

# Listed Entity and Public Interest Entity (PIE)

**Josephine Jackson**  
**Listed Entity and PIE (PIE WG) Chair**

**IAASB CAG Meeting**  
**March 8–9, 2022**  
**Agenda Item B.1**



# IAASB-IESBA Coordination and Activities to Date

IESBA's  
Definitions of  
listed entity and  
PIE project  
approved

**December 2019**

IESBA seeks  
input from  
stakeholders;  
PIE ED issued

**January 2021**

IAASB's  
feedback to  
IESBA and  
scoping of project

**Jul – Oct 2021**

Expected  
approval of  
IAASB's narrow  
scope project  
proposal

**March 2022**

**Jan – Dec 2020**

Ongoing IAASB-  
IESBA  
coordination

**May 2021**

IAASB's PIE  
Working Group  
(WG) established

**December 2021**

IESBA approves  
revisions to the  
IESBA Code

# Project Objectives that Support the Public Interest

## Aligning Concepts with the revisions to the IESBA Code

Achieve to the greatest extent possible convergence between the key concepts used in the revisions to the IESBA Code and the ISQMs and ISAs to maintain their interoperability

## Differential Requirements in ISQMs & ISAs

Address the differential requirements 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

## Transparency

Enhance transparency about the relevant ethical requirements for independence applied when performing an audit of financial statements, in conjunction with the revisions to the IESBA Code

# Public Interest Framework: Stakeholders Impacted by the Project



Users of financial  
statements (“the  
users”)



The profession



Those in charge  
of adoption,  
implementation  
and enforcement  
of the standards



Preparers



Other users

The public interest requires the weighing and balancing of all stakeholder views

# Key Issues Identified Addressed by the Project

Increased complexity and inconsistent application when concepts across the IAASB and the IESBA standards differ

Need for a more robust and consistent approach as to when differential requirements are appropriate

Need for enhanced transparency in the auditor's report about the relevant ethical requirements for independence applied in performing audits for certain entities (such as for PIEs in the IESBA Code)

# Scope of the Proposed Project

## Aligning concepts with the revisions to the IESBA Code

Consider adopting the IESBA definition of:

- PIE
- “Publicly traded entity” as a replacement of listed entity

## Differential requirements in ISQMs & ISAs

- Develop an objective and guidelines for establishing differential requirements in ISQMs and ISAs
- Undertake a case-by-case analysis of extant differential requirements for listed entities in ISQMs and ISAs
- Update application and introductory material in ISQMs and ISAs for concepts in revised IESBA Code

## Transparency

- Enhance and clarify ISA 700 (Revised) to address circumstances when the auditor’s report is used to disclose that relevant ethical requirements for independence for certain types of entities have been applied

# Project Timeline & Priorities

## Track 1

Prioritizes actions for transparency

Effective date that aligns with IESBA

June 2022: ED

June 2023: Final Pronouncement

## Track 2

Deals with all other project objectives with a later effective date

September 2023: ED

September 2024: Final  
Pronouncement

# Impact of a Project on Listed Entity and PIE

Alignment, to the greatest extent possible, between the IAASB Standards and the IESBA Code, and maintaining their interoperability

The development of an objective and guidelines to support the IAASB's judgments when developing standards regarding specific matters for which differential requirements are appropriate, thereby promoting consistency in the development of the ISQMs and ISAs

Improved transparency about the relevant ethical requirements for independence applied when performing an audit of financial statements for certain entities (such as for PIEs in the IESBA Code), resulting in enhanced confidence in audits of financial statements of those entities



# Matter for IAASB CAG Consideration

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Representatives are asked for views on the draft project proposal presented in **Agenda Item B.2** setting out the project objectives, the key issues identified and the scope of the proposed narrow-scope maintenance of standards project on listed entity and PIE.

# Disclosure in the Auditor's Report About When a Firm has Applied the Independence Requirements for PIEs

## Track 1: Transparency

- **IESBA's project:**

- Introduced a transparency requirement for a firm to publicly disclose when a firm has applied the independence requirements for PIEs.
- The IESBA Code does not specify the mechanism for such disclosure and notes that the disclosure should be *"in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders."*

- **IAASB's project:**

- Develop proposals for enhancing and clarifying ISA 700 (Revised).
- Seek views from stakeholders whether the auditor's report is a suitable location for the disclosure, and if so, how this may be accomplished.

# Disclosure in the Auditor's Report About When a Firm has Applied the Independence Requirements for PIEs

## Track 1: Transparency

- Planned ED for June 2022
- Initial proposals for ED:
  - Present 3 options for enhancing and clarifying ISA 700 (Revised)
  - Obtain stakeholder views on the 3 options

# Planned ED Option 1: Key Features

## Track 1: Transparency

**A requirement for the auditor to disclose if specific independence requirements for audits of financial statements of certain entities, as set out in the relevant ethical requirements (RERs), were applied**

- Creates a clear mechanism / location for the disclosure.
- Promotes consistency for disclosing in the auditor's reports that specific independence requirements for certain entities were applied.
- Imposes a more onerous obligation to disclose – i.e., regardless of whether or not the RERs have such a requirement.
- The IAASB would be extending the transparency requirement to all circumstances where RERs establish specific independence requirements for certain entities (i.e., including beyond PIEs).



# Planned ED Option 2: Key Features

## Track 1: Transparency

**A requirement that when the RERs require transparency about the specific independence requirements applied, the auditor shall disclose this fact in the auditor's report**

- Creates a clear mechanism / location for the disclosure.
- Promotes consistency in the auditor's reports for those circumstances when the RERs require the disclosure.
- The auditor would not be required disclose when the RERs do not require public disclosure.
- Less consistency globally in auditor's report when specific independence requirements for certain entities were applied.

# Planned ED Option 3: Key Features

## Track 1: Transparency

**Application material that explains how the auditor may disclose that specific independence requirements were applied when the RERs require transparency about additional independence requirements applied**

- Clarifies how / where the disclosure can be made.
- May create inconsistencies in practice – i.e., the option does not require that the auditor's report is the mechanism / location for the disclosure.
- Allows a choice for the auditor to provide the disclosure elsewhere (e.g., if the RERs do not specify the location).
- May be perceived by some as not sufficiently supporting the need and value for providing transparency (important objective for IESBA).

# Matter for IAASB CAG Consideration

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Representatives are asked for views on the PIE WG options that could be included in the Exposure Draft to obtain stakeholder feedback.

The logo consists of the letters "IAASB" in a white, serif, all-caps font, centered within a solid blue rectangular background.

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