

Listed Entity and Public Interest Entity (PIE)

Josephine Jackson
Listed Entity and PIE (PIE WG) Chair

IAASB Meeting
March 14-18 and 23, 2022

Agenda

Tuesday, March 15th:

IAASB's feedback on:

- The project proposal
- PIE WG's proposals regarding the disclosure in the auditor's report about when a firm has applied the independence requirements for PIEs

Monday, March 21st:

- Updated project proposal provided to IAASB

Wednesday, March 23rd:

- IAASB's final feedback and approval of the project proposal

March 2022 CAG Discussion

- Overall support for the proposed project and approach of two tracks
- Other points
 - Agreement to align terminology, caution for inadvertently creating additional requirements
 - Support for addressing the differential requirements
 - Timeline of track 2 appears long – encouragement to be effective with resource utilization

March 2022 CAG Discussion

- Feedback on the options for clarifying ISA 700 (Revised):
 - Support for presenting options to obtain feedback
 - Option 1 & Option 2 – Mixed views on preferences:
 - Option 1 had the most support - preferred as seen to provide more transparency and consistency in reporting globally
 - Option 2 preferred as it does not impose more onerous obligation than the Code
 - Little support for Option 3:
 - Not a viable alternative – less consistency and less transparency
 - Some suggested to remove Option 3 when presenting options

Feedback from the SMPAG

- Support for:
 - The narrow scope maintenance of standards project and for two tracks
 - Convergence between IESBA's and IAASB's key concepts – highly desirable
- Feedback:
 - Scalable approach when addressing differential requirements
 - Agreed with objective to address differential requirements - caution not to drive perception that non-PIE audits are of lesser quality
 - Clarity if non-PIE auditors who voluntarily applied stricter independence requirements need to report in the auditor's report – with a preference to instead communicate with those charged with governance

Board Offline Comments

1

Greyed-out text

2

Concern with terminology
financial condition in
IESBA's overarching
objective

3

Objectives

4

Key issues

5

Proposed actions

6

Timeline

Matters for the IAASB Consideration



Question 1

The Board is asked for its views on the draft project proposal presented in Agenda Item 3-A.

Agenda Item 3-A

- **Section I:** Subject
- **Section II:** Introduction

Matters for the IAASB Consideration



Question 1

The Board is asked for its views on the draft project proposal presented in Agenda Item 3-A.

In providing feedback, the IAASB is asked specifically for their views on the following:

- (a) The proposed project objectives that support the public interest.

Agenda Item 3-A

- **Section III:** Project Objectives that Support the Public Interest
- **Section IV:** Stakeholders Impacted by a Project on Listed Entity and PIE

Matters for the IAASB Consideration



Question 1

The Board is asked for its views on the draft project proposal presented in Agenda Item 3-A.

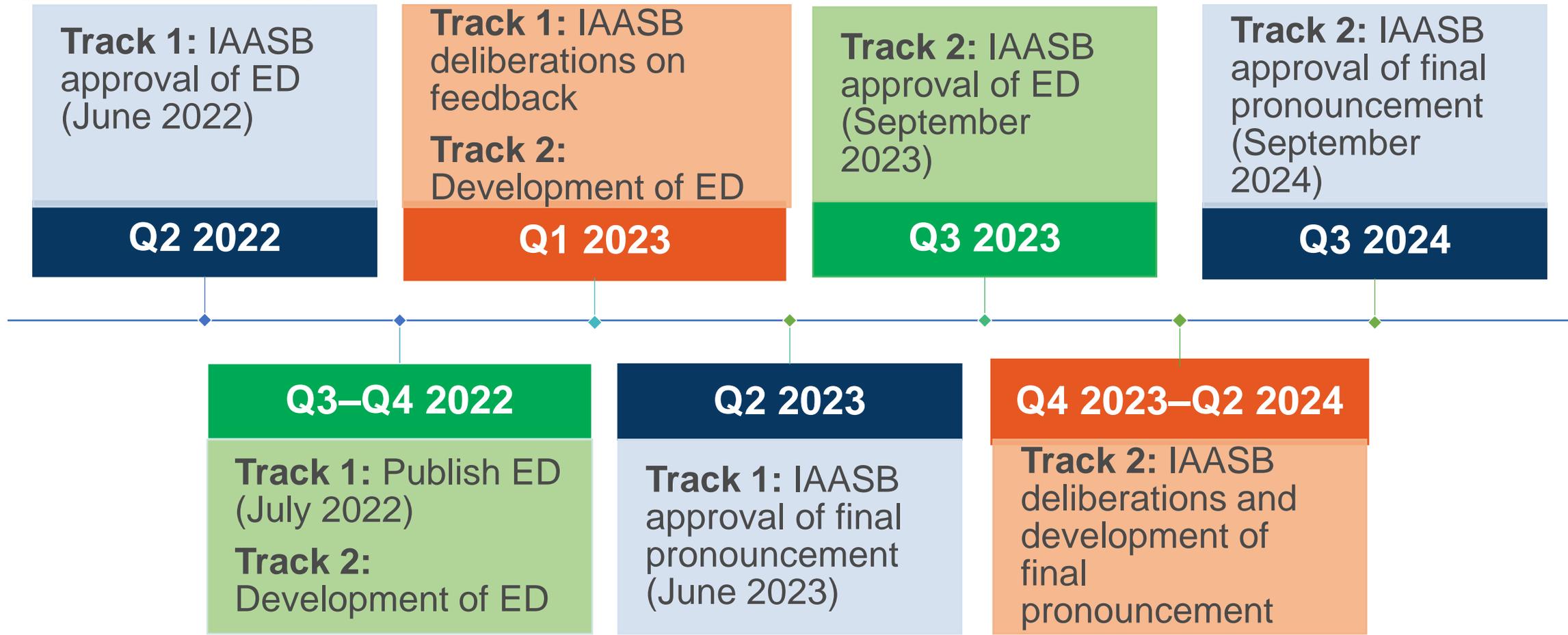
In providing feedback, the IAASB is asked specifically for their views on the following:

- (b) Whether the key issues identified are complete and appropriately reflect the issues to be addressed by this project
- (c) Whether the proposed actions to address the key issues identified appropriately address the identified issues and challenges to achieve the project objectives

Agenda Item 3-A

- **Section V:** The Key Issues Identified that will be Addressed by the Project
- **Section VI:** Scope of the Project on Listed Entity and PIE

Project Timeline and Key Milestones



Matters for the IAASB Consideration



Question 1

The Board is asked for its views on the draft project proposal presented in Agenda Item 3-A.

In providing feedback, the IAASB is asked specifically for their views on the following:

(d) The project timeline

Agenda Item 3-A

- **Section VII:** Project Timeline, Project Priorities and Resources
- **Section VIII:** Project Output and Impact

Matters for the IAASB Consideration



Question 2

The Board is asked whether there are any other matters within the draft project proposal that the PIE WG should consider as it finalizes the project proposal, including any matters not already specifically addressed.

Disclosure in the Auditor's Report About When a Firm has Applied the Independence Requirements for PIEs

- October 2021: IAASB agreed to explore transparency in the auditor's report as part of track 1:
 - IAASB mandate: proposals for enhancing and clarifying ISA 700 (Revised) – i.e., the auditor's report
 - Other mechanisms for public disclosure are not in IAASB's mandate, e.g., transparency report or website
- If IAASB concludes that auditor's report is not appropriate mechanism, then IESBA would issue guidance or propose conforming amendments

Disclosure in the Auditor's Report About When a Firm has Applied the Independence Requirements for PIEs

PIE WG Initial Proposals for Enhancing and Clarifying ISA 700 (Revised)

Option 1

A requirement for the auditor to disclose if specific independence requirements for audits of financial statements of certain entities, as set out in the relevant ethical requirements, were applied

Option 2

A requirement that when the relevant ethical requirements require transparency about the specific independence requirements applied, the auditor shall disclose this fact in the auditor's report

Option 3

Application material that explains how the auditor may disclose that specific independence requirements were applied when the relevant ethical requirements require transparency about specific independence requirements applied

Matters for the IAASB Consideration

Question 4



The IAASB is asked for their views on Options 1-3 discussed in paragraphs 37-48, which deal with how ISA 700 (Revised) might be amended to address circumstances when the auditor's report is used to disclose that specific independence requirements for certain entities have been applied. In particular, the IAASB is asked for their views on:

- (a) The proposed drafting for each option outlined.
- (b) Whether there are any other options that should be considered.
- (c) Whether multiple options should be presented in the ED to solicit stakeholder feedback on the various options, and if so, whether all three options be presented.

Communication to TCWG

- October 2021: IAASB asked the PIE WG to consider the auditor's communication with TCWG about disclosure in the auditor's report that specific independence requirements for certain entities had been applied.
- Paragraph 17 of ISA 260 (Revised) deals with the independence statement
- Paragraph 16(d) of ISA 260 (Revised) deals with the form and content of the auditor's report
- Table in paragraph 54 of the issues paper reflects the WG proposals

Matters for the IAASB Consideration



Question 5

The IAASB is asked for their views on the PIE WG proposals to revise ISA 260 (Revised) as discussed in paragraphs 51-54 of the issues paper

IAASB

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