Definitions of Listed Entity and Public Interest Entity

Comments on ED Question 11

(Transparency Requirement)

Question 11

Do you support the proposal for firms to disclose if they treated an audit client as a PIE?

The respondents' comments are grouped into:

- Respondents that supported the transparency requirement
- Respondents that did not support the transparency requirement

Respondent	Comment
	Respondents that supported the transparency requirement
CEAOB, IAASA	We agree to strengthening the Code beyond the current encouragement for audit firms to determine whether to treat additional entities, or certain categories of entities, as PIEs. We also concur that transparency is important in this context. It is unclear in the ED whether the revised Code would require audit firms to perform complete and regular assessments of their portfolio of clients in making this determination. Clarity should be provided on what is precisely expected from firms in this respect.
IOSCO	In addition, we agree with the Paper which states that a firm should publicly disclose if an audit client has been treated as a PIE. Furthermore, should the IAASB also consider if it would be beneficial to investors if firms were also required to provide disclosures to allow users of financial statements to understand why an entity was defined as a PIE by the firm, along with the resulting independence and audit requirements? It is important that there is sufficient transparency by auditors, which we have concerns may not be adequately achieved if the disclosure requirement is limited only to stating whether an entity was defined as a PIE or not.
IRBA	We support the proposal for firms to disclose if they treated an audit client as a PIE. This will enhance transparency by the auditors, for example, in instances where non-assurance services are prohibited for PIEs in the Code… Proposed paragraph R400.17 requires a firm to publicly disclose if an audit client has been treated as a public interest entity. The question then is: What does "publicly disclose" mean? We are of the view that this means that the information should be easy to find. We have noted that there is no application material to this effect, and we suggest that application material should be included to add clarity to the proposed paragraph R400.17.

Respondent	Comment
UKFRC	We support the proposal for firms to disclose if an audit client has been treated as a public interest entity. If the objective is to enhance public confidence in the financial condition of certain entities, public disclosure that a firm has treated an entity as a public interest entity and adopted additional safeguards will support that objective. We note that the Exposure Draft places responsibilities on both local bodies and firms to identify entities which should be treated as public interest entities. If this requirement is maintained, we consider it appropriate for firms to disclose whether the entity has been designated as a public interest entity either due to law and regulation, or through by the firm's own assessment. Should the Exposure draft be amended to reflect our suggestions in respect of firms – i.e., that they are required to consider the need for enhanced independence safeguards for entities or types of engagement which fall outside the strict regulatory definition of a public interest entity – then we support additional reporting setting out what those enhanced safeguards were.
ASSIREVI	Finally, in the undesired event that the IESBA wishes to proceed with the introduction of proposed paragraphs R400.16 and 400.16 A1, Assirevi would appreciate some clarifications on the disclosure obligations provided for in proposed paragraph 400.17. It would in fact be appropriate to clarify that such public disclosure shall be made either: *(i)* in *the audit opinion*; or, alternatively, *(ii)* in the Transparency Report pursuant to Article 13 of EU Regulation 537/2014 which, in the European legal system, is already identified as the document in which, among other aspects, the PIE clients of each audit firm should be listed. The inclusion of such a public disclosure in the terms discussed above could in fact help to clarify, also for the benefit of the users of the financial statements, the background of the independence rules that have been applied as a result of paragraph R400.16.
BICA	The disclosure is critical for informed stakeholders for appreciation of the additional independence requirements afforded the client. It is therefore beneficial for firms disclose. In Botswana auditors of Public Interest Entities include their Certified Auditors of PIE status in their signature in the report. By inference therefore the disclosure is made.
CAI	The proposed disclosure of a firm's treatment of an entity as a PIE in the audit report, as mentioned in Question 15, will align with the general move toward greater transparency of auditor reporting. However, it will risk breaching the confidentiality of a planned IPO where the company has not made that known to the market (albeit the reader would have to speculate this as the reason) and could ultimately result in inconsistency as firms will adopt differing policies in this area – this could be unhelpful from a reader's perspective as they see audit opinions from peer groups annual financial reports.
CIIPA	Yes, but only if such disclosure is intended to be made through the auditor's report on the financial statements (subject to the IAASB approval or equivalent audit standard setter [where national regulations apply]).
CPAA	The proposal, in paragraph R400.17, for firms to disclose if they treated an audit client as a PIE is generally supported; noting however, that we do not support that it be a requirement for firms to determine whether to treat additional entities, or certain categories of entities, as public interest entities.

Respondent	Comment
	Also, it is important to note that such a disclosure to financial statement users may not be properly understood or interpreted by those users. Indeed, many financial statement users may have a very different view from the IESBA definition, about what constitutes a PIE. The potential misunderstanding and confusion – along the same lines as arguments about the expectations gap in auditing – should be recognised by the IESBA. Disclosing such information will also require disclosing what it means – i.e., that it doesn't mean that the audit was undertaken differently from an audit of a non-PIE, but merely that the independence requirements were different. It also means that an audit firm would need to explain why they chose a particular entity to be considered a PIE from their perspective. Greater confusion in the market will ensue where firms offer different explanations and descriptions of why they have treated client entities as PIEs. Taking all of this into account means that what might, on the face of it, seem to be a very simple disclosure becomes a very detailed and complex issue. It brings into question, from a cost-benefit perspective, the value of doing so.
CPAC	We support the proposed requirement for firms to disclose if they treated an audit client as a PIE. However, we are of the view that this disclosure should only be required in the auditor's report, with disclosure elsewhere optional, for reasons including professional secrecy and the duty of confidentiality, specifically in jurisdictions where this is required.
EFAA	We support the proposal for firms to disclose if they treated an audit client as a PIE.
FACPCE	Transparency as an objective seems to us a reason that should be supported, however we consider it desirable that the decision to treat an entity as PIE arises from the disposition of a professional body supported by a regulation of the competent body to issue it, then the disclosure to through the report on the treatment granted by the firm (See answer to questions 12
ICAEW	Yes, given the objective of increasing confidence in the audit work that has been performed on the financial statements, it is important that stakeholders are aware whether an entity has been treated as a PIE or not. There should be a disclosure of whether the entity has been treated as a PIE, regardless of whether that is under local standards or because the firm has concluded that the entity should be treated as such.
ICAG	Yes. It enhances greater transparency in audit reports. There are a number of disclosures in the financial statements which point to the entity being a PIE. Adding a statement that the entity has been treated as a PIE may be relevant.
ICAJ	Yes, we agree that it would be helpful to disclose in the audit report that an entity has been treated as PIE. Certain entities designated by nature for example pension funds, though regulated may not draw the same level of public interest as a deposit taking or publicly traded entity. Where required, this can be communicated through the auditor's report as other transparency requirements are already communicated through this medium.

Respondent	Comment
ICAS	Given the objective of the additional requirements and application material for PIEs is to enhance stakeholder confidence in an entity's financial statements through enhancing confidence in the audit of those financial statements, we support the proposal for firms to disclose if they have treated an audit client as a PIE.
INCP	Yes, we do. This is an important disclosure for users of financial information.
JICPA	We support the proposal. We believe that increasing the transparency of PIE-related information is likely to contribute to enhanced confidence in financial statement audits. In addition, from the perspective of increasing transparency, it should be made clear in the provision that relevant local bodies have a role to refine PIE definition that enable stakeholders to determine whether an entity falls into a PIE category or not, even without disclosure from firms. Furthermore, in relation to paragraph R400.17, it should be clarified whether firms should be required to disclose only additional entities that have been treated as PIEs, or whether to require that all entities treated as PIEs be disclosed, and whether to also disclose entities that were not treated as PIEs. Also, in terms of the background to the addition of this disclosure requirement, we believe that the points listed in Paragraph 66 of the Exposure Draft should be clarified through the issuance of additional guidance or FAQs.
MIA	Yes, we do support such disclosure. However, the IESBA will have to take cognizant that there is a risk that it may add to the expectation gap in auditing. Further misunderstanding and confusion could occur, especially if the disclosure is that the entity is treated as a PIE, despite that entity being excluded from legal/regulator PIE definitions in a particular jurisdiction. Disclosing such information may also require disclosing what it means i.e., the firm would need to also explain why they chose a particular entity to be considered a PIE from their perspective and describe what ways the audit undertaken differed from an audit of a non-PIE. We will expect the IESBA and even the IAASB to start working on further guidance materials (perhaps by the staff) and other information brochures not just for PAs but the general public as well to educate everyone in the reporting eco-system. Otherwise, the risk of such disclosure not being properly understood or mis-interpreted by users can be real.
SAICA	SAICA and members of the working group are in support of the proposal for firms to disclose if they treat an audit client as a PIE as this will enhance public confidence in the audits where auditees are treated. SAICA would like to alert the IESBA to the potential risk of all users of financial statements not understanding the implications of the entity being designated as a PIE and that it may not be sufficient to merely disclose the treatment but include additional information to explain the impact of this. To this end, SAICA recommends that the IESBA collaborate with the International Auditing and Assurance Standards Board (IAASB) in developing illustrative wording relating to this disclosure.
SAIPA	We support the proposal for firms to disclose if they treated an audit client as a PIE. This will ensure public accountability and transparency and is in the publics best interest.

Respondent	Comment
CohnRenzick	Yes, but with concerns. Overall, we do support the proposal for firms to disclose if they treated an audit client as a PIE. Such is consistent with recent changes to both ISA 700 and AU-C 700 requiring auditors to include a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. Indicating if the auditor treated an audit client as a PIE is consistent with already existing requirements and also provides appropriate context to users. However, we have concerns if the IESBA finalizes this proposal and allows for the auditor to determine if the entity should be treated as a PIE. In certain litigious jurisdictions, such as the United States, firms may be subject to extensive legal liability through "privity" or "privity of contract" – which may give a non-client a direct right to sue firms for services provided to the audited entity. By having the firm able to determine if an entity should be treated as a public interest entity may indicate a firm is in privity with a non-client user, thus giving that non-client user the right to sue the firm, even though the non-client user is not the client of the firm.
Moore	Yes, as this is in the best interest of the public users. Disclosure could however have potential unintended consequences where users do not understand the difference between a private company, a public company, and a PIE. The above is however based on the approach that the local jurisdiction is the final determination of the PIE definition, and that the individual auditor does not have the ability to further determine if the entity is a PIE. In that event, disclosure of the treatment of the entity as a PIE could lead to further complications.
	Respondents that did not support the transparency requirement
NASBA	NASBA does not support the proposal to require firms to disclose PIE treatment but recommends that the IESBA instead consider a client requirement to disclose its status as a PIE in its description of who they are as required by generally accepted accounting principles, e.g., "XYZ Corporation is a public interest entity as determined by applicable professional standards."
GAO	We do not support the proposal that firms be required by the IESBA Code to disclose whether they treated audit clients as PIEs. With such a requirement, the most appropriate or natural place to disclose such information would be in the audit report. We believe that the IESBA Code should not create reporting requirements for financial statement audits. Requirements that affect the form and content of financial statement audit reports should be promulgated by the IAASB.
OAGA	We do not agree. It is not clear what the purpose of this disclosure is. As noted in question 4, in our view confidence in specific audits would be best enhanced through transparency, such as making public internal and external inspection reports or the firm's evaluation of its system of quality control (but the IAASB recently decided against requiring this as part of ISQM), or perhaps including in the auditor's report recent practice inspection results for that firm or engagement leader.
APESB	APESB is not supportive of the proposal for firms to disclose whether they have treated an audit client as a PIE. We are concerned that the public may not understand the concept without sufficient disclosure of what a PIE is and the impact of being treated as a PIE. APESB believes disclosing this information is likely to lead to the unintended consequence whereby the

Respondent	Comment
	public interprets the disclosure to mean that there are different levels of independence and that audits for entities that are not PIEs are of lesser quality or provide lower quality assurance than audits of PIEs. Most Australian stakeholders who attended the APESB roundtables expressed significant concern concerning this proposed requirement. Stakeholders could not see the benefit of the disclosure and the issue that IESBA was trying to address. One stakeholder thought the disclosure would increase transparency but acknowledged the need to provide significantly more details than just disclosing an entity is a PIE. Stakeholders also noted that in some instances, it is the entity (or the client) who requests that they be treated as a PIE, and therefore there was some doubt over whether it should always be the firm who is required to make such a disclosure. In Australia, due to the existence of the Auditor Independence Declaration (refer to the response to Q12) and due to the significant concerns raised by Australian stakeholders, the APESB is of the view that the IESBA Code should not mandate this disclosure and therefore proposed paragraph R400.17 should be deleted.
NZAuASB	78% of participants at our virtual roundtable did not support the proposal for firms to disclose if they treated an audit client as a PIE. As noted in response to question 1, we have concerns with the way in which the objective of the PIE requirements has been expressed. We consider that the rationale for, the definition of a PIE and the implications thereof is a complex matter, with the potential for misinterpretation. The Code requires all auditors to be independent. Confidence in the independence of all auditors for all audits, is in the public interest, regardless of whether the audit is performed for a public interest entity. Any confusion may run the risk of further widening the audit expectation gap. While some NZAuASB members are supportive of increased transparency, others were unclear as to what underlying problem is to be resolved by a disclosure requirement. The changes to the PIE definition proposed by the IESBA reflect that the decision as to whether an entity is a PIE or not is a complex matter, and is one that involves factors to be considered by both the local standard setter and regulators, as well as judgements by the firms. Is the problem that IESBA is seeking to resolve, simply that there is a wider range of possible entities that could be treated as a PIE and so consider it necessary to be transparent as to whether or not it is a PIE. This seems an oversimplification of the issue, if the ultimate objective is to enhance confidence in the audit. It would appear that more context is needed, i.e., why is an entity considered to be a PIE and what are the implications if an entity is a PIE. The Board encourages the IESBA to explore further whether users might better engage with information about what it means when the auditor has treated an entity as a PIE rather than simply reporting when the PIE independence requirements have been applied. While some NZAuASB members note the benefits of and support enhanced transparency, others suggest a need for more clarity as to what problem disclosure would solve. When compared to non-PIE clients, in summary, the application of the PIE requirements, potentially impact on:

Respondent	Comment
	• The types of Non-assurance services (NAS) that can be performed for the audit client. • The rotation requirements for the engagement partner and other key partners. • Employment with an audit client. • Fees. We encourage the IESA to further explore how transparency will increase confidence in the audit and the financial statements, and encourage the exploration of alternative options, for example disclosure as to the number of years that the engagement partner has served together with how many more years are permitted in line with the independence requirements, and information about any NAS that has been performed for the client. Such information may already be disclosed by the client through the financial statements in the audit fee disclosures . We urge the IESBA to consider any unintended consequences for confidence in non-PIE audits, when promoting transparency as to whether or not a client has been treated as a PIE and whether such reporting could potentially widen the number entities that seek to be treated as PIEs and the implications thereof on the audit market, as entities might seek out auditors who are perceived as "more independent" or might cherry pick between firms based on interpretation of whether to treat the entity as a PIE. There is likely to be ongoing variation between jurisdictions as to which entities meet the definition of a PIE, based on local circumstances, including size and whether a firm determines it is necessary to treat an entity as a PIE. Without a clear rationale as to what the objective is for the additional PIE requirements, and further information about the context in which the determination has been made, and the impact for treating an entity as a PIE, we consider that there is a risk that users may misinterpret such transparency as meaning that some auditors are "more independent" than others. We consider that this could then have a detrimental effect in the confidence in audits that are conducted for non-PIE entities and potentially exacerbate the audit expectation gap.
AUASB	(Response to Q15c) The AUASB does not consider there is a strong rationale to support additional disclosure being required by an audit firm about whether an entity is a PIE or the details justifying why an entity is considered to be a PIE. While the AUASB is broadly supportive of increased transparency, we do not see how disclosing whether the firm has treated the entity as a PIE or not contributes to transparency and confidence in the audit. If anything, this additional disclosure may have unintended consequences and raise additional concerns for financial statement users who do not have sufficient awareness or understanding of how an entity is identified as a PIE and what the consequences are for the audit engagement. In particular, the AUASB does not support any disclosure of this nature being included in the Auditor's Report. Any lack of awareness or understanding of what being considered a PIE means for the performance of an audit gives rise to a risk of inappropriate differential interpretation of the auditor's opinion, and this risk is most pronounced when the disclosure is in close proximity to that opinion.

Respondent	Comment
SMPAG	We do not support the proposal for firms to disclose if they treated an audit client as a PIE and are concerned about the implications and potential unintended consequences. As outlined above, we do not agree with the proposed requirement for firms to determine whether to treat additional entities, or certain categories of entities, as public interest entities. We are concerned that such disclosure may not be properly understood or interpreted by users. In particular given the differences in implications between various jurisdictions. For example, questions arise over whether it is just for the provisions of the IESBA Code, or for the additional individual jurisdictional PIE requirements. There is also a risk that it may add to the expectation gap in auditing, which should be recognized by IESBA. Further misunderstanding and confusion could occur, especially if the disclosure is that the entity is treated as a PIE, despite that entity being excluded from legal/regulatory PIE definitions in a particular jurisdiction. Disclosing such information may also require disclosing what it means i.e., the firm would need to also explain why they chose a particular entity to be considered a PIE from their perspective and describe what ways the audit undertaken differed from an audit of a non-PIE. Greater confusion in the market will ensue where firms offer different explanations and descriptions of why they have treated client entities as PIEs, and it could also be perceived as an attempt to be a “gold seal of approval” for an audit firm or an audit client. In our view, taking all of this into account means that what might, on the face of it, seem to be a very simple disclosure becomes very detailed and complex. As a result, it raises multiple questions about the value of the disclosure from a cost-benefit perspective.
ACCA	We have concerns regarding the proposal for firms to disclose if they treated an audited entity as a PIE. We encourage the IESBA to carefully consider the implications of introducing a requirement for such disclosure. The value of the disclosure will have to be evaluated from the perspective of the users as recipients of the disclosure. We have heard concerns being expressed about the users’ ability to understand the implications of PIE vs. non-PIE classification. And warned about the risk of the perception of different ‘quality level’ of audit being provided to PIEs, undermining non-PIE audits. This could widen the audit expectation gap as the rationale and meaning behind such disclosure is unlikely to be immediately clear to users. Therefore, IESBA will have to proceed with caution and coordinate closely with IAASB on whether a disclosure is indeed useful and if so, decide which is the best way to approach this in order to avoid misinterpretation and any unintended consequences.
AE	No, we do not support a requirement for firms to determine and disclose if any additional entities are treated as PIE in terms of independence rules for auditors. Transparency is only useful if it provides useful information for stakeholders. In most jurisdictions, being a PIE creates obligations not only for the auditors but also, and foremost, for the entities. Applying and disclosing independence principles relevant to PIEs to a non-PIE audit will lead to confusion and raise many questions. Stakeholders will have difficulty in understanding what triggered this determination and how an entity can be treated as a PIE just for auditor’s independence purposes.

Respondent	Comment
	There may be a merit in considering whether the fact that the audited entity is a PIE (in accordance with applicable rules and regulations) should be disclosed in auditor's report. The IAASB, in coordination with the IESBA, could explore the pros and cons of a such disclosure in auditor's report. this.
AICPA	PEEC does not support the requirement for a firm to publicly disclose whether an audit client has been treated as a PIE and recommends the requirement be removed from the standard. PEEC has the following concerns with this requirement: • Disclosure by itself, without educating stakeholders, will not achieve the desired goal of enhancing confidence in the entity's financial statements or in independence. Stakeholders are unlikely to understand what treating an entity as a PIE entails or means, and therefore, this requirement does not further the objective of the proposal. • A standard is effective only if it can be operationalized. Because there is no mechanism in place to include the disclosure somewhere specific, stakeholders will not know where to look for this information, assuming they are informed enough to know that they should be looking for such disclosure. • Requiring the firm to disclose the name of an audit client, anywhere aside from its report, raises confidentiality concerns. If the local body's audit standards do not permit disclosure that an entity was treated as a PIE in the audit report and the audit client chooses not to disclose that it was treated as a PIE, the firm would be forced to disclose this information somewhere else. In addition to the concern noted above related to stakeholders being informed enough to know where to look, disclosing the name of an audit client and that it was treated as a PIE on a platform that would be publicly available, could breach confidentiality when it is not public knowledge that the professional accountant is the auditor of the entity. • Given the variety of methods that firms and audit clients could use to disclose PIE status, the goal of improving consistent application would not be achieved.
CAANZ	As discussed below, our members and key stakeholders expressed concerns on the proposed requirements for firms to disclose when an entity has been treated as a PIE. • The proposed disclosure may cause confusion and could be open to misinterpretation by investors and other users. The definition and scope of what constitutes a PIE is not simple and the experience to date suggests that this concept can be easily misunderstood. Our members and other stakeholders' questioned what value this disclosure will add without providing further context and the rationale behind what this disclosure is intending to achieve. This is exacerbated by the fact that there are likely to be some jurisdictional differences. • While the disclosure may appear conceptually simple to apply, it poses a risk of increasing the expectation gap where

Respondent	Comment
	users, without the full disclosure of all the additional independence requirements that apply to PIEs and factors considered by the firm to classify an entity as a PIE, may misinterpret the purpose of the disclosure, for instance as different 'classes' or 'levels' of audit and independence. • There is another risk that investors and other users may misinterpret that some auditors are more independent than others. Even if firms decide to disclose other information to provide clarity on this transparency requirement, such as what factors have been applied by the firm that led to the PIE determination, what additional audit procedures were undertaken and how these different from an audit of a non-PIE, it could raise more questions and without appropriate education of investors and other users may increase the audit expectation gap. We recommend the IESBA in collaboration with the IAASB conducts further outreach to assess the benefits and rationale behind this disclosure and what, if any, additional information may be necessary to achieve the intended benefits and the value of the disclosure from a cost-benefit perspective.
CFC	Additionally, we do believe that an audit report should not be a place to inform if a certain entity was or not classified as a public interest entity. Such disclosure could be, if defined by law or regulation, on the management commentaries, annual reports or any report on standability that could be issued by other standard boards.
CNCC	No, we do not. As explained in our general comments above, we consider that it is not an element of transparency to the Public but rather a source of confusion for the Public. Disclosing certain audits as PIE audits would instil in the Public's mind the idea that there are two different audits: the audits of PIEs and the others. It would also mislead the Public as to whether the client entity itself has complied with the additional requirements imposed to a PIE, such as the requirement to have an audit committee for example, when in fact the auditor would have had no means to impose it to the entity. It would be further inappropriate to impose upon the auditor to oblige an entity to comply with provisions which have not been clearly mandated. Furthermore, this could also unnecessarily expose the auditor to liability claims.
HKICPA	We have concerns about the proposal for firms to disclose if they treat an audit client as a PIE as required by proposed paragraph R400.17. We are of the view that the benefits of having this disclosure is less than its potential cost and may lead to unintended consequences. However, the proposal appears to create different levels of independence when performing an audit (i.e. PIE vs non-PIE), which is contradicting to the objective of the project. We acknowledge that there is no direct linkage between the additional independence requirements for PIE and quality of audit work (including the response to audit risk). However, having such a statement without providing additional context to users may create confusion and add to the expectation gap between stakeholders and auditors. If the proposal is finalised, we envisage the IEBSA and local bodies would need significant time and effort to educate stakeholders on the meaning of the statement.

Respondent	Comment
	In addition, as currently drafted, it is not clear if the disclosure requirement is only for entities classified as PIEs under R400.16 or for PIEs under R400.14 and R400.15 as well.
IDW	It is unclear to us what such disclosure is supposed to achieve. If, as we suggest, IESBA has a clear objective as to which entities ought to be PIEs (see our response to Question 1) and clearly defines PIEs as we suggest based on our response to Questions 1, 4 and 5, then what a PIE is under the Code is set forth in the Code and what the additional requirements are for PIEs would also be set forth in the Code. We are not convinced that stakeholders other than audit regulators will understand what the significance of a PIE is. Furthermore, since what a PIE is may differ between legislation or regulation and the IESBA Code, this would mean that such disclosure may also be confusing to stakeholders. Disclosing that an entity that is not a PIE is being treated as a PIE would only add to such confusion. Further confusion would result because the definition of PIE under the Code may be different from local law or regulation, because the question arises whether the entity is being treated as a legal PIE, an IESBA PIE, or both. What matters to stakeholders other than audit regulators is whether the auditor was independent as required by relevant ethical requirements – whatever these may be. This is already being asserted in the auditor's report, and that is really all that stakeholders require because they do not generally read law, regulation and Codes in relation to PIEs.
KICPA	The KICPA agrees with the principle that transparency must be improved in case a firm identifies an additional PIE. However, as described in our response to Question 9, it is less practicable for firms to determine additional entities as PIEs in addition to the ones proposed by the Code and national standard setters. In the same light, we believe that the additional disclosure requirement for firms is unlikely to work as intended as is the case with the proposed role of firms. If firms rarely determine additional entities as PIEs and only follow the standards set by standard setters, the disclosure requirement is unlikely to work effectively.
NBA	Like AE, we do not support a requirement for firms to determine and disclose if any additional entities are treated as PIE in terms of independence rules for auditors. However, if IESBA would decide to keep this proposed requirement: 1) clarification is needed whether this relates only to entities the audit firm has determined should be treated as a PIE (R400.16); and 2) clarification is needed where firms shall disclose that the entity is treated as a PIE. The requirement itself is not clear. The audit report would seem to be a logical place to disclose (if IESBA decides to keep this requirement). Otherwise the PIE classification suggests that this is only done for internal reasons or on behalf of an oversight body.
NRF	Even though we do support transparency when it provides useful information for stakeholders, we are concerned whether the benefits with disclosing this kind of information outweighs any negative consequences.

Respondent	Comment
	In our view, there is a high risk that such a disclosure foremost will cause confusion, for example in a situation where the firm has determined to treat the entity as a PIE, even though the entity is excluded from the legal or regulatory PIE-definition in that particular jurisdiction. Another example of confusion is when the same audit client is treated as a PIE by one auditor but not by another. Trying to eliminate any confusion by adding further information to the disclosure statement would disproportionately prolong the auditor report. On balance and from a cost-benefit perspective, we therefore question the value of such a disclosure.
TFAC	We are unable to support the proposal as we normally define in the auditor's report the type of financial reporting standards (for PIE/Non-PIE) our audit clients adopt. This practice has already implied their status, and no further disclosure is needed. Also, such disclosure could give rise to confusion that there is a fundamental difference in audit performance requirements for PIEs versus non-PIEs.
WPK	A disclosure (in the auditor's report) does only make sense, if the differences in treating an audit client as a PIE as opposed to the treatment as Non-PIE are made understandable for the recipient of the auditor's report. We believe this might require further explanations to an already comprehensive auditor's report. Additionally, the definition of PIE in the Code and in the IAASB standards must be aligned. Otherwise – in case of different definitions - ‚public disclosure' of treating an audit client as a PIE might be misleading as it may be not clear whether this treatment refers to the ethical treatment (‚Code') or to the conduct of and reporting about the audit as well (‚ISA'). Furthermore, ISA 701 currently already stipulates for specific reporting requirements (‚key audit matters') regarding listed entites. The EU Audit Regulation (537/2014/EU) in Article 10 also imposes additional reporting requirements on audits of PIEs. Overall, we think that a disclosure to explain that the audit client was treated as a PIE in the auditor´s report would create confusion as well as an expectation gap for stakeholders as to that the entity would have met all the requirements of a PIE.
BDO	We believe that this question would be best addressed as part of the refinement process by the local bodies. Currently, certain jurisdictions already require disclosure by local law or regulation, for example by audit firm's transparency reports. We are not supportive of the idea that disclosure of (treatment as) a PIE must be done in the audit report. Depending on the jurisdiction, it may make more sense to have this disclosure made by the audited entity rather than by the auditor. We believe that there may be confusion in disclosing that the engagement involved a PIE without the appropriate context. There is a risk of creating an expectation gap that there is a difference in the quality of an audit of a PIE versus non-PIE. The objective of the proposed standard is enhancing confidence in the independence of auditors, therefore, information on the additional independence requirements that were performed should be made clear to the reader, irrespective of where the disclosure is made.

Respondent	Comment
BKTI	We support the principle of transparency and the objective of building confidence in the audit of financial statements. However, we are not sure it would be helpful in this case. We have a number of concerns regarding the proposals to disclose if an audit client has been treated as a PIE: a) We anticipate that some stakeholders will not appreciate the implications of being treated as a PIE, and hence that such disclosure may confuse more than it clarifies. The scope and extent of such disclosure will therefore be critical in ensuring that users of the financial statements fully understand the implications of PIE designation. b) We are concerned that disclosure of an entity as a PIE may be considered to be a quasi-permanent decision, and difficult to rescind in future, even where there is justification for doing so. It should therefore be clearly set out as to how/why such designation may change in future. c) Further consultation ise required to consider the scope of such disclosures, e.g., whether: • the IESBA Code (or a jurisdictional equivalent) be referenced in the disclosure. • the reason(s) for treating the entity as a PIE should be disclosed. • in the case where the entity or its stakeholders have requested the entity be treated as a PIE: o this fact should be disclosed; and o any refusal of the request by the firm should be disclosed. • the implications of treating the entity as a PIE need to be explained. At present we do not believe that the IESBA has made the case for requiring disclosure of PIE treatment.
Crowe	This proposal is a matter that should be reserved to relevant local bodies for potential inclusion in transparency reporting requirements. We recommend that R400.17 is rewritten to say this (without “R” status).
DTTL	Deloitte Global believes transparency is often an important means of informing the investor community and improving trust. However, unless stakeholders understand that the distinction is being made only because it results in the application of additional independence requirements (and most would likely not be aware of this) the proposed disclosure of simply stating a client is treated as a PIE is unlikely to increase the level of confidence in the audit of the financial statements or help in the assessment of the independence of the audit firm. Furthermore, such a disclosure might result in an unintended consequence of creating a perception about the level of risk that is inherent in the entity or the quality of the audit performed. Therefore, we do not support the Board’s proposal for firms to disclose whether a firm treated an audit client as a PIE.

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	If the Board continues to believe disclosure will be meaningful to stakeholders, it would seem more appropriate for such disclosure to be consistent with ISA 700 (Revised), Forming An Opinion And Reporting On Financial Statements, which already requires the auditor to identify the relevant ethical requirements relating to the particular audit engagement. In other words, it may be more useful to the reader for the audit report to state that the auditor is independent of the entity in accordance with the auditor independence requirements of the Code that apply to PIE audit engagements. Finally, Deloitte Global notes that is unclear whether the proposed disclosure in paragraph R400.17 solely includes those entities the firm has determined to be "treated as a public interest entity" as a result of the application of paragraph R400.16. We assume the intent is broader and also includes entities that are PIEs under paragraph R400.14, but if the requirement for disclosure remains in the final pronouncement, the wording should make this clear.
EY	Although we are generally supportive of transparency, we do not support the proposal for firms to disclose if they treated an audit client as a PIE. We agree with the Board's statement in paragraph 66 of the EM that the Boards proposals have the result of creating the need for additional transparency due to the potential increase in inconsistent treatment between different jurisdictions the proposals can create. We believe that creating this increased uncertainty is not in the public interest, and without such uncertainty there should also not be a need for additional disclosure.
KPMG	We do not support such a proposal. We believe a disclosure limited to the treatment of the audit client as a PIE, such as in the auditor's report, without proper context and explanation, would be of limited value to the users of the financial statements. Such a disclosure could give rise to confusion and perpetuate the misunderstanding that there is a fundamental difference in audit performance requirements for PIEs versus non-PIEs, or that auditors are more independent of a PIE than of an entity which is not treated as a PIE. We believe the need for the auditor to be independent and the auditor's compliance with the independence requirements is of the most benefit to users of the financial statements; thus we do not support including a statement, such as in the auditor's report, that an entity has been treated as a PIE.
Mazars	We do not support the proposal. It could lead to confusion for readers of the Annual Report. The implications of being a PIE extend beyond the audit relationship and if an entity was treated as a PIE purely for audit purposes but did not comply with other requirements of a PIE such as corporate governance or provision of non-audit services, there is scope for confusion and misunderstanding for stakeholders.
MNP	We do not support the proposal for firms to publicly disclose if they treated an audit client as a PIE. We are concerned that by widely disclosing whether an audit client is treated as PIE, the public may not understand the implications of an entity being treated as PIE, leading to the users of those financial statements placing increased reliance on the audit opinion of entities that are treated as a PIE compared to entities that are not. Given that the audit requirements are generally consistent regardless of whether the entity is a PIE, this increased reliance by the users is unwarranted. Furthermore, there may be additional misunderstanding by the users given that firms may have differing views on the types of entities they treat as a PIE.

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	Another factor to consider is the impact this may have on the insurance held by public accounting firms, from both the perspective of amount and cost. While the audit opinion is addressed to the shareholders of the entity, by referring to an entity as a PIE, this may infer that the auditor's responsibilities extend to beyond the shareholder's group which increases the potential risk to the firm of undue reliance. Therefore, we believe insurers may perceive such disclosure as an increase in the firm's risk given the expected increased reliance by the public on the auditor's report. We are also mindful of the potentially negative connotations this disclosure may have on an entity that is not treated as a PIE – these entities may face adversity in accessing capital or other business ventures, because of the public perception that the standard of audit performed is less than that of an entity that was treated as a PIE. Furthermore, in situations where an entity changes from a PIE to a non-PIE, this could create confusion for the financial statement users and influence their views of the audit opinion and the entity's financial condition, causing undue financial hardship for the entity. It is our understanding that the purpose of identifying an entity as a PIE is to determine whether the audit firm should be subject to increased independence requirements with respect to the provision of non-assurance services for that entity. As noted in Canadian Auditing Standard 260 Communication with Those Charged with Governance, it is those charged with governance with which the audit firm is responsible for communicating and discussing their independence. Furthermore, in Canada, it is those charged with governance that have the responsibility to approve the provision of non-assurance services for entities currently considered to be PIEs (i.e., reporting issuer public company audit clients). As the fact that the firm is independent is communicated within the auditor's report, we believe that this is sufficient disclosure for purposes of the financial statement users. Therefore, we recommend that the determination and identification of an entity as a PIE should be discussed with those charged with governance for the entity, through disclosure in the Audit Service Plan or Independence Letter, rather than disclosed within the auditor's report.
Nexia	We are concerned about the obligation to disclose that a client has been treated as a PIE. Unless extensive explanation is included and understood by the user of the financial statements, we believe that this could lead to an increase in the expectation gap. We support further education materials on what it truly means to be categorized as a PIE so that users are continually informed and updated.
PwC	We do not support this proposal as we do not consider it appropriate for the auditor to make a statement on this matter when management does not also have obligations to determine and disclose whether an entity is a PIE. To do so risks the regulation of the behaviour of entities through regulation of the auditor, and the auditor should not be used as an agent of change in this way. We note that the auditing standards, for reasons explained in the IAASB's Basis for Conclusions when revising its auditor reporting standards, do not include a requirement for the application of ISA 701 for entities that are PIE but not listed. It seems inconsistent to mandate the auditor making a specific statement regarding the level of public interest in an entity, but not requiring that same auditor to give additional insights into their audit judgments to stakeholders. In addition, a requirement to

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	publicly disclose whether an entity has been treated as a PIE does not make sense where the financial statements (and audit report) themselves are not publicly disclosed.
RSM	No, given that we do not believe that the audit firm should amend the definition of PIE as determined by its relevant local body, there would be no need for the auditor to disclose that they have treated an audit client as a PIE.