



May 3, 2021

Mr. Ken Siong
Senior Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue
New York, NY 10017
USA

Ref.: Exposure Draft: Definitions of Listed Entity and Public Interest Entity in the Code

Dear Mr. Siong:

The Colombia's National Institute of Public Accountants (INCP) would like to express its gratitude for this opportunity to make and submit some comments on the Exposure Draft related to the IESBA's Definitions of Listed Entity and PIE Project.

Included below are our responses to the questions asked in the exposure draft; thank you for your consideration thereof.

Overarching Objective

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

We agree with the proposal included in paragraphs 400.8 and 400.9. We believe that clearly defining the factors enabling an entity to be categorized as a public interest entity will help not only auditors, but also users of financial statements understand the scope of audits performed under the International Standards on Auditing and Code of Ethics.

- 2. Do you agree with the proposed list of factors set out in paragraph 400.8 for determining the level of public interest in an entity? Accepting that this is a non-exhaustive list, are there key factors which you believe should be added?**

We agree with the factors set out in paragraph 400.8. However, consideration should be given to explicitly adding “listed entities” to this list of factors.

Furthermore, we believe precision is needed in definitions of each factor in order to both make the translation process easier and avoid misinterpretations; in particular, we are referring to this:

“Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.”

In some jurisdictions, this factor could be misinterpreted by construing it as entities declared insolvent by a supervisor or regulators.

The importance of the entity in its sector: In reference to this factor, we consider it important to define the variables determining that importance: revenue amounts, management of public funds, societal impact, job creation, etc.

Regarding the number and nature of stakeholders, including investors, customers, creditors, and employees, most jurisdictions consider only the number of employees and we suggest reducing options. I would suggest the same approach to reduce possibilities.

For practical purposes and better understanding, we believe that included in most local legislations may be a list of examples of types of entities that might be considered as PIEs.

Approach to Revising the PIE Definition

3. Do you support the broad approach adopted by the IESBA in developing its proposals for the PIE definition, including:

Replacing the extant PIE definition with a list of high-level categories of PIEs?

We agree that replacing the definition of PIE with a list of high-level categories will help to better identify other types of entities different from listed entities that should be considered to fall within the definition of Public Interest Entity.

Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?

We agree that revising the current definition of public interest set out in the IESBA Code of Ethics facilitates the alignment with the definitions already included in some local legislations. For example, a list of entities that are considered to be public interest entities and go beyond listed entities has already been included in the standards currently in force in Colombia.

PIE Definition

- 4. Do you support the proposals for the new term “publicly traded entity” as set out in subparagraph R400.14(a) and the Glossary, replacing the term “listed entity”? Please provide explanatory comments on the definition and its description in this ED.**

We agree. We believe it is an improvement in the current code, thus adapting it to the changes and complexities of today’s businesses around the world. The new term “publicly traded entity” includes a higher number of companies covered by the previous definition of “listed entity,” which only encompassed those entities whose shares or debt were quoted or listed on a stock exchange.

- 5. Do you agree with the proposals for the remaining PIE categories set out in subparagraphs R400.14 (b) to (f)?**

We agree with them because they not only encompass those businesses and public interest entities that manage and keep funds from the general public, but also allow for the listing of entities that could also be considered to be PIEs to be supplemented locally.

- 6. Please provide your views on whether, bearing in mind the overarching objective, entities raising funds through less conventional forms of capital raising such as an initial coin offering (ICO) should be captured as a further PIE category in the IESBA Code.**

Yes. They should be regarded as PIEs considering that they fall within one of the PIE categories because one of their main roles is to keep deposits from the public.

Role of Local Bodies

7. Do you support proposed paragraph 400.15 A1 which explains the high-level nature of the list of PIE categories and the role of the relevant local bodies?

Yes, we do. The role of local bodies is crucial in determining what is applied in a specific jurisdiction. The fact that concrete guidelines are provided for an entity to be considered a public interest entity avoids subjective interpretations and judgments.

8. Please provide any feedback to the IESBA's proposed outreach and education support to relevant local bodies. In particular, what content and perspectives do you believe would be helpful from outreach and education perspectives?

We believe that the most effective tool is to timely translate into the various languages of those jurisdictions currently applying the Code of Ethics. Additionally, we believe that supporting material must be provided, such as application guidelines, actual categorization cases, and impacts on the audit processes for PIEs that involve all stakeholders.

9. Do you support the proposal to introduce a requirement for firms to determine if any additional entities should be treated as PIEs?

Yes. We believe that this requirement contributes to increasing trust in the audit and financial statements of public interest entities.

It is important both to align this new requirement with sections of the code of ethics, such as client acceptance, and to supplement the code of ethics with safeguards in the event that opinions on categorization of a PIE are different from those of the client or other firms.

Including reference guides would be convenient for standardizing the assessment process aimed at categorizing an entity as a PIE. We support the assessment scenario under the criteria of a reasonably well-informed third party.

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

- Whether the entity has been specified as not being a public interest entity by law or regulation.

We agree with this and have no comments.

- Whether the entity is likely to become a public interest entity in the near future.

We agree with this and have no comments.

- Whether in similar circumstances the firm or a predecessor firm has treated the entity as a public interest entity.

We agree that the Code of Ethics needs to be supplemented with safeguards in the event of different opinions on a PIE categorization.

- Whether in similar circumstances the firm has treated other entities as a public interest entity.

We agree that the Code of Ethics needs to be supplemented with safeguards in the event of different opinions on a PIE categorization.

- 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 agree that the Code of Ethics needs to be supplemented with safeguards in the event of different opinions on a PIE categorization.

- The entity's corporate governance arrangements, for example whether those charged with governance are distinct from the owners or management.

We agree with this and have no comments.

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

Yes, we do. This is an important disclosure for users of financial information.

12. Please share any views on possible mechanisms (including whether the auditor's report is an appropriate mechanism) to achieve such disclosure, including the advantages and disadvantages of each. Also see question 15(c) below.

We believe that, whenever a company is considered a PIE, this must be disclosed by the entity's management in the notes to the financial statements and by the auditor in the auditor's report.

We believe that the report's section titled "Basis for Opinion" may be the most appropriate option to include this disclosure since this paragraph sets out compliance with the rules of the Code of Ethics, promoting discussions on independence of auditors and entities. Doing so in the auditor's report results in advantages such as consistent implementation by auditors and easier implementation of and compliance with the requirement.

Other Matters

13. For the purposes of this project, do you support the IESBA's conclusions not to:

- (a) Review extant paragraph R400.20 with respect to extending the definition of "audit client" for listed entities to all PIEs and to review the issue through a separate future workstream?

Yes, we do.

- (b) Propose any amendments to Part 4B of the Code?

Yes, we agree that IESBA addresses the necessary implications for Part B of the Code (Independence for other Assurance Engagements)

14. Do you support the proposed effective date of December 15, 2024?

Yes, we agree with the proposed date.

Matters for IAASB consideration

15. To assist the IAASB in its deliberations, please provide your views on the following:

- (a) Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 for use by both the IESBA and IAASB in establishing differential requirements for certain entities (i.e., to introduce requirements that apply only to audits of financial statements of these entities)? Please also provide your views on how this might be approached in relation to the ISAs and ISQM.**

We believe that establishing a unique definition of PIE for these two boards is key to both implementing the Code in a fully consistent manner and conducting audits consistently.

- (b) The proposed case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIE.**

We believe that all public interest entities should fully implement the requirements set out in the IAASB standards.

- (c) Considering IESBA's proposals relating to transparency as addressed by questions 11 and 12 above, and the further work to be undertaken as part of the IAASB's Auditor Reporting PIR, do you believe it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE? If so, how might this be approached in the auditor's report?**



Yes. The best way to approach this would be by updating the ISA 700 – Option 3, as we said it in our response to question 12. This also applies to ISA 580 on management’s representations, where an audited entity’s management’s representation should be included.

Should you require further information on this answer, please do not hesitate to contact us.

Kind regards,



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