

Meeting: IESBA
Meeting Location: New York
Meeting Date: June 9-12, 2025

Agenda Item

5

PIE Rollout – IAASB Update

Objectives of the Agenda Item

1. To consider an update from the International Auditing and Assurance Standards Board's (IAASB) Program & Senior Director, Willie Botha, on Track 2 of the IAASB Listed Entity and Public Interest Entity project ([IAASB PIE Project](#)).

IAASB PIE Project

BACKGROUND

2. 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 set out the IAASB's actions to respond to the revisions to the definitions of listed entity and PIE in the IESBA Code ([IESBA PIE Revisions](#)). This project was divided into two separate tracks: Track 1 and Track 2.
3. Track 1 addressed the following 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.

The final pronouncement was approved by the IAASB in June 2023.

4. Track 2 addresses the following objectives:
 - 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 ISQMs¹ and ISAs² 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.
5. In March 2023, in view of the IESBA's decision to maintain the scope of the transparency requirement in paragraph R400.20 of the IESBA PIE Revisions for both audit and review engagements, the IAASB

¹ International Standards on Quality Management

² International Standards on Auditing

agreed to revise ISRE 2400 (Revised)³ as part of Track 2 to address transparency about the relevant ethical requirements for independence applied for certain entities, such as PIEs, in the IESBA Code.

6. In December 2023, the IAASB approved the exposure draft (ED-PIE Track 2), [Proposed Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 \(Revised\), as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity \(PIE\) in the IESBA Code](#). The ED-PIE Track 2 was released on January 8, 2024, and the comment period ended on April 8, 2024.
7. At the September 2024 IAASB meeting, among other things, the IAASB PIE Task Force (TF) presented to the IAASB the stakeholder feedback to questions related to the adoption of the objective and purpose for establishing differential requirements for other entities such as PIEs and the adoption of the proposed definitions of PIE and publicly traded entity (PTE).
8. The IAASB PIE TF also highlighted the possible divergence between the IAASB PIE proposals and the IESBA PIE Revisions in the determination of entities that should be treated as PIE. Due to the impact of the divergence on the project objective, the IAASB PIE TF proposed two options for advancing the project:
 - Option 1 (so-called “PTE path”): The adoption of the definition of PTE, as a replacement for listed entity, and the framework for determining other entities that have public interest characteristics into the ISQMs and ISAs, and amending the extant differential requirements to apply to audits of PTEs; or
 - Option 2 (so-called “Conditional path”): The adoption of the definitions of PIE and PTE and the framework for determining other entities that have public interest characteristics into the ISQMs and ISAs, and extending the extant differential requirements to apply to audits of PIEs only when local jurisdictions have adopted and/or further refined the broad categories included in the definition of PIE. This option aimed to align with the IESBA PIE Revisions together with the IESBA clarification regarding the application of the PIE definition in the [IESBA Staff Q&A](#) by incorporating the intent and outcome of both directly in the ISQMs and ISAs.
9. The IAASB noted that whilst it recognizes the value of extending differential requirements to PIEs, based upon a global baseline, in the current environment, it supported Option 1 above. In December 2024, the IAASB further reflected and consolidated its rationale for pursuing Option 1 ([Agenda Item 3](#), Part A of the December 2024 IAASB meeting). The IAASB also confirmed that it remains committed to the key elements of its original proposals that were presented in ED-PIE Track 2 and, therefore, agreed to revisit at a future date the decision to adopt the definition of PIE, aligned with the definition in the IESBA Code, and extending differential requirements to apply to audits of PIEs, when the global adoption and implementation of such definition has sufficiently matured.
10. At the December 2024 IAASB meeting, in reflecting on its position to pursue Option 1 that is different from the position that was presented in ED-PIE Track 2, the IAASB:
 - Agreed that it would be prudent to undertake an additional consultation process to ensure that the IAASB is as clear and transparent as possible with its stakeholders about the IAASB’s final position, rationale and pathway to broader differential requirements; and

³ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

- Unanimously confirmed its agreement with the content of the narrow scope amendments for the PIE Track 2 project, subject to observations from the additional consultation process.
11. In February 2025, the IAASB published the [Post-Exposure Consultation: Invitation to Comment Before the IAASB Finalizes the Narrow Scope Amendments to the ISQMs and ISAs as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code](#) (ITC) for public consultation, with a 45-day comment period which closed on March 27, 2025. The ITC invited respondents to share any observations that might be relevant to the IAASB prior to its finalizing the narrow scope amendments to the ISQMs and ISAs. The ITC also sought feedback from respondents on forward-looking matters.

COORDINATION

12. The IESBA PIE Rollout Working Group⁴ and Staff have closely coordinated with the IAASB PIE TF and Staff throughout the development of the IAASB PIE Project.

NEXT STEPS

13. At the June 2025 IAASB meeting, the IAASB will, among other matters:
- Consider an analysis of respondents' comments to questions from the ITC.
 - Be asked to approve the proposed text set out in Agenda Item 3-A of the [June 2025 IAASB meeting](#).
 - Provide input on the IAASB PIE Project Chair and Staff views and recommendations on the way forward regarding adopting the PIE definition.
14. For details, please refer to the agenda papers posted under Agenda Item 3 of the [June 2025 IAASB meeting](#).

Action Requested

15. IESBA members are asked to consider the IAASB presentation.

⁴ The Working Group consists of:

- Richard Huesken, IESBA Member
- Sung-Nam Kim, IESBA Member
- Luigi Nisoli, IESBA Member