

2 May 2024

International Auditing and Assurance Standards Board

To: Mr. Thomas R. Seidenstein (Chair)

529 Fifth Avenue

New York, NY 10017

USA

Submitted electronically

**Subject: Comments on the IAASB's Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised)**

Dear Mr Seidenstein,

1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB) request for comments on the Exposure Draft of 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. As an international organisation of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high-quality auditing and professional standards, as well as other pronouncements and statements.
2. The IFIAR's objectives are as follows:
  - Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.
  - Promoting collaboration and consistency in regulatory activity.
  - Initiating and leading dialogue with other policy-makers and organisations that have an interest in audit quality.
  - Forming common and consistent views or positions on matters of importance to its members, while taking into account the legal mandates and missions of individual members.
3. The comments we provide in this letter reflect the views expressed by many, but not necessarily all, of the members of the IFIAR. However, the comments are not intended to include, or reflect, all of the views that might be provided by individual members on behalf of their respective organisation.
4. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by the IFIAR,

## Overall comments

5. We welcome the IAASB's initiative aimed at converging definitions and key concepts between the IESBA Code and the ISQMs and ISAs; and reconsidering the applicability and scope of existing differential requirements in the auditing and assurance standards issued by the Board. We especially welcome the increased and continuing co-ordination between the IAASB and the IESBA to support the greatest possible convergence on key concepts. Such convergence facilitates the interoperability of pronouncements made by each board and represent further steps forward in enhancing confidence and public trust in audit and assurance.
6. Our responses to the specific questions raised in the Explanatory Memorandum (EM) accompanying the ED are set out below.

## Detailed Comments

### ***Objective for Establishing Differential Requirements for PIEs***

7. We agree with the proposal to widen the scope of entities covered by some differential requirements in the ISQMs and ISAs.

### ***Definitions of PIE and "Publicly Traded Entity"***

8. We agree with extension of provisions of the ISAs to a wider range of entities through the application of the revised definitions of PIE and "publicly traded entity" into ISQM 1 and ISA 200. This meets the aim of ensuring consistency and alignment of these important concepts between the standards issued by the respective Boards. However, we note the likely persistence of differences in how individual jurisdictions define PIEs.

### ***Differential Requirements in the ISQMs and ISAs***

9. The Exposure draft proposes to extend extant differential requirements to PIEs in the auditing standards as follows:
  - Engagement quality reviews (ISQM 1, paragraph 34(f) in the ED).
  - Communicating with those charged with governance (TCWG) about the firm's system of quality management to PIEs (ISQM 1, paragraph 34(e) in the ED).
  - Communicating on auditor independence to TCWG and in the auditor's report (ISA 260, paragraphs 17-17A, and ISA 700 (Revised) 40(b) in the ED).
  - Communicating KAMs (ISA 700 (Revised), paragraphs 30-31, 40(c); and ISA 701, paragraph 5 in the ED).
  - The name of the Engagement partner (ISA 700 (Revised), paragraphs 46 and 50(l) in the ED).

10. We agree with the substitution of 'listed entity' by 'public interest entity' in the instances identified above. We also agree with the bifurcation of the extant differential requirement in paragraph 17 of ISA 260, and the extension of the requirement to confirm that the engagement team have complied with relevant ethical requirements to apply to all audits of financial statements.
11. However, we do not agree with the proposed removal of the requirement to communicate fee-related matters which currently sits in paragraph 17(a) of ISA 260 (Revised). Fee-related matters are, in our view, an important element to communications with TCWG as part of the performance of an audit of financial statements. Retaining all relevant requirements within the standards will ensure greater consistency for auditors across various jurisdictions where the IESBA code is not adopted, or where it has not been updated to reflect these new requirements in a timely manner.
12. We also do not agree with the proposition to only apply the differential requirements about the other information to "publicly traded entities". While we understand the basis for the approach set out in the ED, we believe that the public interest factors described in paragraph 49 of the EM should be given greater weight. We therefore believe that the extant differential requirements in ISA 720 should be extended to all PIEs because of the inherent levels of public interest in such bodies. Misstatements in the other information may have impacts other than price sensitivity considerations for publicly traded financial instruments, and it is in the public interest to extend these considerations to all PIEs. We would also encourage the IAASB to consider a revision of ISA 720 (Revised) considering the issues noted in the EM, when time and resources allow.

### ***Other General Comments***

13. We agree that an effective date of 18 to 24 months after approval of the narrow scope amendments set out in the ED provides a sufficient period to support their implementation.

Please do not hesitate to contact me or James Ferris, Chair of the IFIAR Standards Coordination Working Group (SCWG), to discuss any of our comments.

Yours sincerely,



Takashi Nagaoka, IFIAR Chair

Cc: Kevin Prendergast, IFIAR Vice Chair  
James Ferris, SCWG Chair,  
Stacy Hammett, SCWG Vice Chair  
Carl Renner, Executive Director