Post-Exposure Consultation

Prepared by the Staff of the International Auditing and Assurance Standards Board® (IAASB)

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

FEBRUARY 2025

COMMENTS DUE: MARCH 27, 2025

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International Auditing and Assurance Standards Board
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About the IAASB

This document has been prepared and approved by the International Auditing and Assurance Standards Board. It does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the International Standards on Assurance Engagements or other of the IAASB's International Standards

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

Purpose of This Post-Exposure Consultation

The consultation period for the Exposure Draft (ED) of the IAASB PIE Track 2 project,[1] *Proposed Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 (Revised),[2] as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code*, closed in April 2024 (ED-PIE Track 2). The IAASB considered the analysis and summary of the comment letters received, as well as input from additional outreach, coordination and information-gathering activities at its September 2024 (see Agenda Item 7) and December 2024 (see Agenda Item 3) meetings. At these meetings, the Board deliberated on the feedback received, issues identified and the views and recommendations of the PIE Task Force.

The Board unanimously confirmed on December 12, 2024, their agreement with the content of the narrow scope amendments for the PIE Track 2 project, subject to the final consultation process as set out in this Post-Exposure Consultation (herein referred to as the "pre-final narrow scope amendments to the ISQMs and ISAs") (see Invitation to Comment on page 8-9, and relevant background and information about the IAASB's considerations and rationale in concluding on these pre-final narrow scope amendments on pages 10-25).

The pre-final narrow scope amendments to the ISQMs and ISAs are set out in Appendix 1 (pages 26-80) and Tables 1 and 2 below provide an overview of the amendments.

The Board agreed to undertake an additional consultation process to ensure that the IAASB is as clear and transparent as possible with its stakeholders about the Board's final position, rationale, and pathway to broader differential requirements, which is set out in this Post-Exposure Consultation. Subject to observations from stakeholders that are relevant to the IAASB in finalizing the narrow scope amendments to the ISQMs and ISAs, the Board is satisfied that the content in **Appendix 1** represents its final position and intends to vote on the approval of these narrow scope amendments at its June 2025 meeting.

The Board's final position is different from the position that was presented in ED-PIE Track 2 as is evident from the overview in the Table 1 below. Although the Board remains committed to the key elements of its original proposals that were presented in ED-PIE Track 2 (the IAASB PIE proposals), the change in position was necessitated by the identification of an issue of divergence between the IAASB PIE proposals and the IESBA PIE revisions.[3] This divergence was highlighted by a discussion at the March 2024 IESBA meeting (see Agenda Item 8) to reaffirm IESBA's view through clarifying which entities a firm should treat as PIEs for purposes of the firm complying with the IESBA Code (the IESBA clarification).[4] See **Section III** for a discussion of the divergence issue.

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1 The IAASB's narrow scope maintenance of standards project on listed entity and public interest entity (PIE) addresses various actions for the IAASB's standards in respect of recent revisions to the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) as a result of IESBA's project on the definitions of listed entity and PIE. Track 1 of the IAASB project was completed in June 2023. Track 2 focuses on amending the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs) as a result of the revisions to the definitions of listed entity and PIE in the IESBA Code (see IAASB project page).

2 International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statement*

3 See the Final Pronouncement: *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*

4 At the March 2024 IESBA meeting, the IESBA Staff presented its proposals to add a question in the IESBA Staff Questions & Answers – Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code (IESBA PIE Q&A) to clarify the

The March 2024 IESBA discussion occurred shortly before the close of the comment period for ED-PIE Track 2 on April 8, 2024. Although some respondents specifically highlighted the issue of divergence in their comment letters to the IAASB, the Board also recognizes that not all stakeholders may have been aware of that discussion or have fully appreciated the implications of the divergence between the IAASB PIE proposals and the IESBA PIE revisions read together with the IESBA clarification.

This Post-Exposure Consultation provides stakeholders the opportunity to familiarize themselves with the identified divergence issue and how this has informed the Board in advancing the IAASB PIE proposals, including the Board's rationale in arriving at its final position.

Table 1: Overview of the IAASB's final position compared with the elements of the proposals in ED-PIE Track 2

Key elements of the IAASB PIE Proposals in ED-PIE Track 2	The Board's final position as confirmed in December 2024 (differences compared to ED-PIE Track 2 is in BOLD text)	Paragraphs in the pre-final narrow scope amendments in Appendix 1
Sections I-II of this document provide relevant context	***Sections III-IV of this document provide relevant context***	
Establish an overarching objective and purpose for differential requirements in the ISQMs and ISAs. This applies to PIEs (which include 'publicly traded entities' (PTEs)) Also include a framework for when it may be appropriate to apply such requirements to other entities. This applies to entities other than PIEs.	Incorporated the overarching objective and purpose in the Introduction sections of ISQM 1 (for the ISQMs) and ISA 200 (for the ISAs). **This applies to PTEs only (see below, the PIE definition has not been adopted)**. In addition, the framework is addressed in application material to the above Introduction paragraphs. **This applies to entities other than PTEs.**	ISQM 1,[5] paragraphs 5A, 5B, A2A-A2E ISA 200,[6] paragraphs 2A, 2B, A13A-A13E
Adopt of a definition of Public Interest Entity (PIE) that provides a global baseline that could be	**The definition of PIE has not been adopted for the ISQMs and ISAs.**	n/a

IESBA's position that, for this specific project, compliance with the IESBA Code by firms means first and foremost compliance with local laws and regulations, whatever they may be at the time of the audit report. In September 2024, IESBA Staff released an update to its IESBA PIE Q&A. This update includes a new question and answer (Q16) to address the scenario where a jurisdiction has no PIE definition or excluded one or more of the mandatory categories in the IESBA PIE definition.

5 ISQM 1, *Quality Management for Firms That Perform Audits or Review of Financial Statements, or Other Assurance or Related Services Engagements*

6 ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

Key elements of the IAASB PIE Proposals in ED-PIE Track 2	The Board's final position as confirmed in December 2024 (differences compared to ED-PIE Track 2 is in BOLD text)	Paragraphs in the pre-final narrow scope amendments in Appendix 1
Sections I-II of this document provide relevant context	***Sections III-IV of this document provide relevant context***	
consistently applied across jurisdictions, including mandatory categories of PIEs.		
Adoption of a separate definition of Publicly Traded Entity (PTE) as a replacement for "listed entity" in the ISQMs and ISAs.	Adopted the definition of PTE for the ISQMs and ISAs, which is fully aligned with the definition in the IESBA Code.	ISQM 1, paragraph 16(p)A ISA 200, paragraph 13(l)A
Recognize the role of local bodies in defining more explicitly the categories of entities in the PIE definition for a specific jurisdiction.	Recognizes the role of local bodies, **but only in relation to defining more explicitly PTE for a specific jurisdiction**. See essential application material to the definition of PTE.	ISQM 1, paragraph 16(p)A ISA 200, paragraph 13(l)A
Application of the mandatory PIE categories – although local refinement is accommodated, it does not alter the mandatory nature of the PIE categories of the IAASB definition.	Adopted, **but only in relation to PTE** – although local refinement is accommodated, it does not alter the baseline PTE definition and its application.	Not specifically adjusted for in the narrow scope amendments; rather it is implicit in complying with the requirements of the ISQMs and ISAs as contemplated in ISQM 1, paragraphs 17-18, and ISA 200, paragraphs 18-20, 22.
Consider expanding the application of extant differential requirements on a case-by-case basis and application of a balanced approach to introducing additional differential requirements in the ISQMs and ISAs.	**The PIE definition has not been adopted for the ISQMs and ISAs. Therefore, the extant differential requirements applicable to the audits of listed entities have been amended to apply to PTEs.**	See Table 2 below. In addition, all other references to listed entities in the ISQMs and ISAs have been replaced with PTEs.
*The IAASB remains committed to the key elements of its original proposals that were presented in ED-PIE Track 2 and, therefore, has agreed to revisit at a future date the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs when the global adoption and implementation of the IESBA definition has sufficiently matured. **See Section V of this document for next steps**.*		

Table 2: List of differential requirements applicable to the audits of listed entities that have been amended to apply to PTEs

Differential requirement	Paragraphs in the pre-final narrow scope amendments in Appendix 1
Engagements Subject to an Engagement Quality Review	ISQM 1, paragraphs 34(f), A133 – A137
Communication with Those Charged With Governance (TCWG) About the System of Quality Management	ISQM 1, paragraphs 34(e), A127 – A132
Communication with TCWG About Auditor Independence	ISA 260 (Revised),[7] paragraphs 18, 18A, A29 – A32; ISA 700 (Revised),[8] paragraph 40(b)
Communicating Key Audit Matters	ISA 700 (Revised), paragraphs 30–31, 40(c), A41 –A44; ISA 701,[9] paragraph 5
Name of the Engagement Partner in the Auditor's Report	ISA 700 (Revised), paragraphs 46, 50(l), A62–A64
Transparency About Other Information	ISA 720 (Revised),[10] paragraphs 21-22(b), A12, A51
Going Concern	ISA 570 (Revised 2024),[11] paragraphs 34(b), 35(b), A82, A89 and A101

The Remainder of this Post-Exposure Consultation is Set Out as Follows:

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[7] ISA 260 (Revised), *Communication with Those Charged with Governance*

[8] ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

[9] ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

[10] ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

[11] ISA 570 (Revised 2024), *Going Concern*

Invitation to Comment (ITC) to IAASB Stakeholders

Stakeholders are invited to provide comments on the two matters set out in the blue highlighted text boxes below, **by March 27, 2025**.

Sections I and II provide background and an overview of the IESBA Listed Entity and PIE project which prompted and informed the IAASB project, the IAASB PIE proposals as included in ED-PIE Track 2, respondents to ED-PIE Track 2 and additional outreach, coordination and information-gathering activities undertaken. **Sections III and IV** set out the issue of divergence between the IAASB PIE proposals and the IESBA PIE revisions, and the IAASB's considerations and rationale in finalizing the PIE Track 2 narrow scope amendments to the ISQMs and ISAs.

As indicated, the pre-final narrow scope amendments to the ISQMs and ISAs in **Appendix 1** represent the Board's final position in completing these narrow scope amendments, subject to this Post-Exposure Consultation. Although the IAASB does not expect significant new information or views on the narrow scope amendments or the Board's position and rationale in this regard, it wishes to ensure that stakeholders are fully aware of the Board's position, rationale and pathway to broader differential requirements.

1. You are invited to share any observations that you believe might be relevant to the IAASB prior to finalizing the narrow scope amendments to the ISQMs and ISAs.

   <u>Please note</u>:

   - *This ITC does <u>not</u> extend to and is <u>not</u> inviting comment on the IESBA PIE revisions read together with the IESBA clarification. IESBA's Listed Entity and PIE project is complete.*
   - *If you submitted a comment letter to ED-PIE Track 2 in April 2024, the IAASB has fully considered those responses during its deliberations in September and December 2024; therefore, it is <u>not</u> necessary to repeat comments previously provided. You may believe that a specific matter remains relevant to share as an observation here, in which case the request is that you please clearly relate such matter to the IAASB's decisions and rationale in this Post-Exposure Consultation. (See **Section IV**, paragraphs 23-32.)*

Section V sets out the IAASB's next steps, including the planned effective date for the narrow scope amendments to the ISQMs and ISAs to be aligned with the effective dates of the IAASB's standards from the Going Concern[12] and Fraud projects. [13] The section also outlines the Board's commitment and proposed timing for revisiting the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs (the plan is for IAASB staff to report back and request the Board for direction in this regard in the second half of 2026).

[12] See the project page for the Going Concern project. ISA 570 (Revised 2024), *Going Concern* was approved at the December 2024 IAASB meeting and will be released subject to PIOB certification, which is targeted for April 2025.

[13] See the project page for the Fraud project. Proposed ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, is targeted for approval at the March 2025 IAASB meeting.

2. Specific questions on forward-looking matters:

    (a) Do you agree with the proposed effective date of the narrow scope amendments, i.e., for audits of financial statements for periods beginning on or after December 15, 2026, to be aligned with the standards from the Going Concern and Fraud projects? (See **Section V**, paragraphs 35-37.)

    (b) Do you agree with the IAASB's commitment to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs? (See **Section IV**, paragraph 31 and **Section V**, paragraph 38.)

    Please note: *When the decision is revisited, the IAASB will develop an exposure draft for public consultation. Therefore, you do not now need to provide comments or to repeat comments previously provided regarding the extant differential requirements in the ISQMs and ISAs.*

    (c) Do you agree with the proposed timing for revisiting the matters highlighted in (b) above? (See **Section V**, paragraphs 39-41.)

Request to Use Response Template

We encourage all respondents to submit their comments electronically using the Response Template provided. The response template has been developed to facilitate responses to the questions as listed above. Use of the template will facilitate our collation and analysis of the responses.

Recognizing that the IAASB utilizes software to support our analysis of comments received from respondents to public consultations, you can assist our review of the responses by bearing the following in mind in preparing your submission:

- Respond directly to the questions in the template and **provide the rationale for your answers. If you disagree with the proposals as explained in this paper, please provide specific reasons for your disagreement. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.**
- You may respond to all questions or only those questions for which you have specific comments.
- Avoid inserting tables or text boxes in the template when providing your responses to the questions.

The completed response template can be uploaded using the "Submit Comment" link on the IAASB website: www.iaasb.org. When submitting your completed response template, it is not necessary to include a covering letter with a summary of your key issues. The response template provides the opportunity to provide details about your organization and, should you choose to do so, any overall views 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.

I. Background

1. In December 2023, the Board approved the ED-PIE Track 2 for public comments. The ED-PIE Track 2 sought respondents' feedback to address the project objectives outlined in paragraph 17(a)-(c) of the project proposal to:

   (a) Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the IESBA PIE revisions and the ISQMs and ISAs to maintain their interoperability.

   (b) Establish an objective and guidelines to support the IAASB's judgments regarding specific matters for which differential requirements for certain entities are appropriate.

   (c) Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.

Overview of Respondents to ED-PIE Track 2

2. The ED-PIE Track 2 was exposed for a 90-day public comment period that closed on April 8, 2024. Forty-six written responses were received as follows:

Stakeholder Type	No.
Monitoring Group	2
Regulators and Audit Oversight Authorities	5
Jurisdictional and National Auditing Standard Setters	13
Accounting Firms	9
Member Bodies and Other Professional Organizations	16
Individuals and Others	1
Total	**46**

Region	No.
Global	13
Asia Pacific	10
Europe	10
Middle East and Africa	4
North America	7
South America	2
Total	**46**

3. While comment letters included responses provided by a diverse representation of stakeholder constituencies and geographical regions, no written responses were received from investors or users of financial statements. The PIE Task Force noted that, considering the nature of the extant differential requirements in the ISQMs and ISAs, matters affecting the auditor's report would be of most interest to this stakeholder constituency. Therefore, when forming views and recommendations, the PIE Task Force leveraged the feedback received from investors and other users of financial statements on relevant topics addressed in the IAASB's Auditor Reporting post-implementation review[14].

[14] The Auditor Reporting post-implementation review was concluded in September 2021. An analysis of the results from the post-implementation review survey was discussed at the February 2021 IAASB mid-quarter meeting – see Agenda Item 3.

General Outreach Program

4. The ED-PIE Track 2 and the issues relevant to Track 2 of the PIE project continued to be highlighted in regular outreach with key stakeholders as part of the IAASB's general outreach program that includes updates to Monitoring Group (MG) members and other regulators and audit oversight authorities. The PIE Task Force also had the opportunity to engage with various other stakeholders throughout the life cycle of this project, including MG members, the Forum of Firms, and Jurisdictional / National Standard Setters.

Coordination with IESBA

5. There has been extensive interaction between the IAASB and the IESBA on the topic of listed entity and PIE throughout the course of the IAASB project (and during the IESBA project, including participation of two IAASB correspondent members in the IESBA PIE Task Force). This has been accomplished through staff-to-staff coordination, discussions involving the Chairs of the respective Boards' task forces or working groups and participation of an IESBA correspondent member in the IAASB PIE Task Force.

II. The IESBA Listed Entity and PIE Project and the IAASB PIE Proposals

The IESBA Project on the Definitions of Listed Entity and Public Interest Entity

6. In December 2021, the IESBA concluded its project on the Definitions of Listed Entity and Public Interest Entity, which included revisions to Part 4A of the IESBA Code and its glossary relating to listed entity and PIE.

7. In approving the revisions to the definitions of listed entity and PIE, the IESBA had relied on an overall framework that includes the following key elements (reference in this Post-Exposure Consultation to paragraphs in the IESBA Code is to IESBA's Final Pronouncement, *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*):

   (a) An overarching objective that explains the need for additional independence requirements for entities that are defined as PIEs (paragraph 400.10);

   (b) A top-down list of mandatory high-level PIE categories subject to local refinement (paragraph R400.17 (a)-(c));

   (c) A bottom-up list of PIE categories that could be added by the relevant local bodies to the local PIE definitions (paragraph R400.17 (d)); and

   (d) An encouragement for firms to determine whether to treat additional entities as PIEs (paragraph 400.19 A1).

8. In addition, the IESBA PIE revisions include a requirement for firms to take into account more explicit definitions of PIEs established by law, regulation or professional standards in determining which entities to treat as PIEs (paragraph R400.18). Application material further explains the interrelationship of the PIE definition in the IESBA Code with definitions established by relevant local bodies responsible for setting ethics standards for professional accountants, which includes an explanation that the IESBA Code:

   (a) Provides for relevant local bodies to more explicitly define the mandatory categories of PIEs, with examples of how these categories may be more explicitly defined at the local level (paragraph 400.18 A1); and

   (b) Anticipates that such local bodies will add categories of PIEs, with examples of such categories (e.g., pension funds and collective investment vehicles) (paragraph 400.18 A2).

Further Clarification of the Role of Relevant Local Bodies and Firms

9. During their March 2024 Board discussion, IESBA reaffirmed that the responsible local bodies are best placed to decide which entities or classes of entities should be scoped in as PIEs given their local knowledge and understanding of the broader issues that impact public expectations. The IESBA also reiterated the role of firms when finalizing the firms' responsibilities under the revised provisions. The IESBA clarified that whilst firms have an important role in ensuring public expectations regarding their independence are met, the responsibility for determining which entities or classes of entities should be categorized as PIEs rests with legislators or other relevant local bodies.

10. In light of the provisions set out in the IESBA PIE revisions, in particular paragraphs R400.17 and R400.18 to 400.19 A1, as well as the considerations and rationale of the IESBA highlighted in the

IESBA Basis for Conclusions,[15] IESBA clarified that, for this specific project, compliance with the IESBA Code by firms means first and foremost compliance with local laws and regulations, whatever they may be at the time of the audit report. This conclusion is aligned with the overarching objective in paragraph 400.10 of the IESBA PIE revisions and the IESBA's consistent view that local bodies are best placed to ascertain the significance of the public interest in the financial condition of entities to determine whether these entities should be PIEs, as that significance is relevant from a local (rather than international) perspective.

11. In addition, given that the categories as included in the IESBA PIE revisions are broadly defined, and no recognition is given to any size or other factors that can be relevant in a specific jurisdiction, these categories require further refinement by local legislators or other relevant local bodies in order to be operationalized by firms. Requiring firms to treat all entities as PIEs when the categories have not been refined by local jurisdictions may lead to unintended consequences, such as firms being required to treat many entities with no significant public interest in their financial condition as PIEs.

12. In September 2024, following coordination between IESBA and IAASB Staff, and the chairs of the IESBA PIE Rollout Working Group and the IAASB PIE Task Force IESBA released an update to its IESBA PIE Q&A, initially released in March 2023. This update includes a new question and answer (Q16) that clarifies the IESBA's position that firms should always comply with the local definition of PIE in their respective jurisdictions at the time of the audit report, regardless of whether such local definition addresses all of the mandatory PIE categories in the IESBA PIE revisions.

Key Elements of the IAASB PIE Proposals

13. The IAASB reaffirmed its commitment to and understanding of the key elements of its PIE proposals in ED-PIE Track 2, which is summarized in paragraphs 14-19 below.

14. **Overarching objective and purpose.** Adopting an overarching objective and purpose for establishing differential requirements in the ISQMs and ISAs, including a framework for when it may be appropriate to apply such requirements to other entities. These concepts are aligned with the equivalent overarching objective, purpose and framework in the IESBA Code. The overarching objective and purpose recognize that stakeholders have heightened expectations regarding an audit engagement for certain entities where there is significant public interest in the financial condition of those entities.

15. **PIE definition.** Adopting a definition of PIE that provides a global baseline that could be consistently applied across jurisdictions, and that would result in convergence between the IAASB standards and the IESBA Code. The following aspects are relevant in this regard:

    - The IAASB has in the past explored as part of its standard-setting projects extending the applicability of its differential requirements for listed entities in the ISQMs and ISAs to apply more broadly to other entities that exhibit public interest or public accountability characteristics. However, previous public consultations, deliberations and discussions have resulted in decisions not to extend the applicability of differential requirements for audits of listed entities to apply more broadly to other entities, such as PIEs. This was mostly due to:

        - The lack of a global baseline for the definition of PIE that could be consistently applied across jurisdictions.

[15] IESBA Basis for Conclusions, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code.]()

- o The unintended consequences of the requirements applying to smaller entities that could be scoped into the definition of a PIE (e.g., due to regulations or legislation) and for which it may be impracticable or overly burdensome to apply the requirements in such cases.

- In developing ED-PIE Track 2, the IAASB believed that the following definition of PIE that was proposed for adoption in the ISQMs and ISAs, and which is aligned with the definition in the IESBA PIE revisions, addressed previous concerns raised by adopting mandatory baseline categories of PIE, that would foster global consistency. Consistent with the IESBA PIE revisions, the proposals in ED-PIE Track 2 also incorporated that the operationalization of the PIE definition is subject to the role of relevant local bodies to define more explicitly the mandatory categories in (i) to (iii) (paragraph 17 addresses the role of relevant local bodies).

> Mandatory, high-level PIE categories:
>
> (i) A publicly traded entity;
>
> (ii) An entity one of whose main functions is to take deposits from the public;
>
> (iii) An entity one of whose main functions is to provide insurance to the public; or
>
> (iv) An entity specified as such by law, regulation or professional requirements related to the significance of the public interest in the financial condition of the entity.[16]

16. **PTE definition.** Adopting a separate definition of PTE as a replacement for “listed entity” in the ISQMs and ISAs and recognizing that PTE would be one of the mandatory categories within the PIE definition. The following aspects are relevant in this regard:

- In developing ED-PIE Track 2, the IAASB proposed to adopt the following definition of PTE, which is aligned with the definition in the IESBA PIE revisions. The IAASB believed that this definition was responsive to issues that had been identified with the listed entity definition for the IESBA and IAASB projects.

> Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

- The defined term “publicly traded entity” encapsulates the term listed entity as defined by relevant securities law or regulation as an example (rather than a standalone definition). On this basis a listed entity as defined by relevant securities law or regulation in the jurisdiction will continue to meet the definition of a “publicly traded entity” provided the other criteria of the definition are met and subject to any refinements to this category by relevant local bodies (e.g., making reference to specific public markets for trading securities).

16 Some changes were applied to category (iv) in incorporating the IESBA PIE Revisions which were necessary given the differences in the drafting conventions among the respective Boards’ standards. For example, the term “professional standards” was replaced with “professional requirements” because unlike the IESBA Code, the term “professional standards” has a defined meaning for the purpose of the ISQMs and ISAs. In addition, the reference to the purpose described in paragraph 400.10 of the IESBA PIE Revisions was not cross-referenced given it forms part of the application material of the ISQM 1 and ISA 200. Instead, the phrase “*related to the significance of the public interest in the financial condition of the entity*” was added to the text of category (iv).

- The table below includes examples that have been sourced from the IESBA PIE ED and the Basis for Conclusions, *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*. It illustrates how replacing the definition of "listed entity" with "publicly traded entity" would impact the scope of entities that may be subject to extant requirements in the ISQMs and ISAs that apply to listed entities.

Impact on Entities	***Description***	***Example***
The change would result in the entity being scoped in	Entities issuing and trading financial instruments other than shares, stock or debt as currently specified in the extant definition of "listed entity."	► Entities issuing and trading other types of instruments such as warrants or hybrid securities.
	Entities trading financial instruments in less regulated markets.	► Entities trading on second-tier markets or over-the-counter trading platforms.
The change would result in the entity being scoped out	Entities whose financial instruments might be listed but are not intended to be traded or are not freely transferable.	► Groups where the relevant instruments are held entirely intra-group.
	Entities trading through a market mechanism that is not publicly accessible or when there is no facilitated trading platform such as an auction-based exchange or electronic exchange.	► Privately negotiated agreements (with or without the assistance of a broker).

17. **Role of relevant local bodies.** Acknowledging the role of those responsible for law, regulation or professional requirements in defining more explicitly the categories of entities provided for in the PIE definition (for example, by referring to specific public markets for trading securities, referring to law or regulation defining banks or insurance companies, making exemptions for specific types of entities, or setting size criteria). Relevant local bodies are best placed to assess and determine with greater precision which entities or types of entities should be treated as PIEs in a specific jurisdiction. While the IAASB anticipated and accepted jurisdictional variations as a result, it was expected that the overarching objective and high-level mandatory PIE categories will bring some level of global consistency to the types of entities that are treated as PIEs.

18. **Application of the mandatory PIE categories.** Although the IAASB PIE proposals accommodate that a relevant local body may define more explicitly one or more of the mandatory PIE categories of the PIE definition in a specific jurisdiction, it does not alter the mandatory nature of those categories. This means that in order to comply with the ISQMs and ISAs in instances where a relevant local body has defined more explicitly the three mandatory PIE categories, a firm or an auditor in that jurisdiction would identify PIEs based on their local (refined) PIE definition, which will be as contemplated by the

IAASB PIE proposals. However, if the local PIE definition has omitted one or more of the mandatory PIE categories or the jurisdiction does not have a local PIE definition, a firm or an auditor in that jurisdiction would identify PIEs based on the three mandatory categories in the PIE definition in order to comply with the ISQMs and ISAs (or, at least, in respect of those categories that have not been defined more explicitly or that have been omitted).

19. **Nature and scope of differential requirements in the ISQMs and ISAs**. The following aspects are relevant in this regard:

- Considering on a case-by-case basis whether the extant differential requirements in the ISQMs and ISAs which apply only to listed entities, should be revised to apply to PIEs. A case-by-case approach allows for the consideration of public interest factors in the context of the individual objectives of the standards where differential requirements exist (or may be contemplated). In addition, the proposed definition of PIE, including the application of the mandatory PIE categories, would provide for a global baseline for the consistent application of differential requirements across jurisdictions.
- Confirming that the IAASB has only introduced differential requirements in the ISQMs and ISAs relating to matters of applicability of engagement quality reviews, the auditor's communication with TCWG and enhanced transparency in the auditor's report (i.e., extant differential requirements do not relate to performance requirements in the ISAs that affect the auditor's planning, evidence gathering and evidence evaluation).
- Confirming the application of a balanced approach regarding the introduction of additional differential requirements taking into account the overarching objective and purpose for differential requirements (see paragraph 14 above) and avoiding creating complexity through introducing too many differential requirements in the ISQMs and ISAs.

III. Issue of Divergence Between the IAASB PIE Proposals and the IESBA PIE Revisions

20. The PIE Task Force identified a significant theme raised by eight respondents to ED-PIE Track 2 that highlighted a risk of divergence between the IAASB PIE proposals and the IESBA PIE revisions (read together with the IESBA clarification) regarding the definition of PIE and its application in determining which entities to treat as PIEs. These respondents framed their comments about the PIE definition and its application with reference to IESBA's discussion in this regard at the March 2024 IESBA meeting (see also paragraphs 9-12 in **Section II**). They noted that such divergence brings into question the convergence objective of the IAASB's Listed Entity and PIE project and would not be in the public interest. Accordingly, these respondents believe that it would be inappropriate at this time for the IAASB to extend the extant differential requirements in the ISQMs and ISAs that apply to listed entities, to apply to PIEs.

21. In addition, respondents noted that because the IAASB PIE proposals did not reflect the IESBA clarification, the divergence in the application of the IAASB standards is prominent in that firms appear to have significantly more responsibility under the IAASB proposals compared to the IESBA PIE revisions and that firms, in certain circumstances, will be required to treat certain entities as PIEs under the IAASB PIE proposals but not for purposes of the IESBA Code (see the scenarios in paragraph 22).

Different Outcomes

22. The following table summarizes the different outcomes a firm may reach when identifying PIEs based on the IESBA PIE revisions compared to the outcomes based on the IAASB PIE proposals. For the purpose of the illustration below, there is an assumption that the IAASB PIE proposals have the same effective date as the IESBA PIE revisions.

Status of adoption of the IESBA PIE revisions at the effective date	Identification of PIEs for the purpose of applying the incremental independence requirements of the IESBA Code	Identification of PIEs for the purpose of applying the differential requirements in the ISQMs and ISAs
Scenario 1 A relevant local body has adopted the international PIE revisions, with or without refinements of the three mandatory categories (i.e., in the case of the latter, the adoption process resulted in no refinements of the mandatory categories).	To comply with the IESBA Code, firms should identify PIEs based on their local PIE definition (which will be as contemplated by the IESBA PIE revisions).	To comply with the ISQMs and ISAs, firms should identify PIEs based on their local PIE definition (which will be as contemplated by the IAASB PIE proposals).

Status of adoption of the IESBA PIE revisions at the effective date	Identification of PIEs for the purpose of applying the incremental independence requirements of the IESBA Code	Identification of PIEs for the purpose of applying the differential requirements in the ISQMs and ISAs
Scenario 2 A relevant local body is in the process of adopting the international PIE revisions, with or without refinements of the three mandatory categories (once the adoption process is completed, the situation will be as described in scenario 1).	To comply with the IESBA Code, firms identify PIEs based on the extant local PIE definition.	To comply with the ISQMs and ISAs, firms should identify PIEs based on the three mandatory categories included in ISQM 1 and ISA 200. Firms may follow their local equivalent standards for ISQM 1 and ISA 200 and apply their extant local PIE definition (but will not be in compliance with the ISQMs or the ISAs).
Scenario 3 A relevant local body will not adopt the international PIE revisions or has excluded one or more of the three mandatory categories.	Firms identify PIEs based on their extant local PIE definition, if it exists. In such a non-adopting or partial-adopting jurisdiction, firms are deemed to be in compliance with the IESBA Code because they must comply with the local PIE definition, and the Code does not require the firms to apply the broad categories directly without having regard to more explicit definitions at the national level. In a non-adopting jurisdiction, where no local PIE definition exists, the Code does not require firms to treat entities as PIEs. However, firms are not precluded from doing so pursuant to the encouragement and guidance in the Code.	To comply with the ISQMs and ISAs, firms should identify PIEs based on the three mandatory categories included in ISQM 1 and ISA 200. Firms may follow their local equivalent standards for ISQM 1 and ISA 200 and apply their extant local PIE definition (but will not be in compliance with the ISQMs or the ISAs).

IV. Responding to Feedback Received and the IAASB's Decisions and Rationale

23. When analyzing the feedback received and proposing a way forward, the PIE Task Force considered the comments received from the eight respondents who specifically addressed the risk of divergence between the IAASB PIE proposals and the IESBA PIE revisions. The PIE Task Force also recognized that overall many respondents supported the IAASB PIE proposals, highlighting the benefits of convergence with the IESBA PIE revisions. However, given the timing of the IESBA clarification and the closing date of ED-PIE Track 2, the PIE Task Force questioned if all respondents were aware of the IESBA clarification and how it may have impacted their comments had they been aware. However, as the significance of the divergence between the IAASB proposals and the IESBA PIE revisions had already been established, the PIE Task Force responded to the feedback from all respondents to Questions 1 and 2 to ED-PIE Track 2[17] and took into account further coordination with IESBA. The Board deliberated the proposals of PIE Task Force at the September 2024 (see Agenda Item 7) and December 2024 (see Agenda Item 3) IAASB meetings.

Original IAASB PIE Proposals (the ED Path)

24. Based on the issue of divergence between the IAASB PIE proposals and the IESBA PIE revisions, the Board decided that it was not appropriate to continue to advance the proposals as originally contemplated in ED-PIE Track 2. This is because:

    (a) The application of the IAASB PIE proposals, which were designed to be based on the IESBA PIE revisions, would go beyond the independence standards of the IESBA Code.

    (b) While both Boards' standards would contain the same definition of PIE, the application of the IAASB PIE proposals could lead to a different outcome compared to the IESBA PIE revisions read together with the IESBA clarification (i.e., the same entity may be treated differently for audit and ethics purposes).

    (c) Taking action in the ISQMs and ISAs that would facilitate the same outcome as the IESBA PIE revisions would raise the same concern that had in the past prevented the IAASB from extending differential requirements in the ISQMs and ISAs to apply to entities other than listed entities, i.e., lack of a global baseline for PIEs that could be consistently applied across jurisdictions (see also paragraphs 25 below).

Facilitating the Same Outcome as the IESBA PIE Revisions in the ISQMs and ISAs (the Conditional Path)

25. Notwithstanding the concern in paragraph 24(c) above, the Board considered how the IAASB PIE proposals may be advanced so that the definitions of PIE and PTE would be adopted and the extant differential requirements in the ISQMs and ISAs could be extended to apply to audits of PIEs only when local jurisdictions have adopted and/or further refined the broad categories included in the PIE definition. The aim was to align with the IESBA PIE revisions (read together with the IESBA clarification) regarding the application of the PIE definition by incorporating that intent and outcome directly in the ISQMs and ISAs.

[17] Questions 1 and 2 sought stakeholders' views on the proposals to adopt an overarching objective and purpose for establishing differential requirements in the ISQMs and ISAs and adopting the definitions of PIE and PTE in ISQM 1 and ISA 200.

26. The following overarching standard-setting actions would be required:

- Adopt the definitions of PIE and PTE, as defined in the IESBA Code, with PTE being a replacement for ‘listed entity’.
- Adopting the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework to determine when it may be appropriate to apply a differential requirement to entities other than PIEs.
- Introducing a conditional requirement in terms of which certain categories in the PIE definition will be applicable only to the extent that relevant local bodies in jurisdictions have (i) further refined those categories; or (ii) determined that they are appropriate as is (i.e., includes all entities as broadly described for a category).
- If a jurisdiction has neither refined the categories nor determined that the broad categories are appropriate as is, firms are not required, but may choose to apply the differential requirements to entities other than PIEs, using the framework to determine such entities. In essence, firms would only be required to follow their local PIE definition (if one exists), regardless of whether such local definition addresses all of the mandatory PIE categories in the IAASB PIE definition.
- Extending the applicability of the extant differential requirements applicable to listed entities in the ISQMs and ISAs to PIEs, subject to the relevant feedback received in this regard on ED-PIE Track 2. The application of any differential requirement to audits of PIEs, will be conditional on the application of the PIE definition in a specific jurisdiction as explained in the preceding two bullets.

27. The Board decided that the above was not a viable path for the IAASB, because it would effectively embed into the ISQMs and ISAs a model that creates a precedent risk for the IAASB in terms of how it develops and drafts standards, especially with respect to the engagement requirements in the ISAs. Such risk may manifest as follows:

(a) Differential requirements in the ISQMs and ISAs would be subject to jurisdictional interpretation and variation across multiple classes of entities that are otherwise intended to be part of ‘mandatory’ categories within the PIE definition, including that certain classes of entities could be excluded in a specific jurisdiction.

(b) Reflecting more broadly, the overarching requirements in ISA 200 relating to representing compliance with the ISAs, including that the auditor shall comply with each requirement of an ISA,[18] has necessitated a standards-design whereby the requirements in the ISAs are not contingent upon local adoption (i.e., they do not provide for jurisdictional variation in terms of which requirements apply to ‘an ISA audit’). Therefore, there is a risk that this path could create precedent whereby any specific performance requirement could in the future be requested to be conditional until such time that a jurisdiction ‘is ready’ for the requirement. This would reduce comparability and usability of information for users of audited financial statements.

Pathway to Finalizing the Narrow Scope Amendments to the ISQMs and ISAs (the PTE path)

28. Based on the considerations and rationale discussed in paragraphs 24 (the ED path) and 25-27 (the Conditional path), the IAASB decided to finalize the narrow scope amendments to the ISQMs and ISAs by taking the following overarching standard-setting actions (the PTE path):

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18 ISA 200, paragraphs 18-20, 22

- Adopting the definition of PTE, as defined in the IESBA Code, as a replacement term for "listed entity/entities" in the ISQMs and ISAs.
- Adopting the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework to determine when it may be appropriate to apply a differential requirement to entities other than PTEs.
- Amending the applicability of the extant differential requirements in the ISQMs and ISAs that apply to listed entities, to apply to PTEs.

29. Undertaking the PTE path means that for the time being the IAASB will not adopt the PIE definition in the IESBA Code for the ISQMs and ISAs. Also, 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. However, the IAASB notes that:

    - This is a pre-existing difference between the two Boards' standards, which have not caused issues with respect to the interoperability between the IAASB standards and the IESBA Code. In addition, in line with prevailing practice, a jurisdiction can always decide to 'add on' to the IAASB requirements.
    - Under the PTE path, the IAASB has still incorporated an overarching objective and purpose for differential requirements in the ISQMs and ISAs, including a framework to determine when it may be appropriate to apply a differential requirement to entities other than PTEs. This provides firms with robust guidance (significantly enhanced from the extant ISQMs and ISAs) for determining entities other than PTEs where stakeholders have heightened expectations regarding the audit engagement and, therefore, to apply one or more requirements set out in the ISQMs and ISAs for audits of financial statements of PTEs to the audits of such other entities. This guidance includes a consideration of whether an entity is treated as a PIE for purposes of relevant ethical requirements, including those related to independence.

30. On balance, the IAASB was of the view that the matters highlighted in paragraphs 24 (relating to the ED path) and 27 (relating to the Conditional path) are not in the public interest from the perspective of the following qualitative standard-setting characteristics of the Public Interest Framework (PIF)[19]:

    - *Coherence* with the overall body of standards – Given the Board's pervasive concerns around the ED path and conditional path, the PTE path better ensures a coherent body of ISQMs and ISAs, while maintaining interoperability with the IESBA Code.

[19] See the Monitoring Group report Strengthening the International Audit and Ethics Standard-Setting System (pages 22–23 of the PIF's section on "What qualitative characteristics should the standards exhibit?").

- Appropriate *scope* – The variations in the outcome of the application of the PIE definition between the IAASB standards (under the ED path) and the IESBA PIE revisions, as well as the potential jurisdictional variations under the Conditional path, adversely affect understandability and consistency across jurisdictions. The PTE path provides greater clarity about the scope and applicability of differential requirements in the ISQMs and ISAs.

- *Relevance* – Adoption of the definition of PTE is responsive to issues that had been identified with the listed entity definition and is a positive step forward from extant. Although adoption of the PIE definition would have further enhanced this step, the pervasive concerns of the Board relating to introducing model inherent in the Conditional path could not be overcome.

- *Comprehensiveness*, *clarity* and *conciseness* – the PTE path facilitates better understandability of the IAASB's proposals and limits the extent to which there are jurisdictional exceptions and variations in the application of the definition of PTE and the differential requirements in the ISQMs and ISAs.

- *Implementability* and ability of being *consistently applied and globally operable* – Similar matters to those already discussed apply to this characteristic. In addition, the Conditional path would introduce a model that departs from the IAASB's standards-design relating to representing compliance with the ISAs, including complying with each requirement of an ISA.

31. The IAASB agreed to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs, when the global adoption and implementation of such definition has sufficiently matured (i.e., when more jurisdictions have adopted, appropriately refined for jurisdictional circumstances and implemented the IESBA PIE definition locally, and the nature, extent and implications of variations are clearer) (see next steps in **Section V**).

32. The Board also considered that the PTE path provides a feasible solution at this time to finalize the narrow scope amendments for the PIE Track 2 in accordance with the project objectives outlined in paragraph 17(a)-(c) of the project proposal:

    (a) Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs and ISAs to maintain their interoperability.

    Observations relating to the PTE path

    - Convergence has been achieved in relation to the definition of PTE.
    - Staying with "listed entity" would have increased concerns about divergence. As already mentioned, the adoption of the PTE definition is responsive to issues that had been identified with the listed entity definition for the IESBA and IAASB projects.
    - The interoperability of the two Boards' standards has not been compromised since there is no conflict between the ISQMs and ISAs and the IESBA Code. As discussed in paragraph 29, the IAASB not having a PIE definition is a pre-existing difference between the two Boards' standards. The PTE path also does not inhibit the application of the IESBA PIE revisions for purposes of the independence standards of the IESBA Code and a jurisdiction can always decide to 'add on' to the IAASB requirements.
    - The IAASB has adopted the overarching objective and purpose for establishing differential requirements for certain entities (see also objective (b) below).

(b) Establish an objective and guidelines to support the IAASB's judgments regarding specific matters for which differential requirements for certain entities are appropriate.

Observations relating to the PTE path

- The overarching objective and purpose for differential requirements in the ISQMs and ISAs are fully aligned with the equivalent objective and purpose for differential requirements for auditor independence in the IESBA Code.

(c) Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.

Observations relating to the PTE path

- The extent to which the extant differential requirements in the ISQMs and ISAs can apply to entities other than listed entities, is dictated by the fact that the definition of PTE has been adopted as a replacement for 'listed entity' (the PIE definition has not been adopted). Therefore, the extant differential requirements have been amended to apply to PTEs.
- Application material to the extant differential requirements has been updated to reflect that it may be appropriate to apply a requirement for an audit of financial statements of a PTE to an audit of another entity, guided by considerations of significant public interest in the financial condition of such entity.

V. Next Steps

Final Approval

33. In June 2025, the project team will present to the Board an analysis of respondents' feedback on the ITC on pages 8-9. In addition, the Board will be asked to approve the proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised).

34. Subject to the Board's approval in June 2025, project staff, in coordination with the PIE Task Force Chair, will prepare relevant due process documentation for submission to the PIOB. The final pronouncement will be published in early July 2025 subject to and after the PIOB meeting where certification of the narrow scope amendments will be considered. The IAASB will also publish a Basis for Conclusions document with the final pronouncement.

Effective Date

35. The IAASB's PIE Track 2, Going Concern and Fraud projects have or are considering revisions that impact the auditor's reports. The IAASB reaffirmed at its meeting in December 2024 that it is in the public interest to align the effective dates of these projects, to support effective implementation and avoid consecutive changes to the auditor's report in short succession.

36. In addition, respondents to ED-PIE Track 2 expressed support for a proposed effective date of 18-24 months after PIOB certification of the narrow scope amendments for Track 2. The IAASB believes this timeframe is sufficient to allow for translation of the final text, for national adoption processes to occur, and for firms and practitioners to update templates and associated internal materials.

37. Subject to IAASB approval and PIOB certification as discussed above, the Board agreed in December 2024 to the effective date of the narrow scope amendments to be for audits of financial statements for periods beginning on or after December 15, 2026. This would allow alignment of the effective dates of the PIE Track 2, Going Concern and Fraud projects.

Commitment to Revisit the IAASB's Original PIE Proposals

38. The IAASB confirmed in December 2024 its commitment to all elements of its original proposals in ED-PIE Track 2 (see **Table 1** on page 5). As discussed in **Section IV**, the IAASB has agreed to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs), when the global adoption and implementation of such definition has sufficiently matured.

39. IAASB staff will work with IESBA staff in monitoring the adoption of the IESBA PIE revisions and to coordinate related information-gathering and outreach activities, including leveraging any early monitoring activities that IESBA may undertake (e.g., by IESBA's Adoption and Implementation Working Group). According to the IESBA Work Plan for 2024-2027, a post-implementation review of the IESBA PIE revisions is planned to commence in 2027. This may factor into the IAASB's consideration of the initial report back by IAASB staff that is planned for the second half of 2026 (see paragraph 40).

40. IAASB staff plans to report back and request the Board for direction in the **second half of 2026** about revisiting the decision (and the process for doing so) to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs, and any other implications for the IAASB's standards that may be relevant at that time.

41. As the IAASB's direction becomes clearer and proposals are developed, Board level coordination between the IAASB and IESBA will take place, as appropriate. This may include keeping the IESBA Board informed of IAASB progress (and vice versa) by, for example, providing updates during each Board's meetings or utilizing joint IAASB-IESBA plenary sessions.

Appendix 1

Pre-Final Narrow Scope Amendments to the ISQMs and ISAs as a Result of the Revisions to the Definitions of Listed Entity and PIE in the IESBA Code

This Appendix includes the pre-final narrow scope amendments to the ISQMs and ISAs for the IAAAB's PIE Track 2 project on listed entity and PIE as confirmed and agreed by the Board in December 2024.

ED-PIE Track 2 had also included proposals for amendments to ISRE 2400 (Revised) to include a new requirement and application material 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. Based on the feedback received, the PIE Task Force proposed that these proposals be finalized without any further changes, which the Board supported in December 2024. The amendments to ISRE 2400 (Revised) do not directly relate to the issues that are the focus of the Post-Exposure Consultation and are not included in this Appendix.

This Appendix also does not include amendments for replacing "listed entity" with PTE in proposed ISA 240 (Revised), which is targeted for approval at the March 2025 IAASB meeting. In June 2025, the narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) will include amendments to ISA 240 (Revised 2025) to reflect the position of the Board and the feedback from respondents to ED-240[20] on whether the differential requirements should be extended to entities other than listed entities.

Since ISA 570 (Revised 2024) was approved by the Board in December 2024, this Appendix does include the relevant text of approved ISA 570 (Revised 2024), with the proposed amendments for replacing "listed entity" with PTE in accordance with PIE Track 2.

ISQM 1, QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS

Introduction

Scope of this ISQM

…

5A. <u>Some of the requirements set out in the ISQMs are applicable only to audits of financial statements of publicly traded entities, reflecting significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. (Ref: Para. A2A-A2B)</u>

5B. <u>Stakeholders have heightened expectations regarding an audit engagement for a publicly traded entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements in the ISQMs that apply to audits of financial statements of publicly traded entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition. (Ref: Para. A2A-A2E)</u>

[20] ED-240: Proposed International Standard on Auditing 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements and Proposed Conforming and Consequential Amendments to Other ISAs.*

…

Scalability

10. In applying a risk-based approach, the firm is required to take into account:

    (a) The nature and circumstances of the firm; and

    (b) The nature and circumstances of the engagements performed by the firm.

    Accordingly, the design of the firm's system of quality management, in particular the complexity and formality of the system, will vary. For example, a firm that performs different types of engagements for a wide variety of entities, including audits of financial statements of ~~listed~~ publicly traded entities, will likely need to have a more complex and formalized system of quality management and supporting documentation, than a firm that performs only reviews of financial statements or compilation engagements.

…

Definitions

16. For purposes of this ISQM, the following terms have the meanings attributed below:

…

~~(j) Listed entity – An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.~~

…

(p)B Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

For purposes of complying with the ISQMs, if law, regulation or professional requirements define more explicitly a publicly traded entity in a specific jurisdiction, for example for purposes of defining entities that are considered public interest entities, by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria, the firm applies that more explicit definition.

…

Requirements

Applying, and Complying with, Relevant Requirements

17. The firm shall comply with each requirement of this ISQM unless the requirement is not relevant to the firm because of the nature and circumstances of the firm or its engagements. (Ref: Para. A29)

18. The individual(s) assigned ultimate responsibility and accountability for the firm's system of quality management, and the individual(s) assigned operational responsibility for the firm's system of quality management shall have an understanding of this ISQM, including the application and other explanatory material, to understand the objective of this ISQM and to apply its requirements properly.

…

Specified Responses

34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses: (Ref: Para. A116)

    (a) The firm establishes policies or procedures for:

        (i) Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and (Ref: Para. A117)

        (ii) Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. (Ref: Para. A118–A119)

    (b) The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.

    (c) The firm establishes policies or procedures for receiving, investigating and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements, or non-compliance with the firm's policies or procedures established in accordance with this ISQM. (Ref: Para. A120–A121)

    (d) The firm establishes policies or procedures that address circumstances when:

        (i) The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement; or (Ref: Para. A122–A123)

        (ii) The firm is obligated by law or regulation to accept a client relationship or specific engagement. (Ref: Para. A123)

    (e) The firm establishes policies or procedures that: (Ref: Para. A124–A126)

        (i) Require communication with those charged with governance when performing an audit of financial statements of ~~listed~~ publicly traded entities about how the system of quality management supports the consistent performance of quality audit engagements; (Ref: Para. A127–A129)

        (ii) Address when it is otherwise appropriate to communicate with external parties about the firm's system of quality management; and (Ref: Para. A130)

        (iii) Address the information to be provided when communicating externally in accordance with paragraphs 34(e)(i) and 34(e)(ii), including the nature, timing and extent and appropriate form of communication. (Ref: Para. A131–A132)

    (f) The firm establishes policies or procedures that address engagement quality reviews in accordance with ISQM 2, and require an engagement quality review for:

        (i) Audits of financial statements of ~~listed~~ publicly traded entities;

        (ii) Audits or other engagements for which an engagement quality review is required by law or regulation; and (Ref: Para. A133)

        (iii) Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risk(s). (Ref: Para. A134-A137)

…

Application and Other Explanatory Material

…

A2A. The firm may determine that there are entities other than publicly traded entities where stakeholders have heightened expectations regarding the audit engagement, reflecting significant public interest in the financial condition of those entities. Therefore, the firm may also apply one or more requirements set out in an ISQM for audits of financial statements of publicly traded entities to the audits of such other entity(ies). Paragraphs A2B–A2E may be relevant in this regard.

A2B. The extent of public interest in the financial condition of an entity may, for example, be affected by:

- The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business.
- Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.
- Size of the entity.
- The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.
- Number and nature of stakeholders including investors, customers, creditors and employees.
- The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

A2C. Law, regulation or professional requirements, including relevant ethical requirements, may define or designate an entity(ies) as a "public interest entity" or may use terms other than "public interest entity" to describe entities in which there is a significant public interest in their financial condition. For example, the IESBA Code has identified certain categories of public interest entity, including:

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

A2D. In addition, those responsible for setting law, regulation or professional requirements may also designate categories of "public interest entities". Depending on the facts and circumstances in a specific jurisdiction, such categories may include:

- Pension funds.
- Collective investment vehicles.
- Private entities with large numbers of stakeholders (other than investors).
- Not-for-profit organizations or governmental entities.
- Public utilities.

A2E. The firm may also consider the following factors in determining whether it may be appropriate to apply one or more requirements in an ISQM for audits of publicly traded entities to the audit of another entity(ies):

- Whether the entity is treated as a public interest entity for purposes of relevant ethical requirements, including those related to independence.
- Whether the entity is likely to become a publicly traded entity in the near future.
- Whether in similar circumstances, the firm has applied the differential requirements for publicly traded entities to other entities.
- Whether the entity has been specified as not being a publicly traded entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the firm to apply the differential requirements for publicly traded entities to the entity and, if so, whether there are any reasons for not meeting this request.
- The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.
- Whether in similar circumstances, a predecessor firm has applied differential requirements for publicly traded entities to the entity.

…

Applying, and Complying with, Relevant Requirements (Ref: Para. 17)

A29. *Examples of when a requirement of this ISQM may not be relevant to the firm*

- The firm is a sole practitioner. For example, the requirements addressing the organizational structure and assigning roles, responsibilities and authority within the firm, direction, supervision and review and addressing differences of opinion may not be relevant.
- The firm only performs engagements that are related services engagements. For example, if the firm is not required to maintain independence for related services engagements, the requirement to obtain a documented confirmation of compliance with independence requirements from all personnel would not be relevant.

…

Specified Responses (Ref: Para. 34)

…

Communication with Those Charged with Governance (Ref. Para: 34(e)(i))

A127. How the communication with those charged with governance is undertaken (i.e., by the firm or the engagement team) may depend on the firm's policies or procedures and the circumstances of the engagement.

A128. ISA 260 (Revised) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements, and addresses the auditor's determination of the appropriate person(s) within the entity's governance structure with whom to communicate[21] and the communication process.[22] In some circumstances, it may be appropriate to communicate with those charged with governance of entities other than ~~listed~~ publicly traded entities, including those where the firm determines that there is significant public interest in the financial condition of those entities (see paragraph A2A) (or when performing other engagements). Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities. ~~for example, entities that may have public interest or public accountability characteristics, such as:~~

- ~~Entities that hold a significant amount of assets in a fiduciary capacity for a large number of stakeholders including financial institutions, such as certain banks, insurance companies, and pension funds.~~
- ~~Entities with a high public profile, or whose management or owners have a high public profile.~~
- ~~Entities with a large number and wide range of stakeholders.~~

Public sector considerations

A129. The firm may determine it is appropriate to communicate to those charged with governance of a public sector entity about how the firm's system of quality management supports the consistent performance of quality engagements, taking into account the size and complexity of the public sector entity, the range of its stakeholders, the nature of the services it provides, and the role and responsibilities of those charged with governance.

Determining When it is Otherwise Appropriate to Communicate with External Parties (Ref. Para: 34(e)(ii))

A130. The firm's determination of when it is appropriate to communicate with external parties about the firm's system of quality management is a matter of professional judgment and may be influenced by matters such as:

- The types of engagements performed by the firm, and the types of entities for which such engagements are undertaken.
- The nature and circumstances of the firm.
- The nature of the firm's operating environment, such as customary business practice in the firm's jurisdiction and the characteristics of the financial markets in which the firm operates.
- The extent to which the firm has already communicated with external parties in accordance with law or regulation (i.e., whether further communication is needed, and if so, the matters to be communicated).
- The expectations of stakeholders in the firm's jurisdiction, including the understanding and interest that external parties have expressed about the engagements undertaken by the firm, and the firm's processes in performing the engagements.
- Jurisdictional trends.
- The information that is already available to external parties.

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21 ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraphs 11–13

22 ISA 260 (Revised), paragraphs 18–22

- How external parties may use the information, and their general understanding of matters related to firms' system of quality management and audits or reviews of financial statements, or other assurance or related services engagements.
- The public interest benefits of external communication and whether it would reasonably be expected to outweigh the costs (monetary or otherwise) of such communication.

Section 1 The above matters may also affect the information provided by the firm in the communication, and the nature, timing and extent and appropriate form of communication.

Nature, Timing and Extent and Appropriate Form of Communication with External Parties (Ref. Para: 34(e)(iii))

A131. The firm may consider the following attributes in preparing information that is communicated to external parties:

- The information is specific to the circumstances of the firm. Relating the matters in the firm's communication directly to the specific circumstances of the firm may help to minimize the potential that such information becomes overly standardized and less useful over time.
- The information is presented in a clear and understandable manner, and the manner of presentation is neither misleading nor would inappropriately influence the users of the communication (e.g., the information is presented in a manner that is appropriately balanced towards positive and negative aspects of the matter being communicated).
- The information is accurate and complete in all material respects and does not contain information that is misleading.
- The information takes into consideration the information needs of the users for whom it is intended. In considering the information needs of the users, the firm may consider matters such as the level of detail that users would find meaningful and whether users have access to relevant information through other sources (e.g., the firm's website).

A132. The firm uses professional judgment in determining, in the circumstances, the appropriate form of communication with the external party, including communication with those charged with governance when performing an audit of financial statements of ~~listed~~ publicly traded entities, which may be made orally or in writing. Accordingly, the form of communication may vary.

Examples of form of communication to external parties

- A publication such as a transparency report or audit quality report.
- Targeted written communication to specific stakeholders (e.g., information about the results of the firm's monitoring and remediation process).
- Direct conversations and interactions with the external party (e.g., discussions between the engagement team and those charged with governance).
- A webpage.
- Other forms of digital media, such as social media, or interviews or presentations via webcast or video.

Engagements Subject to an Engagement Quality Review

Engagement Quality Review Required by Law or Regulation (Ref: Para. 34(f)(ii))

A133. This ISQM requires an engagement quality review for audits of financial statements of publicly traded entities. Law or regulation may also include explicit requirements to perform an engagement quality review ~~to be performed~~ for certain entities, for example, for audit engagements for entities that:

- Are public interest entities as defined in a ~~particular~~ specific jurisdiction;
- Operate in the public sector or which are recipients of government funding, or entities with public accountability;
- Operate in certain industries (e.g., financial institutions such as banks, insurance companies and pension funds);
- Meet a specified asset threshold; or
- Are under the management of a court or judicial process (e.g., liquidation).

Engagement Quality Review as a Response to Address One or More Quality Risk(s) (Ref: Para. 34(f)(iii))

A134. The firm's understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives, as required by paragraph 25(a)(ii), relates to the nature and circumstances of the engagements performed by the firm. In designing and implementing responses to address one or more quality risk(s), the firm may determine that an engagement quality review is an appropriate response based on the reasons for the assessments given to the quality risks.

Examples of conditions, events, circumstances, actions or inactions giving rise to one or more quality risk(s) for which an engagement quality review may be an appropriate response

Those relating to the types of engagements performed by the firm and reports to be issued:

- Engagements that involve a high level of complexity or judgment, such as:
  - Audits of financial statements for entities operating in an industry that typically has accounting estimates with a high degree of estimation uncertainty (e.g., certain financial institutions or mining entities), or for entities for which uncertainties exist related to events or conditions that may cast significant doubt on their ability to continue as a going concern.
  - Assurance engagements that require specialized skills and knowledge in measuring or evaluating the underlying subject matter against the applicable criteria (e.g., a greenhouse gas statement in which there are significant uncertainties associated with the quantities reported therein).
- Engagements on which issues have been encountered, such as audit engagements with recurring internal or external inspection findings, unremediated significant deficiencies in internal control, or a material restatement of comparative information in the financial statements.
- Engagements for which unusual circumstances have been identified during the firm's acceptance and continuance process (e.g., a new client that had a disagreement with its previous auditor or assurance practitioner).

- Engagements that involve reporting on financial or non-financial information that is expected to be included in a regulatory filing, and that may involve a higher degree of judgment, such as pro forma financial information to be included in a prospectus.

Those relating to the types of entities for which engagements are undertaken:

- Entities in emerging industries, or for which the firm has no previous experience.
- Entities for which concerns were expressed in communications from securities or prudential regulators.
- ~~Entities other than listed entities that may have public interest or public accountability characteristics, for example:.~~ Entities other than publicly traded entities if the firm determines that there is significant public interest in the financial condition of those entities (see paragraph A2A) for which an engagement quality review is not otherwise required by law or regulation. Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.
  - ~~Entities that hold a significant amount of assets in a fiduciary capacity for a large number of stakeholders including financial institutions, such as certain banks, insurance companies, and pension funds for which an engagement quality review is not otherwise required by law or regulation.~~
- Entities with a high public profile, or whose management or owners have a high public profile.
  - ~~Entities with a large number and wide range of stakeholders.~~

A135. The firm's responses to address quality risks may include other forms of engagement reviews that are not an engagement quality review. For example, for audits of financial statements, the firm's responses may include reviews of the engagement team's procedures relating to significant risks, or reviews of certain significant judgments, by personnel who have specialized technical expertise. In some cases, these other types of engagement reviews may be undertaken in addition to an engagement quality review.

A136. In some cases, the firm may determine that there are no audits or other engagements for which an engagement quality review or another form of engagement review is an appropriate response to address the quality risk(s).

Public sector considerations

A137. The nature and circumstances of public sector entities (e.g., due to their size and complexity, the range of their stakeholders, or the nature of the services they provide) may give rise to quality risks. In these circumstances, the firm may determine that an engagement quality review is an appropriate response to address such quality risks. Law or regulation may establish additional reporting requirements for the auditors of public sector entities (e.g., a separate report on instances of non-compliance with law or regulation to the legislature or other governing body or communicating such instances in the auditor's report on the financial statements). In such cases, the firm may also consider the complexity of such reporting, and its importance to users, in determining whether an engagement quality review is an appropriate response.

…

Engagement Inspections (Ref: Para. 38)

A151. *Examples of matters in paragraph 37 that may be considered by the firm in selecting completed engagements for inspection*

- In relation to the conditions, events, circumstances, actions or inactions giving rise to the quality risks:
  - The types of engagements performed by the firm, and the extent of the firm's experience in performing the type of engagement.
  - The types of entities for which engagements are undertaken, for example:
    - Entities that are ~~listed~~ publicly traded entities.
    - Entities operating in emerging industries.
    - Entities operating in industries associated with a high level of complexity or judgment.
    - Entities operating in an industry that is new to the firm.
  - The tenure and experience of engagement partners.
- The results of previous inspections of completed engagements, including for each engagement partner.
- In relation to other relevant information:
  - Complaints or allegations about an engagement partner.
  - The results of external inspections, including for each engagement partner.
  - The results of the firm's evaluation of each engagement partner's commitment to quality.

…

Evaluating Identified Deficiencies (Ref: Para. 41)

…

Root Cause of the Identified Deficiencies (Ref: Para. 41(a))

A165. The objective of investigating the root cause(s) of identified deficiencies is to understand the underlying circumstances that caused the deficiencies to enable the firm to:

- Evaluate the severity and pervasiveness of the identified deficiency; and
- Appropriately remediate the identified deficiency.

Performing a root cause analysis involves those performing the assessment exercising professional judgment based on the evidence available.

A166. The nature, timing and extent of the procedures undertaken to understand the root cause(s) of an identified deficiency may also be affected by the nature and circumstances of the firm, such as:

- The complexity and operating characteristics of the firm.

- The size of the firm.
- The geographical dispersion of the firm.
- How the firm is structured or the extent to which the firm concentrates or centralizes its processes or activities.

Examples of how the nature of identified deficiencies and their possible severity and the nature and circumstances of the firm may affect the nature, timing and extent of the procedures to understand the root cause(s) of the identified deficiencies

- The nature of the identified deficiency: The firm's procedures to understand the root cause(s) of an identified deficiency may be more rigorous in circumstances when an engagement report related to an audit of financial statements of a ~~listed~~ publicly traded entity was issued that was inappropriate or the identified deficiency relates to leadership's actions and behaviors regarding quality.
- The possible severity of the identified deficiency: The firm's procedures to understand the root cause(s) of an identified deficiency may be more rigorous in circumstances when the deficiency has been identified across multiple engagements or there is an indication that policies or procedures have high rates of non-compliance.
- Nature and circumstances of the firm:
    - In the case of a less complex firm with a single location, the firm's procedures to understand the root cause(s) of an identified deficiency may be simple, since the information to inform the understanding may be readily available and concentrated, and the root cause(s) may be more apparent.
    - In the case of a more complex firm with multiple locations, the procedures to understand the root cause(s) of an identified deficiency may include using individuals specifically trained on investigating the root cause(s) of identified deficiencies, and developing a methodology with more formalized procedures for identifying root cause(s).

…

ISQM 2, ENGAGEMENT QUALITY REVIEWS

…

Application and Other Explanatory Material

Appointment and Eligibility of Engagement Quality Reviewers

Assignment of Responsibility for the Appointment of Engagement Quality Reviewers (Ref: Para. 17)

A1. Competence and capabilities that are relevant to an individual's ability to fulfill responsibility for the appointment of the engagement quality reviewer may include appropriate knowledge about:

- The responsibilities of an engagement quality reviewer;
- The criteria in paragraphs 18 and 19 regarding the eligibility of engagement quality reviewers; and

- The nature and circumstances of the engagement or the entity subject to an engagement quality review, including the composition of the engagement team.

A2. The firm's policies or procedures may specify that the individual responsible for the appointment of engagement quality reviewers not be a member of the engagement team for which an engagement quality review is to be performed. However, in certain circumstances (e.g., in the case of a smaller firm or a sole practitioner), it may not be practicable for an individual other than a member of the engagement team to appoint the engagement quality reviewer.

A3. The firm may assign more than one individual to be responsible for appointing engagement quality reviewers. For example, the firm's policies or procedures may specify a different process for appointing engagement quality reviewers for audits of ~~listed~~ publicly traded entities than for audits of ~~non-listed~~ entities other than publicly traded entities or other engagements, with different individuals responsible for each process.

…

Performance of the Engagement Quality Review (Ref: Para. 24–27)

…

Procedures Performed by the Engagement Quality Reviewer (Ref: Para. 25–27)

A28. The firm's policies or procedures may specify the nature, timing and extent of the procedures performed by the engagement quality reviewer and also may emphasize the importance of the engagement quality reviewer exercising professional judgment in performing the review.

A29. The timing of the procedures performed by the engagement quality reviewer may depend on the nature and circumstances of the engagement or the entity, including the nature of the matters subject to the review. Timely review of the engagement documentation by the engagement quality reviewer throughout all stages of the engagement (e.g., planning, performing and reporting) allows matters to be promptly resolved to the engagement quality reviewer's satisfaction, on or before the date of the engagement report. For example, the engagement quality reviewer may perform procedures in relation to the overall strategy and plan for the engagement at the completion of the planning phase. Timely performance of the engagement quality review also may reinforce the exercise of professional judgment and, when applicable to the type of engagement, professional skepticism, by the engagement team in planning and performing the engagement.

A30. The nature and extent of the engagement quality reviewer's procedures for a specific engagement may depend on, among other factors:

- The reasons for the assessments given to quality risks,[23] for example, engagements performed for entities in emerging industries or with complex transactions.
- Identified deficiencies, and the remedial actions to address the identified deficiencies, related to the firm's monitoring and remediation process, and any related guidance issued by the firm, which may indicate areas where more extensive procedures need to be performed by the engagement quality reviewer.
- The complexity of the engagement.

[23] ISQM 1, paragraph A49

- The nature and size of the entity, including whether the entity is a ~~listed~~ publicly traded entity.
- Findings relevant to the engagement, such as the results of inspections undertaken by an external oversight authority in a prior period, or other concerns raised about the quality of the work of the engagement team.
- Information obtained from the firm's acceptance and continuance of client relationships and specific engagements.
- For assurance engagements, the engagement team's identification and assessment of, and responses to, risks of material misstatement in the engagement.
- Whether members of the engagement team have cooperated with the engagement quality reviewer. The firm's policies or procedures may address the actions the engagement quality reviewer takes in circumstances when the engagement team has not cooperated with the engagement quality reviewer, for example, informing an appropriate individual in the firm so appropriate action can be taken to resolve the issue.

A31. The nature, timing and extent of the engagement quality reviewer's procedures may need to change based on circumstances encountered in performing the engagement quality review.

…

ISA 200, OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Introduction

…

An Audit of Financial Statements

…

9A. Some of the requirements set out in the ISAs are applicable only to audits of financial statements of publicly traded entities, reflecting significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. (Ref: Para. A13A-A13B)

9B. Stakeholders have heightened expectations regarding an audit engagement for a publicly traded entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements in the ISAs that apply to audits of financial statements of publicly traded entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition. (Ref: Para. A13A-A13E)

…

Definitions

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13. For purposes of the ISAs, the following terms have the meanings attributed below:

…

(l)B Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

For purposes of complying with the ISAs, if law, regulation or professional requirements define more explicitly a publicly traded entity in a specific jurisdiction, for example for purposes of defining entities that are considered public interest entities, by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria, the auditor applies that more explicit definition.

…

Requirements

…

Conduct of an Audit in Accordance with ISAs

…

Complying with Relevant Requirements

22. Subject to paragraph 23, the auditor shall comply with each requirement of an ISA unless, in the circumstances of the audit:

    (a) The entire ISA is not relevant; or

    (b) The requirement is not relevant because it is conditional and the condition does not exist. (Ref: Para. A79–A80)

23. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA. In such circumstances, the auditor shall perform alternative audit procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective in achieving the aim of the requirement. (Ref: Para. A81)

…

Application and Other Explanatory Material

An Audit of Financial Statements

…

Public Interest in the Financial Condition of an Entity (Ref: Para. 9A-9B)

A13A. The auditor may determine that there are entities other than publicly traded entities where stakeholders have heightened expectations regarding the audit engagement, reflecting significant public interest in the financial condition of those entities. Therefore, the auditor may also apply one or more requirements set out in an ISA for audits of financial statements of publicly traded entities to the audits of such other entity(ies). Paragraphs A13B–A13E may be relevant in this regard.

A13B. The extent of public interest in the financial condition of an entity may, for example, be affected by:

- The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business.

- Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.
- Size of the entity.
- The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.
- Number and nature of stakeholders including investors, customers, creditors and employees.
- The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

A13C. Law, regulation or professional requirements, including relevant ethical requirements, may define or designate an entity(ies) as a "public interest entity" or may use terms other than "public interest entity" to describe entities in which there is a significant public interest in their financial condition. For example, the IESBA Code has identified certain categories of public interest entity, including:

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

A13D. In addition, those responsible for setting law, regulation or professional requirements may also designate categories of "public interest entities". Depending on the facts and circumstances in a specific jurisdiction, such categories may include:

- Pension funds.
- Collective investment vehicles.
- Private entities with large numbers of stakeholders (other than investors).
- Not-for-profit organizations or governmental entities.
- Public utilities.

A13E. The auditor may also consider the following factors in determining whether to apply one or more requirements in an ISA for audits of publicly traded entities to the audit of another entity(ies):

- Whether the entity is treated as a public interest entity for purposes of relevant ethical requirements, including those related to independence.
- Whether the entity is likely to become a publicly traded entity in the near future.
- Whether in similar circumstances, the auditor has applied the differential requirements for publicly traded entities to other entities.
- Whether the entity has been specified as not being a publicly traded entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the auditor to apply the differential requirements for publicly traded entities to the entity and, if so, whether there are any reasons for not meeting this request.
- The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.

- Whether in similar circumstances, a predecessor auditor has applied differential requirements for publicly traded entities to the entity.

…

Conduct of an Audit in Accordance with ISAs

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Contents of the ISAs (Ref: Para. 19)

…

Scalability Considerations

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A69. Scalability considerations have been included in some ISAs (e.g., ISA 315 (Revised 2019)), illustrating the application of the requirements to all entities regardless of whether their nature and circumstances are less complex or more complex. Less complex entities are entities for which the characteristics in paragraph A71 may apply.

A70. The "considerations specific to smaller entities" included in some ISAs have been developed primarily with ~~unlisted~~ entities other than publicly traded entities in mind. Some of the considerations, however, may be helpful in audits of smaller ~~listed~~ publicly traded entities.

A71. For purposes of specifying additional considerations to audits of smaller entities, a "smaller entity" refers to an entity which typically possesses qualitative characteristics such as:

(a) Concentration of ownership and management in a small number of individuals (often a single individual – either a natural person or another enterprise that owns the entity provided the owner exhibits the relevant qualitative characteristics); and

(b) One or more of the following:

(i) Straightforward or uncomplicated transactions;

(ii) Simple record-keeping;

(iii) Few lines of business and few products within business lines;

(iv) Simpler system of internal controls;

(v) Few levels of management with responsibility for a broad range of controls; or

(vi) Few personnel, many having a wide range of duties.

These qualitative characteristics are not exhaustive, they are not exclusive to smaller entities, and smaller entities do not necessarily display all of these characteristics.

…

Complying with Relevant Requirements

Relevant Requirements (Ref: Para. 22)

…

Departure from a Requirement (Ref: Para. 23)

A81. ISA 230 establishes documentation requirements in those exceptional circumstances where the auditor departs from a relevant requirement.[24] The ISAs do not call for compliance with a requirement that is not relevant in the circumstances of the audit.

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ISA 210, AGREEING THE TERMS OF AUDIT ENGAGEMENTS

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Application and Other Explanatory Material

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Preconditions for an Audit

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Agreement of the Responsibilities of Management (Ref: Para. 6(b))

…

A12. The way in which the responsibilities for financial reporting are divided between management and those charged with governance will vary according to the resources and structure of the entity and any relevant law or regulation, and the respective roles of management and those charged with governance within the entity. In most cases, management is responsible for execution while those charged with governance have oversight of management. In some cases, those charged with governance will have, or will assume, responsibility for approving the financial statements or monitoring the entity's internal control related to financial reporting. In larger <u>or more complex</u> entities, a subgroup of those charged with governance, such as an audit committee, may be charged with certain oversight responsibilities.

…

ISA 220 (REVISED), QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS

…

Application and Other Explanatory Material

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Relevant Ethical Requirements, Including Those Related to Independence (Ref: Para. 16–21)

Relevant Ethical Requirements (Ref: Para. 1, 16–21)

A39. ISA 200[25] requires that the auditor comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements may vary depending on the nature and circumstances of the engagement. For example, certain requirements related to independence may be applicable only when performing audits of ~~listed~~ <u>publicly traded or public interest</u> entities. ISA 600 (Revised) includes additional requirements and guidance to those in this ISA regarding communications about relevant ethical requirements with component auditors.

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24 ISA 230, paragraph 12

25 ISA 200, paragraphs 14 and A16–A19

…

ISA 260 (REVISED), COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this ISA applies irrespective of an entity's governance structure or size, particular considerations apply where all of those charged with governance are involved in managing an entity, and for ~~listed~~ publicly traded entities. This ISA does not establish requirements regarding the auditor's communication with an entity's management or owners unless they are also charged with a governance role.

…

Requirements

…

Matters to Be Communicated

…

Auditor Independence

17. The auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial statements of certain entities. (Ref: Para. A29)

18. ~~In the case of listed entities, t~~The auditor shall communicate with those charged with governance a~~:~~ ~~A~~ statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence. ~~;and~~

18A. For audits of financial statements of publicly traded entities, the statement required by paragraph 18 shall include

(a) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and (Ref: Para. A29A)

(b) In respect of threats to independence that are not at an acceptable level, the actions taken to address the threats, including actions that were taken to eliminate the circumstances that create the threats, or applying safeguards to reduce the threats to an acceptable level. (Ref: Para. A30–A32)

…

The Communication Process

…

Forms of Communication

…

21. The auditor shall communicate in writing with those charged with governance regarding auditor independence ~~when~~ as required by paragraphs 17–18A.

…

Application and Other Explanatory Material

…

Matters to Be Communicated

…

Auditor Independence (Ref: Para. 17–18A)

A29. The auditor is required to comply with relevant ethical requirements, including those related to independence, relating to financial statement audit engagements[26] and to communicate with those charged with governance about the requirements the auditor applies. Relevant ethical requirements may:

- Establish independence requirements that are specific to audits of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial statements of public interest entities in the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). If applicable in the circumstances of the audit engagement, this ISA requires that the auditor also communicates with those charged with governance that the auditor applies such independence requirements.

- Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities specified in the relevant ethical requirements.[27] ISA 700 (Revised) addresses the requirements for the auditor's report relating to the auditor's independence and the relevant ethical requirements the auditor applied.[28]

- Require or encourage the auditor to determine whether it is appropriate to apply independence requirements that are specific to audits of financial statements of certain entities to audits of financial statements of other entities not specified in the relevant ethical requirements.[29] If this

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[26] ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14

[27] See, for example, the public disclosure requirements in the IESBA Code, paragraphs R400.20-R400.21.

[28] ISA 700 (Revised), paragraph 28(c)

[29] See, for example, encouragement in the application material in the IESBA Code, paragraph 400.19 A1.

is the case and the auditor is required to publicly disclose when the auditor applied such independence requirements, the auditor may discuss with management or those charged with governance whether there is a risk of misunderstanding the nature of the entity and any need for additional disclosure.

A29A. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance for matters that may reasonably be thought to bear on independence. For example, the IESBA Code requires the auditor to communicate with those charged with governance information regarding fees,[30] including fees for sustainability assurance engagements, and the provision of non-assurance services for audit clients that are public interest entities.[31]

A30. The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate the circumstances that created the threats.

A31. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the IESBA Code requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.[32]

A32. The communication requirements relating to auditor independence that apply in the case of ~~listed~~ publicly traded entities may also be appropriate in the case of ~~some other~~ entities other than publicly traded entities, including those where the auditor determines that there is significant public interest in the financial condition of those entities.[33]~~, including those that may be of significant public interest, for example, because they have a large number and wide range of stakeholders and considering the nature and size of the business.~~ Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities. ~~On the other hand, there may be situations where communications regarding independence may not be relevant, for example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly where the entity is owner-managed, and the auditor's firm and network firms have little involvement with the entity beyond a financial statement audit.~~

…

The Communication Process

Establishing the Communication Process (Ref: Para. 18)

…

Considerations Specific to Smaller Entities

A40. In the case of audits of smaller entities, the auditor may communicate in a less structured manner

[30] See, for example, paragraphs R410.23–R410.28 of the IESBA Code.

[31] See, for example, paragraphs R600.21–R600.23 of the IESBA Code.

[32] See, for example, paragraphs R400.80–R400.82 and R400.84 of the IESBA Code.

[33] ISA 200, paragraph A13A.

with those charged with governance than in the case of, for example, publicly traded or ~~listed or~~ larger entities.

…

ISA 265, COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

…

Application and Other Explanatory Material

…

Significant Deficiencies in Internal Control (Ref: Para. 6(b), 8)

…

A9. Law or regulation in some jurisdictions may establish a requirement (particularly for audits of ~~listed~~ publicly traded entities) for the auditor to communicate to those charged with governance or to other relevant parties (such as regulators) one or more specific types of deficiency in internal control that the auditor has identified during the audit. Where law or regulation has established specific terms and definitions for these types of deficiency and requires the auditor to use these terms and definitions for the purpose of the communication, the auditor uses such terms and definitions when communicating in accordance with the legal or regulatory requirement.

…

Communication of Deficiencies in Internal Control

Communication of Significant Deficiencies in Internal Control to Those Charged with Governance (Ref: Para. 9)

…

A13. In determining when to issue the written communication, the auditor may consider whether receipt of such communication would be an important factor in enabling those charged with governance to discharge their oversight responsibilities. In addition, for ~~listed~~ publicly traded entities in certain jurisdictions, those charged with governance may need to receive the auditor's written communication before the date of approval of the financial statements in order to discharge specific responsibilities in relation to internal control for regulatory or other purposes. For other entities, the auditor may issue the written communication at a later date. Nevertheless, in the latter case, as the auditor's written communication of significant deficiencies forms part of the final audit file, the written communication is subject to the overriding requirement[34] for the auditor to complete the assembly of the final audit file on a timely basis. ISA 230 states that an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.[35]

A14. Regardless of the timing of the written communication of significant deficiencies, the auditor may communicate these orally in the first instance to management and, when appropriate, to those

[34] ISA 230, *Audit Documentation*, paragraph 14

[35] ISA 230, paragraph A21

charged with governance to assist them in taking timely remedial action to minimize the risks of material misstatement. Doing so, however, does not relieve the auditor of the responsibility to communicate the significant deficiencies in writing, as this ISA requires.

A15. The level of detail at which to communicate significant deficiencies is a matter of the auditor's professional judgment in the circumstances. Factors that the auditor may consider in determining an appropriate level of detail for the communication include, for example:

- The nature of the entity. For example, the communication required for a public interest entity may be different from that for an entity other than a ~~non-~~public interest entity.
- The size and complexity of the entity. For example, the communication required for a complex entity may be different from that for an entity operating a simple business.
- The nature of significant deficiencies that the auditor has identified.
- The entity's governance composition. For example, more detail may be needed if those charged with governance include members who do not have significant experience in the entity's industry or in the affected areas.
- Legal or regulatory requirements regarding the communication of specific types of deficiency in internal control.

…

ISA 315 (REVISED 2019), IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

…

Application and Other Explanatory Material

…

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control (Ref: Para. 19–27)

…

The Entity and Its Environment (Ref: Para. 19(a))

The Entity's Organizational Structure, Ownership and Governance, and Business Model (Ref: Para. 19(a)(i))

The entity's organizational structure and ownership

A56. An understanding of the entity's organizational structure and ownership may enable the auditor to understand such matters as:

- The complexity of the entity's structure.
- …
- The distinction between the owners, those charged with governance and management.

Example:

In less complex entities, owners of the entity may be involved in managing the entity, therefore there is little or no distinction. In contrast, such as in some ~~listed~~ publicly traded entities, there may be a clear distinction between management, the owners of the entity, and those charged with governance.[36]

…

ISA 510, INITIAL AUDIT ENGAGEMENTS – OPENING BALANCES

…

Appendix

(Ref: Para A8)

Illustrations of Auditors' Reports with Modified Opinions

…

Illustration 1:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)[37] does not apply).**

…

Illustration 2:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

…

ISA 570 (REVISED 2024), GOING CONCERN

Introduction

Scope of this ISA

[36] ISA 260 (Revised), paragraphs A1 and A2, provide guidance on the identification of those charged with governance and explains that in some cases, some or all of those charged with governance may be involved in managing the entity.

[37] ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities in the audit of financial statements relating to going concern and the implications for the auditor's report. Although this ISA applies irrespective of the entity's size or complexity, particular considerations apply only for audits of financial statements of ~~listed entities~~ publicly traded entities. (Ref: Para. A1–A2)

…

Requirements

…

Implications for the Auditor's Report

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists

34. If the auditor concludes that the going concern basis of accounting is appropriate and no material uncertainty exists, the auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: (Ref: Para. A78–A79)

    (a) State that: (Ref: Para. A80–A81)

        (i) In the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

        (ii) Based on the audit evidence obtained, the auditor has not identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and

        (iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

    (b) For an audit of financial statements of a ~~listed entity~~ publicly traded entity, when significant judgments are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern: (Ref: Para. A82-A83, A89)

        (i) Include a reference to the related disclosure(s) in the financial statements; and (Ref: Para. A73–A76)

        (ii) Describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A84–A88)

Use of Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements

35. If adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified opinion and the auditor's report shall include a separate section under the heading "Material Uncertainty Related to Going Concern" and: (Ref: Para. A78–A79, A90–A91)

    (a) Include a reference to the related disclosure(s) in the financial statements; (Ref: Para. A77)

    (b) For an audit of financial statements of a ~~listed entity~~ publicly traded entity, describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern; (Ref: Para. A84–A88)

(c) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern;

(d) State that:

(i) The auditor's opinion is not modified in respect of the matter;

(ii) In the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and

(iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

…

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

…

A2. For audits of financial statements of ~~listed entities~~ publicly traded entities, when the auditor concludes, based on the audit evidence obtained, that no material uncertainty exists, and significant judgments were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this ISA requires the auditor to disclose under the heading of "Going Concern" within the auditor's report how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

…

Implications for the Auditor's Report *(Ref: Para. 34)*

…

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists (Ref: Para. 34)

…

A81. Illustration 1 of the Appendix to this ISA is an example of an auditor's report of an entity other than a ~~listed entity~~ publicly traded entity when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting and has concluded that no material uncertainty exists.

A82. For an audit of financial statements of an entity other than a ~~listed entity~~ publicly traded entity, law or regulation may require the auditor to provide the information required by paragraph 34(b). The auditor may also decide that providing the information required by paragraph 34(b) for ~~an~~ entitiesy~~y~~ other than ~~a listed entities~~ publicly traded entities would be appropriate to enhance transparency for intended users of financial statements in the auditor's report. For example, the auditor may decide to do so if the auditor determines that there is significant public interest in the financial condition of those entities.[38] ~~For example, the auditor may decide to do so for other entities, including those that may be of significant public interest, for example, because they have a large number and wide range of stakeholders and considering the nature and size of the business.~~ Examples of ~~S~~such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.

…

Description of How the Auditor Evaluated Management's Assessment of Going Concern (Ref: Para. 34(b)(ii), 35(b))

…

A89. Illustration 2 of the Appendix to this ISA is an example of an auditor's report of ~~listed entity~~ publicly traded entity when:

- The auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting;
- The auditor has concluded that no material uncertainty exists; and
- The financial statements adequately disclose the significant judgments made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Use of the Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists *(Ref: Para. 35–36)*

…

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements (Ref: Para. 35)

A91. Illustrations 3 and 4 of the Appendix to this ISA are examples of an auditor's report of an entity other than a ~~listed entity~~ publicly traded entity and a ~~listed entity~~ publicly traded entity, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but a material uncertainty exists and disclosure is adequate in the financial statements.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements (Ref: Para. 36)

A92. Illustrations 5 and 6 of the Appendix to this ISA are examples of auditor's reports for a ~~listed entity~~ publicly traded entity and an entity other than a ~~listed entity~~ publicly traded entity containing qualified and adverse opinions, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but adequate disclosure of a material uncertainty is not made in the financial statements.

…

Communication with Those Charged with Governance (Ref: Para. 41–42)

…

A101. In the case of an entity other than a ~~listed entity~~ publicly traded entity, in addition to the required

[38] ISA 200, paragraph A13A

statements to be provided in the auditor's report, when appropriate, the auditor may also communicate with those charged with governance additional matters, for example, describing how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

…

Appendix
(Ref: Para. A78, A81, A89, A91–A92)

Illustrations of Independent Auditor's Reports Related to Going Concern

- Illustration 1: An auditor's report of an entity other than a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists.
- Illustration 2: An auditor's report of a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial statements about the significant judgments made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as going concern is adequate.
- Illustration 3: An auditor's report of an entity other than a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 4: An auditor's report of a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 5: An auditor's report of a ~~listed entity~~ publicly traded entity containing a qualified opinion when the auditor has concluded that a material uncertainty exists and the financial statements are materially misstated due to inadequate disclosure.
- Illustration 6: An auditor's report of an entity other than a ~~listed entity~~ publicly traded entity containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the required disclosures relating to the material uncertainty are omitted in the financial statements.

Illustration 1 – An Auditor's Report of an Entity Other Than a ~~Listed~~ Publicly Traded Entity Containing an Unmodified Opinion When No Material Uncertainty Exists

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)[39] does not apply).**
- **…**

[39] ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration 2 – An Auditor's Report of a ~~Listed~~ Publicly Traded Entity Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Statements About the Significant Judgments Made by Management in Concluding That There is No Material Uncertainty Is Adequate

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **…**

Illustration 3 – An Auditor's Report of an Entity Other Than a ~~Listed~~ Publicly Traded Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **…**

Illustration 4 – An Auditor's Report of a ~~Listed~~ Publicly Traded Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **…**

Illustration 5 – An Auditor's Report of a ~~Listed~~ Publicly Traded Entity Containing a Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are Materially Misstated Due to Inadequate Disclosure

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **…**

Illustration 6 – An Auditor's Report of an Entity Other Than a ~~Listed~~ Publicly Traded Entity Containing an Adverse Opinion When a Material Uncertainty Exists and Is Not Disclosed in the Financial Statements

For purposes of the illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **…**

ISA 600 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

…

Appendix 1

(Ref: Para. A45)

Illustration of Independent Auditor's Report Where the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

…

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements[40]

…

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

[*Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised). The last two paragraphs which are applicable for audits of ~~listed~~ publicly traded entities only would not be included.*]

…

ISA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

…

Requirements

[40] The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

…

Auditor's Report

…

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

…

Key Audit Matters

30. For audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities, the auditor shall communicate key audit matters in the auditor's report in accordance with ISA 701.

31. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor's report, the auditor shall do so in accordance with ISA 701. (Ref: Para. A41–A44~~3~~)

…

Auditor's Responsibilities for the Audit of the Financial Statements

…

40. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also shall: (Ref: Para. A51)

    (a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;

    (b) ~~For audits of financial statements of listed entities, s~~State that the auditor provides those charged with governance with a statement that the auditor has:

        (i) C~~c~~omplied with relevant ethical requirements regarding independence; and

        (ii) For audits of financial statements of publicly traded entities, communicated with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied; and

    (c) For audits of financial statements of ~~listed~~ publicly traded entities and any other entities for which key audit matters are communicated in accordance with ISA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. (Ref: Para. A54)

…

Name of the Engagement Partner

46. The name of the engagement partner shall be included in the auditor's report on financial statements of ~~listed~~ publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A62–A64)

…

Auditor's Report Prescribed by Law or Regulation

50. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to International Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A71–A72)

    (a) …

    (l) For audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.

    (m) …

…

Application and Other Explanatory Material

…

Auditor's Report (Ref: Para. 20)

…

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

…

Key Audit Matters (Ref: Para. 31)

A41. This ISA requires communication of key audit matters for audits of financial statements of publicly traded entities. Law or regulation may also require communication of key audit matters for audits of entities other than publicly traded entities ~~listed entities~~ for example, entities characterized in such law or regulation as public interest entities.

A42. The auditor may also decide to communicate key audit matters for ~~other~~ entities other than publicly traded entities, including those where the auditor determines that there is significant public interest in the financial condition of those entities.[41] ~~, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business.~~ Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.

[41] ISA 200, paragraph A13A

A43. ISA 210 requires the auditor to agree the terms of the audit engagement with management and those charged with governance, as appropriate, and explains that the roles of management and those charged with governance in agreeing the terms of the audit engagement for the entity depend on the governance arrangements of the entity and relevant law or regulation.[42] ISA 210 also requires the audit engagement letter or other suitable form of written agreement to include reference to the expected form and content of any reports to be issued by the auditor.[43] When the auditor is not otherwise required to communicate key audit matters, ISA 210[44] explains that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and, in certain jurisdictions, it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so.

Considerations specific to public sector entities

A44. ~~Listed~~ Publicly traded entities are not common in the public sector. However, public sector entities may be significant due to size, complexity or public interest aspects. In such cases, an auditor of a public sector entity may be required by law or regulation or may otherwise decide to communicate key audit matters in the auditor's report.

…

Name of the Engagement Partner (Ref: Para. 46)

A62. The objective of the firm in ISQM 1[45] is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:

- The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Notwithstanding the objective of ISQM 1, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report on the financial statements of a ~~listed~~ publicly traded entity.

A63. Law, regulation or national auditing standards may require that the auditor's report include the name of the engagement partner responsible for audits other than those of financial statements of ~~listed~~ publicly traded entities. The auditor may also be required by law, regulation or national auditing standards, or may decide to include additional information beyond the engagement partner's name in the auditor's report to further identify the engagement partner, for example, the engagement partner's professional license number that is relevant to the jurisdiction where the auditor practices.

A64. In rare circumstances, the auditor may identify information or be subject to experiences that indicate the likelihood of a personal security threat that, if the identity of the engagement partner is made public, may result in physical harm to the engagement partner, other engagement team members or

42 ISA 210, paragraphs 9 and A22

43 ISA 210, paragraph 10

44 ISA 210, paragraph A25

45 ISQM 1, *Quality Control for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 14

other closely related individuals. However, such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Discussions with those charged with governance about circumstances that may result in physical harm may provide additional information about the likelihood or severity of the significant personal security threat. Law, regulation or national auditing standards may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement partner may be omitted.

…

Appendix

(Ref: Para A19)

Illustrations of Independent Auditor's Reports on Financial Statements

- Illustration 1: An auditor's report on financial statements of a ~~listed~~ publicly traded entity prepared in accordance with a fair presentation framework
- Illustration 2: An auditor's report on consolidated financial statements of a ~~listed~~ publicly traded entity prepared in accordance with a fair presentation framework
- Illustration 3: An auditor's report on financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with a fair presentation framework (where reference is made to material that is located on a website of an appropriate authority)
- Illustration 4: An auditor's report on financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with a general purpose compliance framework

Illustration 1 – Auditor's Report on Financial Statements of a ~~Listed~~ Publicly Traded Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

Illustration 2 – Auditor's Report on Consolidated Financial Statements of a ~~Listed~~ Publicly Traded Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

…

Illustration 3 – Auditor's Report on Financial Statements of an Entity Other than a ~~Listed~~ Publicly Traded Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

- **The auditor elects to refer to the description of the auditor's responsibility included on a website of an appropriate authority.**

…

Illustration 4 – Auditor's Report on Financial Statements of an Entity Other than a ~~Listed~~ Publicly Traded Entity Prepared in Accordance with a General Purpose Compliance Framework

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity required by law or regulation. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

…

Basis for Opinion

…

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

…

Responsibilities of Management and Those Charged with Governance for the Financial Statements[46]

…

[46] Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 41(b) of this ISA explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- …

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

…

ISA 701, COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT

Introduction

Scope of this ISA

…

5. This ISA applies to audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This ISA also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report.[47] However, ISA 705 (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation. [48]

…

[47] ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraphs 30–31

[48] ISA 705 (Revised), paragraph 29

Application and Other Explanatory Material

…

Communicating Key Audit Matters

…

Form and Content of the Key Audit Matters Section in Other Circumstances (Ref: Para. 16)

…

A59. The determination of key audit matters involves making a judgment about the relative importance of matters that required significant auditor attention. Therefore, it may be rare that the auditor of a complete set of general purpose financial statements of a ~~listed~~ publicly traded entity would not determine at least one key audit matter from the matters communicated with those charged with governance to be communicated in the auditor's report. However, in certain limited circumstances (e.g., for a ~~listed~~ publicly traded entity that has very limited operations), the auditor may determine that there are no key audit matters in accordance with paragraph 10 because there are no matters that required significant auditor attention.

…

ISA 705 (REVISED), MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

…

Appendix

(Ref: Para A17–A18, A25)

Illustrations of Independent Auditor's Reports with Modifications to the Opinion

- Illustration 1: An auditor's report containing a qualified opinion due to a material misstatement of the financial statements.
- Illustration 2: An auditor's report containing an adverse opinion due to a material misstatement of the consolidated financial statements.
- Illustration 3: An auditor's report containing a qualified opinion due to the auditor's inability to obtain sufficient appropriate audit evidence regarding a foreign associate.
- Illustration 4: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the consolidated financial statements.
- Illustration 5: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements.

Illustration 1 – Qualified Opinion due to a Material Misstatement of the Financial Statements

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)[49] does not apply).**

…

Illustration 2 – Adverse Opinion due to a Material Misstatement of the Consolidated Financial Statements

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

…

Illustration 3 – Qualified Opinion due to the Auditor's Inability to Obtain Sufficient Audit Evidence Regarding a Foreign Associate

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

…

Illustration 4 – Disclaimer of Opinion due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Consolidated Financial Statements

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

…

49 ISA 600 (Revised), Special Considerations—*Audits of Group Financial Statements (Including the Work of Component Auditors)*

<u>Illustration 5 – Disclaimer of Opinion due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements</u>

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ <u>publicly traded</u> entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised), does not apply).**

…

ISA 706 (REVISED), EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

…

Application and Other Explanatory Material

…

Placement of Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Auditor's Report (Ref: Para. 9, 11)

…

A17. Appendix 3 is an illustration of the interaction between the Key Audit Matters section, an Emphasis of Matter paragraph and an Other Matter paragraph when all are presented in the auditor's report. The illustrative report in Appendix 4 includes an Emphasis of Matter paragraph in an auditor's report for an entity other than a ~~listed~~ <u>publicly traded</u> entity that contains a qualified opinion and for which key audit matters have not been communicated.

…

Appendix 3

(Ref: Para A17)

Illustration of an Independent Auditor's Report that Includes a Key Audit Matters Section, an Emphasis of Matter Paragraph, and an Other Matter Paragraph

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ <u>publicly traded</u> entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)[50] does not apply).**

…

Appendix 4

(Ref: Para A8)

50 ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration of an Independent Auditor's Report Containing a Qualified Opinion Due to a Departure from the Applicable Financial Reporting Framework and that Includes an Emphasis of Matter Paragraph

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

ISA 710, COMPARATIVE INFORMATION—CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

…

Appendix

(Ref: Para A5, A7, A10)

Illustrations of Independent Auditors' Reports

Illustration 1 – Corresponding Figures

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)[51] does not apply).**

…

Illustration 2 – Corresponding Figures

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

Illustration 3 – Corresponding Figures

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

---

51 ISA 600 (Revised), Special Considerations—*Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration 4 – Comparative Financial Statements

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

ISA 720 (REVISED), THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION

Introduction

…

Scope of this ISA

…

6. The auditor's responsibilities relating to other information (other than applicable reporting responsibilities) apply regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditor's report.

…

Requirements

…

Reporting

21. The auditor's report shall include a separate section with a heading "Other Information", or other appropriate heading, when, at the date of the auditor's report:

    (a) For an audit of financial statements of a ~~listed~~ publicly traded entity, the auditor has obtained, or expects to obtain, the other information; or

    (b) For an audit of financial statements of an entity other than a ~~listed~~ publicly traded entity, the auditor has obtained some or all of the other information. (Ref: Para. A52)

22. When the auditor's report is required to include an Other Information section in accordance with paragraph 21, this section shall include: (Ref: Para. A53)

    (a) A statement that management is responsible for the other information;

    (b) An identification of:

        (i) Other information, if any, obtained by the auditor prior to the date of the auditor's report; and

        (ii) For an audit of financial statements of a ~~listed~~ publicly traded entity, other information, if any, expected to be obtained after the date of the auditor's report;

    (c) A statement that the auditor's opinion does not cover the other information and, accordingly, that the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon;

(d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this ISA; and

(e) When other information has been obtained prior to the date of the auditor's report, either:

(i) A statement that the auditor has nothing to report; or

(ii) If the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.

…

Application and Other Explanatory Material

…

Obtaining the Other Information (Ref: Para. 13)

…

A12. When the annual report is translated into other languages pursuant to law or regulation (such as may occur when a jurisdiction has more than one official language), or when multiple "annual reports" are prepared under different legislation (for example, when an entity is ~~listed~~ publicly traded in more than one jurisdiction), consideration may need to be given as to whether one, or more than one of the "annual reports" form part of the other information. Local law or regulation may provide further guidance in this respect.

…

Reporting (Ref: Para. 21–24)

A52. For an audit of financial statements of an entity other than a ~~listed~~ publicly traded entity, the auditor may consider that the identification in the auditor's report of other information that the auditor expects to obtain after the date of the auditor's report would be appropriate in order to provide additional transparency about the other information that is subject to the auditor's responsibilities under this ISA. The auditor may consider it appropriate to do so, for example, when management is able to represent to the auditor that such other information will be issued after the date of the auditor's report.

…

Appendix 2

(Ref: Para. 21-22, A53)

Illustration of Independent Auditor's Reports Relating to Other Information

- Illustration 1: An auditor's report of any entity~~, whether listed or other than listed,~~ containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- Illustration 2: An auditor's report of a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report,

has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

- Illustration 3: An auditor's report of an entity other than a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- Illustration 4: An auditor's report of a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.
- Illustration 5: An auditor's report of any entity~~, whether listed or other than listed,~~ containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.
- Illustration 6: An auditor's report of any entity~~, whether listed or other than listed,~~ containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.
- Illustration 7: An auditor's report of any entity~~, whether listed or other than listed,~~ containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the consolidated financial statements also affects the other information.

Illustration 1 – An auditor's report of any entity~~, whether listed or other than listed,~~ containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of any entity~~, whether listed or other than listed,~~ using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)[52] does not apply).**

…

- **Key audit matters have been communicated in accordance with ISA 701.[53]**

…

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

52 ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)

53 ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report.* The Key Audit Matters section is required for ~~listed~~ publicly traded entities only.

Report on the Audit of Financial Statements[54]

…

Key Audit Matters[55]

…

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [*name*].[56]]

…

Illustration 2 – An auditor's report of a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements[57]

…

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [*name*].[58]]

…

54 The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

55 The Key Audit Matters section is required for ~~listed~~ publicly traded entities only.

56 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

57 The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

58 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

Illustration 3 – An auditor's report of an entity other than a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

Illustration 4 – An auditor's report of a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

Illustration 5 – An auditor's report of any entity~~, whether listed or other than listed,~~ containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of any entity~~, whether listed or other than listed,~~ using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

…

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

…

Key Audit Matters[59]

…

Auditor's Responsibilities for the Audit of the Financial Statements

59 The Key Audit Matters section is required for ~~listed~~ publicly traded entities only.

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [*name*].[60]]

…

Illustration 6 – An auditor's report of any entity~~, whether listed or other than listed,~~ containing a~~n~~ qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of any entity~~, whether listed or other than listed,~~ using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**

…

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

…

Key Audit Matters[61]

…

Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [*name*].[62]]

…

---

60 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of ~~listed~~ <u>publicly traded</u> entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

61 The Key Audit Matters section is required for ~~listed~~ <u>publicly traded</u> entities only.

62 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of ~~listed~~ <u>publicly traded</u> entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

Illustration 7 – An auditor's report of any entity~~, whether listed or other than listed,~~ containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the consolidated financial statements also affects the other information.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of any entity~~, whether listed or other than listed,~~ using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**

…

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

…

Key Audit Matters[63]

…

Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is [*name*].[64]]

…

ISA 800 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

…

Application and Other Explanatory Material

…

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

…

Application of ISA 700 (Revised) When Reporting on Special Purpose Financial Statements

…

Key Audit Matters

63 The Key Audit Matters section is required for ~~listed~~ publicly traded entities only.

64 The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

A16. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701[65] for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities. For audits of special purpose financial statements, ISA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial statements is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on special purpose financial statements, ISA 701 applies in its entirety.[66]

Other Information

A17. ISA 720 (Revised) deals with the auditor's responsibilities relating to other information. In the context of this ISA, reports containing or accompanying the special purpose financial statements—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial statements—are considered to be annual reports for the purpose of ISA 720 (Revised). In the case of financial statements prepared using a special purpose framework, the term "similar stakeholders" includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial statements. When the auditor determines that the entity plans to issue such a report, the requirements in ISA 720 (Revised) apply to the audit of the special purpose financial statements.

Name of the Engagement Partner

A18. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of special purpose financial statements of ~~listed~~ publicly traded entities.[67] The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on special purpose financial statements of entities other than ~~listed~~ publicly traded entities.

…

Appendix

(Ref: Para. A13 and A21)

Illustrations of Independent Auditor's Reports on Special Purpose Financial Statements

- Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor's report on a complete set of financial statements of a ~~listed~~ publicly traded entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

[65] ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

[66] ISA 700 (Revised), paragraph 31

[67] See ISA 700 (Revised), paragraphs 46 and A62–A64

Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks.**

…

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

…

Basis for Opinion

…

Emphasis of Matters – Basis of Accounting and Restriction on Distribution and Use

…

Responsibilities of Management and Those Charged with Governance for the Financial Statements[68]

…

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

[68] Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- …

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

…

Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist partners in preparing their individual income tax return. Management does not have a choice of financial reporting frameworks.**

…

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

…

Basis for Opinion

…

Emphasis of Matters – Basis of Accounting and Restriction on Distribution

…

Responsibilities of Management and Those Charged with Governance for the Financial Statements[69]

…

[69] Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- …

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. <u>We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.</u>

…

Illustration 3: An auditor's report on a complete set of financial statements of a ~~listed~~ <u>publicly traded</u> entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ <u>publicly traded</u> entity that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.**

…

ISA 805 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

…

Application and Other Explanatory Material

…

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

…

Application of ISA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

…

Key Audit Matters

A20. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701 for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities.[70] For audits of a single financial statement or a specific element of a financial statement, ISA 701 only applies when communication of key audit matters in the auditor's report on such financial statements or elements is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ISA 701 applies in its entirety.[71]

Other Information

A21. ISA 720 (Revised) deals with the auditor's responsibilities relating to other information. In the context of this ISA, reports containing or accompanying the single financial statement or specific element of a financial statement—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement—are considered to be annual reports for purposes of ISA 720 (Revised). When the auditor determines that the entity plans to issue such a report, the requirements in ISA 720 (Revised) apply to the audit of the single financial statement or the element.

Name of the Engagement Partner

A22. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial statements of ~~listed~~ publicly traded entities or specific elements of financial statements of ~~listed~~ publicly traded entities.[72] The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than ~~listed~~ publicly traded entities.

…

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a ~~listed~~ publicly

[70] ISA 700 (Revised), paragraph 30

[71] ISA 700 (Revised), paragraph 31

[72] See ISA 700 (Revised), paragraphs 46 and A62–A64.

traded entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

- Illustration 2: An auditor's report on a single financial statement of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element of a financial statement of a ~~listed~~ publicly traded entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

Illustration 1: An auditor's report on a single financial statement of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a balance sheet (that is, a single financial statement) of an entity other than a ~~listed~~ publicly traded entity.**

…

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

…

Basis for Opinion

…

Material Uncertainty Related to Going Concern

…

Responsibilities of Management and Those Charged with Governance for the Financial Statement[73]

…

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial

[73] Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

statement.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- …

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. <u>We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.</u>

…

Illustration 2: An auditor's report on a single financial statement of an entity other than a ~~listed~~ <u>publicly traded</u> entity prepared in accordance with a special purpose framework.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a ~~listed~~ <u>publicly traded</u> entity.**

…

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

…

Basis for Opinion

…

Emphasis of Matter – Basis of Accounting

…

Responsibilities of Management and Those Charged with Governance for the Financial Statement[74]

…

Auditor's Responsibilities for the Audit of the Financial Statements

[74] Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- …

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. <u>We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.</u>

…

Illustration 3: An auditor's report on a specific element of a financial statement of a ~~listed~~ <u>publicly traded</u> entity prepared in accordance with a special purpose framework.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of an accounts receivable schedule (that is, element, account or item of a financial statement).**

…

ISA 810 (REVISED), ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

…

Appendix
(Ref: Para. A23)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived. The auditor's report on the audited financial statements includes *a Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

…

<u>Illustration 1:</u>

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements of a ~~listed~~ <u>publicly traded</u> entity.**

…

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