

IAASB
529 5th Avenue
New York, New York 10017
USA

To the attention of: Mr. T. Seidenstein, Chair

Paris, 3rd April 2024

Référence : 20240208

Objet : Response to the ED of proposed narrow scope amendments to ISQMs, ISAs and ISRE 2400 (revised)

Dear President,

In our respective capacity as Presidents of the CNCC and the CNOEC, we are glad to submit to the IAASB our comments on the ED of proposed narrow scope amendments to ISQMs, ISAs and ISRE 2400 (revised).

Overall, we support the IAASB's initiative to revise the International Standards on Quality Management (ISQMs); International Standards on Auditing (ISAs); and International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statement, to be consistent with the revisions to the definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code.

Nevertheless, as already mentioned in our answer to the IESBA exposure draft on PIEs, we question the feasibility of defining PIEs in a standard, considering the practical difficulties of implementation and the unintended consequences it may have. The status of PIE is usually defined by law or regulation in most countries and jurisdictions. It entails obligations for the auditor but primarily for the entity. Asking firms to treat certain entities as PIEs when they are not categorised as PIEs in the law or regulation of their country may create the wrong perception in the Public that those entities are subject to all the obligations of PIEs, especially in terms of Governance and transparency, when in fact the auditor has unilaterally decided to treat them as PIEs.


In order to avoid the confusion for the Markets and the Public of having to reconcile the differences between the local legal definition of PIEs and the IESBA definition, we believe that there should be **an overall principle** stated somewhere in ISA 200 or elsewhere that the auditor can **use the legal definition of PIE** and Publicly Traded Entity applicable in its country and **claim compliance with the ISAs** if he/she has complied with that local definition of PIE and Publicly Traded Entity, set by law or regulation.

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

Additionally, as stated in our responses to specific questions below, we believe that transparency requirements in ISA 701, ED ISA 240 and in ED ISA 570 should not be expanded to PIE but only to publicly traded entities. Entities which are not publicly traded usually do not have requirements for timely public disclosure of information that may have an incidence on stock price. If such requirements of ISA 701, ED ISA 240 and ED ISA 570 were extended to PIEs, there would be a risk that the auditor becomes a provider of original information on the entity, due to requirements to communicate some going concern or fraud matters in the auditor's report, when entities which are not publicly traded do not have such disclosure requirements.

Should you wish to discuss any of our comments, please do not hesitate to contact us.

Yours Sincerely



Yannick OLLIVIER
Président de la Compagnie Nationale
des Commissaires aux Comptes



Cécile de SAINT-MICHEL
Présidente du Conseil National de
l'Ordre des Experts-Comptables

RESPONSE TEMPLATE FOR THE ED OF PROPOSED NARROW SCOPE AMENDMENTS TO ISQMs, ISAs AND ISRE 2400 (REVISED)

Guide for Respondents

Comments are requested by **April 8, 2024**.

This template is for providing comments on the Exposure Draft (ED) of proposed Narrow Scope Amendments to the International Standards on Quality Management (ISQMs), the International Standards on Auditing (ISAs) and the International Standard on Review Engagement (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code*, in response to the questions set out in the Explanatory Memorandum (EM) to the ED. It also allows for respondent details, demographics, and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of the ED that your response relates to, for example, by reference to sections, headings or specific paragraphs in the ED.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the ED [web page](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the EM for the ED, Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and PIE in the IESBA Code

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	CNCC - CNOEC
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Cédric Gélard
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	cgelard@dipacint.com
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option.	Europe
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.	Member body and other professional organization
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to the ED).

Information, if any, not already included in responding to the questions in Parts B and C:



General comments:

Overall, we fully support the IAASB's initiative to revise the International Standards on Quality Management (ISQMs); International Standards on Auditing (ISAs); and International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statement, to be consistent with the revisions to the definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code.

Nevertheless, as already mentioned in our answer to the IESBA exposure draft ¹, we question the feasibility of defining PIEs in a standard, considering the practical difficulties of implementation and the unintended consequences it may have. The status of PIE is usually defined by law or regulation in most countries and jurisdictions. It entails obligations for the auditor but primarily for the entity. Asking firms to treat certain entities as PIEs when they are not categorised as PIEs in the law or regulation of their country may create the wrong perception in the Public that those entities are subject to all the obligations of PIEs, especially in terms of Governance and transparency, when in fact the auditor has unilaterally decided to treat them as PIEs.

On the other hand, we believe that each country should be encouraged to define the scope of its PIEs.

Additionally, as stated in our responses to specific questions below, we believe that transparency requirements in ISA 701, ED ISA 240 and in ED ISA 570 should not be expanded to PIE but only to publicly traded entities. Entities which are not publicly traded usually do not have requirements for timely public disclosure of information that may have an incidence on stock price. If such requirements of ISA 701, ED ISA 240 and ED ISA 570 were extended to PIE, there would be a risk that the auditor become a provider of original information on the entity, due to requirements to communicate some going concern or fraud matters in the auditor's report, when entities which are not publicly traded do not have such similar disclosure requirements.

PART B: Responses to Specific Questions in the EM for the ED

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Objective for Establishing Differential Requirements for PIEs

1. Do you agree with establishing the overarching objective and purpose for establishing differential requirements for PIEs proposed in paragraphs A29A–A29B of ISQM 1 and paragraphs A81A–A81B of ISA 200 in the ED? If not, what do you propose and why?

(See EM Section 1-B, paragraphs 13-18)

Overall response: Agree, with comments below

Detailed comments (if any):

The term "stakeholders" is used. This should read "intended users of the financial statements" in line with paragraph 3 of ISA 200 (Revised).

The presumption that stakeholders' expectations will be met (by adherence to the requirements in ISQMs and ISAs, respectively) can lead to increase the gap expectation. It would be preferable to use "addressed" in place of "met" in both instances.

¹ IESBA Exposure Draft on the "Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code" – May 2021

Definitions of PIE and "Publicly Traded Entity"

2. Do you agree with adopting the definitions of PIE and "publicly traded entity" into ISQM 1 and ISA 200 (see proposed paragraphs 16(p)A–16(p)B of ISQM 1 and paragraphs 13(l)A–13(l)B of ISA 200 in the ED)? If not, what do you propose and why?

(See EM Section 1-C, paragraphs 19-26)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We note that the proposed definition of PIE is not aligned with that of the [EU Regulation 537/2014 on specific requirements regarding statutory audit of PIEs](#):

*Union legislation requires that the financial statements, comprising annual financial statements or consolidated financial statements, of **credit institutions, insurance undertakings, issuers of securities admitted to trading on a regulated market, payment institutions, undertakings for collective investment in transferable securities (UCITS), electronic money institutions and alternative investment funds** be audited by one or more persons entitled to carry out such audits in accordance with Union law.*

In addition, we also note that the definition of publicly traded entities is not aligned with the European definition which refers to "entities whose transferable securities are admitted to trading on a **regulated market**", when the IESBA definition refers to "entities that issues financial instruments that are transferrable and traded through a **publicly accessible market mechanism**" and includes entities trading financial instruments in less regulated markets such as entities trading on second tier markets or **over-the counter** trading platforms.

In order to avoid the confusion for the Markets and the Public of having to reconcile the differences between the local legal definition of PIEs and the IESBA definition, we believe that there should be an **overall principle** stated somewhere in ISA 200 or elsewhere that the auditor can **use the legal definition of PIE** and Publicly Traded Entity applicable in its country and **claim compliance with the ISAs** if he/she has complied with that local definition of PIE and Publicly Traded Entity, set by law or regulation.

We understand from the recent paper discussed in IESBA (Agenda item 8A, paragraph 26 and 27) that our request above is consistent with IESBA position:

Agenda Item 8A, paragraph 26: "[...] *the responsibility for determining which entities or class of entities should be categorized as PIEs rests with legislators or other relevant local bodies. The IESBA therefore agreed that firms should not be required to determine if other entities should be treated as PIEs. [...]*"

Agenda Item 8A, paragraph 27: "[...] *for this specific project, compliance with the IESBA Code by firms (any firm, including those in an association of firms that are committed to complying with the Code, such as a member firm of the FoF) means first and foremost compliance with local laws and regulations, [...]*"

Differential Requirements in the ISQMs and ISAs

- 3A. Do you agree with the IAASB's proposals for extending the extant differential requirements for engagement quality reviews to apply to PIEs (ISQM 1, paragraph 34(f) in the ED)?

(See EM Section 1-D, paragraphs 27-40 and Appendix 1)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

In Europe, these requirements already apply to entities defined as PIEs by the European Union.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3B. Do you agree with the IAASB's proposals for extending the extant differential requirements for communication with TCWG about the firm's system of quality management to apply to PIEs (ISQM 1, paragraph 34(e) in the ED)?

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

Overall response: Agree, with comments below

Detailed comments (if any):

As the definition of PIE is very broad, it covers entities that do not all have the same governance structure, and in particular that do not have an audit committee, and where it may therefore be difficult for the auditor to find a relevant body or person to report to.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3C. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating about auditor independence to apply to PIEs (ISA 260 (Revised), paragraphs 17 and 17A, and ISA 700 (Revised), paragraph 40(b) in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 41-45 and Appendix 1)

Overall response: Agree, with comments below

Detailed comments (if any):

We have the same comment as for question 3B.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3D. Do you agree with the IAASB's proposals for extending the extant differential requirements for communicating KAM to apply to PIEs (ISA 700 (Revised), paragraphs 30-31, 40(c) and ISA 701, paragraph 5 in the ED)?

(See EM Section 1-D, paragraphs 27-38 and 46 and Appendix 1)

Overall response: Agree, with comments below

Detailed comments (if any):

In the European Union, we have been applying this requirement since 2016 as the Audit Regulation (537/2014/EU) introduced the mandatory disclosure of Key Audit Matters (KAMs) for Public Interest Entities starting from the end of 2016.

With this new and largest definition of PIE, there may be a risk that the auditor will become through certain KAMs a provider of information not disclosed by the entity, as not all PIEs have the same reporting requirements (while listed entities have to report publicly any information that may have an incidence on the share price, other PIEs do not have that requirement and may not have communicated any information publicly).

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

3E. Do you agree with the IAASB's proposals for extending the extant differential requirements for the name of the engagement partner to apply to PIEs (ISA 700 (Revised), paragraphs 46 and 50(I))?

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

Overall response: Agree, with comments below

Detailed comments (if any):

In Europe, these requirements already apply to entities defined as PIEs by the European Union.

If you do not agree, what alternatives do you suggest (please elaborate why you believe such alternatives would be more appropriate, practicable and capable of being consistently applied globally)?

Detailed comments (if any):

4. Do you agree with the IAASB's proposal to amend the applicability of the differential requirements for listed entities in ISA 720 (Revised) to apply to "publicly traded entity"? If not, what do you propose and why?

(See EM Section 1-D, paragraphs 47-51)

Overall response: Agree, with comments below

Detailed comments (if any):

We agree with the proposal to replace the differential requirements in ISA 720 to "publicly traded entity" and not PIE.

We take the opportunity to mention that we believe that ISA 720 needs to be amended to better reflect current thinking on connectivity between financial statements and sustainability reporting.

At present paragraph A5 of ISA 720 excludes from the scope of “other information” reports that, when issued as standalone documents, are not typically part of the combination of documents that comprise an annual report (subject to law, regulation or custom), such as “sustainability reports”, “diversity and equal opportunity reports”, “human rights reports”...; we believe that these sustainability reports should be read in connection with the financial statements and should therefore not be excluded from the scope of “other information». This would require changes to paragraph A5.

Proposed Revisions to ISRE 2400 (Revised)

5. Do you agree with the new requirement and application material in ISRE 2400 (Revised) to provide transparency in the practitioner’s review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code? If not, what do you propose and why?

(See EM Section 1-E, paragraphs 52-57)

Overall response: Agree (with no further comments)

Detailed comments (if any):

Other Matters

6. Are there any other matters you would like to raise in relation to the ED? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

Overall response: Yes, with comments below

Detailed comments (if any):

We are concerned that this consultation does not deal with proposed revisions of ISA 240 Fraud (ED in progress) and ISA 570 Going concern (ED closed). Indeed, several requirements in proposed revised ISA 240 and ISA 570 relate to listed companies, especially regarding transparency in the auditor’s report.

As mentioned in our answer to question 3D, with the new and largest definition of PIE, there may be a risk that the auditor will become a provider of original information on the entity, due to requirements to communicate some going concern or fraud matters in the auditor’s report. Indeed, not all PIEs have the same reporting requirements (while listed entities have to report publicly any information that may have an incidence on the share price, other PIE entities do not have that requirement and may not have communicated some information publicly). As an example, a non-listed company may not have publicly communicated a going concern temporary issue that does not anymore exist at year end. We believe it is not public interest for the auditor to disclose in the auditor’s report an issue that does not exist anymore and for which there is no mandatory requirement for the entity.

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

7. Translations—Recognizing that many respondents may intend to translate the final narrow scope amendments for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED.

Overall response: See comments on translation below



Detailed comments (if any):

We think that the translation of “Publicly traded entity” in French could be difficult. While there is a translation for “listed entity” (“entité cotée”), there is no translation reflecting properly “publicly traded entities”. “Entité cotée” does not include entities which shares are traded “over the counter”.

8. **Effective Date**—Given it is preferred to coordinate effective dates with the fraud and going concern projects, the IAASB believes that an appropriate effective date for the narrow scope amendments would be for financial reporting periods beginning approximately 18-24 months after approval of the final narrow scope amendments for Track 2. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the narrow scope amendments for Track 2 of the listed entity and PIE project.

Overall response: See comments on effective date below

Detailed comments (if any):

In view of our comments in question 6, it is essential to coordinate effective dates with the fraud and going concern projects.

