



03 May 2021

**BOTSWANA INSTITUTE OF CHARTERED ACCOUNTANTS COMMENT LETTER TO EXPOSURE DRAFT, *PROPOSED REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE CODE***

**Introduction**

The Botswana Institute of Chartered Accountants (“BICA”) is a statutory body established by Accountants Act, 2010 for the regulation of the accountancy profession in Botswana. The BICA mission is to protect public interest through promoting the accountancy profession, supporting accountants, facilitating quality professional accountancy services through the monitoring and regulation of professional accountants.

The Institute appreciates the opportunity to contribute towards IESBA’s Exposure Draft, *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*. We provide our comments to each specific question as per the exposure draft.

Should you wish to have further engagements please do not hesitate to contact the undersigned.

Yours Faithfully

*Signed electronically*

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## **GENERAL COMMENTARY**

Botswana's Financial Reporting Act, 2010 provides guidance to the definition of a Public Interest Entity (PIE). In providing the definition, the Act considered regulation of entities by various institutions such as the Central Bank, the listed entities and provides thresholds in terms of number of employees, revenue and assets.

Botswana is therefore one of the jurisdictions which has been able to specify PIE over and above what is provided in the extant Code. This definition has been mainly used to identify entities whose Financial Statements audit, Financial Reporting and Corporate Governance and monitored by the Financial Reporting Act custodian, Botswana Accountancy Oversight Authority.

## RESPONSES TO SPECIFIC QUESTIONS

### 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?*

Response:

We support the overarching objective as provided. We believe that public confidence in the financial statements of public interest entities should be enhanced through enhancement of independence of the assurance provision of those financial statements.

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?*

Response:

We agree with factors provided and most importantly that it is not an exhaustive list. While some factors included may be subject to judgement e.g. importance of an entity to the sector or other sectors, local jurisdictions should be able to assist with further developing the criteria for consistency.

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

Response:

We agree with the broad approach adopted as it is consistent with the principles based approach and therefore afford firms and local jurisdictions an opportunity to further define PIEs. The list provided also assists those jurisdictions which the Board noted that may not have relevant bodies to establish definitions further.

## 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.*

Response:

We agree with the proposed replacement of *listed entity* with *publicly traded entity* and the proposed definition. The definition is in line with overarching objective and the rationale that publicly traded entities hold a significant public interest as opposed to entities which are simply listed yet not publicly traded. Those listed and not publicly traded would only hold the interests of a small group of stakeholders.

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

Response:

We agree with the categories provided. Botswana’s Financial Reporting Act includes these in the definition of a PIE.

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. Please provide your views on how these could be defined for the purposes of the Code recognizing that local bodies would be expected to further refine the definition as appropriate.*

Response:

Entities providing less conventional methods of raising capital should be included in categories of PIE as they qualify to have significant public interest and their collapse are likely to disturb economies. While these may not be across the world at the moment, they will be in the near future.

We propose definition by use of “consolidated funds in any currency or virtual currency” wording.

## 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?*

Response:

Paragraph 400.15 A1 provides a relevant appropriate guidance to local bodies in refining definition of PIEs. The categories provided in paragraph R400.14 are indeed broad and would require local legislation to establish specific thresholds to guide the firms in identifying PIEs.

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?*

Response:

For jurisdiction which have not defined PIEs at a local level, IESBA could assist in guiding them to identify the relevant local bodies to do so and to eventually establish criteria with hindsight of feedback received from post implementation review project of introduction of PIE in the Code.

### **Role of Firms**

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

Response:

We support this proposal as it allows firms to exercise an open mind and maintain a risk based approach in their engagements.

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

Response:

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.

### **Transparency Requirement for Firms**

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

Response:

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.

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.*

Response:

The rationale behind identifying entities as PIEs is to enhance the audit independence of their financial statements. We believe therefore that the disclosure is best placed in the audit report. AS indicated above, Certified Auditors of PIEs make this disclosure in their signatures, however this status can still be place in non-PIE audit clients. It is important therefore for IAASB to be engaged to ensure that the disclosure is explicitly made in the audit report.

#### **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?*

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

Response:

R400.20 should have been reviewed in this project as it is along the same lines. The expanded proposed definition of a PIE signifies the importance of PIE and therefore the Code should have a direction of putting focus on PIEs as opposed to publicly traded entities separately.

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

*Response:*

We agree with the proposed effective 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 ISQMs.*
- (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 PIEs.*
- (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?*

Response:

The nature and extent of audit procedure as established in ISAs are general to an audit and should not be linked to the type of audit client. Any variations to an audit's independence requirements should therefore be dealt with in the ISQMs as that is an area which deals with quality environments.

For part (c) refer to answer to question 12 above.