **.

No.	Abbreviation	Respondent	Region
41.	KICPA	Korean Institute of Certified Public Accountants ^δ	Asia Pacific
42.	MIA	Malaysian Institute of Accountants ^{δ**}	Asia Pacific
43.	MICPA	Malaysian Institute of Certified Public Accountants ^δ	Asia Pacific
44.	NBA	Royal Netherlands Institute of Chartered Accountants ^{δ**}	Europe
45.	NBAAT	National Board of Accountants & Auditors – Tanzania ^{δ**}	Middle East and Africa
46.	NRF	Nordic Federation of Public Accountants	Europe
47.	SAICA	South African Institute of Chartered Accountants ^δ	Middle East and Africa
48.	SAIPA	South African Institute of Professional Accountants	Middle East and Africa
49.	TFAC	Federation of Accounting Professions-Thailand	Asia Pacific
50.	TURMOB	Union of Chambers of Certified Public Accountants of Turkey	Europe
51.	WPK	Wirtschaftsprüferkammer ^δ	Europe
Firms²⁵			Total: 15
52.	BDO*	BDO International Limited	Global
53.	BKTI*	Baker Tilly International	Global
54.	CohnReznick	CohnReznick LLP	North America
55.	CROWE*	Crowe Global	Global
56.	DTTL*	Deloitte Touche Tohmatsu Limited	Global
57.	EY*	Ernst & Young Global Limited	Global
58.	GTIL*	Grant Thornton International Limited	Global
59.	KPMG*	KPMG IFRG Limited	Global
60.	MAZARS*	Mazars Group	Global
61.	MNP	Meyers Norris Penny-Canada	North America
62.	MOORE*	Moore Global Network Limited	Global
63.	NEXIA*	Nexia International	Global
64.	PwC*	PricewaterhouseCoopers International Limited	Global
65.	RSM*	RSM International	Global
66.	Torrillo	Torrillo & Associates Certified Public Accountants	North America
Others			Total: 3

²⁵ Forum of Firms members are indicated with a *. The Forum of Firms is an independent association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide. They also have policies and methodologies for the conduct of such audits that are based to the extent practicable on the International Standards on Auditing (ISAs), and policies and methodologies which conform to the Code and national codes of ethics.

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No.	Abbreviation	Respondent	Region
67.	AFV	Álvaro Fonseca Vivas	South America
68.	CEM	Cristian E. Munarriz- Argentina	South America
69.	SMPAG	IFAC Small and Medium Practices Advisory Group	Global

Appendix 2

Summary of ISA and ISQM Requirements that Apply to Audits of Financial Statements of Listed Entities

1. The table below provides a summary of the requirements in the ISAs and ISQMs that apply to audits of financial statements of listed entities.
2. Apart from these requirements and related application material, listed entities are also referred to in numerous other instances throughout the ISAs and ISQMs, in application material, in the context of highlighting specific characteristics of listed entities that may be relevant in applying a requirement or as an example in relation to when or how a requirement may be applied or to demonstrate scalability in relation to the application of a requirement or to explain the possible effect of jurisdictional requirements.
3. Since these references are often targeted, the PIE WG will further consider them more holistically as part of the case-by-case approach which may be deemed appropriate in relation to deciding to retain a reference to listed entities or extending it to PIEs.

ISQM 1	
Communicating with TCWG about the system of quality management	
<p>34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses: (Ref: Para. A116) [...]</p> <p>(e) The firm establishes policies or procedures that: (Ref: Para. A124–A126)</p> <p style="padding-left: 20px;">(i) Require communication with those charged with governance when performing an audit of financial statements of listed entities about how the system of quality management supports the consistent performance of quality audit engagements; (Ref: Para. A127–A129)</p> <p style="padding-left: 20px;">(ii) [...]</p>	<p>A128. [...] In some circumstances, it may be appropriate to communicate with those charged with governance of entities other than listed entities (or when performing other engagements), for example, entities that may have public interest or public accountability characteristics, such as:</p> <ul style="list-style-type: none"> • Entities that hold a significant amount of assets in a fiduciary capacity for a large number of stakeholders including financial institutions, such as certain banks, insurance companies, and pension funds. • Entities with a high public profile, or whose management or owners have a high public profile. • Entities with a large number and wide range of stakeholders.
Establishing policies and procedures that address the selection of engagements for engagement quality review	

<p>34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses: (Ref: Para. A116) [...]</p> <p>(f) The firm establishes policies or procedures that address engagement quality reviews in accordance with ISQM 2, and require an engagement quality review for:</p> <p>(i) Audits of financial statements of listed entities;</p> <p>(ii) Audits or other engagements for which an engagement quality review is required by law or regulation; and (Ref: Para. A133)</p> <p>(iii) Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risk(s). (Ref: Para. A134-A137)</p>	<p>A134. [...] In designing and implementing responses to address one or more quality risk(s), the firm may determine that an engagement quality review is an appropriate response based on the reasons for the assessments given to the quality risks.</p> <p><i>Examples of conditions, events, circumstances, actions or inactions giving rise to one or more quality risk(s) for which an engagement quality review may be an appropriate response [...]</i></p> <p>Those relating to the types of entities for which engagements are undertaken:</p> <ul style="list-style-type: none"> • Entities in emerging industries, or for which the firm has no previous experience. • Entities for which concerns were expressed in communications from securities or prudential regulators. • Entities other than listed entities that may have public interest or public accountability characteristics, for example: <ul style="list-style-type: none"> ○ Entities that hold a significant amount of assets in a fiduciary capacity for a large number of stakeholders including financial institutions, such as certain banks, insurance companies, and pension funds for which an engagement quality review is not otherwise required by law or regulation. ○ Entities with a high public profile, or whose management or owners have a high public profile. ○ Entities with a large number and wide range of stakeholders.
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ISA 260 (Revised) ²⁶	
Communicating with TCWG in relation to auditor independence	
<p>[Note that paragraph 1 is not a requirement, it is included in the Introduction section (scope) of ISA 260 (Revised)]</p> <p>1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this ISA applies irrespective of an entity's governance structure or size, particular considerations apply where all of those charged with governance are involved in managing an entity, and for listed entities. [...]</p>	<p>[No application material]</p>
<p>17. In the case of listed entities, the auditor shall communicate with those charged with governance:</p> <p>(a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and</p> <p>(i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that</p>	<p>A32. The communication requirements relating to auditor independence that apply in the case of listed entities may also be appropriate in the case of some 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. On the other hand, there may be situations where communications regarding independence may not be relevant, for example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly likely where the entity is owner-managed, and the auditor's firm and network firms have little involvement with the entity beyond a financial statement audit.</p>

²⁶ ISA 260 (Revised), *Communication with Those Charged with Governance*

<p>are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and</p> <p>(ii) The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. (Ref: Para. A29–A32)</p>	
<p>ISA 700 (Revised)²⁷</p>	
<p>Communicating Key Audit Matters (KAM)</p>	
<p>30. For audits of complete sets of general purpose financial statements of listed entities, the auditor shall communicate key audit matters in the auditor’s report in accordance with ISA 701.²⁸</p> <p>31. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor’s report, the auditor shall do so in accordance with ISA 701. (Ref: Para. A40–A42)</p>	<p>A40. Law or regulation may require communication of key audit matters for audits of entities other than listed entities, for example, entities characterized in such law or regulation as public interest entities.</p> <p>A41. 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.</p>
<p>Auditor’s responsibilities for the audit of the financial statements</p>	
<p>40. The Auditor’s Responsibilities for the Audit of the Financial Statements section of the auditor’s report also shall: (Ref: Para. A50)</p> <p>(a) [...]</p> <p>(b) For audits of financial statements of listed entities, state that the</p>	<p>[No application material that addresses entities other than listed entities]</p>

²⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

²⁸ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

<p>auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards; and</p> <p>(c) For audits of financial statements of listed entities and any other entities for which key audit matters are communicated in accordance with ISA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. (Ref: Para. A53)</p>	
Name of engagement partner and auditor's report prescribed by law or regulation	
<p>46. The name of the engagement partner shall be included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to</p>	<p>A62. Law, regulation or national auditing standards may require that the auditor's report include the name of the engagement partner responsible for audits other than those of complete sets of general purpose financial statements of listed entities. The</p>

<p>lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A61–A63) [...]</p> <p>50. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to International Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A70–A71)</p> <p>(a) [...]</p> <p>(l) For audits of complete sets of general purpose financial statements of listed entities, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.</p> <p>(m) [...]</p>	<p>auditor may also be required by law, regulation or national auditing standards, or may decide to include additional information beyond the engagement partner's name in the auditor's report to further identify the engagement partner, for example, the engagement partner's professional license number that is relevant to the jurisdiction where the auditor practices.</p>
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ISA 701

Communicating Key Audit Matters (KAM)

<p><i>[Note that paragraph 5 is not a requirement, it is included in the Introduction section of ISA 701]</i></p> <p>5. This ISA applies to audits of complete sets of general purpose financial statements of listed entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This ISA also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report. ...</p>	<p>[Paragraph 5 does not have any application material]</p> <p>A59. The determination of key audit matters involves making a judgment about the relative importance of matters that required significant auditor attention. Therefore, it may be rare that the auditor of a complete set of general purpose financial statements of a listed entity would not determine at least one key audit matter from the matters communicated with those charged with</p>
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	<p>governance to be communicated in the auditor's report. However, in certain limited circumstances (e.g., for a listed entity that has very limited operations), the auditor may determine that there are no key audit matters in accordance with paragraph 10 because there are no matters that required significant auditor attention.</p>
<p>ISA 720 (Revised)²⁹</p>	
<p>"Other Information" section of the auditor's report</p>	
<p>21. The auditor's report shall include a separate section with a heading "Other Information", or other appropriate heading, when, at the date of the auditor's report:</p> <ul style="list-style-type: none"> (a) For an audit of financial statements of a listed entity, the auditor has obtained, or expects to obtain, the other information; or (b) For an audit of financial statements of an entity other than a listed entity, the auditor has obtained some or all of the other information. (Ref: Para. A52) <p>22. When the auditor's report is required to include an Other Information section in accordance with paragraph 21, this section shall include: (Ref: Para. A53)</p> <ul style="list-style-type: none"> (a) [...] (b) An identification of: <ul style="list-style-type: none"> (i) Other information, if any, obtained by the auditor prior to the date of the auditor's report; and (ii) For an audit of financial statements of a listed entity, other information, if any, 	<p>A52. For an audit of financial statements of an entity other than a listed entity, the auditor may consider that the identification in the auditor's report of other information that the auditor expects to obtain after the date of the auditor's report would be appropriate in order to provide additional transparency about the other information that is subject to the auditor's responsibilities under this ISA. The auditor may consider it appropriate to do so, for example, when management is able to represent to the auditor that such other information will be issued after the date of the auditor's report.</p>

²⁹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

expected to be obtained after the date of the auditor's report;	
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PIE WG Members and Activities

PIE WG Members

1. The PIE WG consists of the following members:
 - Josephine Jackson, Chair
 - Chun Wee Chiew
 - Dan Montgomery (Chair of the Auditor Reporting Implementation Working Group)
 - Denise Weber
2. Information about the project can be found [here](#).

PIE WG Activities

3. The PIE WG held 2 virtual meetings since its establishment in May 2021.

Coordination with Other Task Forces

4. Josephine Jackson and Chun Wee Chiew also are correspondent members of the IESBA PIE TF and attend all IESBA task force meetings.