



13 February 2025

To: **Members of the Hong Kong Institute of CPAs**  
**All other interested parties**

**INVITATION TO COMMENT ON INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB) POST-EXPOSURE CONSULTATION OF TRACK 2 OF THE LISTED ENTITY AND PIE PROJECT**

**INVITATION TO COMMENT BEFORE THE IAASB FINALIZES THE NARROW SCOPE AMENDMENTS TO THE ISQMS AND ISAS AS A RESULT OF THE REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE IESBA CODE**

*Comments to be received by 10 March 2025*

The Hong Kong Institute of Certified Public Accountants' (Institute) Auditing and Assurance Standards Committee (AASC) is seeking comments on the IAASB's *Post-Exposure Consultation: Invitation to Comment Before the IAASB Finalizes the Narrow Scope Amendments to the ISQMs and ISAs as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code*.

This consultation sets out the IAASB's final position, rationale, and pathway to broader differential requirements relating to the definitions of listed and public interest entities (PIEs) in the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs). The IAASB's final position is different from the position that was presented in the [Exposure Draft of the IAASB PIE Track 2 Project](#) (ED-PIE Track 2) due to a divergence issue between the IAASB PIE proposals and the [IESBA PIE Revisions](#). The IAASB's Post-Exposure Consultation provides stakeholders the opportunity to familiarize themselves with the identified divergence issue and how this has informed the IAASB as it advanced the IAASB PIE proposals, including the IAASB's rationale in arriving at its final position.

The IAASB's pre-final narrow scope amendments to the ISQMs and ISAs are set out in Appendix 1 of the Post-Exposure Consultation document. These amendments should be read in conjunction with the discussions in the document, which are available on the Institute's website at: <https://www.hkicpa.org.hk/en/Standards-setting/Standards/Open-for-comment-documents/Auditing-and-Assurance>

Questions for respondents are included in the "Invitation to Comment to IAASB Stakeholders" section of the Post-Exposure Consultation document to solicit feedback on specific matters.

**HKICPA Analysis: Potential Impact of the IAASB's Post-Exposure Consultation**

The IAASB's Post-Exposure Consultation amends the differential requirements for audits of listed entities in ISQMs and ISAs to apply to publicly traded entities (PTEs). It also adopts the definition of PTE for the ISQMs and ISAs, which is fully aligned with the definition in the IESBA Code. This approach differs from the proposals in ED-PIE Track 2, which extended the differential requirements to PIEs.

Table 2 of the IAASB's Post-Exposure Consultation document summarizes the differential requirements applicable to the audits of listed entities that have been amended to apply to



PTEs. These requirements include, among others, engagements subject to an engagement quality review; communication with those charged with governance about the system of quality management and auditor independence; and communication of key auditor matters.

In the extant IAASB standards and IESBA Code, there is a pre-existing difference where the IAASB standards do not have a PIE definition. If the IAASB finalizes its proposals from the Post-Exposure Consultation, the extant differential requirements in the ISQMs and ISAs that apply to listed entities (or that will apply to PTEs going forward) will not be extended to apply to PIEs. In practice, for a firm that applies both the IAASB standards and the IESBA Code, the firm will determine PIEs for which it will be required to comply with the incremental independence requirements relating to PIEs in the IESBA Code. However, since the IAASB standards will not have a PIE definition, the firm or auditor would not necessarily be required to apply the differential requirements in the ISQMs and ISAs to the audits of those same entities. For example, assuming that a jurisdiction has adopted both the IESBA Code and the ISAs, the fact that an insurance company in that jurisdiction is determined to be a PIE for purposes of the relevant ethical requirements, including those related to independence, will not affect the application of the requirements in the ISAs (e.g., to communicate key matters in the auditor's report for audits of PTEs), other than for those entities who are PTEs under the ISAs.

If the IAASB finalizes its proposals from the Post-Exposure Consultation, and upon adoption by the AASC without any "add on" to the IAASB requirements, it is expected that the implication to Hong Kong practitioners would be similar to that as described in the paragraph above.

Regardless of the IAASB's final conclusion, auditors of entities categorized as PIEs in the HKICPA Code, including non-PTE PIEs, will remain subject to the additional independence requirements specified for PIEs in the HKICPA Code.

### **How to Comment on this IAASB Post-Exposure Consultation**

In accordance with the Institute's due process, comments are invited from any interested party and the Institute would like to hear from both those who do agree and those who do not agree with the contents of this Post-Exposure Consultation.

Comments should be supported by specific reasoning and should be submitted in written form. To allow your comments to be considered, comments are requested by the due date shown above.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department  
Hong Kong Institute of Certified Public Accountants  
37/F., Wu Chung House  
213 Queen's Road East  
Hong Kong

Fax number (+852) 2865 6603  
E-mail: [commentletters@hkiipa.org.hk](mailto:commentletters@hkiipa.org.hk)

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.