

**Non-Assurance Services, Fees and  
Definitions of Listed Entity and Public Interest Entity Projects  
Effective Dates Options**

**Note to IESBA Members**

This agenda paper sets out three options for the effective dates of the final revisions to the Code from the Non-Assurance Services (NAS), Fees and Definitions of Listed Entity and Public Interest Entity (PIE) projects.

IESBA members will be asked to provide their input on the options presented and agree on an option at the end of the Fees session scheduled for Tuesday December 8, 2020.

**BACKGROUND**

1. In the January 2020 [NAS](#) and [Fees](#) exposure drafts, the IESBA highlighted that it would coordinate the effective dates for the final provisions from these projects as well as the PIE project.
2. At the September – October 2020 IESBA meeting, the Board discussed this matter. Amongst other matters, the IESBA:
  - Acknowledged that, whilst there were some discussions with stakeholders about the merit of aligning the effective dates for all three projects, it is unlikely that the PIE effective date can be fully aligned with the NAS and Fees effective date given that there is still a significant way to go with the PIE project, with an exposure draft yet to be released.
  - Agreed that stakeholders should be kept informed of the developments and be provided with guidance regarding the transition to the new PIE definition with respect to the NAS and Fees revisions.
  - Noted that for those jurisdictions that have already implemented their own PIE definitions, the option of early adoption of the final PIE provisions is important as this may allow those jurisdictions to effectively adopt and implement the three sets of final provisions at the same time.
3. Subject to approval of the final NAS and Fees provisions at the November-December 2020 IESBA meeting, the Board will need to set the effective date for those provisions at that meeting.<sup>1</sup> At the same time, subject to approval of an Exposure Draft for the proposed PIE provisions at the same meeting, the Board should determine an effective date to propose for those provisions and (a) explain its thinking for choosing that effective date to stakeholders, and (b) seek their comment on that proposed effective date as part of the Exposure Draft.

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<sup>1</sup> The final NAS and Fees provisions will need to have the same effective date given that these provisions are interrelated and have been developed together.

## OPTIONS FOR CONSIDERATION

4. To assist the Board in its deliberations, staff has developed the following options:

	NAS and Fees	PIE
<b>Option 1</b>	15 December 2022	15 December 2023
<b>Option 2</b>	15 December 2023	15 December 2023
<b>Option 3</b>	15 December 2022	15 December 2024

5. In developing these options, the following were taken into consideration:

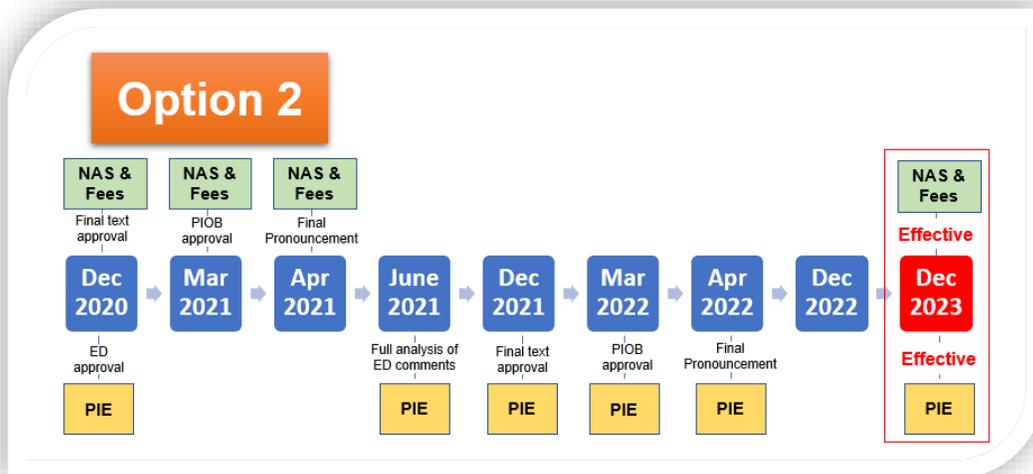
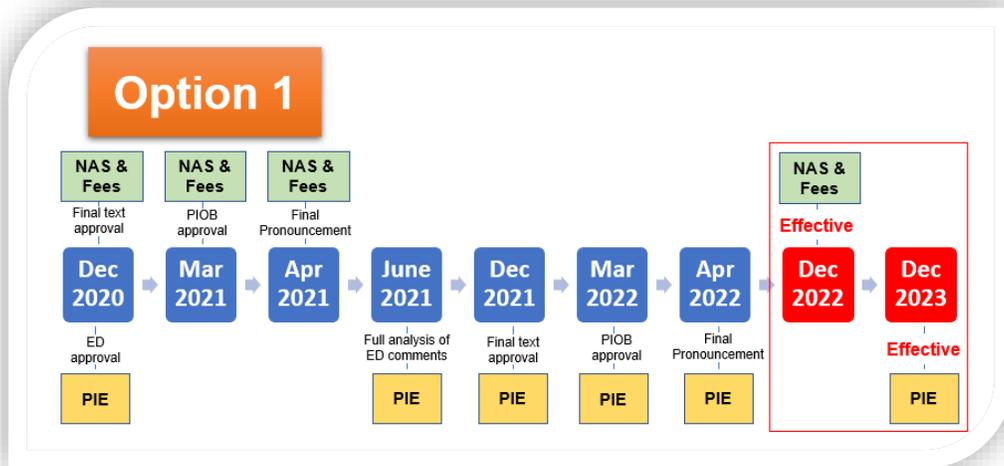
- In light of the significance and impact of the NAS and Fees revisions, it is appropriate to allow at least 18 months from the release of the final pronouncements (expected to be April 2021, subject to PIOB approval) for adoption and implementation. As such, the earliest suitable date would be December 2022 (in effect, calendar year 2023 audits).
- An obvious fourth option is for all three sets of revisions to become effective in December 2024. However, it is highly unlikely that the regulatory community in particular would find it acceptable to have a four-year delay in the implementation of the Fees and NAS revisions. Accordingly, it has not been included as a viable option.
- Under the PIE Task Force’s current approach and proposals, local authorities will need time to refine the revised PIE definition to their local context as part of the adoption process:
  - Realistically, the Board should allow for *at least* 18 months from the release of the final pronouncement (expected to be April 2022) before the revised provisions become effective to provide (a) local bodies sufficient time to refine the PIE definition for their national circumstances, and (b) time for adoption and implementation of the tailored definition locally. As such, subject to the PIE project progressing according to the timeline, Staff believes the earliest suitable effective date for the PIE final revisions would be December 2023.
  - A common effective date of June 2023 for the revisions from all three projects would be unlikely to be optimal as it would not allow sufficient time for jurisdictions to refine the PIE definition at the local level, particularly those that did not already have their own local definition.
  - In the event that a local version of the PIE definition is not adopted by the effective date set by the Board, firms in the Forum of Firms (FoF) networks should be required to apply the new PIE definition, as a transnational audit is likely to be of an entity significant enough to be a PIE, and in respect of which national adjustments to the PIE definition will be less relevant.<sup>2</sup>

<sup>2</sup> Some FoF members also apply the IESBA Code for domestic audit clients as well. Some members in certain jurisdictions might decide not to continue this policy if the local body did not adapt the revised PIE definition. Conversely, adopting the revised PIE definition at the FoF level could lead to some entities being included that would otherwise not deserve to be PIEs.

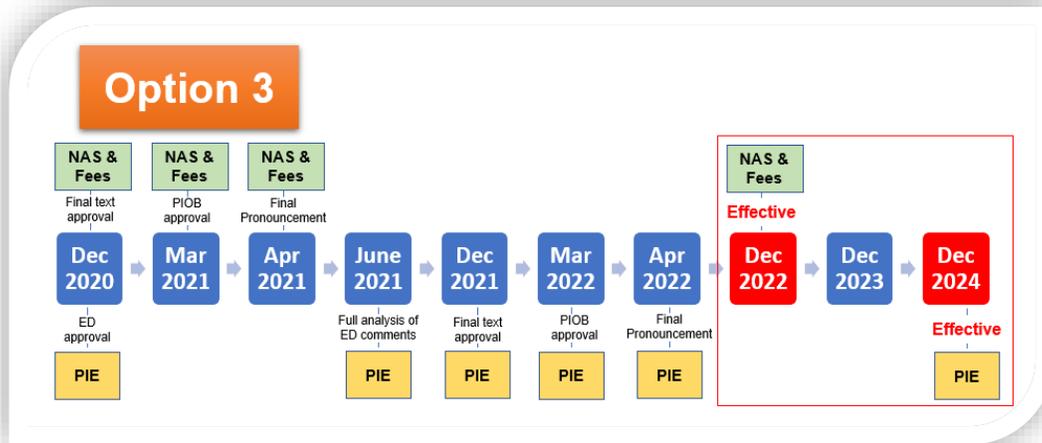
- As is general practice, the Board should permit early adoption by local bodies and firms.
- The Board should conduct a post-implementation review with respect to the new PIE definition.
- The effective dates of other recent revisions to the Code, which are as follows:

Part 4B alignment to ISAE 3000 (Revised)	June 2021
Promoting Role and Mindset Expected of Professional Accountants	December 2021
Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers (subject to PIOB approval)	December 2022 <sup>3</sup>

6. See diagrams below for the project timelines of the three projects for Options 1 to 3:



<sup>3</sup> Coordinated with the effective date of ISQM 2



### How the Options Work

7. The following tables explain when the new revisions should be applied under Options 1 and 2 for audits of financial statements for financial years (FYs) between 2022 – 2024 (Option 3 is similar to Option 1). The example used below is based on an audit with FY that commences July 1:

	Option 1	Option 2
<b>Effective Date</b>	<b>NAS and Fees:</b> 15 Dec 2022; <b>PIE:</b> 15 Dec 2023	<b>NAS, Fees and PIE:</b> 15 Dec 2023
<b>FY: Jul 2022 – Jun 2023</b>	Extant provisions for NAS and Fees as well as extant PIE definition (e.g., listed entity) are applicable.	Extant provisions for NAS and Fees as well as extant PIE definition (e.g., listed entity) are applicable.
<b>FY: Jul 2023 – Jun 2024</b>	Revised NAS and Fees provisions and extant PIE definition (e.g., listed entity) are applicable.	Extant provisions for NAS and Fees as well as extant PIE definition (e.g., listed entity) are applicable.
<b>FY: Jul 2024 – Jun 2025</b>	Revised NAS and Fees provisions; revised PIE definition.  If local definition of PIE is not yet effective as of June 15, 2024, FoF members would apply the new PIE definition for their transnational audits.	Revised NAS and Fees provisions as well as revised PIE definition  If local definition of PIE is not yet effective as of June 15, 2024, FoF members would apply the new PIE definition for their transnational audits.

**Pros and Cons**

8. The pros and cons for each option are as follows:

<b>Option 1</b>	
<b>Effective Date</b>	<b>NAS and Fees: 15 Dec 2022; PIE: 15Dec 2023</b>
<b>Pros</b>	<ul style="list-style-type: none"> <li>The public interest benefits from the revised NAS and Fees final provisions flow sooner, although limited to entities falling within the scope of the extant PIE definition (at a minimum, listed entities).</li> <li>The earlier date will likely better respond to the expectations of regulatory and other stakeholders for strengthened auditor independence requirements to come into effect as soon as reasonably practicable.</li> <li>This will give firms some time to develop experience with the application of the new NAS and Fees provisions for PIEs based on the extant PIE definition before they become applicable to a broader group of PIEs (a “step change” approach rather than a “big bang” one).</li> <li>In the unforeseen event of a delay in completing the PIE project, this would not unduly withhold the NAS and Fees revisions coming into effect.</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>This will increase the adoption and implementation burden on national standard setters (NSS) and firms given that they will also need to adopt and implement the IAASB’s suite of quality management standards, which also have a December 2022 effective date.</li> <li>This will also add to the pressures on NSS, firms and other stakeholders created by the COVID-19 pandemic.</li> </ul> <p><b><u>Mitigation</u></b></p> <ul style="list-style-type: none"> <li>Provide early guidance material, especially with respect to the how NSS might tailor the revised PIE definition to their local circumstances.</li> <li>Develop a comprehensive transition plan.</li> </ul>

<b>Option 2</b>	
<b>Effective Date</b>	<b>NAS, Fees and PIE: 15 Dec 2023</b>
<b>Pros</b>	<ul style="list-style-type: none"> <li>By having a common effective date for the three sets of revisions, this would allow firms more time to assimilate the impact of the new NAS and Fees requirements relative to the expanded list of PIEs.</li> </ul>

	<ul style="list-style-type: none"> <li>A later effective date for the NAS and Fees revisions would help to alleviate some of the pressures that NSS, firms and stakeholders are currently experiencing as a result of the COVID-19 pandemic and would demonstrate that IESBA is sympathetic to the challenges they are facing during this time. However, this assumes that the effects of the pandemic will continue to impact firms and their clients into 2023.</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>The public interest benefits from the NAS and Fees revisions would be delayed.</li> <li>This may not meet the expectations of regulatory and other stakeholders who will be concerned about prioritizing the implementation of strengthened independence standards at the earliest opportunity, even based on the extant PIE definition.</li> </ul> <p><b><u>Mitigation</u></b></p> <ul style="list-style-type: none"> <li>Work with jurisdictions and stakeholder groups to assist them with early adoption as appropriate.</li> </ul>

<b>Option 3</b>	
<b>Effective Date</b>	<b>NAS and Fees: 15 Dec 2022; PIE: 15 Dec 2024</b>
<b>Pros</b>	<ul style="list-style-type: none"> <li>A longer transition period will increase the likelihood that the PIE definition being properly implemented at the local level before the official IESBA effective date.</li> <li>More time for local body to refine the PIE definition and thus reduces the risk of FoF being “stuck” with the IESBA definition when it becomes effective.</li> <li>It makes the case for different NAS/Fees and PIE effective dates more convincing.</li> <li>It allows IESBA more time to develop its additional guidance material on PIE.</li> <li>The public interest benefits from the revised NAS and Fees final provisions flow sooner, although limited to entities falling within the scope of the extant PIE definition (at a minimum, listed entities).</li> <li>The earlier date will likely better respond to the expectations of regulatory and other stakeholders for strengthened auditor independence requirements to come into effect as soon as reasonably practicable.</li> <li>This will give firms some time to develop experience with the application of the new NAS and Fees provisions for PIEs based on the extant PIE definition before they become applicable to a broader group of PIEs (a “step change” approach rather than a “big bang” one).</li> <li>In the unforeseen event of a delay in completing the PIE project, this would not unduly withhold the NAS and Fees revisions coming into effect.</li> </ul>

<b>Cons</b>	<ul style="list-style-type: none"><li>• This will increase the adoption and implementation burden on NSS and firms given that they will also need to adopt and implement the IAASB's suite of quality management standards, which also have a December 2022 effective date.</li><li>• This will also add to the pressures on NSS, firms and other stakeholders created by the COVID-19 pandemic.</li></ul> <p><b><u>Mitigation</u></b></p> <ul style="list-style-type: none"><li>• Provide early guidance material, especially with respect to the how NSS might tailor the revised PIE definition to their local circumstances.</li><li>• Develop a comprehensive transition plan.</li></ul>
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**Task Forces' View**

9. The NAS, Fees and PIE Task Forces are of the view that, on balance, Option 3 (NAS/Fees: December 2022; PIE: December 2024) is the most appropriate option.
10. Option 3 allows the NAS and Fees provisions to become effective earlier and at the same time, provides for a longer transition period for the final PIE provisions to be adopted. This should be helpful given the need for local bodies to refine the PIE categories as part the local adoption process.
11. The Board had at the beginning indicated that its intention was for the three projects to progress in similar stages and have the same effective date. However, it became clear that as the PIE project got under way, such an approach would not be practicable given the time needed for the PIE Task Force to conduct the necessary research and for the Board and the IAASB to duly consider all the relevant issues before firming up their views. The Task Forces also note that it is unlikely that regulatory and other stakeholders would welcome a significantly extended period before the strengthened NAS and Fees provisions become effective.
12. The Planning Committee is also supportive of the Task Forces' preference for Option 3 for the same reasons.

**Matter for IESBA Consideration**

IESBA members are asked for views on the three options presented and agree on an option.