



Monday, 10 May 2021

Mr Ken Siong  
Senior Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 5th Avenue  
New York, New York 10017 USA

Dear Ken,

**AUASB Submission on the Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code**

The Australian Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on IESBA's Exposure Draft relating to Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the Code.

The AUASB is an independent, non-corporate Commonwealth entity of the Australian Government that serves the public interest and is responsible for developing, issuing, and maintaining high-quality auditing and assurance standards.

In formulating its response, the AUASB has deliberated on the contents of the Exposure Draft and worked closely with our local National Standards Setter responsible for Ethical Standards in Australia, the APESB.

In line with the respective mandates of the AUASB and APESB here in Australia our response to the matters raised in IESBA's Exposure Draft is limited to those addressing the 'Matters for IAASB consideration' included in Question 15, as follows:

- a. The AUASB considers that the changes proposed to the factors which should be considered when determining whether an entity is a PIE in 400.8 and 400.9 are not clear and potentially confusing. The AUASB's recent experience (for example in relation to the IAASB's deliberations about the applicability of the proposed LCE Standard) notes that there should be clear, objective criteria in place when determining the characteristics of a PIE. It is our view that the proposed revisions to the Code in these paragraphs are overly subjective considerations that would be difficult to apply consistently, both across different jurisdictions and different types of entities.
- b. The AUASB remains supportive of the current 'case-by-case approach' being applied by the IAASB when determining whether differential requirements in the Auditing Standards should be applicable only to Listed Entities or extended more broadly to other PIEs. We do not consider a blanket "one size fits all" approach to determining the specific audit requirements for PIEs or Listed Entities is appropriate and may produce unintended outcomes. Instead, the IAASB requires flexibility to apply different requirements to different types of entities based on the individual objectives of each Auditing Standard. For example, there are different public interest factors which should be considered when determining whether Key Audit Matters should be mandatory for certain types of entities, or when an Engagement Quality Review is necessary.

- c. 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.

Should you have any queries regarding this submission, please do not hesitate to contact the AUASB Technical Director, Matthew Zappulla at [mzappulla@auasb.gov.au](mailto:mzappulla@auasb.gov.au).

Yours faithfully,

A handwritten signature in blue ink that reads "W.R. Edge". The signature is written in a cursive style with a large, stylized "E".

W R Edge  
Chair