

RESPONSE TEMPLATE FOR THE ED OF PROPOSED NARROW SCOPE AMENDMENTS TO ISQMs, ISAs AND ISRE 2400 (REVISED)

Guide for Respondents

Comments are requested by **April 8, 2024**.

This template is for providing comments on the Exposure Draft (ED) of proposed Narrow Scope Amendments to the International Standards on Quality Management (ISQMs), the International Standards on Auditing (ISAs) and the International Standard on Review Engagement (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code*, in response to the questions set out in the Explanatory Memorandum (EM) to the ED. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of the ED that your response relates to, for example, by reference to sections, headings or specific paragraphs in the ED.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the ED [web page](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the EM for the ED, Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and PIE in the IESBA Code

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	Wayne Morgan, PhD CPA CA CISA Phil Peters, KC CPA CA LLM
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	wmorgan@oag.ab.ca
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option.	North America
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.	Public sector organization
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to the ED).

Information, if any, not already included in responding to the questions in Parts B and C:

PART B: Responses to Specific Questions in the EM for the ED

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Objective for Establishing Differential Requirements for PIEs

1. Do you agree with establishing the overarching objective and purpose for establishing differential requirements for PIEs proposed in paragraphs A29A–A29B of ISQM 1 and paragraphs A81A–A81B of ISA 200 in the ED? If not, what do you propose and why?

(See EM Section 1-B, paragraphs 13-18)

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

Detailed comments (if any):

The ED proposals do two things 1) entrench a new category of assurance (enhanced or heightened assurance) with the differential requirements and 2) determine which entities the heightened assurance applies to. We speak to each of these in our following comments.

The argument overall of IAASB is that these changes are necessary because they are matters of the public interest (hence the label “public interest entities”) and may include matters relevant to the economy as a whole (as per part of the determination of what is a public interest entity). Given such importance, the determination of what is a public interest entity strikes us to be a matter of public policy because of the significant implications flowing from these changes to standards. These changes have implications for legal rights and obligations of entities and therefore appear to us broader than the mandate of the IAASB.

While standard setters have authority to operate within a particular narrow scope, it seems to us that public policy that affect broader economic and social considerations should be determined by governments at a national/state level, or representative bodies of governments at an international level who possess the democratic authority to affect citizens’ legal rights and obligations. That is, decisions that determine inclusions and exclusions of which entities might be entitled to be considered those with heightened assurance and their stakeholders are public policy decisions. Those who have a desire or may reasonably expect to be included in the category for heightened assurance should be afforded a voice in this matter.

Accordingly, in our view, the determination of which entities are public interest entities are more appropriately made by, or in consultation with, governments at a national/state level, or organizations comprised of governments at the international level. It’s not clear how IAASB has jurisdiction to determine which entities are public interest entities without the involvement of governments. The proposed changes could be viewed as *ultra vires* IESBA and IAASB’s authority and therefore should not be made unless IESBA and IAASB are given clear authority to do so by governments, or organizations comprised of governments at the international level.

As noted, the ED is entrenching a new category of assurance (“heightened assurance”) via differential requirements. We are concerned that it may lead to market confusion or make decisions by regulators and market participants more complicated. Our concern is with IAASB simultaneously determining which entities the heightened assurance applies to (listed entities,

banks, insurance companies). While we acknowledge it is within IAASB's authority to create a new category of assurance, we question whether it is within IAASB's authority to make the decisions for states/nations and their economies and societies which entities that heightened assurance must be applied to i.e. a public policy regulatory decision.

We appreciate IAASB's due process. However, because IAASB does not appear to us to have the authority to determine which entities are public interest entities, IAASB's due process itself is not apparently sufficient.

We may also observe that neither of the IAASB's oversight bodies provide sufficient authority for IAASB for this matter. The PIOB is mainly concerned with due process, but IAASB's due process is not sufficient in this case. The Monitoring Group goes so far in its charter to say that it is not a policy-making entity.

We note, coincidentally, that the entities that are considered PIEs align with those represented at the Monitoring Group level (listed entities, banks and insurance companies) and so some may raise concerns about the neutrality of IAASB (and IESBA) with respect to determining PIE. That is part of why the determination of what is a PIE should not be with IAASB but instead is a matter of public policy.

We encourage IAASB to clearly define the "heightened assurance" as a separate set of standards, perhaps enhanced ISAs or enhanced ISAE 3000 or enhanced ISSA 5000. As one suggestion, we might put forth the strategy that IAASB not proceed with these changes until it seeks and obtains input from the United Nations Economic and Social Council regarding which entities are in the public interest to such an extent that a heightened level of assurance should apply. In our view, as an organization comprised of governments, the UN is the best equivalent of public policy makers at the international level. The views of the UN Economic and Social Council on what are appropriately public interest entities could then be incorporated into the IAASB's standards. (If IAASB already has such approval from the United Nations they should disclose this in the ED; we could find no reference to IAASB on the United Nations website).

At a national/state level, in our view the same applies. While national standard setters that adopt IAASB's standards may have authority to create a new category of "heightened assurance" they may not have the authority to determine public policy in general nor which entities that heightened assurance applies to in particular. We suggest for consideration that the entities to which "heightened assurance" applies may be a matter for governments to determine, via law or regulation. It would then rest with a specific jurisdiction's policy decision whether and how to adopt any UN's decision as noted above, or adopt their own independent of the UN.

Absent specific input or direction from governments (if they so choose to provide it), in law or regulation, regarding which entities or engagements "heightened assurance" applies to, there should be no requirements in the IAASB's quality management standards or underlying audit or assurance standards to apply the "heightened assurance" differential requirement to any entities or engagements.

We suggest wording for PIE definitions be as follows:

A public interest engagement uses the “enhanced assurance” set of standards. A “public interest engagement” is one defined as such by law or regulation.

We use the term “engagement” rather than entity because in our view public interest matters may vary by engagement, and IAASB should consider whether the heightened assurance is appropriate across not only ISQMs and ISAs but also ISAE 3000 and ISSA 5000.

Definitions of PIE and “Publicly Traded Entity”

2. Do you agree with adopting the definitions of PIE and “publicly traded entity” into ISQM 1 and ISA 200 (see proposed paragraphs 16(p)A–16(p)B of ISQM 1 and paragraphs 13(l)A–13(l)B of ISA 200 in the ED)? If not, what do you propose and why?

(See EM Section 1-C, paragraphs 19-26)

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

Detailed comments (if any):

We suggest wording for PIE definitions be as follows:

A public interest engagement uses the “enhanced assurance” set of standards. A “public interest engagement” is one defined as such by law or regulation.

In our view, it is best for governments of a particular jurisdiction, not assurance standard setters, to define PIE. We don’t presume that we can define this for jurisdictions, or for all jurisdictions. The entities in the ED’s definition appear to be centered around private wealth entities, or private finance entities. Therefore the descriptor PIE raises questions for us, particularly from the perspective of serving in the public sector. A more accurate descriptor may be “Private wealth entities” (PWEs) or perhaps, recognizing the risk such entities pose to the public interest due to potential for their failure (a reason given by IAASB for the public interest in such entities), they could be described as Public Interest Risk Entities, or PIREs.

The concept of public interest involves other concepts such as common good or matters that impact the public at large. Nothing in the definition of public interest entity used in the ED seems to meet these more common understandings of “public interest.” All of the categories included in the proposed definition seem to be substantively based in private interests. Part of the risk for confusion we noted earlier is that, to describe these entities as public interest, may be misconstrued that these entities always act in the public interest, and also that entities that are not PIEs do not act in the public interest.

Differential Requirements in the ISQMs and ISAs

3A. Do you agree with the IAASB's proposals for extending the extant differential requirements for engagement quality reviews to apply to PIEs (ISQM 1, paragraph 34(f) in the ED)?

(See EM Section 1-D, paragraphs 27-40 and Appendix 1)

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

Detailed comments (if any):

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

We do not support any differential requirements in the standards. If IAASB intends to create a new category of "heightened assurance" it should explicitly do so and create a separate set of standards across the ISAs, ISAE 3000 and ISSA 5000.

3B. Do you agree with the IAASB's proposals for extending the extant differential requirements for communication with TCWG about the firm's system of quality management to apply to PIEs (ISQM 1, paragraph 34(e) in the ED)?

(See EM Section 1-D, paragraphs 27-38 and Appendix 1)

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

Detailed comments (if any):

See our response to 3A.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3C. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating about auditor independence to apply to PIEs (ISA 260 (Revised), paragraphs 17 and 17A, and ISA 700 (Revised), paragraph 40(b) in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 41-45 and Appendix 1)

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

Detailed comments (if any): See our response to 3A.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3D. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating KAM to apply to PIEs (ISA 700 (Revised), paragraphs 30-31, 40(c) and ISA 701, paragraph 5 in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 46 and Appendix 1)

Overall response: [Click to select from dropdown menu](#)

Detailed comments (if any):

See our response to 3A.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3E. Do you agree with the IAASB's proposals for extending the extant differential requirements for the name of the engagement partner to apply to PIEs (ISA 700 (Revised), paragraphs 46 and 50(I))?
(See EM Section 1-D, paragraphs 27-38 and Appendix 1)

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

Detailed comments (if any): See our response to 3A.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

4. Do you agree with the IAASB's proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to "publicly traded entity"? If not, what do you propose and why?
(See EM Section 1-D, paragraphs 47-51)

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

Detailed comments (if any):

See our response to 3A. We agree with this amendment because it appears to remove a differential requirement.

Proposed Revisions to ISRE 2400 (Revised)

5. Do you agree with the new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code? If not, what do you propose and why?
(See EM Section 1-E, paragraphs 52-57)

Overall response: [Click to select from dropdown menu](#)

Detailed comments (if any):

Other Matters

6. Are there any other matters you would like to raise in relation to the ED? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

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

Detailed comments (if any):

We note several other conceptual and logical issues with the proposals, as follows:

Should IAASB continue with defining PIE, in our view government entities and public utilities may be considered for inclusion in the definition of PIEs, not left as possible PIEs in paragraph A29F.

Appendix 1 contains a reference to ISQM A128, which mentions charities. It's not clear where "charities" are in existing ISQM, nor why IAASB would remove charities as PIEs if they were already considered appropriate to apply PIE requirements to.

The criteria in A29C should also include the nature of the activities of the entity and the services it performs. If the entity's activities are relevant to safety and security and well-being of citizens i.e. the public, it would seemingly represent *prima facie* a public interest entity.

IAASB may want to consider whether the definition of PIE include parents and subsidiaries of the entities in the definition. Would a government that consolidates an entity that takes deposits (a PIE as proposed) also be a PIE? Without clarity around this point, we expect significant confusion among the entities about which we have experience.

The reference to "economy as a whole" in the PIE application material is unclear to us. The IAASB's standards are global standards, so does this mean the global economy?

There are other uses of the term "public interest" in the standards and IAASB may wish to examine each use for continued appropriateness. For example, para A130 uses "the public interest benefits of external communication..." If PIE is adopted, would this mean "the benefits to public interest entities of external communication" or does it become a conditional requirement (only considered if a PIE is involved) or would it still apply to any entities, even non-PIEs? In our view, IAASB should not use the term public interest entity and instead use another term.

We suggest IAASB consider along with IESBA that the solution of PIEs, if they exist as suggested, is not differential assurance but instead differential accounting that recognizes the heightened expectations of users for more information on their financial condition. So in the case of a PIE, the auditor would need to view conservatism or prudence differently, or perhaps even the applicable financial reporting framework is insufficient and a more robust framework that communicates more relevant financial information, such as risks to the public interest and how they are managed, to users is needed.

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

7. Translations—Recognizing that many respondents may intend to translate the final narrow scope amendments for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED.

Overall response: [Click to select from dropdown menu](#)

Detailed comments (if any):

8. Effective Date—Given it is preferred to coordinate effective dates with the fraud and going concern projects, the IAASB believes that an appropriate effective date for the narrow scope amendments would be for financial reporting periods beginning approximately 18-24 months after approval of the final narrow scope amendments for Track 2. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the narrow scope amendments for Track 2 of the listed entity and PIE project.

Overall response: [Click to select from dropdown menu](#)

Detailed comments (if any):