

**Definitions of Listed Entity and Public Interest Entity  
Comments on ED Question 1  
(Overarching Objective)**

**ED Question 1**

*Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 as the objective for defining entities as PIEs for which the audits are subject to additional requirements under the Code?*

The respondents' comments are grouped into:

- Supportive comments
- Key issue – Financial condition
- Key issue – Paragraph 400.9
- Key issue - Other
- Reasons for not supporting the overarching objective

| Respondents | Comments  |
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|             | Supportive comments   |
| IOSCO       | We fully support the overarching purpose set out in paragraph 400.9   |
| UKFRC       | <p>The proposals also recognise that public interest is context driven, and that local standard setters are best placed to make the underlying judgement over which particular entities are subject to heightened public interest. We also welcome the use of considerations that focus on the attributes of an entity, rather than its functional activities, in determining whether it is a public interest entity...</p> <p>We also welcome the focus on defining public interest in the financial condition of certain entities. This reflects the changing regulatory climate in relation to financial audit, in the UK, where stakeholders and reports commissioned by government have emphasised that certain entities are subject to public interest considerations due to their activities or other attributes, and that the role of the statutory auditor is to maintain deserved confidence in the financial condition of such entities.</p> |

| Respondents | Comments  |
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| ACCA        | We are generally supportive of the overarching objective set out in paragraphs 400.8 and 400.9 and the emphasis placed on the public interest in the financial wellbeing of PIEs. We believe a common overarching objective adopted by the IESBA and the IAASB is critical to the successful implementation and adoption of the additional independence requirements for the audit of these entities and to enhance the confidence in those audits. It is therefore, encouraging to read about the close coordination and commitment to achieve alignment in the approach of the two boards, noted in the Explanatory Memorandum. |
| ICAEW       | We support the objective of increasing confidence in the audit of financial statements for entities of public interest. Independence of auditors is a key element of ensuring trust by stakeholders in the work an auditor undertakes.  |
| ICAJ        | We are in agreement with the overarching objective as outlined in paragraphs 400.8 and 400.9 as this is considered to be a reasonable rationale for focusing on entities requiring additional independence requirements. With increased scrutiny on the profession along with ever changing expectations of the public, any continued efforts to enhance our ability to maintain the trust and confidence of key stakeholders/users of the financial statements is critical.  |
| INCP        | We agree with the proposal included in paragraphs 400.8 and 400.9. We believe that clearly defining the factors enabling an entity to be categorized as a public interest entity will help not only auditors, but also users of financial statements understand the scope of audits performed under the International Standards on Auditing and Code of Ethics.   |
| KICPA       | The KICPA supports the overarching objective described in paragraphs 400.8 and 400.9. We believe that the overarching objective is helpful for not only understanding what the Code intends to achieve by prescribing additional independence requirements for PIEs but also determining additional entities as PIEs.   |
| MICPA       | We are supportive with the overarching objective set out in proposed paragraphs 400.8 and 400.9.<br>The definition of Public Interest Entities (PIEs) provides guidance to identify entities whose financial conditions are significant public interest and accordingly, the financial statements audits of these entities should be subject to more stringent and additional requirements under the Code to enhance public confidence in these financial statements.   |
| WPK         | We support the overarching objective set out in proposed paragraphs 400.8 and 400.9 as the objective for defining entities as PIEs for which the audits are subject to additional requirements un-der the Code.   |
| Moore       | Yes. As mentioned in the summary above, we support the requirement for more robust approaches to the audit of entities in the public interest, and the subsequent need to ensure that entities are correctly identified and included in this definition.<br>We agree that the definition should be extended, and that independence should be strengthened for a wider range of entities.<br>We also support additional requirements, such as an EQR for example, for a wider group of entities, and are also not opposed to rotation requirements being applied more broadly.   |

| Respondents | Comments  |
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|             | Consistency issues, and threats that could arise from the potential of inconsistency within a jurisdiction and between firms within that jurisdiction are, however, concerning.   |
|             | Key issues – financial condition  |
| IRBA        | We support the overarching objective set out in the proposed paragraphs 400.8 and 400.9. However, the term “financial condition” may not be understood as intended by the IESBA; or it could be subject to different interpretations in determining whether an entity is a PIE. As currently worded, it could be understood to refer only to the balance sheet position of an entity. In the determination of public interest, auditors and those who use financial statements and regulate audits, would be interested in matters beyond the “financial condition” of an entity. They could, for example, be interested in the entity’s results as well as the entity’s prospects, each of which could individually be the area of public interest in the entity. Thus, while we are supportive of the overarching objective, we are reserved about the implications of its narrowness or possible misunderstanding in application.  |
| NASBA       | We agree that the IESBA should establish an overarching objective for defining entities as PIEs and the factors that influence the extent of public interest in an entity. We are concerned with the focus on financial condition in the first sentence of 400.8 and recommend deleting the phrase, “reflecting significant public interest in the financial condition of these entities.” In the U.S., the term “financial condition” refers to the balance sheet. However, public interest in entities is a function of the overall financial health of the entity and its ability to continue as a going concern. We believe the focus should be on the financial statements as a whole and suggest the IESBA consider substituting the term “financial health” for “financial condition.”   |
| APESB       | <p>APESB agrees with the inclusion of an objective for the provisions related to Public Interest Entities (PIEs). However, APESB is not supportive of the proposed paragraphs 400.8 and 400.9 as drafted due to the reasons outlined below:</p> <p>Based on Australian stakeholder feedback, APESB strongly recommends that the IESBA define or explain the term ‘<i>financial condition</i>’. By leaving this term undefined, it is not clear if the term ‘financial condition’ refers to the going concern of the entity or whether it also encompasses the true and fair view of the financial statements of the entity or the stability of the financial management of the entity concerning its liquidity, assets and investment returns.</p> <p>APESB notes that the IESBA Staff Publication Proposed IESBA Definition of Public Interest Entity: Supplementary Guidance to Exposure Draft to Aid Local Body Considerations Regarding Adoption and Implementation provides some context to the term financial condition of an entity by referring to ‘...how its financial success or failure may impact the public.’ This context should be included in the proposed introductory paragraph 400.8 to clarify the meaning of financial condition to the users. The IESBA could also consider using these words to create an explanation within the Glossary of the Code for the term ‘financial condition’.</p> |
| NZAuASB     | The factors described in proposed paragraph 400.8 helpfully articulated why there may be significant public interest in an entity, which is an important part of describing the rationale for the additional requirements.  |

| Respondents | Comments   |
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|             | <p>In addition, the NZAuASB considers there to be a lack of clarity between proposed paragraph 400.8, which references more broadly to the financial condition of these entities but then reverts back to a focus on confidence in the financial statements in proposed paragraph 400.9.</p> <p>The NZAuASB is supportive of a broader focus on the financial conditions of the entity as part of identifying PIEs and the rationale for the PIE requirements, so specifically recommends that proposed paragraph 400.9 should be reworded. The NZAuASB recommends that more context is needed to describe what “financial conditions” refer to and encourages the IESBA to include the words used in the Supplementary Guidance to the exposure draft “i.e., how its financial success or failure may impact the public”, within the Code.</p>  |
| SMPAG       | <p>We generally support the concept of having the overarching objective but are concerned about the relationship between the proposed paragraphs 400.8 and 400.9 and the requirement in R400.14 and how the proposed structure will work in practice. We understand that the requirements in R400.14 are intended to be refined by local jurisdictions using 400.8 and 400.9. However, these factors can be considered very broad, which could lead to challenges and inconsistency upon adoption and implementation.</p> <p>Also, we have some concerns about the use of the term “financial condition” and how it has been described and used in the revised sections of the Code. The term remains undefined and para. 400.9 refers to “confidence in financial statements”, which may create confusion to users of the Code as they try to determine whether these are the same, or different, concepts. The wording in para. 400.8 also states that the section of the Code only applies to “the audit of financial statements of public interest entities, reflecting significant public interest in the financial condition of these entities”. This may suggest that the interest stakeholders have in the financial statements is restricted solely to an organization’s financial condition. Also, we have some concerns about the use of the term “financial condition” and how it has been described and used in the revised sections of the Code. The term remains undefined and para. 400.9 refers to “confidence in financial statements”, which may create confusion to users of the Code as they try to determine whether these are the same, or different, concepts. The wording in para. 400.8 also states that the section of the Code only applies to “the audit of financial statements of public interest entities, reflecting significant public interest in the financial condition of these entities”. This may suggest that the interest stakeholders have in the financial statements is restricted solely to an organization’s financial condition.</p> |
| ACCA        | <p>We are generally supportive of the overarching objective set out in paragraphs 400.8 and 400.9 and the emphasis placed on the public interest in the financial wellbeing of PIEs. We believe a common overarching objective adopted by the IESBA and the IAASB is critical to the successful implementation and adoption of the additional independence requirements for the audit of these entities and to enhance the confidence in those audits. It is therefore, encouraging to read about the close coordination and commitment to achieve alignment in the approach of the two boards, noted in the Explanatory Memorandum...</p> <p>As noted in our general comments, we have concerns regarding the use of the undefined term “financial condition” in paragraph 400.8. Although we understand the Board’s viewpoint noted in paragraph 21 of the Explanatory Memorandum, we</p>  |

| Respondents | Comments   |
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|             | <p>still believe that this could lead to different interpretations. This could be interpreted as having a meaning beyond financial position and financial performance, which is the focus of a financial statement audit. We also note that the use of the term “financial condition” could create issues with translation of the term. E.g. we understand that it could be confused with terms like “Going Concern” when translated into French.</p> <p>Since the aim of the overarching objective is to enhance the confidence in financial statement audits, variances in the interpretations could create confusion to users and, as a consequence, widen the expectation gap. We therefore suggest the Board considers to either define the term ‘financial condition’ or to use an alternative term, and to provide further guidance for use by relevant local bodies.</p>   |
| CAANZ       | <p>The IESBA is proposing a more general term, “financial condition”, that encompasses the broader financial well-being of an entity however this term is not defined in the proposals. We are concerned that there may be divergence in how “financial condition” is interpreted by investors and other stakeholders. We recommend defining and provide more guidance on what constitutes “financial condition” and clarify the wording in the proposed paragraph 400.9 ensuring users understand the broader term and its purpose.</p>   |
| CAI         | <p>This framework needs to include clear definitions of all terms, in particular any new terms. Where possible we believe that IESBA should retain widely-used and understood terms, for example, financial position is a well-understood term, the proposed term “financial condition” is not defined and is open to misinterpretation.</p>   |
| CNCC        | <p>The term "financial condition" is unclear. We note that the ED takes 3 paragraphs in its explanatory memorandum to explain what it means and what it does not mean and nevertheless ends up concluding that it does not need to be defined. However, the reader will only have the words of the code and will need to interpret the meaning of financial condition on its own. We believe it will lead to many interpretations.</p> <p>Similarly, we do not understand the sentence "reflecting significant public interest in the financial condition of these entities" and we believe that it is too vague and will be difficult to understand for the readers of the Code.</p>  |
| CPAA        | <p>While, on the whole, the overriding objective set out in proposed paragraphs 400.8 and 400.9 seems appropriate, we are unsure about the use of the term “financial condition” and how it has been described and used in the proposed revised sections of the Code. The term remains undefined, but in proposed paragraph 400.9 reference is made to “confidence in financial statements.” It is not clear whether, without clear definitions, it will create confusion for readers of the Code in determining whether these are the same, or different, concepts.</p> <p>This is further potentially confused in proposed paragraph 400.8 with wording that notes that the section of the Code of Ethics only applies to the “audit of financial statements of public interest entities, reflecting significant public interest in the financial condition of these entities.” That is, is this suggesting that the interest people have in financial statements is restricted solely to an organisation’s financial condition?</p> |

| Respondents | Comments   |
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| HKICPA      | <p>Overall, we support the overarching objective set out in proposed paragraphs 400.8 and 400.9. However, the definition of “financial condition” is unclear and it may be interpreted differently by every stakeholder. It could also be challenging to distinguish the “financial condition” and other aspects of the entity as they may interlink in practice. For example, the poor financial condition of a property management company of a large-scale estate may create certain adverse impacts in other aspects (e.g. insurance, security, poor service quality), even though the residents may still be required to provide funding to support it. Financial failure of the property management company may expose residents to increase risk (e.g. Fire accidents, burglary) of financial loss.</p> <p>We would like to highlight that the auditor, in general, has no responsibility for the “financial condition” of the entity other than providing an audit opinion on the financial statements based on its audit work. However, following proposed paragraph 400.8, it may imply that the auditor has expanded responsibility in the public interest. Local stakeholders commented that confidence in the financial statements could be enhanced by improving the quality of audit, but not through expanding responsibilities of the auditors.</p> |
| ICAEW       | <p>We also support the concept of significant public interest in the financial condition of an entity, rather than a broader interest in the entity’s activities, which would be too wide a scope for an assessment of PIE status when considering auditor independence. Given the increasing expectation for auditors to review non-financial information relating to an entity, perhaps ‘financial condition’ will need to include all aspects of the financial statements.</p> <p>There may be an expectation gap in the eyes of the public about the scope of public interest that these provisions seek to address, so additional clarity both in the Code and the audit report may be necessary to clarify what is intended by those entities within the revised definition of a PIE</p>   |
| ICAS        | <p>Yes – we support the overarching objective set out in proposed paragraphs 400.8 and 400.9.</p> <p><b>Paragraph 400.8</b></p> <p>We suggest that it might be helpful for users for some additional text to be inserted in paragraph 400.8 from the Explanatory Memorandum and extant Code as follows:</p> <p>“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 <b>due to the possible impact of their financial well-being on stakeholders.</b> (Note: from paragraph 19 Explanatory Memorandum) The extent of public interest will depend on factors to be considered including:</p> <ul style="list-style-type: none"> <li>• The nature of the business or activities, such as taking on financial obligations to the public as part of an entity’s primary business. <b>Examples might include financial institutions, such as banks and insurance companies, and pension funds (Note: in extant Code)</b></li> </ul>   |

| Respondents | Comments  |
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|             | <ul style="list-style-type: none"> <li>• Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.</li> <li>• Size of the entity.</li> <li>• The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure <b>and whether such failure will cause significant disruption to the supply of goods or services on which the public may depend. (Note: from paragraph 25 Explanatory Memorandum)</b></li> <li>• Number and nature of stakeholders including investors, customers, creditors and of employees.</li> <li>• The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.”</li> </ul> <p>We recognise that there is a delicate balance between what content should be included in the Code and what can be included in the Basis for Conclusions. However, we do believe that the above additions to the wording of the Code would be beneficial for users without unnecessarily cluttering the Code.</p>  |
| ICPAU       | <p>Whereas we are in support of the overarching objective as set out in proposed paragraphs 400.8 and 400.9 that encapsulates the value of additional requirements intended to enhance confidence in audits of PIEs which in turn will enhance confidence in those entities’ financial statements, we find the use of the term ‘financial condition’ rather unclear and confusing. The proposed paragraph 400.8 gives an impression that significant public interest is a reflection of the financial condition of the entity. The term “financial condition” is likely to mean different things to different stakeholders and there is a risk that this would further contribute to the expectation gap in an audit of financial statements and in fact may vary the purpose (true and fair) of carrying out financial statement audits; if there is any link to be derived from the audit of financial statements and the growing public confidence in such financial statements. We recommend a more suitable word or group of words to replace the term ‘financial condition’.</p>  |
| IDW         | <p>We support the statement of purpose as set forth in 400.9. We also support having an overarching objective as set out in the first sentence of paragraph 400.8. However, the question arises whether the reference to “significant public interest in the financial condition of these entities” in 400.8 is somewhat too broad. When we look at the categories of PIEs in R400.14, with the exception of (d) and (f) (see in the third consideration of the body of our letter our disagreement with (f)), all of the categories relate to entities that enter into financial obligations directly with the public. In our response to question 5, we explain why we do not believe that (d) and (f) should be included in the list of categories. In line with the principle set forth in the second consideration in our letter that IESBA should err on the side of a definition of PIE that is too narrow rather than too broad, we believe that the key distinguishing factor for PIEs ought to be that they enter into financial obligations directly with the public (as opposed to just “having” financial obligations to the public). The public can have a significant interest in the financial condition of all sorts of entities (particularly those in the public sector) indirectly or directly without having members of the public become active in relation to that interest. What matters is when members of the public need to make decisions about whether to enter into, or maintain, contracts with entities by which such entities incur financial obligations to those</p> |

| Respondents | Comments   |
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|             | <p>members of the public because the audited financial statements provide information that may influence those “investment” or “divestment” decisions.</p> <p>For these reasons, we believe that the final phrase of the first sentence in 400.8 after the words “financial statements of public interest entities” should be changed to be an additional sentence that reads “Such requirements and application material reflect the significant public interest in the financial condition, and hence audited financial statements, of these entities due to the primary business of those entities being predicated upon the public making decisions about accepting or retaining financial obligations from those entities”. This change would imply that the first factor in the list of factors in this paragraph could be deleted.</p>  |
| ISCA        | <p>We support the overarching objective set out in proposed paragraphs 400.8 and 400.9 which now provides a clear framework for additional entities to be considered as PIEs. This framework highlights:</p> <ul style="list-style-type: none"> <li>• Significant public interest in the financial condition of certain entities;</li> <li>• The importance of public confidence in those entities’ financial statements;</li> <li>• Confidence in their audits will enhance public confidence in those financial statements; and</li> <li>• Additional independence requirements will enhance confidence in their audits which in turn will enhance confidence in those financial statements.</li> </ul> <p>We believe that this overarching objective will allow local bodies and firms to better assess and determine whether an entity should be a PIE.</p> <p>However, we received feedback that the concept of a PIE goes beyond looking at an entity’s “financial condition” because there is a greater public interest in the accountability aspects, for example, in a charitable organisation. In this regard, the focus might be on the veracity of the reported numbers rather than on an entity’s “financial condition”.</p> <p>Accordingly, IESBA could consider the term “financial accountability” in place of “financial condition” in identifying entities of “significant public interest”.</p> <p>The term “financial accountability” would better capture the essence of what a PIE is. An entity which is a PIE is one where the public has significant interest in, which pertains to the issue of whether there is appropriate accountability for its financial resources. For example, a large charity can be considered a PIE because the immediate concern of donors would likely be whether their donations to the charity will be put to proper use and accounted for, as opposed to the financial health/condition of the charity.</p> <p>The concept of “financial condition” may not completely capture the essence of PIE because poor financial condition could be driven by a multitude of factors unrelated to public interest such as the state of the general economy, the global pandemic, etc,</p> |

| Respondents | Comments  |
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|             | <p>which the public could accept. However, should an entity’s poor financial condition be caused by the lack of financial accountability such as embezzlement or fraud, this would be a matter of significant public interest. In short, “financial accountability” better reflects the essence of a PIE.</p>   |
| MIA         | <p>We are generally in support of the overarching objectives set out in proposed paragraphs 400.8 and 400.9. However, we are of the view that the use of the term “financial condition” and how it has been described and used in the revised sections of the Code can be further defined as readers may be unsure if para. 400.9 when referring to “confidence in financial statements” is actually alluding to the same thing.</p>  |
| SAICA       | <p>Proposed paragraph 400.8 sets out the factors to be considered in determining the extent of public interest, while proposed paragraph 400.9 sets out the purpose of the various requirements and application material. SAICA is of the opinion that the order of these paragraphs be changed with the purpose of the various requirements and application material placed first, followed by the list of factors, as illustrated below:</p> <p><i>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. <u>The purpose of these 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.</u> <del>The extent of public interest will depend on factors to be considered including:</del></i></p> <ul style="list-style-type: none"> <li><del>• <u>The nature of the business or activities ....</u></del></li> <li><del>• <u>...</u></del></li> </ul> <p><i>400.9 <del>The purpose of these 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.</del></i></p> <p><i><u>The extent of public interest in the financial condition of an entity will depend on factors to be considered including:</u></i></p> <ul style="list-style-type: none"> <li><i>• <u>The nature of the business or activities ....</u></i></li> <li><i>• <u>...</u></i></li> </ul> <p>The term “financial condition” may not be understood as it remains undefined in the Code. SAICA therefore recommends that the term is further defined either through application material or guidance. The explanation contained in paragraph 21 of the explanatory memorandum of the Exposure Draft could provide such clarification</p> |
| CohnReznick | <p>Yes. We support the overarching objective set out in proposed paragraphs 400.8 and 400.9 as the objective for defining entities as PIEs. We do have concerns about the explicit intent around the use of “financial condition” given the potential for diverging interpretations of the term in various jurisdictions leading to varying levels of application that may harm the public interest. To</p>   |

| Respondents | Comments   |
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|             | <p>provide further context to the intent of the use of “financial condition”, we recommend the wording from paragraph 21 of the exposure draft (below) be adapted and incorporated as application guidance.</p>  |
| EY          | <p>The word “significant” does not appear appropriate in this context as it is overly subjective, and stakeholders of any audited entity might have a “significant interest” in its financial condition. However, there is an elevated (i.e., incrementally significant) degree of public interest with regard to a public interest.</p> <p>Suggested change:</p> <p>“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 <u>significant an elevated degree of</u> public interest in the financial condition of these entities.’</p>  |
| KPMG        | <p>The objective applied in determining which entities are PIEs is rightfully aligned to the financial statements and therefore, we agree the focus should be on financial condition. We also agree that the objective for determining PIEs should not consider the significance of the public interest in the quality or efficiency of the services provided by an entity, or other operational aspects of the entity, as this generally lies outside the scope of a financial statement audit.</p> <p>However, as the term “financial condition” does not exist in the extant Code, we recommend that the Board clearly define financial condition and either restrict the definition to the linkage to auditors’ responsibilities for matters that are set out in the financial statements, or otherwise clarify the difference in auditor’s responsibilities regarding forward-looking statements and matters set out in “Other Information” such as the annual report more broadly. Without this restriction of the definition or the clarification, the use of the term “financial condition” may serve to inadvertently broaden the expectation gap in terms of auditors’ responsibilities.</p>   |
| Mazars      | <p>In principle, we support the overarching objective set out in proposed paragraphs 400.8 and 400.9. However, there are some terms included in these paragraphs which may not be clearly understood and therefore interpreted differently by users of the code.</p> <p>IESBA has concluded, after consideration, that it is not necessary to define ‘financial condition’ which is a key driver in determining the extent of public interest in an entity but will instead rely on the judgement of users of the code. Without a definition, and as the term is not used elsewhere in accounting or auditing standards, there is a possibility that interpretation of the term will differ among users. Also, the term “taking on financial obligations to the public as part of an entity’s primary business” used in para 400.8, is not entirely clear to us.</p> <p>One of the factors to be considered when determining the extent of public interest in an entity is whether the entity is subject to regulatory supervision. We consider that while there are regulators in many sectors of the economy, e.g. telecoms/energy etc, this should not mean that the entities which they regulate are always considered to be PIEs.</p> <p>We agree with the statement in para 400.9 that confidence in financial statements will be enhanced if a quality audit is performed on those financial statements. However, we consider that enhancing auditor independence standards does not automatically result in a quality audit being performed.</p> |

| Respondents | Comments  |
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| PwC         | <p>We support considering a definition of PIE (or categories) beyond entities with listed securities and which considers stakeholder groups beyond just stockholders.</p> <p>While conceptually we support maintaining a principles-based approach to the categories in the Code and avoiding undue prescription, this may create practical challenges in terms of the workability of the model in this case as described further in our cover letter and in our response to Question 3 below.</p> <p>Further, we have concerns related to aspects of the ED and whether they would achieve the two objectives of the ED as we understand them; these concerns are further detailed below.</p> <p>The overarching objective set out in proposed paragraphs 400.8 and 400.9 defines public interest in the entity in this case to be public interest in the financial condition of the entity. However, the term “financial condition” is likely to mean different things to different stakeholders and there is a risk that this contributes to the expectation gap in an audit of financial statements. Further, this reference seems to be a deviation from the purpose of an audit, which is to opine on the truth and fairness of the financial statements. Consistent with this purpose, our preference would be to refer to “financial position and performance”.</p> |
|             | Key issue – paragraph 400.9   |
| NASBA       | <p>Paragraph 400.9 indicates that the purpose of the requirements and application material for PIEs is to “enhance confidence” in the audits of those entities’ financial statements. How this is presented is critical. The “enhancement” concept may cause the public to believe that because the auditors of the financial statements of a PIE have different independence requirements, the auditors of non-PIE entities are less independent than auditors of PIE entities; hence, the public should have less confidence in the financial statements of non-PIE entities. We believe the public’s confidence in an entity’s financial statements is not based on the public’s understanding of auditor independence standards, which we may not reasonably expect them to have. Rather, the public’s interest is simply whether the auditor is independent. We suggest the provision be amended to read, “The purpose of these requirements and application material for public interest entities is to enhance confidence in their financial statements <del>through enhancing confidence in the audit of those financial statements.</del>”</p>   |
| UKFRC       | <p>The FRC believes the proposed wording could be improved by explicitly stating that the underlying objective is to enhance public confidence in engagement performance through the auditor adopting additional safeguards which help maintain public perception of independence. In respect of the role of firms, we suggest that IESBA create a requirement to consider whether the public interest would be best served by the adoption of additional safeguards over independence for the audit of certain entities. This approach would be aligned to considerations over threats to independence from long association within the IESBA code, as well as firm-based considerations over the need for engagement quality control within the IAASB’s Quality Management Standards...</p> <p>The FRC broadly supports the overarching objective set out in paragraphs 400.8 and 400.9 as set out in the Exposure Draft. In particular, we support the rationale set out in paragraph 18 of the consultation document, which explains</p>  |

| Respondents | Comments   |
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|             | <p>that the aim of these changes is to enhance confidence in the audit of public interest entities by subjecting auditors to enhanced independence safeguards, and increase the confidence that stakeholders have in the independence of the auditor. However, as drafted, paragraph 400.9 does not articulate this as the mechanism by which enhanced confidence is to be achieved. We believed that the current drafting could be improved by explicitly stating that the objective is to be achieved through additional safeguards to mitigate threats to auditor independence.</p> <p>We are also supportive of the use of ‘financial condition’ in paragraph 400.8 for the reasons set out in paragraph 21 in the explanatory notes. However, we note that paragraph 400.9 reverts to using ‘financial statements’, which potentially signals that an auditor’s only pathway for enhancing confidence is in relation to the financial statements. We therefore suggest that consideration should be given to the language used in paragraph 400.9 and how this relates to public interest in the financial condition of companies.</p>  |
| APESB       | <p>The proposed purpose in paragraph 400.9 in the PIE Exposure Draft is not specific to PIEs - it could apply to the audit performed for <u>any</u> entity. If an external audit is performed, users expect to have enhanced confidence in those financial statements regardless of whether the entity is treated as a PIE...</p> <p>APESB believes the intent behind proposed paragraph 400.9 could be addressed in paragraph 400.8 by including a reference to the public’s interest in the conduct of the audit of certain entities. Proposed paragraph 400.9 would then become redundant, as well as any cross-references back to this paragraph.</p> <p>Suggested changes for 400.8 and 400.9:</p> <ul style="list-style-type: none"> <li>○ proposed paragraph 400.8 could be drafted as follows:                     <ul style="list-style-type: none"> <li>“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 (i.e., how the financial success or failure of these entities may impact the public) and the conduct of the audit of these entities.’;</li> </ul> </li> <li>○ The factors in proposed paragraph 400.8 should be moved to the requirements and application material section with the purpose of these factors clarified as assisting in the identification of PIEs; and</li> <li>○ proposed paragraph 400.9 should be deleted.</li> </ul> <p>Suggested revisions:</p> <p>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 <u>(i.e., how the financial success or failure of these entities may impact the public) and the conduct of the audit of these entities.</u> <del>The extent of public interest will depend on factors including:</del></p> <ul style="list-style-type: none"> <li>● <del>The nature of the business or activities, such as taking on financial obligations to the public as part of an entity’s primary business.</del></li> </ul> |

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|             | <ul style="list-style-type: none"> <li>● <del>Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.</del></li> <li>● <del>Size of the entity.</del></li> <li>● <del>The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.</del></li> <li>● <del>Number and nature of stakeholders including investors, customers, creditors and employees.</del></li> <li>● <del>The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.</del></li> </ul> <p>400.9 <del>The purpose of these 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. The provisions in the Code set out broad categories of entities that should be treated as a public interest entity. Within local jurisdictions, the bodies responsible for setting ethics standards for professional accountants, such as regulators, National Standards Setters or professional bodies, may refine these categories by, for example, making reference to local laws and regulations governing certain types of entities or by including criteria relating to size or particular organisational structures.</del></p>   |
| NZAuASB     | <p>The NZAuASB considers that proposed paragraph 400.8 is clearer, with a focus on perception, and on entities with wider and higher visibility. However, we consider that proposed paragraph 400.9 is too generic and when read on its own is applicable to all audit engagements.</p> <p>67% of participants on our virtual outreach event also agreed that the proposed objective applies equally to all audit engagements with a further 17% supporting a revised objective.</p> <p>The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. It is therefore important that all intended users have confidence in the audit engagement that they are relying on.</p> <p>We recommend that the rationale in proposed paragraph 400.9 may be better articulated with reference to the conceptual framework within the Code, i.e., for entities which reflect significant public interest in the financial condition, there are or may be different or heightened threats, perceived or otherwise, to the independence of auditors. Based on the higher threats (perceived or otherwise), additional requirements are included within the Code for audits of public interest entities to ensure that the threats are eliminated or reduced to an acceptable level. There is also an opportunity to emphasise in the Code as part of the objective for the PIE requirements that the rationale for the PIE requirements does not create different levels of independence.</p> |

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|             | <p>The factors described in proposed paragraph 400.8 helpfully articulated why there may be significant public interest in an entity, which is an important part of describing the rationale for the additional requirements.</p> <p>In addition, the NZAuASB considers there to be a lack of clarity between proposed paragraph 400.8, which references more broadly to the financial condition of these entities but then reverts back to a focus on confidence in the financial statements in proposed paragraph 400.9.</p>  |
| ACCA        | <p>Last sentence of paragraph 17 in the Explanatory Memorandum clearly explains, in simple terms, that it is not about having a different 'level' of independence but enhancing confidence in that independence. We encourage IESBA to consider if some of the wordings can be carried over to paragraph 400.8 &amp; 400.9 to further enhance clarity</p>   |
| AE          | <p>Yes, we agree with the overarching objective to enhance confidence in the financial statements of PIEs through enhancing confidence in their audits. Even though not specified in the extant Code, this objective has been the main reason for setting additional requirements for PIE auditors throughout Part 4-A of the Code.</p> <p>However, independence rules are only one of the many factors for enhancing confidence and achieving high-quality audits for both PIEs and non-PIEs. It will be misleading to focus too much on PIE auditor's independence. Therefore, we are doubtful about the benefit of reiterating this objective in Part 4-A of the Code.</p>   |
| CAANZ       | <p>The overarching proposed objective as set out in paragraphs 400.8 and 400.9, as currently drafted, may create confusion and misinterpretation by investors and other users in implying that there are two levels of independence for PIE and non-PIE audits. Although, the IESBA comments in the supporting material that additional independence requirements applicable to PIE audits are not about having a different "level" of independence as all firms must be independent when performing an audit engagement but rather about enhancing confidence in that independence, feedback we have garnered from a range of stakeholders suggests this distinction needs to be more clear. In our view, the proposed rationale in paragraph 400.9 could be better expressed to expand that PIEs, due to their significant public interest, are subject to heightened independence threats (actual and perceived) and therefore there is a need for additional independence requirements intending to achieve the same level of confidence in the audits of PIEs.</p> |
| CFC         | <p>We, however, believe that a more precise objective of this project is to affect the independence aspects of the audit of an entity considered to be PIE and not to increase the confidence in the entity financial statements and related audit. This objective may generate confusion that an audit of a PIE generate/will generate more confidence due the high-quality aspects of such audit. This could give a wrong perception that audits performed for non-PIE are conducted with less quality, using a lower-level audit standard</p>  |
| CNCC        | <p>The ED is built on the assumption that imposing more stringent independence requirements on the auditors directly increases the confidence of the users of the financial statements in the audits. And this, because the users would automatically link independence of the auditor and quality of the audit. We believe that this assumption is questionable and that independence</p>  |

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|             | and quality are not always linked and we have no evidence that imposing additional independence requirements on the auditor would directly enhance public confidence in the audited financial statements.  |
| CPAA        | <p>Paragraphs 17 and 18 of the Explanatory Memorandum note that the issue being addressed, when looking at independence requirements for audits of PIEs, is not about different levels of independence but rather additional independent requirements. The distinction between these two ideas is not made clear, and users of financial statements and readers of audit reports are unlikely to be able to distinguish the subtlety of this distinction. Arguably, the wording may be seen to be making a contradictory, even counterintuitive, point. Surely, to most people, additional requirements for anything would strongly suggest a different level of requirements? If the IESBA feels that this distinction is critical to be made, consideration might be given to providing further clarification. That is, might it be said that “there are additional requirements that allow the auditor to more clearly demonstrate, or assert, that he/she is independent”?</p>   |
| ICAS        | <p><b>Paragraph 400.9</b></p> <p>Paragraph 17 of the Explanatory Memorandum states: “The IESBA believes it is important to make clear that these additional independence requirements are not about having a different “level” of independence (as all firms must be independent when performing an audit engagement) but rather about enhancing confidence in that independence.”</p> <p>Paragraph 400.9 might be enhanced to make it clear that these are “additional” requirements and application material for public interest entities in order to enhance confidence in independence.</p> <p>Also, we note that whilst the Explanatory Memorandum paragraph 18 refers to “the overarching objective as set out in proposed paragraphs 400.8 and 400.9”, it is only paragraph 400.9 which is referenced as the “objective” in paragraphs R400.14 (f) and 400.14 A1. It might be clearer to either reference both paragraph 400.9 and 400.8 in paragraphs R400.14 (f) and 400.14 A1, or, alternatively, to reference paragraph 400.8 within paragraph 400.9.</p> <p>For example, paragraph 400.9 could be amended to either:</p> <p>400.9 The purpose of these <b>additional</b> requirements and application material for public interest entities, <b>as explained in paragraph 400.8</b>, is to enhance confidence in their financial statements through enhancing confidence in the audit of those financial statements.</p> <p>or</p> <p>400.9 The purpose of these requirements and application material for public interest entities, <b>as explained in paragraph 400.8</b>, is to enhance confidence in their financial statements through enhancing confidence in the audit of those financial statements <b>by having additional auditor independence requirements for such entities</b>.</p> |
| JICPA       | <p>We support the overarching objective.</p> <p>We have no objection to the overarching objective of defining PIEs which requires additional independence requirements for audits, for the purpose of enhancing confidence in their financial statements by enhancing confidence in the audit of those</p>   |

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|             | <p>financial statements.</p> <p>However, while confidence in the audits and financial statements of entities defined as PIEs is enhanced, confidence in the audits and financial statements of entities not defined as PIEs might be interpreted as diminished. If the overarching objective is not intended to create a disparity in confidence in audits and financial statements depending on whether or not the entity is a PIE, we are concerned that this could result in a reduction in confidence in audits and financial statements for entities not defined as PIEs.</p>  |
| BDO         | <p>We support the overarching objective of enhancing confidence in the financial statements of public interest entities through enhancing confidence in the <b>independence</b> of auditors. However, we have the following comments on the proposed language:</p> <ul style="list-style-type: none"> <li>• We believe that the current wording of 400.9 could be misinterpreted that there are different qualities of audit for PIE and non-PIE engagements. We propose the following amendment to the wording:                     <p style="margin-left: 40px;">The purpose of these requirements and application material for public interest entities is to enhance confidence in their financial statements through enhancing confidence in the <b>audit independence of the auditors</b> of those financial statements.</p> </li> <li>• To aid in consistency, we believe that there should be further guidance or a definition provided of ‘financial condition’.</li> </ul>  |
| DTTL        | <p>However, the wording in paragraph 400.9 could be wrongly interpreted to imply there are two different “types” or “levels” of audits. We suggest amending paragraph 400.9 to emphasize there are additional independence requirements for audits of PIEs which reflect stakeholders’ heightened expectations regarding a firm’s independence</p>  |
| EY          | <p>In setting forth its objective in proposed paragraph 400.9, the Board states that the purpose for enhanced requirements related to PIEs is to enhance the confidence in the PIE’s financial statements through enhancing confidence in the audit of those financial statements. We do not agree that the purpose of the PIE distinction within the context of the Code is to enhance confidence in the audit of the financial statements. A user’s confidence in the audit of the financial statements is supported based on the appropriate application of the relevant Generally Accepted Auditing Standards (GAAS) and the relevant quality management standards, for example International Standard on Quality Management 1, <i>Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagement</i>, and International Standard on Quality Management 2, <i>Engagement Quality Reviews</i>.</p> <p>We recognize it is not possible to create one, global definition of PIE, particularly because there is no universally accepted position on what the concept of “public interest” entails, for example who makes up the “public”, or how its “interest” is to be assessed. Indeed, “public interest” is a broad concept that is highly dependent upon the facts and circumstances of a particular situation. We believe that it is important for the overarching objective to clearly define the concept of public interest within the context of the Code as applied to entities, and then to link this concept to the purpose of the Code. Indeed, as set</p> |

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|             | <p>out in the Purpose of the Code, the Code provides a conceptual framework to be applied in order to identify, evaluate and address threats to compliance with the fundamental principles. Therefore, we believe the primary purpose behind distinguishing entities as PIEs in the context of the Code is to enhance the confidence users of a PIE’s financial statements can place in the independence of the audit firm and the engagement team through compliance with the fundamental principles, and by requiring the auditor to exercise a heightened awareness of the threats to compliance with the fundamental principles when auditing an entity that has an elevated degree of public interest – i.e., the primary focus in the Code should be on the independence of the audit firm and engagement team, not on the quality of the audit.</p> <p>We believe that focusing the objective for defining entities as PIEs on the quality of the audit has the potential risk of creating a perception that the audit of a non-PIE is somehow of lower quality than the audit of a PIE. This risk is significantly increased in light of the Board’s proposals with regard to transparency, as further discussed in our response to questions 11 and 12. We therefore suggest that the Board focuses its objective for defining a PIE on the need to elevate awareness of the threats to compliance with the fundamental principles and the additional safeguards to address such threats, rather than focusing the objective on audit quality, which is addressed by the applicable GAAS.</p> <p>Further, in the context of the International Standards on Auditing (ISAs), the IAASB is best placed to determine the purpose of implementing differential requirements or guidance for PIEs. As noted in our response to question 15, we support the proposed case-by-case approach to addressing differential requirements for PIEs, which should include determining the rationale for any such changes. This rationale will likely include audit quality but could also have a purpose of transparency or increased communications depending on the nature of the differential requirements.</p> |
| GTIL        | <p>Paragraph 400.9 states the purpose of more stringent requirements for PIE audit clients is to enhance confidence in their financial statements by enhancing confidence in the audit of those financial statements. However, the current proposals do not provide requirements that would enhance the quality of audits for PIEs, similar to requirements in the ISAs for listed entity audit clients. The proposals prompt additional independence rules for the auditors. Although there is value to enhancing independence rules, claiming that they would, by themselves, enhance confidence in the audit of the PIE’s financial statements is unsubstantiated.</p> <p>We believe the proposals in paragraph 400.9 only increase the expectation gap, more specifically the knowledge gap component, as users of the financial statements may interpret that an audit performed for a PIE is more robust and provides more assurance than an audit of a non-PIE, providing a false sense of confidence in the audit.</p>  |
| KPMG        | <p>We are supportive of the objective for defining the entities whose financial statement audits are subject to additional independence requirements in order to enhance confidence in the auditor’s independence and, solely in that regard, the audit of the financial statements, due to the significant public interest in the financial condition of those entities. The overarching objective, as proposed by the Board, should be revised to reflect the distinction noted above to avoid the misconception that the requirements applicable only to PIEs in Part 4A of the Code have an impact on audit quality beyond independence. We believe this revision aligns the overarching objective with paragraph 600.15A1 from the NAS standard.</p>   |

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| Mazars      | We agree with the statement in para 400.9 that confidence in financial statements will be enhanced if a quality audit is performed on those financial statements. However, we consider that enhancing auditor independence standards does not automatically result in a quality audit being performed.  |
|             | Key issue - Others  |
| ASSIREVI    | <p>As already stated in our introductory comments, Assirevi supports in principle the overarching objective of extending the definition of PIEs, although it does not agree with the approach envisaged with the third level of definition ("Role of Firms").</p> <p>Moreover, Assirevi believes that the approach suggested for the first two levels ("Role of Code" and "Role of Local Bodies") would inevitably lead to a very fragmented and inconsistent framework of independence rules.</p> <p>In fact, different sets of rules would apply depending on whether a specific entity is defined as a PIE by both the Code and the Local Bodies, or solely by the Code. In addition, should a "third level" also apply the further question would arise as to which framework of rules is applicable to entities qualified as PIEs only by the auditor. On this, see also our responses to questions 9 and 10 below.</p> <p>Also, it cannot be overlooked that the expansion of the category of PIEs proposed by the IESBA would also entail amendments to the existing auditing standards and, consequently, an extension of many rules – which today only apply to listed companies – to a wider range of entities. In this regard, the application of the first and second level of definition inevitably implies already a significant expansion of the entities to which auditing standards currently applicable only to listed entities would also apply. The use of the third level in the qualification of an entity as a PIE would then determine a further extension of the entities subject to those auditing standards.</p> <p>Also from this perspective, inconsistencies among companies with similar characteristics may therefore arise – not only with respect to the applicable independence rules, but also with respect to the auditing standards and procedures to be applied. In this regard, see also our response to question 15 below.</p> |
| CAI         | <p>We are supportive of the overarching objectives and the principles-based approach to the categories. However, we believe that there are considerable practical challenges in the required involvement of local bodies in the tailoring of the categories.</p> <p>The current proposals require significant local adaptation and we have concerns that this may lead to widely varying practices and rules which will be difficult to implement. Overall, we consider that additional guidance for local regulators on adapting the categories will be required. We also consider that the proposals need to address the implications of the use of the standards in situations where the necessary local adaption of the categories does not take place.</p>   |
| CNCC        | When requiring audit firms to consider as PIEs certain entities, over and above the entities defined as PIEs by law or regulation, the ED seems to neglect the already existing requirements of ISC1 and future ISQM1 that firms design criteria to classify the risk profile of their audit clients and apply more stringent independence and quality rules to those clients which are considered high risk. Firms can for example decide to have an engagement quality control reviewer on certain high-risk  |

Definitions of Listed Entity and PIE – Comments on ED Q.1  
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|             | <p>clients, even though those clients are not PIEs. We believe that these requirements of ISQC1 and ISQM1 are better suited to manage the risks of certain clients, including through additional independence and quality requirements, than requiring firms to consider certain clients as PIEs, based on their own criteria, which would be a source of great confusion to the users of the financial statements.</p>   |
| CPAA        | <p>Finally, it is not ideal that different international standard setting boards are using different definitions for what potentially could be seen as being similar concepts. With the IAASB using the term ESPI and the IASB using the term publicly accountable, it does not augur well for investors, potential investors and other key stakeholders in getting a clear understanding of the objectives of broader corporate reporting, and in particular, financial reporting. The differences between the IESBA and IAASB gives weight to the arguments of the Monitoring Group that audit-related ethics standard setting should be undertaken by the same standard setting board that promulgates auditing standards. The differences in definitions between the IESBA and IAASB potentially brings into question the assertion that the proposed revisions to the Code of Ethics are about the audits of financial statements.</p>   |
| NBA         | <p>We have a slightly different view than AE. When it comes to the proposal for the overarching principle, we suggest to place emphasis on the significance of the impact on the public in general. We believe the public is interested in the overall company performance, including non financial information (in other words the total 'public contribution' of an entity). For instance, an entity's impact on the environment or the quality of its cybersecurity safeguards where the public relies upon. We believe it is therefore vital that an audit of a PIE should be free of errors as a whole and not only in respect of the financial aspects (400.8 and 400.9). It should also meet additional requirements. Most of NBA's independence standards (assurance engagements), including the requirements regarding to PIEs, do not even distinguish between financial and non financial information. We only implemented Part 4A of the IIS and made those requirements applicable to all assurance engagements.</p> |

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| CPAC        | <p>Clarify that local bodies should consider both the overarching objective (paragraph 400.9) and the non-exhaustive list of factors (paragraph 400.8) in refining the IESBA categories of PIEs in paragraph R400.14. We also suggest that the logical flow of these paragraphs could be improved and presented more concisely, by introducing the requirement first, followed by the application guidance in paragraphs 400.8 and 400.9. We are concerned that the objective in paragraph 400.9 and the factors in paragraph 400.8 may not be given appropriate consideration by local bodies in the identification of entities outside of the IESBA's PIE categories where there is significant public interest in their financial condition. If paragraph 400.8 is not part of the requirement for local bodies to consider when refining the IESBA's categories, there may be circumstances where entities in competitive markets that evolve to have only a few very large players, such that the effect of one entity's failure in that particular market could have a significant impact, are not captured in the definition of a PIE. We question, for example, whether a major food producer or retailer which is privatized would necessarily mean that entity is no longer an entity of public interest, and whether making such a determination should be left to the discretion of firms. Regarding the role of firms, our stakeholders expressed concern that without sufficient clarity, some clients could argue that they do not meet the definition of a PIE based strictly on the requirements in paragraph R400.14 without due consideration of both the objective and factors in paragraphs 400.9 and 400.8.</p> <p>Consider incorporating requirements to continue treating an entity as a PIE, for example, on a presumptive basis until it has been established otherwise that such treatment is no longer valid and/or appropriate or, for an additional period of time such as one or two years after it is determined that the entity no longer meets the definition of a PIE. Following that change or time period, we recommend a further requirement to disclose that the entity is no longer being treated as a PIE. We also observe that changing facts and circumstances might impact whether entities meet the specific criteria in paragraph 400.14, and that such a change will affect independence requirements as well. For example, if an entity ceases to meet subparagraph R400.14(a), does not meet the criteria in subparagraphs R400.14(b) to (f), whether the situation is expected to be temporary or permanent, it is not clear whether firms should continue to treat these entities as PIEs for a certain period of time.</p> <p>We are of the view that it is important to provide transparency around whether an entity is treated as a PIE (please refer to our responses to questions 11 and 12), and that circumstances where differences in professional judgment between firms might lead to a different conclusion should be limited as much as possible. We note that paragraph 400.16 A1 provides a list of factors for firms to consider in determining whether additional entities should be treated as PIEs, including whether an entity is likely to become a PIE in the near future, or whether in similar circumstances the firm or a predecessor firm has treated the entity as a PIE. However, we note that this paragraph is not a requirement and that some of the terminology, such as "near future" and "similar circumstances," could be interpreted differently from one firm to another, even using the same set of facts and circumstances. Consequently, we think that the guidance should provide clear direction on how firms should treat an entity when new information or changes in facts and circumstances raise questions about whether an entity meets the definition of a PIE from one year to the next.</p> |
| EXERTsuisse | <p>Another aspect, which is key for us, should also be tackled by the standard-setters and its staff: While the concept of PIEs with differentiations in quality assurance is well known to the profession and the audit regulators, we very often realise that</p>  |

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|             | <p>the public does not fully understand the consequences in differentiating between PIEs and Non-PIEs. This is regrettable. It is the public – as the key stakeholder under the PIE concept – which should know what it can expect from a PIE audit in comparison to a Non-PIE audit. As such, the standard-setters should invest more time in addressing this issue than in elaborating the PIE definition. If the public does not understand the PIE concept, the elaboration of the PIE definition is a useless effort.</p>   |
| ICAEW       | <p>In our view, some of the proposals address perceived threats only, rather than actual threats to independence of auditors. While perceptions are important, any such measures should go hand in hand with measures to improve audit quality. The findings of recent high-profile audit failures indicate that the problem is principally one of application of auditing and quality control requirements rather than an underlying problem with current independence provisions.</p> <p>We also support the concept of significant public interest in the financial condition of an entity, rather than a broader interest in the entity's activities, which would be too wide a scope for an assessment of PIE status when considering auditor independence. Given the increasing expectation for auditors to review non-financial information relating to an entity, perhaps 'financial condition' will need to include all aspects of the financial statements.</p> <p>We note however that there may be an expectation gap in the eyes of the public about the scope of public interest that these provisions seek to address, so additional clarity both in the Code and the audit report may be necessary to clarify what is intended by those entities within the revised definition of a PIE.</p> |
| GTIL        | <p>GTIL supports the overarching objective set out in proposed paragraph 400.8 and as the objective for defining entities as PIEs for which the audits are subject to additional requirements under the Code.</p> <p>However, we do foresee challenges as jurisdictions start to refine their PIE definitions for purposes of identifying which entities should be subject to more restrictive independence requirements. As local regulators and standard-setting bodies start to refine the list based on local requirements, circumstances, and views, we believe differing definitions of PIEs in various jurisdictions, can lead to the inconsistent application of the independence standards. Jurisdictions could have different views regarding entities in the same group, especially large international groups, potentially resulting in an increase in breaches.</p> <p>We would encourage IESBA to provide regulators and standards setters with further guidance on determining the level of public interest in the financial condition of entities when refining the definition of PIE as part of their adoption and implementation process, to promote consistency and convergence in the various jurisdictions.</p>   |
| MNP         | <p>We support the overarching objective for defining entities as PIEs, that being the assessment of the level of public interest in the financial condition of those entities. Clarification on whether the level of public interest is intended to be assessed from the perspective of the general public or a narrower segment of the general public would be beneficial.</p>  |

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|             | Reasons for not supporting the overarching objective   |
| OAGA        | <p>We do not support the overarching objectives. The proposals are using the term “public interest entity” in place of what is a more accurate description: finance capital interest entities (FCIE). The public interest and what is in the private interest of financial capital are not always synonymous. We note that some of the factors in 400.8, such as “importance of the entity to the sector in which it operates” and “potential systematic impact on other sectors” could apply to many entities, none of which have private shareholders. For example government-controlled schools or government controlled hospitals are not easily replaceable in most societies, and have benefits to economy as a whole</p> <p>We do not support differential independence requirements. In our view, if independence is important to audit quality, then the same independence requirements should apply to all reasonable assurance engagements (and to all engagements for which independence is necessary). If only applied to some engagements, the expectation gap may be widened.</p> <p>However, if there are going to be differential ethical requirements, then we believe the term “public interest entity” should be reserved exclusively for entities where the public interest is most broadly present, and should encompass additional kinds of engagements that could be performed, not just financial statement audits.</p> <p>We therefore propose that the Code instead include an “entity” perspective and an “engagement” perspective, such that there are types of engagements that may be considered public interest even if the financial statement audit of the entity is not. The category of “public interest engagements” should be based on those factors that are of broadest interests of the broadest number of people, not only entities with private shareholders.</p> <p>There are audits conducted under ISAE 3000 that may have as much public interest, if not more interest, than the narrow interest of financial capital in a financial statement audit. It seems difficult to assert that all financial audits of publicly traded entities are public interest engagements, but there are no ISAE 3000 assurance engagements for those same entities that are in the public interest, nor any engagements for other types of entities that would not merit stronger ethical requirements, which is effectively what paragraph 79 asserts.</p> <p>Environmental social and governance reporting, sustainability reporting, etc. may be in the public interest more than the financial statements. We disagree with the arguments in paragraphs 78 and 79. Engagements most in the “public interest” may be those outside of financial statements, and include matters such as assurance on GRI reports, or GHG reports, or perhaps disclosures under the proposed IFRS Foundation Sustainability Standards Board. We encourage IESBA instead to explore fully the concept of “public interest assurance engagements” and what factors may be used by firms to identify when an engagement would be considered a “public interest assurance engagement”.</p> |
| AUASB       | <p>The AUASB considers that the changes proposed to the factors which should be considered when determining whether an entity is a PIE in 400.8 and 400.9 are not clear and potentially confusing. The AUASB’s recent experience (for example in relation to the IAASB’s deliberations about the applicability of the proposed LCE Standard) notes that there should be clear, objective criteria in place when determining the characteristics of a PIE. It is our view that the proposed revisions to the Code</p>   |

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|             | <p>in these paragraphs are overly subjective considerations that would be difficult to apply consistently, both across different jurisdictions and different types of entities</p>   |
| NRF         | <p>We support the concept of providing clarity about the objective of defining entities for which the audits require additional independence requirements. However, we are not convinced that the proposed objective is clear enough.</p> <p>In our view, the proposed broad approach, including the relationship between 400.8 and 400.9 and the requirements in especially R400.14, is very complex. It seems as if the PIEs listed in R400.14 and the “public interest entities, reflecting significant public interest entities in the financial condition of these entities” referred to in 400.8 and on which the enhanced independence requirements in the Code should be applied, are not the same entities. In other words, the Code is referring to two types of PIEs, but it is only the latter one that is of importance when complying with the Code.</p> <p>Also, the list of factors in 400.8 is very confusing and it is unclear how it should be applied and by whom.</p> <p>According to the explanatory memorandum: “paragraph 400.8 is only application material which sets up the context for the overarching objective in paragraph 400.9 and the list of PIE categories in paragraph R400.14”. Entities that reflect significant public interest are entities defined as such by local bodies having refined the categories of entities listed in R400.14. They are also entities that are outside the scope of PIEs listed in R400.14, but entities that the firms believe should be treated as PIEs according to R400.16. Trying to deal with both limitations and additions to a requirement in the same paragraph is confusing.</p> <p>Since the enhanced independence requirements in the Code is only intended to be applied on the entities covered in 400.8, it is unclear why this paragraph is only application material, while the content in R400.14, that is not intended to define those entities on which the enhanced independence requirements should be applied, is a requirement.</p> <p>With regard to firms complying with the requirement in R400.16, they are supposed to also consider additional factors to those listed in 400.8. This makes us question the value of having this general list of factors.</p> <p>We do not support adding any further factors to list. Rather we suggest that the IESBA reconsider the necessity and clarity with having this list, including the placement of the list with regard to how it is intended to be applied and by whom.</p> |