

**RESPONSE  
TEMPLATE FOR  
THE ED OF  
PROPOSED  
NARROW SCOPE AMENDMENTS TO ISQMs, ISAs AND ISRE 2400  
(REVISED)**

**Guide for Respondents**

Comments are requested by **April 8, 2024**.

This template is for providing comments on the Exposure Draft (ED) of proposed Narrow Scope Amendments to the International Standards on Quality Management (ISQMs), the International Standards on Auditing (ISAs) and the International Standard on Review Engagement (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code, in response to the questions set out in the Explanatory Memorandum (EM) to the ED. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
  - Respond directly to the questions.
  - Provide the rationale for your answers. If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
  - Identify the specific aspects of the ED that your response relates to, for example, by reference to sections, headings or specific paragraphs in the ED.
  - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the

public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the ED [web page](#) to upload the completed template.

**Responses to IAASB’s Request for Comments in the EM for the ED, 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**

**PART A: Respondent Details and Demographic information**

|  |   |
|--|---|
| Your organization’s name (or your name if you are making a submission in your personal capacity)   | Australian Auditing and Assurance Standards Board (AUASB)   |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above)   | Doug Niven – AUASB Chair  |
| Name(s) of contact(s) for this submission (or leave blank if the same as above)  | Matthew Zappulla<br>See Wen Ewe   |
| E-mail address(es) of contact(s)   | <a href="mailto:mzappulla@auasb.gov.au">mzappulla@auasb.gov.au</a><br><a href="mailto:sewe@auasb.gov.au">sewe@auasb.gov.au</a>  |
| Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option. | <a href="#">Asia Pacific</a>  |
|  | If “Other”, please clarify  |
| The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.                             | <a href="#">Jurisdictional/ National standard setter</a>  |
|  | If “Other”, please specify  |
| Should you choose to do so, you may include information about your organization (or yourself, as applicable).  | The Auditing and Assurance Standards Board (AUASB) is an independent, non-corporate Commonwealth entity of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards. |

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to the ED).

**Information, if any, not already included in responding to the questions in Parts B and C:**

## PART B: Responses to Specific Questions in the EM for the ED

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

### Objective for Establishing Differential Requirements for PIEs

1. Do you agree with establishing the overarching objective and purpose for establishing differential requirements for PIEs proposed in paragraphs A29A–A29B of ISQM 1 and paragraphs A81A–A81B of ISA 200 in the ED? If not, what do you propose and why?

(See EM Section 1-B, paragraphs 13-18)

Overall response: [Agree \(with no further comments\)](#)

Detailed comments (if any):

### Definitions of PIE and “Publicly Traded Entity”

2. Do you agree with adopting the definitions of PIE and “publicly traded entity” into ISQM 1 and ISA 200 (see proposed paragraphs 16(p)A–16(p)B of ISQM 1 and paragraphs 13(l)A–13(l)B of ISA 200 in the ED)? If not, what do you propose and why?

(See EM Section 1-C, paragraphs 19-26)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

*The AUASB agrees with adopting the definitions of “public interest entity” (PIE) and “Publicly Traded Entity” as this supports convergence and consistency with the IESBA. However, adopting those definitions does not necessarily mean that the differential requirements should be extended to apply to PIEs, these are two mutually exclusive matters. Refer to our responses in Questions 3A and 3D for more details.*

### Differential Requirements in the ISQMs and ISAs

- 3A. Do you agree with the IAASB’s proposals for extending the extant differential requirements for engagement quality reviews to apply to PIEs (ISQM 1, paragraph 34(f) in the ED)?

(See EM Section 1-D, paragraphs 27-40 and Appendix 1)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

*The AUASB supports extending the extant differential requirements for EQRs from listed entities to PIEs. The AUASB notes that when applying a risk-based approach under ISQM 1, many PIEs should already be identified for an EQR. By requiring EQRs for all PIEs, low-risk PIEs will be included. Proportionately more low-risk PIE audits are performed by smaller audit firms and sole-practitioners, who may face resourcing issues. If these proposals are adopted, the IAASB should consider a longer transition time to implement the changes.*

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):** N/A

3B. Do you agree with the IAASB's proposals for extending the extant differential requirements for communication with TCWG about the firm's system of quality management to apply to PIEs (ISQM 1, paragraph 34(e) in the ED)?

*(See EM Section 1-D, paragraphs 27-38 and Appendix 1)*

**Overall response:** Agree (with no further comments)

**Detailed comments (if any):**

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):**

3C. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating about auditor independence to apply to PIEs (ISA 260 (Revised), paragraphs 17 and 17A, and ISA 700 (Revised), paragraph 40(b) in the ED)?

*(See EM Section 1-D, paragraphs 27-38 and 41-45 and Appendix 1)*

**Overall response:** Agree (with no further comments)

**Detailed comments (if any):**

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):**

3D. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating KAM to apply to PIEs (ISA 700 (Revised), paragraphs 30-31, 40(c) and ISA 701, paragraph 5 in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 46 and Appendix 1)

**Overall response:** Disagree, with comments below

**Detailed comments (if any):**

In December 2022, the AUASB conducted an Auditor Reporting Post Implementation Review (PIR) and issued a Discussion Paper Expanding Key Audit Matters beyond listed entities seeking feedback to inform the AUASB whether to expand the scope of reporting KAMs in Australia. The key themes in the feedback received from Australian stakeholders were:

- All stakeholders supported the continued requirement of communicating KAMs in the auditor's report for listed entities only.
- There was no support for requiring the communication of KAMs for entities other than listed entities in the absence of clear evidence that there would be benefits for users. Stakeholders acknowledged that it is difficult to gather this evidence.
- Several stakeholders pointed out that ISA 701 currently permits auditors of non-listed entities to voluntarily report KAMs, but this is done infrequently because KAMs are not considered valuable for such entities.
- Whilst KAMs are not mandatory in the public sector, a number of public sector audit offices in Australia have adopted the reporting of KAMs for certain entities that they audit, noting they are an effective tool for increasing the transparency of auditors in the conduct of their work.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

**Detailed comments (if any):**

The requirement to communicate KAMs should only apply to **Publicly Traded Entities**.

3E. Do you agree with the IAASB's proposals for extending the extant differential requirements for the name of the engagement partner to apply to PIEs (ISA 700 (Revised), paragraphs 46 and 50(I))?

(See EM Section 1-D, paragraphs 27-38 and Appendix 1)

**Overall response:** Agree (with no further comments)

Detailed comments (if any):

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

4. Do you agree with the IAASB's proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to "publicly traded entity"? If not, what do you propose and why?  
(See EM Section 1-D, paragraphs 47-51)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

*The AUASB agrees with the position of the IAASB in not expanding extant ISA 720 differential reporting requirements to PIEs given existing practical issues. However, some Australian stakeholders have commented that applying ISA 720 (Revised) to publicly traded entities may potentially create confusion, complexity and inconsistent application in practice as there will be two groups for differential requirements (i.e. PIEs and publicly traded entities)..*

*Proposed Revisions to ISRE 2400 (Revised)*

5. Do you agree with the new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code? If not, what do you propose and why?  
(See EM Section 1-E, paragraphs 52-57)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

*The AUASB considers that transparency in the review report about the relevant ethical requirements should be consistent with the revisions to the IESBA Code, however this revision should be part of a holistic revision of the full standard.*

*ISRE 2410 is widely used in Australia and we recommend that ISRE 2410 and ISRE 2400 are revised.*

*Other Matters*

6. Are there any other matters you would like to raise in relation to the ED? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

**Overall response:**     [No \(with no further comments\)](#)

**Detailed comments (if any):**



## Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

7. Translations—Recognizing that many respondents may intend to translate the final narrow scope amendments for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED.

**Overall response:** [No response](#)

**Detailed comments (if any):**

8. Effective Date—Given it is preferred to coordinate effective dates with the fraud and going concern projects, the IAASB believes that an appropriate effective date for the narrow scope amendments would be for financial reporting periods beginning approximately 18-24 months after approval of the final narrow scope amendments for Track 2. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the narrow scope amendments for Track 2 of the listed entity and PIE project.

**Overall response:** [See comments on effective date below](#)

**Detailed comments (if any):**

*We support the coordination of effective dates with the fraud and going concern projects. However, as per our response to Question 3A smaller audit firms and sole practitioners may need a longer transition time if the differential requirements for EQR are expanded to PIEs.*