

(NBAA)



THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
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6th April, 2021

Managing Director,
International Ethics Standards Board for Accountants,
529 5th Avenue,
New York, New York 10017.

Dear Sir/Madam

**RE: COMMENTS ON THE EXPOSURE DRAFT OF THE PROPOSED REVISIONS
TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST
ENTITY IN THE CODE**

Refer to the heading above.

In principle, we are supporting all the requirements in the Exposure Draft as indicated below:

OVERARCHING OBJECTIVE

Question no.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 do support the overarching objective.

Question no.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 do agree with the proposed list, however, we recommend another key factor on whether an entity is dealing with the provision of essential and strategic good and services should be one of the factor to determine the level of public interest in an entity.

APPROACH TO REVISING THE PIE DEFINITION

Question no.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?

We do support the proposed approach including the replacement of the extant PIE definition and refinement of the IESBA definition by the relevant local bodies.

PIE DEFINITION

Question no.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 do support the proposed new term of “publicly traded entity”, the definition is okay and its description captures the context.

Question no.5.

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

We do agree with the proposal for the remaining category, we recommend that more explanatory information should be provided for R400.14 (e).

Question no.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.

We do not agree with the proposal for this form of capital raising to be a stand-alone category in the definition of PIE, we recommend it to be part and parcel of explanation of publicly traded entity.

ROLE OF LOCAL BODIES

Question no.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?

We do support the proposal.

Question no.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 recommend that much of the outreach and education support should stick on paragraph R400.14 (a) as it is wider and encompass a number of entities which were from the previous definition not considered as PIE.

ROLE OF FIRMS

Question no.9.

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

We do support the proposal.

Question no.10.

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

No comment, the list is exhaustive enough.

TRANSPARENCY REQUIREMENT FOR FIRMS

Question no.11.

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

We do support the proposal.

Question no.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.

Our view is that the auditor report is an appropriate mechanism to achieve the disclosure as this is expected to enhance transparency.

OTHER MATTERS

Question no.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 work stream?
- (b) Propose any amendments to Part 4B of the Code?

We do support the IESBA's conclusions.

Question no.14.

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

We do support the effective date.

MATTERS FOR IAASB CONSIDERATION

Question no.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.

We do support the overarching objective, in relation to ISAs they should include a requirement for auditors and audit firms to put in place a tailored system and procedure of determining PIEs and non-PIEs for audit purpose, whereas there should be a requirement in the ISQMs of monitoring these systems and procedures.

- (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.

The proposed case by case approach should be extended 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?

We do agree that it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE, and that disclosure should appear right before Key Audit Matters.

GENERAL COMMENTS

- *Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs)* – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

No comment in respect of SMEs and SMPs, but in some jurisdictions there are these entities which are termed as micro entities, we are of the view that the proposal should include some explanation on the scoping of these kind of entities.

- *Regulators and Audit Oversight Bodies* – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

A road map should be provided in the implementation guidance on how regulators and audit oversight bodies can pursue to ensure adequate inclusiveness of various stakeholders within their jurisdictions.

- *Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

For developing nations, technical and financial capacity will be the main problem as the adoption of the code will lead to scoping in and scoping out of some entities from PIE consideration, this will require extensive training for entities which have been scoped out and scoped in the use of full IFRSs and IFRS for SMEs.

- *Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

We are of the view that translations should be allowed with the condition that context should not be extrapolated.

If you require any clarification on our comments, please contact the undersigned.

Thank you in advance for your cooperation.

Yours sincerely,



CPA Angyelile V. Tende

For: EXECUTIVE DIRECTOR



Member of International Federation of Accountants (IFAC) & Pan African Federation of Accountants (PAFA)



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