

# 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)	WPK
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Dr. Michael Hüning
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Jan Langosch / Steffen Branz
E-mail address(es) of contact(s)	<a href="mailto:jan.langosch@wpk.de">jan.langosch@wpk.de</a> <a href="mailto:steffen.branz@wpk.de">steffen.branz@wpk.de</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="#">Europe</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="#">Member body and other professional organization</a>
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	Wirtschaftsprüferkammer (WPK) is a corporation under public law, whose members are German public accountants, German sworn auditors, German public audit firms and German firms of sworn auditors in Germany. As the representative of the entire profession of auditors in Germany WPK represents their professional interests towards the public and articulates these interests towards lawmakers, competent courts and other authorities.

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:**

**General Comments:**

Dear Tom,  
Dear Sir or Madam,

The WPK strongly supports the IAASB's project to revise the definitions of listed entity and public interest entity (PIE) and appreciates the extensive coordination between the IAASB and the IESBA on this project in order to achieve the main objective to harmonize the definitions and concepts of listed entities and PIEs in the IESBA Code and in the IAASB standards to maintain their interoperability and to avoid any potential confusion of the users.

We would like to address one aspect that we consider to be of fundamental importance:

The European Union already has a robust legal definition of PIE and links sophisticated professional and technical requirements to this definition. EU legislation refers to listed entities, but does not include companies traded on secondary markets (cf. Directive 2006/43/EC, Art. 2 (13) in conjunction with the definition of "regulated market" in Directive 2004/39/EC Art. 4 No 1 (14)). The German Commercial Code (§§ 264d, 319a HGB) refers to "capital market-oriented companies" which do not include companies traded on secondary markets either. It is essential that the users can rely on this definition. Therefore, the final decision what constitutes a PIE must be left to supra-national or national regulation which would take precedence over the IAASB definition.

In this context, we would like to point out that the term "publicly traded entity" also covers companies traded in secondary markets. In accordance with the proposed definition of a public interest entity, "Law, regulation or professional requirements may define more explicitly the categories of entities in (i)–(iii) above". This also relates to the term "publicly traded entity". Furthermore, the proposed A29E in ISQM 1 as well as A81E of ISA 200 explicitly state that "law, regulation or professional requirements may more explicitly define these categories, by for example: Making reference to specific public markets for trading securities ...".

We interpret this in a way that such reference may also result in a restriction to specific markets which, for instance, may exclude less regulated markets like over-the-counter transactions. However, an unmistakable clarification to this extent is needed or a clear statement that the definition of PIE can ultimately be based on national professional regulation, if available.

Best regards,

WP/StB Dr. Michael Hüning  
Chief Executive Officer

WP Jan Langosch  
Senior Manager Accounting & Auditing

## 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 comments below](#)

#### **Detailed comments (if any):**

Paragraph A29D in the application material to ISQM1 states that “Law, regulation or professional requirements may use terms other than “public interest entity” to describe entities in which there is a significant public interest in the financial condition (see paragraph A29B).” In this context, it does not seem to be clear what “may use terms” mean. If this relates to paragraph 16. (p)A (iv) “An entity specified by such as law ...”, a clear reference to this paragraph would be helpful. Otherwise, a clarification would be required.

### *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 WPK principally welcomes the harmonization of the definitions of PIE and “publicly traded entities” between the IESBA Code and the mentioned IAASB standards.

With regard to the interaction with national regulation, reference is made to our general comments above.

### *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 \(with no further comments\)](#)

#### **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)?
<b>Detailed comments (if any):</b>

3B. Do you agree with the IAASB's proposals for extending the extant differential requirements for <u>communication with TCWG about the firm's system of quality management</u> to apply to PIEs (ISQM 1, paragraph 34(e) in the ED)?  (See EM Section 1-D, paragraphs 27-38 and Appendix 1)
<b>Overall response:</b> <u>Agree (with no further comments)</u>
<b>Detailed comments (if any):</b>
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)?
<b>Detailed comments (if any):</b>

3C. Do you agree with the IAASB's proposals for extending the extant differential requirements for <u>communicating about auditor independence</u> 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)
<b>Overall response:</b> <u>Disagree, with comments below</u>
<b>Detailed comments (if any):</b>

Apart from extending the extant differential requirements for communicating KAM to apply to PIEs, paragraph 17 of ISA 260 and paragraph 40 (b) of ISA 700 (Revised) include another proposed change by deleting the words “For audits of financial statements of listed entities”. This would extend the extant requirements for the auditor to provide those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence from audits of financial statements of listed entities to all audits of financial statements.

We disagree to include a new and additional requirement for non-PIEs in the proposed narrow scope amendments since such a new requirement is not related to the harmonization of the IAASB standards with the revisions to the definitions of listed entities and PIE in the IESBA Code. Although there may be an interrelationship with the new requirement in paragraph 16A of ISA 260 (Revised) that was approved in Track 1 of the project, the requirement in paragraph 17 is not identical with it. Therefore, even if the requirement in paragraph 16A applies to all audit engagements this does not necessarily need to be the case for requirement 17 that has been restricted to listed entities until now.

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:** [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):**

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 comments below](#)

**Detailed comments (if any):**

We expressly agree with the proposal that the name of the engagement partner shall be included in the auditor's report. This has always been in line with German practice for all reports on audits of financial statements.

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 \(with no further comments\)](#)

**Detailed comments (if any):**

*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:** [Disagree, with comments below](#)

**Detailed comments (if any):**

We do not see the need to revise the requirements and application material in ISRE 2400 because an at all noticeable case of practical application is hardly conceivable. In paragraph 57 of the explanations, the IAASB points out that reviews of PIE's historical financial statements under ISRE (Revised) 2400 are rare in practice and that only one case for a regulatory reporting requirement was reported as a result of IAASB's

information gathering process with the NSS. Therefore, we suggest not to include the proposed additional requirement 86. (j)A and the related application material into ISRE 2400 in order not to cause any confusion for the vast majority of users.

#### *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:** [Yes, with comments below](#)

#### **Detailed comments (if any):**

In the proposed new requirement 23A of ISA 200, the last sentence reads “In doing so, the auditor shall follow the firm’s related policies or procedures.”. This would mean that any non-compliance with the firm’s policies or procedures would automatically constitute a non-compliance with ISA 200. Since it is rather unusual to include such requirement to follow the firm’s procedures into an IAASB standard, we suggest to omit the last sentence. Otherwise, if this sentence was meant to be an explicit permission to consider and follow the firm’s related policies or procedures, the phrase “the auditor shall follow” should be amended to the wording “the auditor shall take responsibility to follow” or “the auditor shall (or may) also consider the firm’s related policies or procedures.”

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

#### **Detailed comments (if any):**