

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)	Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW), Germany
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Torsten Moser, Wolf Böhm
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Wolf Böhm
E-mail address(es) of contact(s)	moser@idw.de boehm@idw.de krekeler@idw.de
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.	Europe
	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.	Jurisdictional/ National standard setter
	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:

Dear Tom and Willie,

We would like to thank you for the opportunity to respond to the 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 (also known as “PIE Track 2”).

We recognize that the public seeks additional information or comfort in relation to audits of financial statements of public interest entities beyond listed entities. This manifests itself through legislation affecting audits of financial statements of PIEs in many jurisdictions, including in the EU, which requires additional auditor communication with those charged with governance and other users, provides for more stringent requirements relating to the independence in appearance of auditors, and sets forth additional quality management requirements. We therefore support the objective of the project PIE Track 2.

As a matter of principle, we also believe that the definitions of terms and concepts used in the IESBA Code should be the same as those in IAASB Standards to the extent possible to avoid confusion and to prevent an unnecessary multiplication of such terms and concepts. We therefore support the IAASB seeking to align its definitions and requirements in IAASB standards with those in the IESBA Code. In this respect, we believe that the IAASB has done a remarkable job in seeking such alignment in this exposure draft.

However, such alignment does not take into account that the IESBA Code and IAASB standards treat departures, due to law or regulation, from requirements differently. In particular, R100.7 of the Code sets forth that law or regulation prevail when law or regulation preclude the professional accountant from complying with certain parts of the Code and 100.7 A1 clarifies that professional accountants must comply with the more stringent provisions of the Code unless prohibited by law or regulation. In other words, professional accountants can claim compliance with the Code even when law or regulation precludes the professional accountant from complying with the Code. In contrast, paragraph 18 in connection with paragraph A60 of ISA 200 and paragraph 21 in connection with paragraph A38 of ISA 210 clarify an auditor shall not represent compliance with the ISAs unless the auditor has complied with all of the ISAs relevant to the audit – regardless of the provisions in law or regulation. This is why, unlike the Code, requirements in the ISAs occasionally include the phrase “unless prohibited by law or regulation”, which then permits auditors to claim compliance with the ISAs even when law or regulation departs from the rest of that requirement.

For these reasons, we do not believe that the IAASB should emulate a construct of definitions and requirements in its standards that does not work technically for IAASB standards and that is not in line with its own drafting conventions. The fact that these definitions and requirements were subject to due process through IESBA does not mean that they “pass the test” of due process for IAASB purposes, since the stakeholder groups may be different and the demands on the construction and use of definitions and requirements for quality management and audits may differ from those for ethical standards. While coordination between IESBA and the IAASB has improved greatly compared to the past, we are under the impression that there has been insufficient input by the IAASB into the development of the definitions and requirements in the IESBA Code in this respect given the expectation that the IAASB ought to “adopt” the definitions and requirements from the IESBA Code with as little change as possible.

Given the nature and extent of substantive and technical issues that we have identified in this comment letter with the definitions and related requirements, we believe that projects at IESBA that have a direct impact on the terms and concepts, and their definitions, in IAASB standards ought to be done concurrently with a combined due process rather than separately with time lags and that both Boards need to be satisfied with the results before moving forward. We hope that the IAASB and IESBA reconsider their future cooperation in this sense at a strategic and operational level.

Since the analysis of our responses to the individual questions posed in this template is likely to be done separately by IAASB staff for each question and our responses to each of these questions are highly interrelated, we have chosen to repeat certain matters in the questions, rather than having IAASB staff need to refer back and forth between our responses to the questions.

If you have any questions or need further clarification or information, we would be pleased to be of further assistance.

Kind regards,

Torsten Moser
Executive Director

Wolf Böhm
Technical Director, Assurance Standards

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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

While we agree with establishing the overarching objective and purpose for establishing differential requirements for PIEs, we disagree with the proposed placement and some of the detail in paragraphs A29A–A29B of ISQM 1 and paragraphs A81A–A81B of ISA 200. Furthermore, we note that these application material paragraphs are referenced to, and therefore support, the requirements in paragraph 18A of ISQM 1 and 23A of ISA 200, with which we disagree as drafted and to which no specific question was directed in the Explanatory Memorandum. *Given the importance of this matter and how it impacts the application material paragraphs referred to in this question, we address the noted requirements first before addressing their “attached” application material.*

Requirements

General Comment

In relation to the requirements, we note that the point of setting definitions of “public interest entity” and “publicly traded entity” in paragraphs 16 (p)A and (p)B of ISQM 1 and paragraphs 13 (I)(A) and (i)B of ISA 200 is to set out the meaning of these terms when used in the requirements and application material. It is therefore not only redundant, but also misleading, to require the application of a definition in a requirement, since this can lead to confusion as to whether there are instances where the definition does not apply when these terms are used in a standard. Furthermore, such an interplay between definitions and requirements as used in the draft is not in line with how definitions, requirements and application material are supposed to function under the IAASB Clarity, Understandability, Scalability and Proportionality (CUSP) conventions – that is, under CUSP, the defined meaning applies when the term is used in the requirements or application material. While as a matter of principle, we believe that the definitions and requirements in the IESBA Code and IAASB standards should be aligned, and we recognize that the IAASB is seeking to align its approach to the definitions and requirements with that of the IESBA, we do not believe that the IAASB should emulate a construct of definitions and requirements in its standards that does not work technically and that is not in line with its own drafting conventions (see our comment in our response to Part A on the difference between IAASB standards and the IESBA Code in this respect). The fact that these definitions and requirements were subject to due process for IESBA does not mean that they “pass the test” of due process for IAASB purposes, since the stakeholder groups may be different and the demands on the construction and use of definitions and requirements for quality management and audits may differ from those for ethical standards.

Requirements in Paragraphs 18A of ISQM 1 and 23A of ISA 200

In the requirements in paragraphs 18A of ISQM 1 and 23A of ISA 200, the words “as well as consider more explicit definitions established by law, regulation or professional requirements” in both requirements are ambiguous because it is not clear what “consider” means in this respect. Does this requirement mean that 1. the definitions established by law, regulation or professional requirements take precedence over (i.e., replace) the IAASB definition for the purposes of applying the standards, 2. if the definitions established by law, regulation or professional requirements are broader than the IAASB definition, then the broader definition applies, or 3. if the definitions established by law, regulation or professional requirements are narrower than the IAASB definition, then the narrower definition applies? This is an important question because users of IAASB standards need some legal and audit enforcement certainty as to what the standards require, and therefore the wording of any such requirement needs to be clear as to the relationship between the IAASB definition and local definitions. We have concluded that such a requirement would be inappropriate in any case for the following reasons.

If local definitions are narrower than those in IAASB standards, then compliance with IAASB standards requires using the broader IAASB definition, since IAASB standards need to set a minimum bar internationally to foster international harmonization. If local definitions are broader than that in IAASB standards, then local requirements (whether law, regulation, or professional requirements) will set forth what the additional practitioner responsibilities for these additional categories are: there is no need to extend the requirements for PIEs in IAASB standards to these additional entities because they are not PIEs as defined in IAASB standards. In fact, extending the requirements for PIEs in IAASB standards to these additional entities would usurp the role of local requirements that may have been set without reference to the IESBA Code that therefore may not have intended that the requirements in the IESBA Code and IAASB Standards for PIEs, as defined in the IESBA Code and IAASB standards, apply to such entities.

For these reasons, we are convinced that the requirement “as well as consider more explicit definitions established by law, regulation or professional requirements” is not only ambiguous, but also inappropriate and therefore should be deleted. However, this would not preclude introducing a requirement for firms to set policies and procedures for determining (for ISQM 1), and auditors, in applying such policies and procedures, to consider (for ISA 200), whether entities not defined as PIEs by IAASB standards but defined as PIEs by local law, regulation or professional requirements (and other entities) are to be treated as PIEs under IAASB standards. The guidance in paragraphs A29C and A29G of ISQM 1 and ISA 200, respectively (after considering our proposed amendments to these paragraphs – see our response to Question 6), may assist auditors in such a consideration.

We refer to our response to Question 6 for the consequences of our proposals to the application material in paragraphs A29C to A29G of ISQM 1 and A81C to A81G of ISA 200.

Additional Comment on Paragraph 23A of ISA 200

The requirement in paragraph 23A of ISA 200 includes an additional sentence that “in doing so, the auditor shall follow the firm’s related policies and procedures”. By including a requirement to “follow the firm’s related policies and procedures”, any violation of such firm policies and procedures would also constitute a violation of the ISAs, with the attendant external sanctions for violations of standards, as opposed to lesser sanctions, if any, that may be applicable for violating firm policies and procedures. The IAASB has always been extraordinarily careful to generally not encompass firm policies and procedures as part of its requirements to avoid such consequences. The only exception to this is the requirement in paragraph 37 in ISA 220 (Revised) on the engagement team following firm policies and procedures for dealing with and resolving differences of opinion (this requirement has been carried forward from ISA 220 since the inception of ISQC 1). The other requirements in ISA 220 are phrased differently (e.g., the engagement partner taking

responsibility for matters being done in accordance with firm policies and procedures). We suggest that the IAASB reconsider this requirement so as to avoid making violations of firm policies and procedures a violation of the ISAs.

Application material

It seems to us that the application material in paragraphs A29A-A29B in ISQM 1 and in paragraphs A81A-A81B of ISA 200 does not relate to the related requirements, but rather relates to an explanation of as to why differential requirements are set forth for the defined entities in those standards. For this reason, we believe that these paragraphs ought to be placed into the respective introductory section of each of those standards, which we gather is how they are placed in the IESBA Code.

We also note the reference to “stakeholders” in a number of places in each of these paragraphs. In the context of IAASB standards, it is not “stakeholders” that are the “reference group” for practitioner decisions, but the intended users of the practitioner’s report, and in the context of the ISAs, the intended users of the financial statements and the related auditor’s report. Referring to stakeholders, rather than intended users, muddles the objective of practitioner reports in an IAASB context. We suggest that “stakeholders” be replaced with “intended users of practitioners’ reports” in the case of ISQM 1 and with “intended users of the financial statements and related auditors’ reports” in the case of the ISAs.

We also believe that the statement in A29B of ISQM 1 and A81B of ISA 200 that “the purpose of the requirements... is to meet these expectations” suggests that stakeholder or user expectations are met through these requirements, which we believe to be a rather daring assertion. Instead, we suggest that reference be made to “seek to address these expectations”.

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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

As noted in our response to Question 2, as a matter of principle, we believe that the definitions in the IESBA Code and IAASB standards should be aligned, and we recognize that the IAASB is seeking to align its approach to the definitions with that of the IESBA. However, as we also noted in this response, we do not believe that the IAASB should emulate a construct of definitions in its standards that does not work technically and that is not in line with its own drafting conventions (see our comment in our response to Part A on the difference between IAASB standards and the IESBA Code in this respect). The fact that these definitions were subject to due process for IESBA does not mean that they “pass the test” of due process for IAASB purposes, since the stakeholder groups may be different and the demands on the construction and use of definitions and requirements for quality management and audits may differ from those for ethical standards. We address the issues with the definitions in paragraph 16(p)A–16(p)B of ISQM 1 and paragraphs 13(l)A–13(l)B of ISA 200 together, but in turn by occurrence of the issue within the definitions. In doing so we will address those matters with which we agree and disagree.

Public interest entity

First, we note that the phrase in the definition of a public interest entity “An entity is a public interest entity when” does not constitute a definition, but a description. The words can be simplified to represent a definition as follows: “An entity that falls within any of the following categories: ...”.

Second, we agree with the inclusion of the categories and descriptions in 16 (p)A (i) to (iii) of ISQM 1 and 13(l)A (i) to (iii) of ISA 200 because these appropriately delineate the “minimum bar” for public interest entities worldwide. In our view, the application by auditors of only local definitions that are narrower would therefore, and quite rightly, lead to the consequence of noncompliance with the standards.

Third, we are not convinced that the category in 16 (p)A (iv) and 13(l)A (iv) is needed. As we note in our response to Question 1, if local definitions are narrower than those in IAASB standards, then compliance with IAASB standards requires using the broader IAASB definition. If local definitions are broader than that in IAASB standards, then local requirements (whether law, regulation, or professional requirements) will set forth what the additional practitioner responsibilities for these additional categories are – there is no need to extend the requirements for PIEs in IAASB standards to these additional entities because they are not PIEs as defined in IAASB standards. In fact, extending the requirements in IAASB standards for PIEs to these additional entities would usurp the role of local requirements that may have been set without reference to the IESBA Code and that therefore may not have intended that the requirements in the IESBA Code and IAASB Standards for PIEs, as defined in the IESBA Code and IAASB standards, apply to such entities. We therefore believe that the fourth category ought to be deleted. As noted in our response to Question 1, this would not preclude introducing a requirement for firms to set policies and procedures for determining (for ISQM 1) and for auditors, in applying such policies and procedures, to consider (for ISA 200) whether entities not defined as PIEs by IAASB standards but defined as PIEs by local law, regulation or professional requirements (and other entities) are to be treated as PIEs under IAASB standards. The guidance in paragraphs A29C and A29G (after considering our proposed amendments to these paragraphs – see our response to Question 6) may assist auditors in such a consideration.

Fourth and most importantly, we do not understand the role of the hanging sentence (“Law, regulation or professional requirements may define more explicitly the categories of entities in (i) to (iii) above”) at the end of the definition of public interest entity. It is not a definition and appears to be application material, which implies it should not be included in the definition. In any case, we do not believe that law, regulation or professional requirements will define more explicitly the categories in the IAASB standards – they may, however, define the categories in local law, regulation or professional requirements, but that is not relevant to the definition in the IAASB standards other than for the potential requirement we note in our immediately preceding paragraph. However, it is true that local professional requirements may seek to interpret the categories in the IAASB definition for the local jurisdiction, but that does not mean that such requirements “define them more explicitly”, which suggests some form of “deviation” from the IAASB definition that may undermine the definition, rather than requirements with interpretative character. For this reason, we suggest that this sentence be moved to the application material and be changed to read “Local professional requirements may interpret the definitions of public interest entities to determine which types of entities in the local jurisdiction fall within the categories (i)-(iii)”.

Publicly traded entity

We agree with the definition of publicly traded entity with the exception of the following matters.

First, reference is made to financial instruments that are “transferrable and traded”. Such instruments cannot be traded unless they are transferrable and therefore the words “and” and “transferrable” are redundant and can be deleted.

Second, the last sentence represents an example. Under drafting principle 8.1.4 of CUSP, examples should not be included in definitions. For this reason, we believe that this sentence should be moved to the application material of the definition.

We take issue with the table on page 12 of the Explanatory Memorandum, which suggests that entities trading financial instruments in less regulated markets and entities trading on second-tier markets or over-the-counter trading platforms would now be scoped into the definition of publicly traded entity but were previously scoped-out of the definition of listed entity. The current definition of listed entity in ISQM 1 (and previously in ISA 220 prior to its revision) refers to “or are marketed under the regulations of ... other equivalent body”, which has consistently been interpreted within the EU as including less regulated markets and entities trading on second-tier markets or over-the-counter trading platforms. We therefore suggest that any Basis for Conclusions or other implementation guidance issued in relation to this project correct the misperception in the Explanatory Memorandum.

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: [Agree, with comments below](#)

Detailed comments (if any):

We agree that differential requirements for engagement quality reviews should be extended to all entities that meet the PIE definition because this is consistent to the purpose of the differential requirements.

The approach will also promote consistency of application among firms.

In line with our responses to Questions 1 and 2, we believe that the second sentence of paragraph A133 should be deleted.

In the examples in paragraph A134, in the second bullet under “those relating to the types of entities for which engagements are undertaken”, it would be better to refer to “For entities that are not public interest entities, those relating to the types of entities for which engagements are undertaken” to emphasize that the related examples in the sub-bullets relate to entities not covered by the PIE definition. The same applies to the following heading.

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):

Not applicable

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: Agree (with no further comments)

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):

Not applicable

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: Agree (with no further comments)

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):

Not applicable

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: Agree (with no further comments)

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):

Not applicable

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: Agree (with no further comments)

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):

Not applicable

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):

We 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” because the definition of publicly traded entity (with the exception of the matters noted in our response to Question 2) is superior to that for listed entity.

Furthermore, we agree with the proposed way forward set forth in paragraphs 47 to 51 in the Explanatory Memorandum that differential requirements for listed entities in ISA 720 (Revised) relating to other information should NOT be extended to all entities that meet the PIE definition, because we believe that amending the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to PIEs is inappropriate due to the need to fundamentally overhaul ISA 720 (Revised), as described in the Explanatory Memorandum, and that therefore that consideration of the scope of differential requirements

in ISA 720 (Revised) should be undertaken as part of a separate project in the medium term encompassing all necessary changes to that standard.

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: [Disagree, with comments below](#)

Detailed comments (if any):

We do not 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, because PIEs are almost exclusively subject to audits of their annual financial statements – not to reviews under ISRE 2400 or equivalent standards. The fact that only one jurisdiction uses ISRE 2400 for financial statements of banks is, in our view, not a sufficient reason to change ISRE 2400: changing ISRE 2400 for one jurisdiction worldwide is like using a sledgehammer to crack a nut because that one jurisdiction could add a national requirement to its version of ISRE 2400. Consequently, the cost of changing ISRE 2400 for all jurisdictions, which would need to change their versions of ISRE 2400 (whether adopted and translated or otherwise incorporated into national standards) and related guidance and implementation material clearly outweighs the benefits.

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):

Application Material to Paragraph 18A of ISQM 1 and Paragraph 23A of ISA 200

We refer to our response to Question 1 and the consequences of that response to the requirements in paragraph 18A of ISQM 1 and paragraph 23A of ISA 200. In that response, we explain that the requirement in paragraph 18A of ISQM 1 and paragraph 23A of ISA 200 to consider more explicit definitions established by law, regulation or professional requirements could be replaced with a requirement for firms to set policies and procedures (for ISQM 1) and for auditors, in applying such policies and procedures, to consider (for ISA 200) whether entities not defined as PIEs under the IAASB definition but defined as PIEs by law, regulation or professional requirements (and other entities) are to be treated as PIEs for the purposes of the requirements for PIEs in IAASB standards. Given this view, we suggest that following changes to the “attached” application material not already addressed in our response to Question 1.

If the requirement in paragraph 18A of ISQM 1 and paragraph 23A of ISA 200 to consider more explicit definitions established by law, regulation or professional requirements is replaced with a requirement consider whether entities defined as PIEs only by law, regulation or professional requirements are to be treated as PIEs, the points listed in paragraph A29C of ISQM 1 and paragraph A81C of ISA 200 are only relevant in the context of such a consideration. Consequently, the content of this application material should be integrated into that in paragraph A29G of ISQM 1 and paragraph A81G of ISA 200 (the C paragraphs are already referenced in the G paragraphs). In addition, the second bullet in these paragraphs currently refers to regulatory supervision designed to provide confidence that all financial obligations of the entity will be met, which would include obligations to private business partners, whereas only financial obligations to the public need mentioning. Hence the second bullet should be augmented by adding “to the public”.

While the first sentence of paragraph A29D of ISQM 1 and paragraph A81D of ISA 200, noting that law, regulation or professional requirements may use terms other than “public interest entity” to describe entities in which there is a significant public interest in the financial condition, is a statement of fact that is useful in interpreting paragraphs A29C and A81D, respectively, and should therefore be attached to that guidance. The second sentence of paragraph A29D of ISQM 1 and paragraph A81D of ISA 200 suggesting that the requirements in the ISQMs and the ISAs apply to entities that are defined as PIEs by local law, regulation and professional requirements is inappropriate as we set forth in our response to Questions 1 and 2. The sentence also suggests that entities that are PIEs in substance but not in form, are part of the definition, which they are not. We therefore recommend that the second sentence be deleted. The third sentence of paragraphs A29D and A81D is not relevant if the requirement is changed as we propose and should therefore also be deleted.

As we set forth in our response to Question 2, law, regulation or professional requirements do not “explicitly define” the categories set forth in the definitions in IAASB standards and cannot replace or alter the IAASB definitions. At most, professional requirements may seek to interpret the IAASB definition to determine which entities in the local jurisdiction fall within the categories as defined by the IAASB definition. For this reason, we believe that the introductory sentence in paragraph A29E of ISQM 1 and paragraph A81E of ISA 200 as written is inappropriate and ought to be deleted. Consideration could be given to retaining the guidance in the bullet points to these paragraphs to augment paragraph A29G and our proposed requirement to consider whether entities defined as PIEs only by law, regulation or professional requirements (and other entities) are to be treated as PIEs.

Likewise, the first sentence in paragraph A29F and A81F is not relevant and can be deleted. However, the guidance in the bullet points of these paragraphs may also be used as application material to augment paragraph A29G and our proposed requirement to consider whether entities defined as PIEs only by law, regulation or professional requirements (and other entities) are to be treated as PIEs.

Based on our proposals, the first sentence of paragraph A29G and A81G would be replaced by a requirement for firms to set policies and procedures (for ISQM 1) and for the auditor, in applying such policies and procedures, to consider whether entities defined as PIEs by law, regulation or professional requirements (and other entities) are to be treated as PIEs. In addition, the fifth bullet in the “G” paragraphs is too common to be an indicator of a PIE. Many jurisdictions have requirements – often related to labor laws – for the separation of owners or management from those charged with governance. For this reason, the fifth bullet should be deleted.

ISRE 2410

We agree as set forth in the Explanatory Memorandum that amendments to ISRE 2410 should not be undertaken as part of this project, but should be a part of a broader project to overhaul that standard, given that the standard is still in a pre-clarity format and has not been revised since the clarity project.

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: [See comments on translation below](#)

Detailed comments (if any):

We do not have any comments on potential translation issues at the present time.

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: [See comments on effective date below](#)

Detailed comments (if any):

We agree with the preference to coordinate the effective date with the fraud and going concern projects, as long as the timeframe noted below remains the minimum timeframe for implementation.

Given the narrow scope of the changes, we consider the timeframe of 18-24 months after approval of the PIE T2 amendments will be sufficient to support effective local implementation.