Our Ref.: C/AASC

Sent electronically through the IAASB Website (www.iaasb.org)

8 April 2024

International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor,
New York NY 10017
USA

Dear Sirs,

IAASB Exposure Draft, Proposed Narrow Scope Amendments to:
- **International Standards on Quality Management;**
- **International Standards on Auditing; and**
- **International Standards on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements***

as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is the only statutory body in Hong Kong that sets auditing and assurance standards, ethical standards, financial reporting standards as well as sustainability disclosure standards for professional accountants in Hong Kong. We welcome the opportunity to provide our comments on the captioned IAASB Exposure Draft ("ED").

The HKICPA appreciates the IAASB's work in this area. We fully support your initiatives in developing the narrow scope amendments in response to the IESBA's *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code* ("PIE Provisions in the Code").

Overall, we support the IAASB's proposals put forth in the ED. As stated in our comment letter to the IEBSA's consultation on the proposed revisions to the PIE Provisions in the Code (January 2021), our stakeholders expressed that a more converged definition of public interest entity ("PIE") or publicly traded entity should be developed by international standard setters, which would be helpful to minimize the expectation gap on financial reporting and auditing among stakeholders. Therefore, incorporating the definitions of PIE and publicly traded entity from the IESBA Code into the IAASB's pronouncements would enhance understanding and application of these concepts in audit engagements.

We also support the IAASB's proposals to extend the existing differential requirements in ISQM 1, ISA 260 (Revised), ISA 700 (Revised) and ISA 720 (Revised) to PIEs. As highlighted in IESBA's Basis for Conclusions, one of the objectives of the PIE definition project was to bring greater clarity to the concepts of PIE with a focus on independence and audit quality that underpin the concepts of PIEs. In our views, extending the differential requirements to PIEs represents a pragmatic and effective approach to enhancing audit quality in entities that hold significant public interest.

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Considering that Part 4A of the IESBA Code also applies to review engagements, we agree with the proposed revisions to ISRE 2400 (Revised) to provide consistency and transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities. Aligning the disclosure between the practitioner's review report and the auditor's report would eliminate confusion for the intended users of both reports. Accordingly, we agree with the proposed application material with regard to the proposed revisions to ISRE 2400 (Revised).

In addition, we agree with the overarching objective and purpose for differential requirements for PIEs in the ISQMs and ISAs as proposed in paragraphs A29A–A29B of ISQM 1 and paragraphs A81A–A81B of ISA 200 in the ED.

However, we are conscious that the proposed amendments would require firms to revamp and administer their practices. In addition to identifying newly defined PIEs under the IESBA's PIE Provisions, proposals in this ED would require firms to, among others, assign engagement quality reviewers and incorporate new disclosures in the auditor's reports. These would necessitate significant effort by firms to build up their human resources in the coming years. Considering these challenges, we appreciate your decision to coordinate the effective date of the proposed amendments in this ED with the fraud and going concern projects (tentatively set for December 2026), rather than aligning with the effective date of the IESBA's PIE Provisions in the Code, which would allow firms an adequate timeframe to prepare for and transition to the proposed changes.

We trust that our comments are of assistance to you. If you have any questions regarding the matters raised above, please contact Selene Ho, Deputy Director of the Standard Setting Department (selene@hkicpa.org.hk).

Yours faithfully,

Cecilia Kwei
Director, Standard Setting Department