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22 March 2024

Dear Chair,

SUBMISSION – EXPOSURE OF THE IAASB'S PROPOSED NARROW SCOPE AMENDMENTS AS A RESULT OF THE REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE IESBA CODE

We appreciate the opportunity to provide comment to the Australian Auditing and Assurance Standards Board on the Consultation Paper on the Exposure of the IAASB's *Proposed Narrow Scope Amendments to: International Standards on Quality Management; International Standards on Auditing; and International Standard 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 "Consultation Paper").

Pitcher Partners is an association of independent firms operating from all major cities in Australia. Firms in the Pitcher Partners network are full service firms, and we are committed to high ethical standards across all areas of our practice. Our clients come from a wide range of industries and include listed and non-listed disclosing entities, large private businesses, family groups, government entities, and small to medium sized enterprises.

We acknowledge the International and Australian Auditing and Assurance Standards Boards' efforts to facilitate greater consultation in the standard setting process, and we support the convergence of, and consistency between, the IAASB standards and IESBA Code. We agree with many of the proposed amendments, however as communicated previously to the AUASB, we do not believe there are any compelling reasons to expand the applicability of KAMs beyond listed entities and thus we do not agree with the IAASB proposal to expand the differential requirements relating to KAMs to apply to PIEs. In addition, we don't believe it is appropriate to make changes to ISRE 2400 at this point in time and instead this should be included in a broader project in conjunction with ISRE 2410.

Our detailed responses to the questions contained in the Consultation Paper are attached to this letter, and we would welcome the opportunity to engage in any further discussion of this topic with other interested parties.

Please contact either myself or Tim Nesbitt, Director – Audit & Accounting Technical (03 8612 9596 or tim.nesbitt@pitcher.com.au) or Ronnie Vogt Director – Audit & Accounting Technical (03 8610 5118 or ronnie.vogt@pitcher.com.au), in relation to any of the matters outlined in this submission.

Yours sincerely,

K L BYRNE	T NESBITT	R VOGT
Partner	Director, Audit & Accounting Technical	Director, Audit & Accounting Technical

Overall, it is important to acknowledge and recognise that jurisdictions have different types of entities that will be captured in the definition of a PIE. The nature and size of these entities, as well as the users and auditors of the financial statements of these entities, can vary significantly between jurisdictions. We believe the proposal to expand the differential requirements of KAMs to all PIEs is the most important and will have the most impact and consequences. a) EQRs – currently jurisdictional requirements and/or internal firm policies (linked to ISQM 1) would generally require EQRs to be applicable to PIEs (not only listed entities) and therefore we expect limited impact practically of the expanding of this differential requirement to PIEs. We support the IAASB proposal. b) Communication with TCWG about the firm's system of quality management – we agree with the IAASB proposal to extend this differential requirement (within ISQM 1) to PIEs. c) Communicating auditor independence – we agree with the IAASB proposal, and we support the convergence and consistency with the IESBA Code (to the greatest extent possible). We note the proposed changes to ISA 260 (Revised) and ISA 700 (Revised) include communication to those charged with governance regarding the auditor's independence applicable to audits of financial statements of all entities and this flows through to the inclusion in the auditor's responsibilities section of the auditor's report that states: "We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence". d) KAMs – we don't agree with the IAASB proposal as we don't believe there are compelling reasons to extend KAMs to all PIEs. It still remains questionable as to the usefulness and benefit of KAMs to users and the amount of time, effort and resources needed is significant. We support the differential requirements of KAMs to remain as is and be applicable to listed entities only. Having said this, we can understand the reasoning if KAMs was to be applied to publicly traded entities based on the change in definition. e) Name of the engagement partner – this is not an unreasonable or onerous requirement; thus, we agree with the IAASB proposal to extend the applicability to PIEs. It is acknowledged that jurisdictional laws and regulations would continue to impact whether this is prohibited in a specific jurisdiction.
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?
We agree with this proposal as the differential requirements would be applied to a publicly traded entity in the same way that they are currently applied to a listed entity. This is appropriate based on the nature of the differential requirements relating to other information within ISA 720 (Revised), the change in the definition (from listed entity to publicly traded entity) and our consideration of the impact on entities to be scoped in and out of the publicly traded entity definition compared to the listed entity definition (as per paragraph 26 of the Explanatory Memorandum to the Consultation Paper).
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?
We don't agree that the proposed revisions to ISRE 2400 should be included within the scope of this Consultation Paper. It is acknowledged by the IAASB (paragraph 57 of the Explanatory Memorandum to the Consultation Paper) that ISRE 2410 is the review standard that is most commonly applicable to listed entities or PIEs among jurisdictions, however revisions to ISRE 2410 will be part of a broader project in the IAASB's further work plan. We don't believe it is appropriate to apply revisions to ISRE 2400 now in isolation. Instead, it would make the most sense to consider revisions to the ISRE standards together as part of the same broader project.

In line with our response to question 3 in the International Explanatory Memorandum (as above), we do not support the proposal to extend the applicability of ASA 701 to all PIEs in Australia. We reconfirm our response within the *Expanding Key Audit Matters Beyond Listed Entities* submission to the AUASB in March 2023, which stated we strongly support the applicability of ASA 701 (KAMs) to listed entities only (i.e., not expanding KAMs beyond listed entities). We still believe there is no compelling reasons and little to no benefit of extending KAMs in Australia to entities other than listed entities. Having said this, given the change in definition from listed entity to publicly traded entity, we would understand the reasoning if it was determined to be appropriate that KAMs would apply to publicly traded entities in the same way that it does now for listed entities.
For questions Aus 3 to Aus 7, stakeholders are asked to comment on the AUASB proposal to adopt the IAASB proposals but using the APESB's definition and criteria for PIEs.
3. Have applicable laws and regulations been appropriately addressed in the proposed narrow scope amendments for Track 2 of the listed entity and PIE project?
Nothing to note that indicates otherwise.
4. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed narrow scope amendments, or may conflict with the proposed narrow scope amendments for Track 2 of the listed entity and PIE project?
Nothing to note.
5. Are there any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed narrow scope amendments, or may conflict with the proposed narrow scope amendments for Track 2 of the listed entity and PIE project?
Nothing to note.
6. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed narrow scope amendments? If significant costs are expected, the AUASB would like to understand: (i) Where those costs are likely to occur; (ii) The estimated extent of costs, in percentage terms (relative to audit fees); and (iii) Whether expected costs outweigh the benefits to the users of audit services?
If the proposed narrow scope amendments are adopted as is, which would expand differential reporting requirements (including KAMs) to PIEs, then additional costs (potentially significant) would be incurred by some auditors and the business community which are likely to outweigh the expected benefits to users. (refer to our response to question 1 above) The additional costs will impact various areas including the number of resources, required time, systems, governance, monitoring, reporting and compliance. We believe it is important to highlight that it is not only costs incurred in the first year of application, but also each year after this. It is also unlikely that these additional costs will be borne by the entities.
7. Are there any other significant public interest matters that stakeholders wish to raise?
We reiterate the other matters included in our response to question 6 in the International Explanatory Memorandum (as above), which are equally applicable to the AUASB. In addition, we specifically highlight that the importance of the matter included in our response at 6.b) is increased further with the inclusion of disclosing entities and reporting entities. It becomes more complex, difficult, and confusing when different requirements apply to different types of entities (PIEs, publicly traded entities, listed entities, disclosure entities, reporting entities).