

Meeting: IESBA

Meeting Location: Virtual

Meeting Date: January 27, 2023

Agenda Item

1

PIE Rollout – IESBA/IAASB Coordination

Objectives of Agenda Item

1. Regarding Track 1 of the International Auditing and Assurance Standards Board's (IAASB) Listed Entity and Public Interest Entity project ([IAASB PIE Project](#)), to consider:
 - Whether the scope of the transparency requirement (paragraph R400.20) in the [IESBA PIE Revisions](#) should be revised, taking into account the relevant key comments raised by [respondents](#)¹ to the IAASB Exposure Draft, [Proposed Narrow Scope Amendments to ISA 700 \(Revised\), Forming an Opinion and Reporting on Financial Statements and ISA 260 \(Revised\), Communication with Those Charged with Governance](#) (IAASB ED); and
 - Should the IESBA decide to revise paragraph R400.20 of the IESBA PIE Revisions, whether to issue the amendment for exposure.
2. Regarding Track 2 of the IAASB PIE Project, to consider an update from the Working Group² on the IAASB's deliberation of the IAASB PIE Task Force's proposals at the December 2022 IAASB meeting.

IAASB PIE Project

3. In March 2022, the IAASB approved a [project proposal](#) to undertake a narrow-scope maintenance of standards project on the topic of "listed entity and PIE". The project proposal sets out the IAASB's actions to respond to the IESBA PIE Revisions. This project is being progressed on two separate tracks.

¹ Refer to Appendix 2 of **Agenda Item 1-A** for a list of the respondents.

² The Working Group consists of:

- Andrew Mintzer, Chair, IESBA Member
- Richard Huesken, IESBA Member
- Sung-Nam Kim, IESBA Member
- Felicien Muvunyi, IESBA Member
- Luigi Nisoli, IESBA Member
- Yaoshu Wu, IESBA Member

Track 1

4. Track 1 addresses the following project objective:
 - Determine whether the auditor's report is an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied for certain entities when performing an audit of financial statements.
5. At the June 2022 IESBA meeting, the Board expressed support for the IAASB PIE Task Force's:
 - Proposed revisions to International Standard on Auditing (ISA) 700 (Revised)³ to operationalize the new transparency requirement set out in paragraph R400.20 of the IESBA PIE Revisions.
 - Proposed question in the IAASB ED to assist the IESBA with its information gathering to inform its consideration of whether the scope of the transparency requirement in the IESBA PIE Revisions should include review engagements.
6. The IAASB unanimously approved the draft revisions to ISA 700 (Revised) and ISA 260 (Revised)⁴ for exposure at its June 2022 meeting. The IAASB ED also sought respondents' feedback on whether the International Standard on Review Engagements (ISRE) 2400 (Revised)⁵ should be revised to address transparency about the relevant ethical requirements for independence applied for certain entities and, if so, whether the IAASB should use an approach consistent with the one being proposed for the revision of ISA 700 (Revised).
7. Following closure of its comment period, the IAASB received a total of [38 comment letters](#).
8. In March 2023, the IAASB will consider the IAASB PIE Task Force's full analysis of the respondents' feedback and its proposals, which will take into consideration the IESBA's decision regarding the scope of the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions.
9. To facilitate the Board's discussion on the scope of the transparency requirement, **Agenda Item 1-A** includes:
 - The summary of the preliminary analysis by the IAASB Staff⁶ on respondents' feedback regarding the potential revision of ISRE 2400 (Revised) (Q3-4 of the IAASB ED). Refer to **Agenda Items 1-C and 1-D** for the respondents' comments on Q3 and Q4, respectively.
 - An analysis of respondents' feedback regarding existing transparency requirements at national level for review reports (Q5 of the IAASB ED). Refer to **Agenda Item 1-E** for the respondents' comments on Q5.
 - An analysis of the implications of, and the rationale for, maintaining or revising the scope of the transparency requirement.

³ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

⁴ ISA 260 (Revised), *Communication with Those Charged with Governance*

⁵ ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

⁶ Refer to **Agenda Item 1-B**. Information shared by the IAASB Staff on responses to Q3-4 of the IAASB ED was on a preliminary basis. All respondent feedback to the IAASB ED still needs to be reviewed by the IAASB PIE Task Force and will be discussed by the IAASB in March 2023.

- The Working Group’s proposal on (i) whether paragraph R400.20 of the IESBA PIE Revisions should be revised, and (ii) should the IESBA decide to revise paragraph R400.20, whether exposure is necessary.

Track 2 of the IAASB PIE Project

10. Track 2 addresses the remaining objectives of the IAASB PIE Project:

- 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 ISQMs⁷ and ISAs to maintain their interoperability.
- Establish an objective and guidelines to support the IAASB’s judgments regarding specific matters for which differential requirements for certain entities are appropriate.
- 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.

11. In December 2022, the IAASB PIE Task Force presented its proposals under Track 2 for the IAASB’s consideration. The IAASB was generally supportive of the IAASB PIE Task Force’s proposal to adopt, with some refinements, the overarching objective set out in paragraph 400.8 of the IESBA PIE Revisions as well as to adopt the definitions of PIE and “publicly traded entity.” The draft minutes of this meeting are expected to be posted on the [IAASB webpage](#) in late January/early February 2023.

12. In particular, the IAASB agreed:

- To adopt, in the authority of ISQM 1⁸ and ISA 200,⁹ the objective in paragraph 400.8 of the IESBA PIE Revisions for establishing differential requirements for PIEs and a tailored purpose for the objective based on paragraph 400.10 of the IESBA PIE Revisions.
- To include examples in the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines useful for future IAASB projects for identifying when differential requirements for PIEs may be appropriate.
- To extend the differential requirements included in ISQM 1, ISA 260 (Revised), ISA 700 (Revised) and ISA 701¹⁰ for listed entities to apply to PIEs, and to bifurcate paragraph 17 of ISA 260 (Revised) and paragraph 40(b) ISA 700 (Revised) into two parts.
- To defer any discussion of extending the differential requirements included in paragraphs 21 and 22(b) of ISA 720 (Revised)¹¹ until a broader revision of this standard (contemplated as part of IAASB Strategy and Workplan for 2024–2027) is undertaken.

⁷ International Standards on Quality Management

⁸ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*

⁹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

¹⁰ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

¹¹ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

- To include a central list of factors and examples in the authority of ISQM 1 and ISA 200 to evaluate the extent of public interest of an entity, based on paragraphs 400.9, 400.18 A2 and 400.19 A1 of the IESBA PIE Revisions.
- To adopt the definitions of PIE and of “publicly traded entity” set out in the IESBA PIE Revisions into the definitions of ISQM 1, ISA 200 and the Glossary of Terms, and the entire approach to scoping in PIEs as contemplated by the IESBA PIE Revisions.
- With the proposed alignment changes to the introductory and application material in the ISQMs and ISAs as a consequence of extending the differential requirements for listed entities to apply to PIEs and adopting the definitions of PIE and of “publicly traded entity” set out in the IESBA PIE Revisions.

13. The IAASB will pause Track 2 for the moment and plans to resume it in Q1 of 2024.

Action Requested

14. IESBA members are asked to:

- (a) Agree whether the scope of the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions should be amended to specifically exclude review engagements and, if so, whether such amendment should be issued for public exposure; and
- (b) Consider the Working Group’s update on Track 2 of the IAASB PIE Project.

Material Presented

For Discussion

Agenda Item 1-A PIE Rollout – Scope of the Transparency Requirement

For Reference

Agenda Item 1-B Reference Material – IAASB Staff Preliminary Analysis of Q3-4 of IAASB ED

Agenda Item 1-C Reference Material – Comments to IAASB ED Q3

Agenda Item 1-D Reference Material – Comments to IAASB ED Q4

Agenda Item 1-E Reference Material – Comments to IAASB ED Q5