

BRIEFING MEMO  
IAASB  
March 20-24, 2023  
In-Person Meeting

*Disclaimer: This memo is prepared by PIOB staff, in advance of the SSB/CAG meeting, applying their best knowledge and their own judgement in identifying and communicating matters of public interest and due process. PIOB Staff views are discussed with the PIOB observer and the PIOB Board and do not pre-empt further PIOB's views or discussions. The main objectives of this memo are to support the PIOB member in his/her SSB/CAG meeting observation and to help maintaining consistency and continuity of oversight.*

The agenda includes the following items:

- 2 – GOING CONCERN
- 3 – DISRUPTIVE TECHNOLOGY
- 4 – SUSTAINABILITY ASSURANCE (ISSA 5000)
- 5 – SUSTAINABILITY REPORTING UPDATE
- 6 – ISA FOR LCEs
- 7 – LISTED ENTITY AND PUBLIC INTEREST ENTITY (PIE) – TRACK 1

Please refer to the PIOB's Public Interest Issues on the individual IAASB projects, as of December 2022, published in the PIOB website:

[PIOB PI Issues on IAASB Projects December 2022](#)

## 2 - GOING CONCERN

Objective of the project: to revise ISA 570 (Revised), *Going Concern*, to promote consistent practice and behavior to address risks of going concern (GC), establish more robust evaluation of management's assessment of GC and strengthen communication and reporting of related GC matters.

Background: Information gathering activities for the GC project started in 2020, including issuing a Discussion Paper and holding 3 roundtables. The GC Project Proposal was approved in March 2022 and revisions to ISA 570 have been discussed in June, September and December 2022.

Status: The IAASB plans to approve the exposure draft in March 2023.

After the December 2022 meeting, the IAASB decided to delay the finalization of the GC project to ensure the best prioritization of its resources and to align it with the completion of the Fraud project. The IAASB expects now to finalize the project in June 2025.

Notes/key points from the review of the documentation for this meeting

The issues paper (item 2) presents key changes to the ED since December 2022, proposed consequential amendments, other matters relevant for the ED, and matters relevant for the Explanatory Memorandum. Other changes to the ED are explained in item 2-A. The revised ED is provided as item 2-B (marked to December) and item 2-C (clean), and a comparison with extant ISA 570 has been included as reference material (item 2-E). The conforming and consequential amendments are included as item 2-D.

Changes made since December are mostly clarifications and streamlining of drafting, reorganization of some paragraphs to improve the flow, and primarily affect the application material.

It is worth noting that regarding the actions the auditors should take when they find additional events or conditions not identified by management (para. 25 of the ED), the TF has added a (reasonable) first step to *"Discuss the matter with management to understand the effects of those events or conditions on management's assessment of the entity's ability to continue as a going concern"* and then determine whether it is necessary to request management to revise its GC assessment, as well as the need (added "if applicable") to perform additional audit procedures on the revised GC assessment.

The TF has reconsidered some aspects of the conforming and consequential amendments, based on discussions at the December 2022 IAASB meeting, including that there is no need to amend the Auditor's Responsibilities for the Audit of Financial Statements section of the auditor's report in ISA 700 (Revised), and removing proposed consequential amendments to ISRE 2400 (Revised) and ISRS 4410 (Revised).

A 120-days exposure period is proposed, with responses due in September 2023. The implementation period proposed will be approximately 18 months after the final "approval by IAASB" (not PIOB certification, which is usually 3-4 months later).

The matters to be covered in the Explanatory Memorandum include, among others, background for the project, project objectives and how the revisions support those objectives (a helpful matrix is presented in Appendix 2 of the issues paper linking objectives of the project, revisions and PIF qualitative characteristics), auditor's

decision-making process of whether a material uncertainty exist, definition of “material uncertainty”, risk assessment procedures, change to the commencement of the 12-month period, strengthened audit procures, and enhanced transparency. They explicitly mention that the PIF qualitative characteristics will be considered when developing questions for respondents in order to assess the PI responsiveness of the proposals.

### Public Interest Issues

Please refer to the [PIOB’s Public Interest Issues](#) on the Going Concern project, as of December 2022, published in the PIOB website.

### PIOB Staff comments on PI

As stated in previous Briefing Memos, the proposals in the ED should be welcomed as it: i) strengthens the requirements in ISA 570, making more robust the procedures performed by the auditor in evaluating management’s GC assessment and ii) includes an explicit conclusion in the auditor report about the use of the GC assumption, meeting clearly the public interest. The analysis and recommendations take into account stakeholders’ feedback, including comments from the Monitoring Group, as well as the PIOB’s public interest issues.

The use of the PIF qualitative characteristics to assess the different objectives and how the revisions met those objectives (Appendix 2) should also be welcome. We look forward to further engaging with the SSBs on how to apply the PIF to assess the PI responsiveness and also to the public consultation of the ED that should bring in feedback from a broad range of stakeholders.

As noted in our PI issues, the application material that cautions against disclosing “original information” in the auditor report may limit the usefulness of disclosures made by the auditor, especially in “close call” situations. Given that no changes have been made to the guidance in the draft ED (paras. A74, A75), we reiterate our recommendation to consider how to appropriately communicate users of the financial statements relevant and decision useful information in order to reduce the expectation gap.

We will also need to follow up on further developments in relation to the PIE project and whether any differential requirements should be applied to additional entities beyond listed entities (i.e. to all PIEs), which would be in the public interest.

### 3 – DISRUPTIVE TECHNOLOGY

Objective of the project: to enable the IAASB to be prepared for technology disruption transforming audit and assurance and demonstrate how it can respond (with standard setting or non-authoritative guidance) to support audit and assurance quality.

Background and status: In 2020 the IAASB engaged an external vendor, Founders Intelligence, to research and analyze the landscape of innovation in audit and assurance. In January 2021 the research findings were presented to the IAASB with proposed actions. At the end of 2021 a partner from the Big 4 was seconded to the IAASB, to focus on taking the proposed actions forward.

Notes/key points from the review of the documentation for this meeting

The last update on Disruptive Technology was provided at the September 2022 meeting. In that occasion, break-out sessions were organized, with the purpose to identify priority areas and the ways forward.

Research has been conducted and non-authoritative guidance has been issued on the use of automated tools and techniques (e.g. impact on audit documentation, risk assessment, audit planning, risk of overreliance on technology). Market scan publications have continued as well.

The Presentation (item 3-A) includes the actions from the DAG<sup>1</sup>, among which: identify current standards which need to address and include technology; investigate opportunities to integrate technologies into the standards and how to make them more digital.

The presentation includes a diagram on the level of maturity of different technologies used in Audit and Assurance, associated with the usage/impact at auditor's, entity's or both level (e.g. cybersecurity is in a growth stage, with a significant impact on both auditor's and entity's level).

A number of trends are listed, resulting from research and outreach activities.

Technology adoption in audit and assurance is described through three different factors: 1) person (e.g. skills and training, mindset, culture, budget and time pressure); 2) task (e.g. tools to complement professional judgment, automation replacing repetitive tasks); 3) environment (e.g. investment in technologies, audit firm innovation, perception of stakeholders about benefits of technology on audit quality).

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<sup>1</sup> The DAG was established with the aim to provide input and different perspectives to the IAASB. The group is made of 5 technology and digital experts, mainly from North America and Europe.

Polling results on the extent of use of certain technologies by the Forum of Firms (FoF) (and by their audited entities), as well as on benefits on audit quality and barriers to adoption of technology, are depicted in the presentation.

Among the top answers on where, in the audit, technology most benefits audit quality, there are: substantive testing and risk assessment. Fraud and Going Concern are amongst the latest.

As top answers on the barriers to the adoption of technology, there are: cost (time/investment), reluctance to change/mindset, and skills/training.

The most relevant IAASB projects which may be directly impacted by the use of technology are: Audit Evidence, Sustainability and Fraud.

### *Public Interest Issues*

Please refer to the PIOB's Public Interest Issues on Technology, as of December 2022, published in the PIOB website.

### *PIOB Staff comments on PI*

The polling results (obtained from the FoF) about the technology which mostly benefits audit quality or about what represents a barrier to the adoption of technology, should be compared to other perspectives (e.g. regulators). It would be interesting to integrate these answers with the most significant findings reported by regulatory inspections and try to reconcile the differences, especially in terms of main causes/factors which affect audit quality.

The PIOB observer at the September 2022 meeting commented, during the breakout sessions that "the discussion questions seemed oriented to the use of emerging technologies by the auditor, but not on the effects that the use of such technologies by the entities being audited might have on the risks that the auditors need to assess". He also reported in his Observation Memo that "some audit regulators seem concerned about firms developing technology tools without adequate quality control. A discussion with IFIAR would be useful".

In the past we raised a comment about the lack of gender and geographic diversity of the DAG. It would be helpful to know whether the composition has changed in the meantime.

## 4 – SUSTAINABILITY ASSURANCE (ISSA 5000)

Objective of the project: the IAASB is developing an overarching standard for assurance on sustainability reporting with the aim to support the consistent performance of quality sustainability assurance engagements. The standard should be suitable for all sustainability topics and disclosures, neutral from a framework and assurance providers perspective.

Background and Status: the IAASB approved the project proposal for the Sustainability Assurance standard in September 2022 and presented parts of a draft ISSA 5000 in December 2022. At this meeting, the full draft of ISSA will be presented for discussion.

Notes/key points from the review of the documentation for this meeting:

The documentation includes the draft ISSA 5000: requirements in agenda item 4-B (mark-up) and application material (AM) in agenda item 4-C (mark-up). The issues paper (item 4) and the explanation of the significant changes (item 4-A) since the December draft are also included.

ISSA 5000 builds upon ISAE 3000 and ISAE 3410, as well as on ISAs (e.g. 220, 240, 250, 315, 330, 500, 700, 720) and on the Extended External Reporting (EER) guidance, adapted for an overarching standard on sustainability assurance. Requirements, whenever needed, are split, in a tabular format, under Limited Assurance (identified with an “L”) and Reasonable Assurance (identified with an “R”). Additional procedures and work effort are required when performing a reasonable assurance engagement<sup>2</sup>. The AM also reflects the different work effort required in the two types of engagements.

Among the aspects covered/main features in ISSA 5000, we would like to highlight the following (the list is not exhaustive):

- it requires the application of the quality management system;
- it envisages the responsibility of the engagement leader over the engagement, including direction, supervision and work of the engagement team, while it elaborates on the use of experts (internal, external, internal audit) and how the different cases need to be addressed (e.g. how to evaluate their competence and objectivity, as well as the threats deriving from any interests or relationships they may have);

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<sup>2</sup> Just as an example, in a limited assurance, the practitioner is required to understand the “results” of the risk assessment, where in a reasonable assurance, the practitioner is required to understand the “entity’s risk assessment process”. When understanding the entity’s internal controls, in a reasonable assurance, the practitioner needs also to understand the control activities and the entity’s process to monitor the internal control system.

When designing procedures to assess the Risks of Material Misstatements (ROMMs), the practitioner needs to understand the underlying subject matter, the entity and its environment, and the applicable criteria (these elements are required in limited assurance). In addition to that, when performing a reasonable assurance, the practitioner needs to identify and assess the ROMMs due to error or fraud and design further procedures.

- it makes reference to the need of ensuring compliance with ethical requirements (quoting the IESBA Code of Ethics or other frameworks at least as demanding);
- it includes fraud and the relevant risks;
- it includes non-compliance with laws and regulations, requiring to perform procedures to identify such instances;
- it includes the evaluation of the suitability of criteria used;
- it includes audit evidence and the procedures to be performed to obtain sufficient appropriate audit evidence;
- it prescribes the form, content and extent of the documentation; it differentiates the work effort needed in limited and reasonable assurance at the different stages of the engagements (e.g. risks of material misstatements and responses to those risks, understanding the entity and its control environment, determining whether additional procedures are needed);
- it deals with estimates and forward-looking information, differentiating the work effort/procedures between limited and reasonable assurance (requirements 19L and 19R);
- it contains reference to professional skepticism and professional judgment;
- it includes how to conclude on the engagement and how to consider “other information”;
- it prescribes the minimum content of the assurance report.

The issues paper deals, among others, with:

- The definition of “disclosures”, which now refers to “specific sustainability information presented by the entity related to an aspect of a topic” (e.g. metrics/KPIs related to emissions).
- Using the work of others: clarification on who is part of the Engagement Team (i.e. firm personnel; internal experts; another practitioner (within or outside of the network firm) who can be directed, supervised and reviewed); any individuals who perform procedures on the engagement). As external experts are not part of the engagement team, to be able to use their work in a sustainability engagement, the standard requires the engagement team to be sufficiently involved in the work performed by the external expert. When another practitioner has already performed the work, hence it cannot be supervised or directed, similar requirements as in the case of external experts are established, to be able to use the work already performed. A matrix presented in Appendix 3 (item 4) visually explains the different scenarios of individuals involved in the engagement.
- Performance materiality: the definition relates to quantitative disclosures and it aims at addressing aggregation risks. It reads: “*The amount or amounts set by the practitioner at less than the amount considered to be material for quantitative disclosures for purposes of performing procedures on those disclosures*”. The TF discussed whether the concept could be extended to

qualitative disclosures and concluded that “it is most appropriate to focus these concepts on quantitative disclosures, but added AM (Planning paragraph A30A) from the EER guidance to give consideration to the concept of aggregation risk for qualitative disclosures”. (See our points below in the PI issues section).

- Other information: the TF, also upon recommendation of the Reference Group, discussed the need to emphasize responsibilities of practitioners in relation to “other information”, as it may help identify inconsistencies or misstatements towards the sustainability information subject to assurance. The TF concluded to refer to ISA 720 in relation to “other information” obtained after the date of the assurance report, meaning that there is no required procedure for other information obtained after the assurance report date, but the practitioner is not precluded from considering it. (See our points below in the PI issues section).
- Reporting: the TF has considered the recommendation of the Reference Group to meet users’ needs about the assurance report, and the feed-back from the Auditor’s Report post-implementation review (PIR) (i.e. assurance report to be aligned with auditor’s reports for audits of financial statements; lack of support to extend the use of KAMs in the assurance reports). The TF has concluded that: ISA 700 (Revised) should be used as a guide for the assurance reports to ensure consistency; KAMs should not be included, because of concerns raised in the PIR and despite the public interest benefits it may have; the name of the engagement leader will be required for assurance reports of listed entities (unless security threats exist).

The draft standard will be submitted to review, according to CUSP guidelines. The introduction of the standard (addressing the scope and applicability), as well as the Appendix (with illustrative assurance reports), and mapping of requirements, will be prepared for the June meeting. At that meeting the IAASB will also discuss expected approval date, implementation period and effective date.

According to the latest proposals of the Planning Committee, which need to be agreed at this meeting, the ED could be approved in June 2023; comments period would be open in the second half of 2023. Targeted stakeholders’ outreach will be undertaken during the comment period. The final standard could be approved by the IAASB in September 2024, ahead of the date originally scheduled.

The IAASB has conducted intensive outreach with a broad range of stakeholders, including the FSB, IOSCO, the EC, the US SEC, the ISSB, GRI, the Forum of Forms. The two Reference groups<sup>3</sup> have provided their input to inform the relevant IAASB

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<sup>3</sup> One group includes 13 sustainability experts representing the profession, the other includes 9 sustainability experts representing other assurance providers.

proposals. The issues paper makes emphasis on the need to cooperate with the reporting standard setters (e.g. ISSB and GRI). (In this sense, see also agenda item 5).

The IAASB has coordinated with the IESBA and has appointed IAASB-IESBA Liaison members to coordinate the two Sustainability TFs.

In January 2023, a Sustainability Standard Setters Liaison Working Group has also been created, with the aim to monitor developments in the area, provide input and consider assurance implications.

The PIF qualitative characteristics which the development of ISSA 5000 intends to address are: scalability, timeliness, relevance, comprehensiveness, implementability, enforceability.

### Public Interest Issues

Please refer to the PIOB's Public Interest Issues on "Assurance on non-financial information", as of December 2022, published in the PIOB website.

### PIOB Staff comments on PI

*(The numbering of the paragraphs in the AM – item 4-C - will be revised by the TF. The current reference to a specific paragraph of the AM may be misleading as there is more than one with the same number).*

The IAASB needs to be commended for the acceleration of this project and for presenting a full draft of ISSA 5000, ahead of schedule.

The overarching standard is quite comprehensive and complete, as it covers all the aspects of an assurance engagement, from the acceptance of the client to the reporting phase. It embeds the main requirements, taken from ISAE 3000 and ISAs. We have included, above, a list of the main aspects covered by ISSA 5000 (list not exhaustive).

Overall, ISSA 5000 maintains the solid structure and approach of an assurance engagement.

We acknowledge that the standard is still in a draft version, however it is very professional accountant-oriented, maintaining the language which is well known by the profession, but which may be less understandable to other assurance practitioners (e.g. there is still reference to the "underlying subject matter" and other terminology used in ISAE 3000 and other ISAs). Maybe it could be further simplified.

ISSA 5000 retains much of the material of ISAE 3000, though adapted to a sustainability assurance engagement. Stakeholders have criticized ISAE 3000 and there is the risk that ISSA 5000 may not meet the market expectations.

Definitions retain the concepts within the professional accountant realm (e.g. assurance engagement, sustainability information, disclosures, performance materiality). Sometimes they are a bit convoluted or not clear. See for example, the definition of “performance materiality”. The relevant application material (par. A30A) is even more convoluted with the reference to the qualitative disclosures.

It is essential to continue the efforts on the language and concepts used in ISSA 5000. If ISSA 5000 aspires to be used by any assurance provider (not just Professional Accountants), as indicated in the project proposal approved, the IAASB needs to refine the terms and definitions used in the standard, to achieve more clarity/simplicity and adoption from assurance providers beyond the accounting profession. Clarity is not mentioned among the PIF qualitative characteristics which the standard intends to achieve. It would be useful if these efforts to make language profession-neutral were coordinated with the IESBA.

Coordination with the IESBA needs to continue on the different aspects of the two projects, but also to ensure that definitions are consistent and compatible, though they may not be exactly the same because of the different perspectives of the two Boards and their remit.

The TF could clarify what is the expectation with respect to “other information”. As described above, it has concluded that there is no requirement for “other information” to be considered after the assurance reporting date. However, it is not clear what is expected (whether required) to consider before the assurance report date. That piece of information may be relevant and contradict the sustainability information considered by the assurance provider.

The definition of “performance materiality” has been explained above and the TF has debated whether to include “qualitative” aspects, in addition to the “quantitative” perspective that materiality needs to consider. Beside the convoluted definition (and relevant AM, as highlighted above), the definition, as it is today, does not seem to cover the “double materiality” concept, and not just the financial materiality, as the standard is intended to be framework neutral. Some guidance is provided in the AM (parr. A21A, A24, A23). This is specially important for the adoption of the assurance standard in the EU.

Materiality and intended users – the AM (item 4-C, par. A37, page 38) includes the double materiality concept (“... The impact of the underlying subject matter on the entity; The impacts of the entity on the underlying subject matter; or both), but it could be written in a more clear way (e.g. simplifying the wording and not referring to “underlying subject matter”). Materiality is also dealt with in par. A15-A19 (pages 66-67), and examples of intended users are provided in par. A20 and following (page 67) (e.g. consumers, tax payers, indigenous people), who may indirectly be read as an

expansion of the concept of materiality (i.e. double). Qualitative factors of materiality are described in parr. A21A and following.

About the reporting section in the standard, and the decision not to require KAMs, the TF may need to revise that approach. It definitely has its merit to provide such information in the assurance report. Given that KAMs are mandated in auditor's report of listed entities, it would be consistent to include them also in the sustainability assurance report (at least of listed entities) to properly inform the users.

We also wonder whether, overall, the standard is suitable to be applied, and whether it considers enough, the different mindset required for sustainability assurance, i.e. forward-looking and qualitative vs. quantitative information. AM contains guidance on forward-looking information (par. A16).

The Sustainability Standard Setters Liaison Working Group has been created in January 2023. It would be helpful to have information about its composition, as it is not provided in the documentation for the meeting.

Given the ISSB's announcement, and the fact that the European Sustainability Reporting Framework will be effective in 2024, the IAASB's work on ISSA 5000 becomes even more relevant. We acknowledge the constant adaptation of the IAASB, in terms of prioritization and resource allocation, which has resulted in an updated timeline of the project and an expected completion date, which has been anticipated before the end of 2024.

We support the acceleration of the project, being aware that this may mean a further revision in the work plan and timing of other projects.

In previous BMs we had commented that *"There is lack of geographic diversity in the composition of the two reference groups. Both have a prevalence of representatives from Asia-Oceania, North America, Europe and UK. The group including experts representing the profession comprises one member from Central and South America and one from Africa-Middle East, while the group including other experts lacks that geographical representation"*. It would be helpful to know whether there is any update on the composition of the Reference Groups.

## 5 – SUSTAINABILITY REPORTING UPDATE

This session will deal with the presentations on the Sustainability Reporting (ISSB, GRI, EFRAG), given that ISSA 5000 is intended to be framework neutral, and should therefore considers the work done by those standard setters. It will also deal with the

State of Play on Assurance (by IFAC). A cover note is provided (item 5), with the planned agenda for the session.

## 6 – ISA FOR LCEs

Objective of the project: to develop a stand-alone ISA for audits of financial statements of LCEs.

Background and Status: in response to the comments to the ED and feed-back gathered at the international conference in May 2022, the IAASB had previously discussed specific parts of the ISA for LCEs. The ED for Part 10 (Group Audits) was approved in December 2022 and is currently open for comments (due in May 2023). At this meeting, the TF will propose targeted parts revised/redrafted of the standard.

### Notes/key points from the review of the documentation for this meeting

The TF will be presenting its proposals (item 6) on targeted parts of the ISA for LCEs redrafted (item 6-B, marked-up), including Parts from 2 to 6 and requirements related to Accounting Estimates. An Explanation of Significant Changes is provided in agenda item 6-A.

Among the most significant topics presented in the issues paper (item 6)<sup>4</sup> and/or changes to the ISA for LCEs, there are the following:

- Part 2 – Audit Evidence and Documentation: the TF has considered concerns about proportionality raised by stakeholders. It has concluded that, allowing more judgment on the documentation, would not achieve the same audit quality as when applying the full suite of ISAs and would not be perceived positively, especially by regulators. The TF suggests applying the principles of clarity, consistency and compliance (deriving from the CUSP), to determine whether documentation is required.
- Part 3 – Engagement Quality Management: the TF retains the need to understand the monitoring and remediation process even in an LCE, which may be less formal, but needs to be in place. For the threats to compliance with ethical requirements, the TF proposes adding EEM.
- Part 5 – Planning: EEM has been added about using the work of experts (including management’s experts and evaluation of their work). EEM has been

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<sup>4</sup> Main changes occurred to the ISA for LCEs from previous discussions include: revisions in the Authority to prohibit the application of the standard in case of involvement of Component Auditors (CAs), except in limited circumstances (i.e. when physical presence of CAs is needed for specific group audits procedures); group specific qualitative characteristics to be considered in addition to LCEs characteristics and to be applied to the business units/single entities; revisions related to the proportionality of the standard (e.g. in terms of documentation requirements); simplification and more clarity in the understanding of the entity’s system of internal controls, combined identification and assessment of Risk of Material Misstatements (ROMMs).

expanded on materiality and how to determine it. Going Concern requirements were moved to Part 6.

- Part 6 – Risk Identification and Assessment: the presumption of fraud risk in revenue recognition has been reverted, according to the direction from the IAASB and discussions for the Fraud project. Par. 6.4.2. now reads: “In identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks”.
- Accounting Estimates (parr. 7.4.18 and following): based on the feed-back received, accounting estimates are now proposed to be included in the scope of the standard. The TF intends to strengthen requirements, though reducing their complexity, and allowing the use of ISA for LCEs when the entity has accounting estimates. Changes proposed in the requirements and EEM include: alignment with the structure of ISA 540 (testing approaches and procedures to obtain sufficient appropriate audit evidence); enhancement of the EEM to support the requirements (e.g. appropriateness of method used by management, significant assumptions and data used); disclosures (e.g. “requirement for the auditor to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement at the assertion level for disclosures related to an accounting estimate”); EEM on obtaining audit evidence from events occurring up to the date of the auditor’s report.
- Reasoning for not including a separate Part in ISA LCEs with the requirements from the ISA 800-series. ISA 800 (Revised) deals with special considerations in the application of the ISAs to an audit of financial statements that are prepared in accordance with a special purpose framework (vs. audits of general-purpose financial statements).

The IAASB plans discussing the full proposed ISA for LCEs (except Part 10) at the June 2023 meeting, with the aim to approve the final one in December 2023.

Coordination is ongoing with the Definition of Listed Entities and PIE TF and with the IESBA, for the implications that such definition has on the Authority of the ISA for LCEs. Outreach will continue with the Reference Group and other stakeholders.

### Public Interest Issues

Please refer to the [PIOB’s Public Interest Issues](#) on ISA for LCEs, as of December 2022, published in the PIOB website.

### PIOB Staff comments on PI

The TF has been responsive to the feed-back received to the ED and through the outreach. The drafting of a separate Part 10 on Group Audits, the revisions of the Authority section (including qualitative characteristics and quantitative thresholds to be set at jurisdictional level), inclusion of accounting estimates, are examples of that responsiveness, and are aimed at addressing the concerns raised since the inception of the project.

The changes occurred in the standard should allow more clarity and help its application. Scalability and proportionality need to be balanced, especially when aiming at maintaining the same level of assurance and same level of audit quality when applying the ISA for LCEs. The TF has proposed some simplification in the standard.

The current timing of the project, with a parallel work on Part 10 (currently exposed), and the advancement of the remaining parts of ISA for LCEs, should allow a timely completion, as planned, by the end of 2023.

We keep supporting this project, for the potential it has in addressing/preventing jurisdictional fragmentation.

## 7 – LISTED ENTITY AND PUBLIC INTEREST ENTITY (PIE)

Objective of the project: This narrow scope project originated from the IESBA's project to review the definitions of Listed Entity and Public Interest Entities (PIE) in the Code of Ethics, with a key objective to achieve convergence between concepts in the Code and ISAs.

Background & status: The IESBA approved its final pronouncements in the Code in December 2021 (approved by the PIOB in April 2022). The IAASB approved a project proposal to address PIE matters in its March 2022 meeting which is being developed in two phases or tracks:

- Track 1 (fast moving) addressing transparency of independence requirements applicable to PIEs (with a proposed effective date aligned with IESBA's PIE pronouncement of December 15, 2024) – The IAASB approved an exposure draft (ED) in June 2022 and will discuss feedback in March 2023, with a view to approve the final pronouncement in June 2023.
- Track 2 addressing convergence of concepts between the Code and ISAs and other matters, to be finalized by June 2025 (delayed from September 2024 to ensure the best prioritization of its resources). This track will not be discussed in the current meeting.

Notes/key points from the review of the documentation for this meeting

The issues paper (item 7) provides an overview of comments received to the ED and the TF's preliminary views. The revised ED is provided in item 7-A. Detailed responses have been included, split by question (items 7-B.1 to B.6) and in tabled format (item 7-C.1 to C.6).

The ED received 38 responses, of which 2 from Monitoring Group (MG) members (IOSCO and IFIAR) and from CEAOB. As usual, the majority of responses come from the profession (either Professional and Accounting Organizations or Firms).

Key matters discussed include:

- Disclosures in the auditor report (ISA 700 (Revised) and communications to those charged with governance (ISA 260 (Revised)) - There was overall support for the key proposals, that are: i) disclosure in the auditor's report, ii) conditional requirement to disclose in the auditor's report when the differential requirements require public disclosure, and iii) application material to communicate with those charged with governance the application of differential independence requirements. It is noted that both MG members (and CEAOB) preferred an unconditional requirement to disclose in the auditor report and that the revisions to ISA 260 (Revised) were made as requirements rather than application material.
  - ☐ The TF proposes to keep the proposals unchanged, as it considers that there is enough support for the use of the auditor report and believes the conditional requirement is a proportionate approach. Some clarification and alignment changes have been included in ISA 700 (Revised) based on feedback.
  - ☐ For the revisions to ISA 260 (Revised), the TF considers that the proposals under track 2, discussed in December, will eliminate the concern raised by the MG respondents (elevate to a requirement- see Appendix 3 of Item 7).
- Interim reviews - There were mixed views about revising ISRE 2400, but if a revision is considered, the majority of respondents supported following a similar approach to that of ISA 700 (Revised). In respect to ISRE 2410, IESBA considered the comments to the ED and agreed in February 2023 to retain the scope of the requirement applicable to both audits and reviews, and potentially include a question and answer in the staff Q&A document.
  - ☐ The TF proposes to address the revisions to ISRE 2400 (consistent with those proposed now for ISA 700 (Revised) as part of Track 2. They also acknowledge that a revision to ISRE 2410 has been included as a potential project for the next strategy period.

There was support to the need to align the effective date of the revisions with those of the IESBA PIE pronouncements, i.e. December 15, 2024.

*Public Interest Issues*

Please refer to the [PIOB's Public Interest Issues](#) on the PIE project, as of December 2022, published in the PIOB website.

*PIOB Staff comments on PI*

Overall, the proposals in the ED, and primarily the requirement to use the auditor's report as the mechanism to achieve the public disclosure required by the Code, are in the public interest. An unconditional requirement could achieve greater consistency across the globe, but we acknowledge the arguments supporting conditional disclosures.

We also acknowledge the decision to address the revisions required for interim reviews in ISRE 2400 under track 2, without waiting for a full revision of the standard. Given that the instances will be rare in practice, it is considered a reasonable approach.

We note that the IESBA will need to follow up on how to address situations where the auditor report is not publicly available, as the revisions envisaged by IAASB will not address the requirement in the Code to "publicly disclose".