

Agenda Item 6-E (Supplemental)

Mapping of the Actions in the Project Proposal to the PIE TF Proposals

This table below compares the proposed actions included in the project proposal relevant for Track 2 of the narrow scope maintenance project on listed entity and PIE and how the PIE TF proposals address those actions. As the proposed actions are directly related to the project objectives that support the public interest these have also been mapped in the table below.

| Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 30) | Key Changes Proposed (Ref. Agenda Item 6) | | Paragraph Ref. in Agenda Item 6-A |
|---|---|--|---|
| | Paragraph | Description | |
| A. Project Objective: Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs and ISAs to maintain their interoperability. | | | |
| A.1: The IESBA definition of PIE <i>Consider adopting the IESBA definition of PIE into the ISQMs and ISAs, or the Glossary of Terms.</i> | Paras. 41–43 | <p>As a consequence of the case-by-case analysis (see action C.4 below), and the PIE TF proposals to extend the differential requirements for listed entities in the ISQMs and ISAs to apply to PIEs, the PIE TF proposes:</p> <ul style="list-style-type: none"> • To incorporate in the ISQMs and ISAs the entire approach to scoping PIE as contemplated in the IESBA Code because all elements of the approach are necessary to ensure that the differential requirements in the ISQMs and ISAs are appropriate in the circumstances of the jurisdiction. This includes adding the definition as a requirement in the authority of ISQM 1¹ and ISA 200.² • Not to include the defined term in the Definitions sections | Paras. 18A–18B, A29D–A29F of ISQM 1 Paras. 23A–23B, A76D–A76F of ISA 200 |

¹ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

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| | | of ISQM 1 and ISA 200 or in the Glossary of Terms, as it would be addressed as a new requirement. | |
| <p>A.2: The IESBA definition of “publicly traded entity”</p> <p><i>Consider adopting the IESBA definition of “publicly traded entity” into the ISQMs and ISAs, as a replacement of listed entity.</i></p> | Paras. 44–47 | Given the desire for convergence between the key concepts underlying the definitions in the IESBA Code and because listed entity is no longer a defined term, the PIE TF believes it appropriate to adopt the definition of publicly traded entity as a replacement for the term listed entity. | Para. 16 of ISQM 1 Para. 13 of ISA 200 Glossary of Terms |
| <p>B. Project Objective: Establish an objective and guidelines to support the IAASB’s judgments regarding specific matters for which differential requirements for certain entities are appropriate.</p> | | | |
| <p>B.3: An objective and guidelines for establishing differential requirements for certain entities in the ISQMs and ISAs</p> <p><i>Adopt the overarching objective established by IESBA in paragraph 400.8 of the IESBA Code as a principle for establishing differential requirements for certain entities and application material in the ISQMs and ISAs.</i></p> <p><i>Develop a tailored objective, based upon the overarching objective, and taking into consideration paragraph 400.10 of the IESBA Code, that explains the purpose for differential requirements for certain entities in the ISQMs and ISAs.</i></p> <p><i>Develop guidelines that assist the IAASB in identifying when differential requirements for</i></p> | Paras. 11–19 | <p>The PIE TF proposals for the objective and guidelines include:</p> <ul style="list-style-type: none"> Adopting the objective in paragraph 400.8 of the IESBA Code into the application material of ISQM 1 and ISA 200 as set out in the actions of the project proposal. Tailoring the objective in paragraph 400.10 of the IESBA Code to meet “the heightened expectations of stakeholders regarding <i>the audit engagement</i>.” The tailored purpose of the objective would also be included in the application material of ISQM 1 and ISA 200. Adding specific examples to the CUSP Drafting Principles and Guidelines of when it may be appropriate to consider differentiating a requirement for a PIE that address current types of differential | Paras. A29A–A29B of ISQM 1 Paras. A76A–A76B of ISA 200 |

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| <p><i>certain entities may be appropriate, and if so, how such requirements should be established in the ISQMs and ISAs.</i></p> <p><i>Determine the appropriate location and accessibility of the objective or guidelines described above.</i></p> | | requirements. | |
| <p>C. Project Objective: Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.</p> | | | |
| <p>C.4: Case-by-case analysis of extant differential requirements for listed entities in the ISQMs and ISAs</p> <p><i>Undertake a case-by-case analysis to determine:</i></p> <ul style="list-style-type: none"> <i>Whether the extant differential requirements for listed entities should be amended to apply to all categories of PIEs; and</i> <i>The impact on extant differential requirements for listed entities of adopting the definition of “publicly traded entity” as a replacement of “listed entity.”</i> | Paras. 27–35 | <p>Based on the undertaken case-by-case analysis, the PIE TF believes there is a sufficient basis to propose extending the differential requirements for listed entities in the ISQMs and ISAs to apply to PIEs. The PIE TF rationale includes:</p> <ul style="list-style-type: none"> Support expressed by respondents in previous information gathering for extending the applicability of the differential requirements in the ISQMs and ISAs to entities that exhibit public interest characteristics (e.g., banks and insurance companies). Having a global baseline for the definition of PIE as reflected in IESBA’s framework to the revised PIE definition that would address previous concerns in this regard. Promoting more consistency among jurisdictions globally when applying the ISQMs and ISAs given that | <p>Paras. 34(e–f) of ISQM 1</p> <p>Paras. 1, 17, 17A, A29A of ISA 260 (Revised)</p> <p>Paras. 30–31, 40(b–c), 46, 50(l) of ISA 700 (Revised)</p> <p>Para. 5 of ISA 701⁵</p> <p>Paras. 21, 22(b) of ISA 720 (Revised)⁶</p> |

⁵ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

⁶ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

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| | | <p>some jurisdictions have already extended (or are considering extending) the applicability of the differential requirements to PIEs.</p> <ul style="list-style-type: none"> Desire to minimize complexity and possible confusion if the differential requirements in the ISQMs and ISAs inconsistently apply to certain entities (e.g., some apply to PIEs and other to publicly traded entities). <p>In addition, the PIE TF proposals include:</p> <ul style="list-style-type: none"> Bifurcating the requirements in paragraph 17 of ISA 260 (Revised)³ into two parts, to address the communication about compliance with independence requirements in the auditor's report for all audit engagements. Aligning the requirement in paragraph 40(b) of ISA 700 (Revised)⁴ to the proposed changes for paragraph 17 of ISA 260 (Revised) discussed above. | |
| <p>C.5: Application and introductory material in the ISQMs and ISAs</p> <p><i>As a consequence of undertaking the case-by-case analysis, consider whether:</i></p> <ul style="list-style-type: none"> <i>The application material in the ISQMs and ISAs should be updated as a result of any changes to entities to which the extant differential</i> | <p>Paras. 36–39</p> <p>Paras. 49–52</p> | <p>In order to drive consistency across the IAASB standards and reduce the duplicative nature of the application material across the ISQMs and ISAs to the differential requirements, the PIE TF is proposing a central list of factors that supports consideration of whether there are other types of entities for which it may be appropriate to apply the differential requirements in the ISQMs and ISAs.</p> | <p>Paras. A29C, A29G, A128, A130, A133–A134 of ISQM 1</p> <p>Paras. A76C, A76G of ISA 200</p> <p>Paras. A32 of ISA 260</p> |

³ ISA 260 (Revised), *Communication with Those Charged with Governance*

⁴ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

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| <p><i>requirements apply and to align with the concepts underpinning PIE.</i></p> <ul style="list-style-type: none"> <i>Updates may be needed to application material (e.g., examples and appendices) and introductory material (e.g., scope and scalability paragraphs) that use the term “listed entity(ies)” or otherwise make reference to listed entities (e.g., entities that are listed or entities other than listed entities).</i> | | <p>In addition, various alignment changes have been proposed to the application material to align the entities to which the extant differential requirements apply as well as to align with the concepts underpinning the definition of PIE.</p> | <p>(Revised)</p> <p>Paras. A40–A41, A43 of ISA 700 (Revised)</p> <p>Illustrative auditor’s reports in ISAs of 500, 700 and 800 series and other alignment of other application material.</p> |