PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS
SECTION 400
APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS
Introduction
General
...
Public Interest Entities

400.8 Some of the requirements and application material set out in this Part are applicable only to the audit of financial statements of public interest entities, reflecting significant public interest in the financial condition of these entities. The extent of public interest will depend on factors including:

- The nature of the business, such as taking on financial obligations to the public as part of an entity’s primary business.
- Size of the entity.
- The importance of the entity to the markets in which it operates.
- Number and nature of stakeholders including investors, customers, creditors and employees.
- The potential systemic impact on other entities and the economy as a whole in the event of financial failure.

400.9 The purpose of these additional requirements and application material for public interest entities is to enhance confidence in their financial statements through enhancing confidence in the audit of those financial statements. ...

...
Requirements and Application Material

Public Interest Entities

R400.14  For the purposes of this Part, a firm shall treat an entity as a public interest entity when it falls within any of the following categories:

(a)  An entity whose shares, stock or debts are publicly traded;
(b)  An entity one of whose main functions is to take deposits from the public;
(c)  An entity one of whose main functions is to provide insurance to the public;
(d)  An entity whose function is to provide post-employment benefits;
(e)  An entity that pools money from the public to purchase shares, stock or debts; or
(f)  An entity specified as such by law or regulation.

R400.15  Firms shall have regard to law or regulation which provide more explicit definitions of the categories noted in paragraph R400.14 (b) to (e), for example by reference to the legislation under which such functions are performed.

R400.16  As an exception to paragraph R400.14, a firm shall not treat an entity as a public interest entity when in accordance with law or regulation:

(a)  The financial statements of that entity are not required to be subject to audit;
(b)  The financial statements of that entity are not made available to [stakeholders]; or
(c)  That entity is specified not to be a public interest entity.

400.16 A1  When terms other than public interest entity (such as listed entity) are used in law or regulation to achieve the objective set out in paragraph 400.8, such terms are regarded as equivalent terms.

R400.17  A firm shall determine whether to treat additional entities, or certain categories of entities, as public interest entities. When making this determination, the firm shall take into account whether a reasonable and informed third party would be likely to conclude such entity should be treated as a public interest entity. In addition to the factors listed in paragraph 400.8, factors to consider might include:

- Whether the entity has been specified as not being a public interest entity by law or regulation.
- [Whether the entity is likely to become a public interest entity before the conclusion of the subsequent year’s audit]
- Whether the entity or other stakeholders requested the firm to treat the entity as a public interest 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.

R400.18 A firm shall publicly disclose in the audit report that an audit client was treated as a public
  interest entity [To be discussed with IAASB].

[Paragraph 400.19 is intentionally left blank]