

Briefing Memo
IESBA
January 27, 2023
Virtual Meeting

1 – PIE ROLL-OUT

Objective: The objective of the meeting relates to the development of the IAASB's PIE project and will focus on transparency requirements for review engagements (track 1 of IAASB's PIE Project). IESBA will be asked to consider whether para. 400.20 of the Code should be revised to exclude review engagements from the transparency requirements (effectively limiting the requirement to disclose the application of PIE differential requirements to audit engagements).

The working group will also provide an update on the discussions held by the IAASB in December 2022 (for further details refer also to IAASB OM December 2022). It is noted that this track will be paused until Q1 2024.

Background and status: The IESBA approved the PIE 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 March 2022. In June 2022, the IAASB issued an ED on its transparency proposals.

Given that the Code provisions apply to both audit and review engagements, but the ISAs only cover audit engagements, the ED included several questions related to the need to address transparency in reviews under ISRE 2400 (reviews performed by an auditor different from the audit of the financial statements), and how this would be achieved. The IAASB's ED received 38 comment letters (including two MG members, IFIAR and IOSCO), that will be discussed by the IAASB in March 2023.

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

The working group provides a *preliminary analysis* prepared by IAASB's staff of the responses to questions that affect the matter stated above (item 1-B). These are questions 3-5 of the ED; they also provide detailed responses of each of the respondents to these questions (items 1-C to E).

The IESBA's working group analysis and proposals is presented in agenda item 1-A:

- The respondents show mixed views about whether the IAASB should revise ISRE 2400 (although a majority seems to support it to some degree) and acknowledgement that the circumstances when this ISRE would apply would be rare. In addition, there seems to be support to apply a consistent approach with

the one in audit (i.e. conditional requirement to disclose in the review report). Finally, based on the responses, existing transparency requirements for review engagement at national level are limited to three countries: Australia, NZ and USA. None of the MG comments on these aspects.

- The working group provides arguments for each option: a) keeping the para. 400.20 of the Code as is (i.e. applicable to both audits and reviews) or b) amending para. 400.20, limiting the disclosure requirement to audit engagement (i.e. excluding review engagements). The working group concludes that the Code should not be amended, as the current requirement meets public interest objective of ensuring consistency across engagements and the disclosure is relevant for both audits and reviews. They believe that addressing any concerns should be a matter of the PIR. The working group also suggests to include a clarification in the Q&A document for the PIE implementation, that when the auditor is the same for the audit and interim review, and they have already complied with the requirement in the audit report, there is no need to duplicate the disclosure in the interim review report.
- If the IESBA decides to go with option B and amend para. 400.20, the working group considers that the amendment should undergo public exposure to meet due process, as this was not specifically addressed in any of the EDs (IESBA's or IAASB's).

Public Interest Issues

There are no current PIE issues raised in respect of IESBA PIE project, as it was already finalized. There are specific PI issues raised in respect of the IAASB's PIE project.

Please refer to the PIOB's Public Interest Issues on the individual IAASB's projects, as of December 2022 (not yet published).

PIOB Staff comments on PI

The proposals of the working group go in the right direction, putting the public interest and heightened expectations over PIE audits (and reviews) at the center of the discussion. The analysis performed, providing the rationale that would support each of the options, allows to properly assess them and determine how each argument is considered. It should be noted that some of the arguments for option B (amending the Code) are quite weak, such as the fact that only a small number of jurisdictions require disclosures in the report for review engagement; the Code should be inspiring and innovative and not follow what jurisdictions are already doing.

Based on the arguments provided and the feedback received, it does not seem that there would be support and it would not be in the public interest to limit the application of the public disclosure requirement to only audit engagements. As noted



in para. 40 of the paper, changing para. 400.20 "*may be perceived as IESBA moving backwards from a public interest perspective*".