



International Auditing and Assurance Standards Board (IAASB)  
529 Fifth Avenue  
New York, 10017  
USA

8 April 2024

**Re: Comment letter relating to the IAASB's Exposure Draft on Proposed Narrow Scope Amendments to:**

- **International Standards on Quality Management;**
  - **International Standards on Auditing; and**
  - **International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements**
- as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code**

Dear Mr. Seidenstein,

1. The Committee of European Audit Oversight Bodies (CEAOB) appreciates the opportunity to comment on the IAASB's ("Board") exposure draft on **Proposed Narrow Scope Amendments to: • International Standards on Quality Management; • International Standards on Auditing; and • International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code (hereafter "ED")**, issued in January 2024. As the organization representing the audit regulators of the European Union and the European Economic Area, the CEOB encourages and supports continuing improvement of professional standards for the audit profession.
2. The content of this letter has been prepared by the CEOB International Auditing Standards Sub-group and has been adopted by the CEOB. The comments raised in the letter reflect matters agreed within the CEOB. It is not intended, however, to include all the comments that might be provided by the individual regulators that are members of the CEOB and their respective jurisdictions.
3. This response builds on previous comments raised by the CEOB in its letter dated 3May 2021<sup>1</sup> on the IESBA's exposure draft on Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code (hereafter "**comment letter for IESBA**").

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<sup>1</sup> [https://finance.ec.europa.eu/document/download/0232c333-b2de-4e74-8c60-46c96b6950c0\\_en?filename=210503-ceaob-comment-letter-iesba\\_en.pdf](https://finance.ec.europa.eu/document/download/0232c333-b2de-4e74-8c60-46c96b6950c0_en?filename=210503-ceaob-comment-letter-iesba_en.pdf)





## General comments

4. In examining the ED, the CEAOB focused on the provisions in the ISQMs and ISAs, excluding the ISA 800 series. As a result, this letter does not make any comments on the ISA 800 series or on ISRE 2400 (Revised).
5. The CEAOB welcomes the IAASB's initiative to coordinate with the IESBA to achieve convergence in the concept of Public Interest Entity (hereafter "**PIE**") and Publicly Traded Entity (hereafter "**PTE**"). As the IESBA Code of Ethics (hereafter "**Code**") is used in several European jurisdictions, and as various audit firms and networks have voluntarily committed to complying with the Code, the CEAOB clearly sees an interest in enhancing such convergence.
6. The CEAOB agrees that the differential requirements for certain entities in the ISQMs and ISAs include more than one rationale and address broader matters than auditor independence. In particular, the CEAOB agrees that heightened expectations of stakeholders regarding the audit engagement for a PIE could be met by requiring engagement quality reviews, providing transparency to intended users of the audit report and increasing communication to those charged with governance.
7. The CEAOB further supports extending the differential requirements that are proposed to be applied to listed entities per IAASB's exposure drafts on Proposed ISA 570 (Revised 202X) *Going Concern* and Proposed ISA 240 (Revised) *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements to PIEs*. This comment is aligned with the CEAOB's letter dated 24 August 2023<sup>2</sup> on the IAASB's exposure draft on Proposed ISA 570 (Revised 202X) *Going Concern*.

## Definition of PIE and PTE

### General

8. In our comment letter for IESBA, the CEAOB drew the IESBA's attention to the need to further align its proposed revised list of PIEs with the one used in the European Union ("EU") as well as to align the definition of PTE with that of the equivalent category set out in article 2.13 (a) of the Directive 2006/43/EC (amended by Directive 2014/56/EU) ("Audit Directive"). Appendix 1 to this comment letter presents more prominently the differences between both definitions. In particular, the EU definition in article 2.13(a) only applies to entities with a listing on a regulated market, while the proposed PTE definition is wider.
9. This comment is particularly relevant in relation to the proposed amendments to the ISQMs and ISAs, particularly those instances where it is proposed to apply the extant requirements for 'listed entities' to the new PIE definition, such as the requirement for an engagement quality review in paragraph 34(f)(i) of ISQM 1. Indeed, national standard setters in the EU, who decide to use the definition of PIEs provided by the European legislation instead of the IESBA and IAASB's definition of PIEs, will limit the scope of PIEs, especially for the entities referred to in article 2.13 (a) of the Audit Directive, that is only

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<sup>2</sup> [https://finance.ec.europa.eu/system/files/2023-08/230824-ceaob-comment-letter-iaasb\\_en.pdf](https://finance.ec.europa.eu/system/files/2023-08/230824-ceaob-comment-letter-iaasb_en.pdf)

those listed on a regulated market. This will have the consequence of lessening the requirements in the ISQMs and ISAs for entities with a listing on an unregulated market in those jurisdictions.

10. While national standard setters in the EU may choose to use the IESBA's and IAASB's definition of PTEs alongside the EU PIE definition in their national standards equivalent to ISQM1 and the ISAs, the PTEs that are outside the scope of the EU PIE definition, i.e. those that are not listed on a regulated market, might only be subject to those requirements in the revised ISQM 1 and ISAs that apply to PTEs only (i.e. the differential requirements in ISA 720 (Revised)).

#### *Definition of PIE*

11. The proposed definition of PIE in paragraph 16(p)A of ISQM1 and paragraph 13(l)A of ISA 200 states that "*Law, regulation or professional requirements may define more explicitly the categories of entities in (i) – (iii) above.*" For avoidance of doubt and for clarity, this statement should clearly mention that in such cases the national definition of PIE is applicable.
12. In this context, the language used in paragraph 18A of ISQM1 and 23A of ISA 200 is unhelpful as it states that the firm shall '*consider*' the definitions set at national level, which implies that the IAASB's definition may take precedence and must be applied in all cases.
13. The last paragraph of the PIE definition in ISQM1 and ISA 200 should be cross referenced to the Application and Other Explanatory Materials A29D, E and F for ISQM1 respectively A81D, E and F for ISA 200.
14. The Application and Other Explanatory Materials could be set out in a more logical order. In particular, paragraphs A29D, E and F for ISQM1 and A81D, E and F for ISA 200 should be moved after paragraph A29B of ISQM1 respectively A81B of ISA 200.
15. In paragraph A29G of ISQM1 and A81G of ISA 200, the third bullet point should be corrected to delete the word "*not*" in the sentence: "*Whether the entity has been specified as **not** being a public interest entity [...]*".
16. In paragraph A29G of ISQM1 and A81G of ISA 200, it is unclear how an entity's corporate governance arrangements as set out in the penultimate bullet point may impact the consideration as to whether an entity should be treated as a PIE.
17. The language in paragraph A133 of ISQM1 should be amended to clarify, consistent with the PIE definition stated in paragraph 16(p)A, that law, regulation, or professional requirements may also define the PIE categories more explicitly and may add categories of PIEs.

#### *Definition of PTE*

18. The definition of PTE still mentions the term "listed entities" ("*A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity*"). As the definition of PTE will replace the definition of listed entities and as the latter will disappear, it seems confusing to continue using the term "listed".



## Examples in ISQM1

19. The first example mentioned in the box under paragraph A166 states “*The nature of the identified deficiency: The firm’s procedures to understand the root cause(s) of an identified deficiency may be more rigorous in circumstances when an engagement report related to an audit of financial statements of a ~~listed~~ publicly traded entity was issued that was inappropriate or the identified deficiency relates to leadership’s actions and behaviors regarding quality.*” The CEAOB believes that this also applies to PIE and the term PTE in this example should be replaced by PIE.

## Communication with those charged with governance (ISA 260 Revised)

20. The ED proposes to move part of the requirement in paragraph 17A(a) to application material paragraph A29A, explaining that updating ISA 260 (Revised) to better align with the IESBA Code is duplicative and creates complexities and confusion if the requirements in the IAASB standards do not fully address all requirements in the IESBA Code dealing with communication with those charged with governance. However, we draw the IAASB’s attention to the fact that some jurisdictions have not endorsed the IESBA Code and as a consequence, deleting the explicit requirements and only referring to the IESBA’s Code in the application material would reduce the differential requirements applicable in those jurisdictions.
21. The CEAOB believes that the required communication with those charged with governance should be in writing. As such, the CEAOB proposes to modify paragraph 19 of ISA 260 (Revised) as follows “*The auditor shall communicate in writing with those charged with governance.*” and to remove paragraph 20 of ISA 260 (Revised).
22. It should be clarified whether all the requirements of the ISQM1 and ISAs relating to PIEs must be applied if the auditor decides to treat an entity as a PIE as set out in paragraph A29G of ISQM1 and A81G of ISA 200. Indeed, confusion could arise while reading paragraph A32 of ISA 260 (Revised) that explains “*the communication requirements relating to auditor independence that apply in the case of public interest entities may also be appropriate in the case of some entities other than public interest entities. On the other hand, there may be situations where communications regarding independence may not be relevant [...]*”

## Name of the engagement partner in the Independent Auditor’s Report

23. The IAASB proposes to extend the extant differential requirements for the name of the engagement partner be disclosed in the auditor’s report to apply to all PIEs (reference ISA 700 (Revised) paragraph 46). The CEAOB agrees with this extension to PIEs as a minimum but furthermore believes the name of the engagement partner(s) should be required in all instances regardless of the type of entity subject to the audit at stake.



## Contents of Independent Auditor's Report

24. In the example of the Independent Auditor's Report to ISA 700 (Revised), the amendments include the statement that the auditor provided those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence. This statement should be included in all examples of the Independent Auditor's Reports.

## Other information (ISA 720 Revised)

25. The IAASB has decided not to amend the existing differential requirements for listed entities in paragraphs 21(a) and 22(b)(ii) of ISA 720 (Revised) to apply to PIEs. Based on the rationale mentioned in articles 36, 48 and 49 of the Explanatory Memorandum, the CEAOB does not understand why such rationale does not apply also to PTEs.
26. Furthermore, the CEAOB draws the IAASB's attention to the fact that some European jurisdictions have clarified that all other information required by law or regulation shall be obtained before the date of the auditor's report to enable the auditor to perform the required procedures before the date of the audit report and to report in compliance with the requirements of the laws, regulations, and ISA 720 (Revised).
27. Therefore, the CEAOB is of the view that the auditor should obtain the other information before the date of its audit report and should not be required to perform additional procedures on other information obtained after the date of the auditor's report, nor should (s)he be required to include specific information in the audit report on other information the auditor will receive and consider after the date of the report.
28. The CEAOB believes the risk that a material misstatement in the other information may undermine the credibility of the financial statements and of the auditor's report is covered by paragraph 22 (b) (ii) of ISA 720 (Revised) according to which the auditor is required to clearly indicate in the audit report the other information that has been obtained and considered before the date of the audit report.

Please do not hesitate to contact me or the Chair of the CEAOB International Auditing Standards Sub-group should you have any questions on the content of this letter.

Yours faithfully,

Patrick Parent

Chairman






### Appendix 1 – Definition of PIEs according to EU and IAASB

<b>Definition of PIE as per article 2.13 of the EU Directive 2006/43/EC, amended by Directive 2014/56/EU:</b>	<b>Definition of PIE as per IAASB’s Exposure Draft on Proposed Narrow Scope Amendments to:</b> <ul style="list-style-type: none"><li>• <b>International Standards on Quality Management;</b></li><li>• <b>International Standards on Auditing; and</b></li><li>• <b>International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code:</b></li></ul>
Entities governed by the law of a <b>Member State</b> whose transferable securities are admitted to trading on a <b>regulated market</b> of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;	A publicly traded entity (i.e. an entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.)
Credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council (16), other than those referred to in Article 2 of that Directive;	An entity one of whose main functions is to take deposits from the public;
Insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC;	An entity one of whose main functions is to provide insurance to the public
Entities designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.	An entity specified as such by law, regulation or professional requirements related to the significance of the public interest in the financial condition of the entity
	Law, regulation or professional requirements may define more explicitly the categories of entities in (i)–(iii) above.



COMMITTEE OF  
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