

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)	Mazars
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Jean-luc Barlet
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Phil Minnaar
E-mail address(es) of contact(s)	Phil.Minnaar@mazarsusa.com
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.	Global
	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.	Accounting Firm
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	See below.

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:

Mazars welcomes the opportunity to comment on the International Auditing and Assurance Standards Board’s (IAASB or the Board) Exposure Draft of proposed narrow scope amendments to ISQMs, ISAs and ISRE 2400 (Revised).

Mazars is a leading international audit, tax and advisory organization, operating as a united partnership. Founded in Europe, we have grown into a global, connected partnership of over 47,000 professionals - 30,000 in our integrated partnership, 17,000 via the Mazars North America Alliance - with a presence in

over 95 countries and territories, working seamlessly as one integrated team across borders, services and sectors.

MAZARS is a member of the IFAC Forum of Firms, and thus fully supports, for more than 16 years, the initiatives of IFAC IAASB, IESBA, Forum of Firms and Transnational Auditors Committee, as well as those of the regulators in these areas of common concern for public interest, in promoting high quality standards as part of the international roll-out of audit engagements. All MAZARS firms and correspondents are committed to support and apply those initiatives.

We are dedicated to contributing to society in the best possible way, whether through providing quality services to our clients to help them achieve sustainable growth, enabling our talented people to reach their highest potential, or contributing to the public debate with positive insights for the future.

Should you want to get further information, you can refer to our Group Transparency 2021-2022 report [Group transparency report 2021/2022 - Mazars Group](#)

We would be pleased to discuss our detailed comments submitted hereafter with you and remain at your disposal, should you require further clarification or additional information.

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):

1. We support the overarching objective and purpose for establishing differential requirements for PIEs, subject to our concerns about the meaning of certain terms, including the consequences of relevant guidance, as noted in our response to question 2.

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):

2. We are broadly supportive of the definitions of PIE and publicly traded entity, subject to our concerns about:
 - a. The potential consequences of the guidance included in paragraph A29D of ISQM1 (copied in paragraph 2(a)(iii) for reference).
 - i. With specific reference to the last sentence, clarification is sought, or may be required, as to who takes ownership of whether the requirements (relevant to PIEs) apply in the particular circumstances. We are not convinced that this question is adequately addressed by the proposals of the Exposure Draft. It is our conclusion that the Exposure Draft delegates a significant amount of judgment across various stakeholders and jurisdictions that are likely to inform and interpret unique decisions and conclusions about an entity’s classification as a PIE. More importantly, we found it challenging to align the results of this approach with standards or requirements that are principles-based that result in the consistent understanding and effective application of the ISAs. Needless to say, we are concerned about whether this approach serves the public interest benefit of making the IAASB’s expectations clear to all users of its standards.
 - ii. As also noted in our response to the equivalent Exposure Draft of the IESBA issued in January 2021, we do not support an approach which consists of a wide definition of PIE with an additional expectation that such definition should be further tailored to meet the particular needs of local jurisdictions, regulators and/or audit firms. We respectfully question

the rationale of an approach that is likely to facilitate a high degree of unintended consequences, including substantial and likely scenarios of varying or inconsistent interpretations that may be based on similar data sets, facts or circumstances. Moreover, we believe this approach may be contradictory to the public interest objective to achieve convergence between the relevant definitions, including the key concepts underlying such definitions, as used in the revisions to the IESBA Code and the ISQMs and ISAs. To the contrary, we believe this may add to the confusion and may also be detrimental to the users' perception and understanding of audit engagements and reports.

iii. Extracts from paragraph A29D in ISQM1:

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). The requirements in the ISQMs that are relevant to public interest entities also apply to such entities. However, if law, regulation or professional requirements designate entities as “public interest entities” for reasons unrelated to the significant public interest in the financial condition of the entities, the requirements for audits of financial statements of public interest entities in the ISQMs may not necessarily apply to such entities.

- b. The meaning of the term “financial condition,” as used in the objective and definition of PIE. Without a definition, and as the term is not used elsewhere in accounting or auditing standards, there is a possibility that interpretation of the term will differ.
 - c. The meaning of the term “taking on financial obligations to the public as part of an entity’s primary business,” as used in the application material to explain the extent of public interest. The meaning of the term is not clear and there is a possibility that interpretation of the term will differ.
3. We wish to also caution against the assertion that the enhancement of auditor independence standards is directly driving a change in auditor behavior that will result in a quality audit being performed.
4. Specific comments with respect to application material (these comments relate to both question 2 and question 6):

Reference:	Extract:	Comment:
ISQM1 paragraphs A29E & A29F	<p>A29E.</p> <p>The categories set out in paragraph 16(p)A(i)–(iii) are broadly defined and law, regulation or professional requirements may more explicitly define these categories, by for example:</p> <ul style="list-style-type: none"> • Making reference to specific public markets for trading securities. • Making reference to the local law or regulation defining banks or insurance companies. • Incorporating exemptions for specific types of entities, such as an entity with mutual ownership. • Setting size criteria for certain types of entities. <p>A29F.</p>	<p>We question the premise or inclusion of this criteria in ISQM 1 (including the equivalent requirements in ISA 200), given it is NOT intended to drive behavior or decisions of firms or auditors.</p>

Reference:	Extract:	Comment:
	<p>Paragraph 16(p)A(iv) anticipates that those responsible for setting law, regulation or professional requirements may add categories of public interest entities to meet the purpose described in paragraph A29B, and may consider the matters in paragraph A29C in doing so. Depending on the facts and circumstances in a specific jurisdiction, such categories may include:</p> <ul style="list-style-type: none"> • Pension funds. • Collective investment vehicles. • Private entities with large numbers of stakeholders (other than investors). Not-for-profit organizations or governmental entities. • Public utilities. 	
<p>ISQM1 paragraph A29G and ISA 200 paragraph A81G</p>	<p>A29G and A81G:</p> <p>The firm may determine that it is appropriate to treat other entities as public interest entities for the purposes of the ISQMs. When making this determination, the firm may consider whether it treated an entity as a public interest entity for purposes of applying relevant ethical requirements, including those related to independence. In addition, the firm may consider the matters set out in paragraph A29C as well as the following factors:</p> <ul style="list-style-type: none"> • ... • Whether the entity has been specified as not being a public interest entity by law, regulation or professional requirements. 	<p>We question whether this bullet is required (i.e., could it be redundant?).</p>
<p>ISQM1 paragraph A29G and ISA 200 paragraph A81G</p>	<p>A29G and A81G:</p> <p>The firm may determine that it is appropriate to treat other entities as public interest entities for the purposes of the ISQMs. When making this determination, the firm may consider whether it treated an entity as a public interest entity for purposes of applying relevant ethical requirements, including those related to independence. In addition, the firm may consider the matters set out in paragraph A29C as well as the following factors:</p> <ul style="list-style-type: none"> • ... • The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management. 	<p>We question the meaning of this bullet or guidance. What considerations would lead to these factors giving rise to a PIE? E.g., is the entity a PIE because those charged with governance are distinct from the owners or management. And if so, is this a reasonable assessment?</p>
<p>ISQM1 paragraph A29G and ISA 200 paragraph A81G</p>	<p>A29G and A81G:</p> <p>The firm may determine that it is appropriate to treat other entities as public interest entities for the purposes of the ISQMs. When making this determination, the firm may consider whether it treated an entity as a public interest entity for purposes of applying relevant ethical requirements, including those related to independence. In addition,</p>	<p>We suggest that these two bullets (or guidance) are consolidated, or reordered, to sequentially follow as they appear to be related points.</p>

Reference:	Extract:	Comment:
	<p>the firm may consider the matters set out in paragraph A29C as well as the following factors:</p> <ul style="list-style-type: none"> • ... • Whether in similar circumstances, the firm has applied the differential requirements for public interest entities to other entities. • ... • Whether in similar circumstances, a predecessor firm has applied differential requirements for public interest entities to the entity. 	

<p><i>Differential Requirements in the ISQMs and ISAs</i></p> <p>3A. Do you agree with the IAASB’s proposals for extending the extant differential requirements for <u>engagement quality reviews</u> to apply to PIEs (ISQM 1, paragraph 34(f) in the ED)?</p> <p>(See EM Section 1-D, paragraphs 27-40 and Appendix 1)</p>
<p>Overall response: <u>Agree (with no further comments)</u></p> <p>Detailed comments (if any):</p>
<p>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)?</p>
<p>Detailed comments (if any):</p> <p>n/a</p>

<p>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)?</p> <p>(See EM Section 1-D, paragraphs 27-38 and Appendix 1)</p>
<p>Overall response: <u>Agree, with comments below</u></p> <p>Detailed comments (if any):</p> <p>As also alluded to in question 8, the IAASB’s proposals for extending differential requirements to PIEs would likely also affect other or ongoing IAASB projects. For example, IAASB standards currently under revision include ISA 240 (Fraud) and ISA 570 (Revised) (Going concern), both of which include differential requirements related to listed entities.</p>

To illustrate, we are concerned that non-listed PIEs may not be subject to local or regulatory requirements to communicate information relating to, for example, fraud or going concern to the market and entity stakeholders. Consequently, the auditor may become responsible to communicate or provide such information through the auditor's report, while such information is excluded from the scope of required entity management communications.

This may also impact the appropriate effective date for the narrow scope amendments (as recognized in question 8).

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

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):

n/a

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):

In principle, we believe that the extension of the applicability of KAMs is reasonable given the level of interest from stakeholders (particularly investors). However, we believe the definition of PIEs is too wide for this particular requirement and may be a challenge for many audit firms and entities.

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 IAASB may wish to consider limiting the reporting of KAM requirements to the following entities only:

- A publicly traded entity;
- An entity one of whose main functions is to take deposits from the public; and
- An entity one of whose main functions is to provide insurance to the public.

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):

n/a

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: [Agree, with comments below](#)

Detailed comments (if any):

- a. We are of the opinion that the extension of the requirements to ISRE 2400 appears reasonable, based on the reasons provided in the IAASB's Exposure Draft.
- b. However, in the same vein, we believe that the same reasons or arguments would also apply to ISRE 2410, especially as interim review engagements using ISRE 2410 are common for Listed entities/PIEs in many jurisdictions. We therefore question the decision to exclude the provisions of the Exposure Draft from ISRE 2410, despite still being in pre-clarity format. In our view, this only further demonstrates the urgency as to why ISRE 2410 should be updated as soon as possible. E.g., The Financial Reporting Council UK has extended Going Concern requirements on ISRE 2410 engagements.

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):

- a. Please see our comments in response to question 2 relating to specific application material paragraphs.
- b. Please see our response to Question 3B, noting that the IAASB's proposals for extending differential requirements to PIEs would likely also affect other or ongoing IAASB projects.

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: [See comments on translation below](#)

See our comments elsewhere regarding definitions and clarity of the proposals. Where there is potential inconsistency in terminology and/or interpretation this may give risk to difficulties in translation. It is important that the proposals are clear to enable effective translation.

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):

Please see our response to Question 3B, noting that the IAASB's proposals for extending differential requirements to PIEs would likely also affect other or ongoing IAASB projects. As noted, this may impact the effective date.