

## 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)	The Malta Institute of Accountants
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Amanda Zammit
E-mail address(es) of contact(s)	azammit@miamalta.org
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).	

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):** Agree with the principle.

### *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):** We agree with the IAASB objective to seek consistency and alignment of important concepts and definitions used in the IESBA Code and IAASB standards. This will avoid confusion. We therefore agree with the adoption of the new definitions into ISQM 1 and ISA 200, and the Glossary of Terms.

### *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 proposed changes by the IAASB are understandable and a very detailed assessment of these changes and the need thereof have been presented within this ED.

It is clear that extending the extant differential requirements in the ISQMs and ISAs to apply to PIEs should enhance the overall quality and reliability of financial reporting, which is particularly crucial for entities with significant public interest implications.

However, it may also increase compliance burdens for both auditors and PIEs, especially for small/micro-PIEs or specific PIEs with reduced risks and exposures.

It is also a fact that the current ISQM1 already requires an Engagement Quality Control Review (EQCR) in cases where:

- audits or other engagements for which an engagement quality review is required either by law or regulation; or
- the firm determines that an EQCR is an appropriate response to address one or more quality risk(s).

To this effect, the current requirements for undertaking an EQCR are already broader than for listed entities.

The above ties with the risk-based approach introduced by ISQM 1. Hence, following this principle and the concept of scalability, whilst the applicability of an EQCR to PIEs would in most cases be a step forward in achieving better quality, assurance and reliability to the audit process, the IAASB could introduce provisos which could cater for exceptions based on:

1. tailoring the EQCR process to the specific needs and risks of PIEs, considering factors such as size, complexity and public interest significance; and
2. implementing a risk-based approach where the frequency and scope of EQCRs are determined based on the PIE's characteristics and inherent risks, for example by applying EQCRs intermittently.

This will hence introduce an assessment of cost versus benefit, which would typically vary depending on the size, complexity and public interest significance of each entity falling within scope of this extended requirement.

Ultimately, any alternative should aim to strike a balance between enhancing audit quality, minimising undue burden, and promoting consistent application globally. This may involve additional stakeholder consultation and collaboration among standard-setting bodies, regulators and industry representatives.

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):** Not applicable

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): Not applicable**

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 comments below](#)

**Detailed comments (if any): This is important for alignment and convergence.**

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): Not applicable**

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 comments below](#)

**Detailed comments (if any): Communicating KAM will provide more information to stakeholders.**

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): Not applicable**

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

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

**Detailed comments (if any): This is important for transparency purposes.**

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): Not applicable**

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): We agree with the Board's proposal to replace "listed entity" with "publicly traded entity" in this case and to defer consideration of extending this requirement to audits of all PIEs until a future revision of ISA 720 (Revised).**

*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):** We agree with the decision to add a 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. The new requirement addresses the misalignment in the disclosure of independence requirements between audit and review engagements. However, with respect to ISRE 2410, we disagree with the IAASB's decision not to amend ISRE 2410, notwithstanding the IAASB's rationale for not doing so, as this creates a significant risk of non-compliance with an IESBA Code requirement.

*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:** [No response](#)

**Detailed comments (if any):**