# Definitions of Listed Entity and Public Interest Entity

## Comments on ED Question 10

## (List of Factors for Firm Consideration)

***Question 10***

*Please provide any comments to the proposed list of factors for consideration by firms in paragraph 400.16 A1.*

| Respondent | Comment |
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| IRBA | We recommend that the IESBA includes application material or guidance to clarify the meaning of "near future" because this concept could be subjective. We acknowledge the example used in the Explanatory Memorandum relating to an imminent listing. However, this example could be misleading if it has no further guidance, as "imminent" implies that the entity is due to be listed in the very short term. "Near future" might extend a few years into the future; for example, in instances where one needs to consider comparatives, they might look at a two or three year period. In other instances, it can be a matter of comparing where a firm becomes aware that an entity's status could possibly change from a non-PIE to a PIE. One would therefore ask whether the entity is classified as a PIE as soon as the firm becomes aware of that matter or in the next 12 months? There is then a wide spectrum of what "near future" might mean, and it is important to clarify what it means, to correctly highlight the risk related to ethical requirements for the firm |
| NASBA | If IESBA adopts 400.16 A1, we suggest that IESBA replace the word "near" with "foreseeable" in the second factor to consider |
| UKFRC | We believe that firms should be required to consider whether the public interest would be served if they adopted enhanced safeguards over independence for entities which are not defined in law and regulation as PIEs. The proposed list of factors set out in paragraph 400.16 A1 provide a starting point for making these considerations. However, they potentially distract from the public interest criteria set out elsewhere in revisions to the Code. They focus on judgements made by others, and do not focus sufficiently on what might be the basis for enhanced public interest in an engagement or entity. |
| GAO | We believe that the second bullet in paragraph 400.16 A1 ("Whether the entity is likely to become a public interest entity in the near future.") is not appropriate. While this may be intended to apply to entities preparing for an initial public offering, changes to an entity's product or service, industry developments, and national or global economic events can delay or even cancel such plans. As such, we believe that it is not necessary or appropriate to apply these requirements in anticipation of an event that may not occur. |
| OAGA | When combined with 400.8, under R400.16 and 400.16A1 it may be that most entities in the public sector are public interest entities. As noted, we do not agree with differential Code requirements across reasonable assurance engagements. If the differential requirements are important for audit quality, they should apply to all audits |

| Respondent | Comment |
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| APESB | Overall, APESB supports the additional proposed list of factors for consideration by firms in proposed paragraph 400.16 A1. However, APESB believes amendments are required to:<br>• Clarify the link to laws and regulations in the first bullet point and removing the assumption that laws and regulations will state entities are not PIEs;<br>• Remove the reference to reasons in the second last bullet point as it is the consideration of the request that is important. If the IESBA believe the disclosure of the reasons is important, that should be a separate obligation; and<br>• Amend the last bullet point to be consistent with the drafting of the other bullet points.<br>Considering APESB's suggestions, proposed paragraph 400.16 A1 could be drafted as follows:<br>400.16 A1 In addition to the factors listed in paragraph 400.14 A1~~8~~, factors to consider when determining whether additional entities or certain categories of entities should be treated as public interest entities include:<br>• Whether the entity ~~has been specified as not being~~ is considered to be a public interest entity by law or regulation.<br>• Whether the entity is likely to become a public interest entity in the near future.<br>• Whether in similar circumstances, the firm or a predecessor firm has treated the entity as a public interest entity.<br>• Whether in similar circumstances, the firm has treated other entities as a public interest entity.<br>• 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~~.<br>• Whether t~~T~~he entity's corporate governance arrangements indicate there may be public interest in the entity, for example, whether those charged with governance are distinct from the owners or management. |
| NZAuASB | During our virtual event, participants specifically agreed that the entity itself should be an important consideration as to whether or not the PIE requirements should apply. In this regard, we recommend that, before promoting transparency by the auditor to the user as to whether the PIE requirements have been applied, an interim but very important first step should be communicating which independence requirements have been applied to the entity's audit engagement with those charged with governance to guide the firm's assessment as to whether the entity is a PIE or not. This may be especially important for entities where the PIE requirements have not been applied. |
| AE | Although we disagree with the elevation of the extant application material that encourages firms to determine whether to treat additional entities as PIEs to a requirement, we would like to present the following remarks on the factors listed in paragraph 400.16 A1: |

| Respondent | Comment |
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| | • Bullet 1: if laws and regulations specify an entity as not being a PIE, there should not be any expectation from the audit firm.<br>• Bullet 2: it may be relevant to treat a non-PIE entity as a PIE by audit firms when an entity is in the process of becoming a PIE. However, we do not agree to consider this for entities that are "likely to become" PIE in the future.<br>• Bullet 3: there is potential for inconsistency when predecessor and successor firms reach different conclusions. Also, there are practical challenges for an auditor to find out the reasoning of the predecessor firm and thus to judge the appropriateness of its conclusion.<br>• Bullet 5: when those charged with governance of an audited entity requests to be treated as a PIE, we are not sure if there may be valid reasons for the auditor not to do so.<br>• Bullet 6: we do not see a clear link between the entity's corporate governance arrangements and existence of public interest related to its financial condition |
| AICPA | Because not all professional standard setting bodies issue laws or regulations, references to laws and regulations throughout the proposal should be replaced with a general term like "professional standards" or expanded to include professional standards |
| BICA | We agree with the list being some of the factors for consideration. The list considers both past experiences of the firm and is also forward looking. |
| CAANZ | Based on our outreach, the proposed list of factors for consideration by firms when determining whether additional entities or certain categories of entities should be treated as PIEs are useful. However, as mentioned in our response to question 9, to promote consistency in the application of these proposed list of factors and to mitigate possible disagreements where firms and regulators may arrive at different assessments on the treatment of additional entities as PIEs, we suggest the IESBA should provide additional guidance and examples |
| CAI | This list of factors includes a looking forward aspect. Where an entity is aiming to become listed should they be treated as PIE?<br><br>We feel that this could breach client confidentiality. In particular, as set out in Questions 11 below, the rules around IPOs would not permit making such information public |
| CIIPA | Yes, subject to:<br>• we recommend updating the criteria, bullet 1, as follows: *"Whether the entity has been specified as not being a public interest entity by law or regulation [ADD: "or by relevant local bodies"]*.<br>• further clarification/guidance on the second factor regarding the parameters that should be considered when applying the "likely" and "near future" criteria. |
| CNCC | Since we are in favour of removing from the ED any requirements for firms to determine if additional entities should be treated as PIEs, we will not comment on the proposed list of factors. |
| CPAC | We are of the view that the proposed list of factors should also refer to whether other firms have treated similar entities as PIEs (not just their own firm) and provide guidance on the intended meaning of "in the near future". |

| Respondent | Comment |
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| | Our stakeholders also noted that expanded guidance on how firms should consider the entity's corporate governance structure in determining whether it is a PIE would be helpful.<br><br>We also recommend additional requirements in the Code to address the documentation that firms should maintain regarding the judgements made in the determination of whether additional entities are treated as PIEs as required by paragraph 400.16.<br><br>Finally, we think that a post-implementation review of the revised definition of a PIE could be used to collect information about entities designated as PIEs by paragraph 400.16 and the types of criteria that led to this designation. |
| EFAA | We support the proposed list of factors for consideration by firms.<br>We believe, however, further guidance, perhaps in the form of case studies and scenarios, will be particularly useful to demonstrate how firms determine if an entity should be treated as a PIE. |
| FACPCE | We have no other comment, except those that arise from the answers already provided in the previous points. We emphasize our response in point 9) regarding this intention related to the proposal that firms "must determine whether they should treat other entities or certain categories of entities, as public interest entities" contained in the text of R 400.16 |
| HKICPA | We noted that certain factors in proposed paragraph 400.16 A1 may not be feasible. For example, it appears to be forward-looking for the auditor to determine whether the entity is likely to become a PIE in the near future.<br><br>Stakeholders generally expect there would be a more robust guideline or comprehensive list of objective criteria from IEBSA or local bodies to help the firm to determine additional PIEs, if deemed necessary, for example, size test for the entities or other kind of objective indicators. It would help to reduce the risk and cost faced by the SMP in determining the PIE at the firm level.<br><br>For example, if an SMP has 200 clients in total, it will require significant time and effort for the firm to consider the factors in the proposed paragraph 400.8 and 400.16 A1 and exercise professional judgment whether each client should be classified as PIE during annual engagement continuation exercise. While if there are objective criteria and factors for such assessment, the information system could help to reduce the time and efforts.<br><br>Stakeholders also commented that while the proposed paragraph R400.16 outlines the factors that need to be considered by the firm in the determination of whether additional entities need to be treated as PIE, the introductory paragraph in 400.8 also provided certain factors. Thus, stakeholders are confused as to why the factors in 400.8 are not included in R400.16 as application material or how these paragraphs are interacting. |
| ICAEW | Some further clarity may also be needed in 400.16 A1 to specify (if this is the paragraph's intention) that:<br>• the list of factors is non-exhaustive |

| Respondent | Comment |
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| | • the requirement for firms to consider PIE status of an entity is in addition to the position taken by local law and regulation, and that the firm may disagree with the conclusion reached by local law/regulation – but only to add additional entities as PIEs, not to remove them. |
| ICAS | We support the proposal to introduce a requirement for firms to determine if any additional entities should be treated as PIEs however suggest that some further detail from paragraph 65 of the Explanatory Memorandum within some of the bullet points in paragraph 400.16 A1 might be helpful for users:<br><br>"400.16 A1 In addition to the factors listed in paragraph 400.8, factors to consider when determining whether additional entities or certain categories of entities should be treated as public interest entities include:<br>• Whether the entity has been specified as not being a public interest entity by law or regulation. It is not anticipated that a firm should treat an entity as a PIE when it has been explicitly specified as not being a PIE by law or regulation.<br>• Whether the entity is likely to become a public interest entity in the near future.<br>• Whether in similar circumstances the firm or a predecessor firm has treated the entity as a public interest entity.<br>• Whether in similar circumstances the firm has treated other entities as a public interest entity.<br>• 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.<br>• The entity's corporate governance arrangements, for example whether those charged with governance are distinct from the owners or management, as many of the additional independence requirements for PIE audits relate to increased communication with TCWG. |
| IDW | Based on our response to Questions 1 and 9, we believe that the list of factors in paragraph 400.16 A 1 is superfluous and can be deleted. We note that the wording introducing the factors is in present tense, which suggests a requirement and is therefore not in line with the clarity conventions. Either the list is guidance (which means that the word "may" should be used) or the list is a requirement (which means "shall" should be used). |
| ISCA | Notwithstanding our response in Question 9, we would like to suggest for IEBSA to consider requiring firms to:<br>• Communicate to management and TCWG that they have the right to request for their entity to be treated as a PIE; and<br>• Obtain concurrence of management and TCWG on whether an entity should be treated as PIE and to provide recourse in the event of a disagreement. |
| JICPA | The paragraph 400.16 A1 lists additional factors to consider when the firm is determining whether additional entities or categories of entities should be treated as PIEs ("factors to consider when determining whether additional entities or certain categories of entities should be treated as public interest entities include:"), but the individual elements enumerated could be read as factors to consider when adding an entity, so we believe it would be appropriate to include the term "category." For example, in the first bullet point ("Whether the entity has been specified as not being a public interest entity by law or regulation") and fourth ("Whether in similar circumstances the firm has treated other entities as a public interest entity") of paragraph 400.16 A1, "entity" could be replaced with "entity or certain category of entities." |

| Respondent | Comment |
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| | With regard to the fifth bullet point ("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"), we are concerned that the scope of PIE would become too broad. In cases where one of the factors to consider is whether the entity or other stakeholders requested the firm to treat the entity as a PIE, it could be interpreted as meaning that if there is a request from the entity or other stakeholders the entity should be treated as an additional PIE. The decision should be made objectively and based on the reasonable and informed third party test, and it should be clarified that requests from the entity or stakeholders will only be agreed to if there are reasonable grounds for this request. Accordingly, we believe it would be appropriate to replace "whether there are any reasons for not meeting this request" with "whether there are reasonable grounds for this request." |
| MIA | We are of the view that the factors as listed in para 400.16 A1 are reasonable considerations that needs to be evaluated by the firms as part of their audit when treating an audit client as a PIE. We would also like to highlight that there could be a transition period in implementing the factor "whether in similar circumstances, the firm or a predecessor firm has treated the entity as a PIE." This is because during the first-time adoption of this new requirement, such information may have yet to be publicly available. |
| NRF | We think this "building block approach" to factors for consideration is a bit complicated. Taking into account that one purpose with this project was to come up with a clear objective for defining PIEs (400.8 and 400.9), it is a bit confusing that the three components of the broad approach; the Code, the local bodies and the firms - all have different factors to consider.<br><br>With regard to the specific list in 400.16 A1, we are concerned about potential consequences, for example the risk of audit firm shopping and disagreements in hindsight with regulators/oversight boards about the "correct" decisions in this regard. |
| SAICA | SAICA and members of the working group are in general agreement with the proposed list of factors for consideration by firms, with the following comments being noted:<br>a. *Whether the entity has been specified as not being a public interest entity by law or regulation* – this could prove to be a difficult task as laws or regulation might not specifically refer to entities as being PIEs or not, but rather include characteristics as defined by the proposed revision in paragraphs 400.8 and 400.9 of the Code.<br>b. *Whether the entity is likely to become a public interest entity in the near future* – the term "near future" is a subjective concept, open to differences in interpretation. SAICA recommends including application material or further guidance to clarify the intended term.<br>c. *The entity's corporate governance arrangements, for example whether those charged with governance are distinct from the owners or management* - this could lead to the evaluation of an exhaustive list of clients which is not the intention of the IESBA.<br>During SAICA's outreach activities, some members raised questions around the circumstances where a firm should determine whether to treat additional entities as PIEs. To clarify this, SAICA recommends the following proposed wording for proposed paragraph R400.16:<br><br>*For other entities that are not considered to be PIEs in accordance with R400.14, a firm shall determine whether to treat such additional entities, or certain categories of entities, as public interest entities. When making this determination…,* |

| Respondent | Comment |
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| | The Code is not clear in terms of when firms are required to undertake the evaluation required in terms of proposed paragraph R400.16 of the Code. SAICA recommends that the Code clarify when firms are required to perform both the initial and subsequent evaluations.<br><br>SAICA recommends that the Code specifically include an option for local bodies to extend the list of factors outlined in proposed paragraph R400.16 of the Code in the interest of achieving consistent application of the PIE definition within a specific jurisdiction |
| SAIPA | We agree with the proposed list of factors for consideration by firms in paragraph 400.16 A1 and understand that this list is not an exception to the requirement set out in paragraph R400.14 and firms can only add more entities as PIEs.<br><br>We agree with the additional factors included in the paragraph to assist firms in their determinations and we have no further comments on these. |
| TFAC | From our perspective, only the second item (Whether the entity is likely to become a public interest entity in the near future) is likely applicable. |
| TURMOB | This paragraph is fit-for-purpose. However, refinement by local regulatory bodies might be needed to clarify to interpretation nationally. |
| BDO | We believe it would be helpful to move the factors referred to in 400.8 to this paragraph to keep all factors in one location. |
| BKTI | <u>Entity likely to become a PIE in the near future</u><br><br>The most common situation where this is likely to occur is where an entity has plans to become publicly traded. A practical application may be when the listing documents/applications are being prepared, but there may be other natural points in the process that can/should be used depending on the exact process in a particular jurisdiction. Additional guidance may therefore be required if firms are to make this judgment themselves. In some cases the entity may specifically request to be treated as a PIE at an earlier stage in the listing process, in an analogous way to that in which entities preparing to list often early adopt the full accounting framework requirements of listed entities – see comments below.<br><br><u>Treated as a PIE by a predecessor firm</u><br><br>Additional guidance may also be required to clarify what is meant by “in similar circumstances”. For example, an entity that is a large client to one firm may be a relatively small client of a larger firm. This category also has implications if the entity has previously requested to be treated as a PIE (see comments below). Treatment by a predecessor firm should have minimal influence. For example, a successor firm does not follow the audit plan of the predecessor firm and is not bound to accept accounting treatment signed off be a predecessor firm.<br><br><u>Firm has treated other entities as a PIE</u><br><br>All entities and their exact circumstances are different, even if only subtly, and whilst a firm’s prior decisions may suggest a certain level of precedent, we do not support firms being compelled to treat an entity as a PIE purely because another entity |

| Respondent | Comment |
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| | "in similar circumstances" is/was treated as a PIE. This is particularly true in cases where the entity or its stakeholders have requested to be treated as a PIE (see comments below).<br><br>Entity or its stakeholders requests the firm treat the entity as a PIE.<br><br>The definition of a stakeholder will be critical in whether this factor is practical to apply. For example, it would be impractical if an individual employee in a large company could compel the firm to treat the entity as a PIE.<br><br>Guidance will also be required as to the grounds on which PIE treatment can be requested and on which the firm may refuse such a request, if any. The Code should clarify the rights and responsibilities of the auditor in such situations, including any documentation requirements in respect of such a decision.<br><br>Rather than allowing the entity to request or require that it be treated as a PIE, a better approach might be for an entity to make a more specific request e.g. to have an Engagement Quality Review (EQR), audit partner rotation etc. Entities already have the ability to limit or refuse the provision of non-audit services by their auditor by their own procurement policies.<br><br>Entity's corporate governance arrangements<br><br>Whilst this may be a factor to consider, we do not believe that simply having those charged with governance distinct from an entity's owners or management is sufficient justification alone to treat an entity as a PIE.<br><br>General comments<br><br>We believe significant additional guidance will be needed within the Code to explain and expand further on the practical application of these factors in order to achieve global consistency of approach. |
| CohnReznick | We do not agree with the proposed requirement in paragraph 400.16 to determine whether to treat additional entities, or certain categories of entities, as public interest entities. While this is similar to extant requirements, we believe evolving markets and a new focus on PIEs created by the proposed standard put an undue burden on firms and potentially harm the public interest. Some firms may treat an entity as a PIE simply because the entity was treated as such previously, regardless if the criteria for a PIE are clearly met, or just out of being overly conservative. Such an exercise may cause an entity to allocate additional resources to the audit exercise needlessly, thus potentially harming investors. We believe with transparent disclosure in the audit report that the market will decide which entities should and should not be treated at PIEs. |
| DTTL | Deloitte Global is of the view that the proposed list of factors in paragraph 400.16 A1 does not provide clear guidance for making the assessment, which supports the argument that placing a requirement on firms to make such determination would result in an inconsistent application of the Code.<br><br>Specifically, we have the following comments with respect to the proposed factors:<br><br>• We understand that the factor in the first bullet, i.e., whether the entity has been specified as not being a PIE by law or regulation (or professional standards), to be intended as a factor *against* treating an entity as a PIE. However, we |

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<tr><th>Respondent</th><th>Comment</th></tr>
<tr><td></td><td>do not think it is appropriate for a firm to oppose what is expressly stated in a law or standard. We believe that any category of entity which has been expressly specified as not being a PIE by law or regulation should not be the subject of any additional determination by the firm.<br>• In the second bullet, we do not consider a potential future event a sufficient reason to apply the PIE requirements in advance of such event unless specifically requested by Those Charged With Governance given some of the additional requirements in the Code that are applicable when auditing a PIE. The auditor may wish to voluntarily apply certain aspects of the Code that apply to PIEs, such as stricter rules on providing non-assurance services, but the other elements, such as public disclosure of fees, would be unnecessary until there is a public interest in the financial condition of the entity.<br>• In the third bullet, we discourage using a predecessor's determination as a factor in the assessment. A firm will use significant professional judgment to make the assessment and any reasons for a past determination might not be applicable to the current situation, nor do professional standards require the predecessor to disclose their rationale to the successor auditor.<br>• In the fifth bullet, we are uncertain as to what could be an appropriate reason to not meet an entity's request to be treated as a PIE.<br>• In the sixth bullet, while we agree that appropriate governance arrangements are important to allow an entity to fulfil the obligations expected of a PIE, it is unclear how this drives a determination whether there is significant public interest in the financial condition of the entity.</td></tr>
<tr><td>EY</td><td>As stated in our response to question nine, we do not believe it is appropriate or in the public's interest for firms to second-guess determinations that should be made by the local bodies and regulators. But with regard to the factors included in proposed paragraph 400.16 A1, many of these factors are not clear as to how they should be assessed. We recommend deleting R400.16. and 400.16.A1. However, if R400.16 is retained, we believe the relevant factors in 400.A1 should only include:<br><br>• Whether the entity is likely to become a public interest entity in the near future.<br>• Whether those charged with governance requested the entity to be considered a public interest entity.<br><br>We do not believe the other factors should be included for the following reasons:<br><br>
<table>
<tr><th>Proposed Factor</th><th>Rational for Excluding</th></tr>
<tr><td>Whether the entity has been specified as not being a public interest entity by law or regulation.</td><td>If local laws and regulations specify an entity is not a PIE, it would not be appropriate to override such laws and regulations unless one of the above factors is present.</td></tr>
<tr><td>Whether in similar circumstances the firm or a predecessor firm has treated the entity as a public interest entity.</td><td>It is not clear that the circumstance between unrelated entities would be sufficiently similar</td></tr>
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<tr><td>Whether in similar circumstances the firm has treated other entities as a public interest entity.</td><td>It is not clear that the circumstance between unrelated entities would be sufficiently similar to make it clear that an entity should be a considered of public interest.</td></tr>
<tr><td>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.</td><td>Only those charged with governance have standing to request an entity be considered a public interest entity.</td></tr>
<tr><td>The entity’s corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.</td><td>It is very common that entities seek to have individuals unrelated to ownership and management on the board, thus this is not necessarily an indicator of an entity being of public interest.</td></tr>
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<tr><td>GTIL</td><td>GTIL does not have any additional comments to the proposed list of factors for consideration by firms in paragraph 400.16 A1, because we do not support the proposal as discussed in (9) above.</td></tr>
<tr><td>KPMG</td><td>In general, if the Code has appropriately presented the expected PIE definition and local bodies have undertaken a thoughtful evaluation of how to apply the definition in the local jurisdiction, then it generally should not be necessary to have the firms determine if an additional entity should be scoped in. Placing the firm in the position to be required to second-guess the local bodies is not in the public interest. In addition, those charged with governance can request that the client be treated as a PIE, should they determine PIE treatment to be in the best interest of the entity’s stakeholders.<br><br>In the proposed list of factors for consideration by firms, it is unclear if the first factor - “whether the entity has been specified as not being a public interest entity by law or regulation” - is intended to capture entities that were scoped out or did not meet a size threshold as per the refinements made to the PIE definition categories by the local body (i.e., the jurisdiction’s ethical or independence standards), or rather if “law or regulation” is meant to specify authority beyond the jurisdiction’s ethical or independence standards). The last factor – “entity’s corporate governance structure” – does not correlate to the public interest in the entity’s financial condition. If a lack of a robust, independent corporate governance board is a disqualification from PIE treatment, this should be stated in the initial PIE definition as laid out in the Code</td></tr>
<tr><td>Mazars</td><td>Considering our response to Q9 above, we have no further comments.</td></tr>
<tr><td>MNP</td><td>The proposed list of factors includes whether in similar circumstances the firm or a predecessor firm has treated the entity as a PIE. We understand that this factor was included in part to prevent an entity from “opinion shopping” on whether it shall be treated as a PIE. As noted in our response to Question 9, we are concerned that this factor may in effect commit any successor firm to continuing to treat an entity as a PIE, despite whether such treatment is based solely on the predecessor’s</td></tr>
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| | firm's circumstances such as risk tolerance client base, geographic footprint, service line offerings, etc. Conversely, if the successor is not bound to treat the entity as a PIE, a firm's definition of a PIE would become a market differentiator. Therefore, this factor may cause "opinion shopping" which the IESBA was attempting to avoid |
| Moore | We agree with this list of factors. However, the approach of individual firms amending the definition is problematic.<br><br>Specific comments:<br><br>• 3rd bullet point relating to whether the predecessor auditor treated the entity as a PIE, presupposes the disclosure of the entity's status as a PIE. There is also an expectation raised that the mere fact that the predecessor auditor treated the entity as a PIE must result in the new auditor doing the same which, given the inconsistencies in definitions as previously mentioned, might not be the case.<br>• 5th bullet point regarding whether the entity requested the firm to treat it as a PIE might result in all NFP or charities being scoped in. This factor takes the control away from the auditor into the hands of the charities. Boards of charities might not understand the full implications of being categorised as a PIE, and public pressure might force them into requesting such a categorisation to potentially access funding. Users of audit reports would require extensive education to avoid this becoming a problem for such entities |
| PwC | Subjective considerations such as "when an entity is likely to become public interest", "in the near future", "similar circumstances" all lead to risk of increased inconsistency and confusion. Practically speaking, many entities already adopt many of the practices of a "publicly traded entity" prior to becoming listed in anticipation of a listing as part of their preparations, including application of any additional independence restrictions or other considerations, or changes in governance arrangements including establishing an independent board. As a Network, we support such steps taken by entities as part of the listing process, however, this should remain as a decision for the entity to make as, given the inherent uncertainty involved in the listing process, it would be difficult to provide meaningful and helpful guidance on when these structural changes should be made.<br>If this proposal remains unchanged, a provision that deals with circumstances where the entity disagrees with the auditor's judgment would be needed. Without additional restrictions, the entity could simply appoint an audit firm who agrees their entity is not a PIE (thus extending non-assurance services that could be provided for example). It may also be helpful for the Board to contextualise this obligation for auditors with an expectation that it would be rare for an auditor to identify an entity with public interest that has not already been identified by local regulatory bodies. However, as noted above, this can also already be achieved with the extant provisions…<br><br>We do not support inclusion of paragraphs 400.16 or 400.16 A1. |