

International Ethics Standards Board for Accountants
529 Fifth Avenue
New York
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29 April 2021

Comment letter relating to the IESBA's Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code

Dear Board Members,

1. The Irish Auditing and Accounting Supervisory Authority ("IAASA") appreciates the opportunity to comment on the IESBA's ("Board") consultation on Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code.
2. In Ireland, the IESBA Code forms the basis for the Ethical Standard for Auditors (Ireland) issued by IAASA as well the code of ethics of each of the prescribed accountancy bodies. IAASA clearly sees an interest in enhancing the content of the IESBA Code, as it constitutes the basis for the ethical requirements with which auditors and accountants in Ireland are required to comply.

Alignment of the proposed list of PIEs with EU legislation

3. We welcome the IESBA's initiative aimed at reviewing the definitions of the terms "listed entity" and "PIE" in the Code since we believe this initiative might facilitate convergence between the concepts used in the European Union ("EU") and in the Code. We thus encourage the IESBA to further align the proposed list of PIEs with that used in the European Union¹.
4. For this purpose:
 - The proposed definition of a "publicly traded entity" in the ED should be more closely aligned with the equivalent category set out in article 2.13 (a) of Directive 2006/43/EC (amended by Directive 2014/56/EU) ("Audit Directive"). The revised definition should therefore refer to entities with transferable securities listed on a regulated market governed by law; and
 - The categories of PIEs proposed in the ED should be limited to subparagraphs (a), (b), (c) and (f) of paragraph R400.14. Entities whose function is to provide post-employment benefits or entities whose function is to act as a collective investment vehicle and which issue redeemable financial instruments to the public are not included in the definition of PIEs in the Audit Directive.

¹ Article 2.13 of EU Directive 2006/43/EC, amended by Directive 2014/56/EU stipulates that public interest entities means:

- (a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;
- (b) credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council, other than those referred to in Article 2 of that Directive;
- (c) insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC; or
- (d) entities designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.

5. We agree with the principle that some further entities may be added at national level to the minimum list of PIEs to provide for specific scrutiny of the quality of their audit and/or regulation of the auditors of those entities. The EU definition also permits national additions to the minimum list set out in the Audit Directive.

Other topics

In addition to our request for further alignment with EU law, we would like to make the following comments.

Definition of a publicly traded entity

6. We observe that the definition of a publicly traded entity proposed in the ED is not sufficiently clear. Further explanation should be developed with clear examples to ensure that there is a shared understanding of the proposal. Explanations provided in the explanatory memorandum may be a good starting point for such additional guidance.

Role of bodies responsible for setting ethics standards for professional accountants

7. The ED refers only to the possibility for the bodies to refine or exclude some entities that would otherwise fall within the proposed categories of PIEs. It is unclear in the ED whether the term “refine” includes the possibility for the bodies to add new types of PIEs to the ED’s proposed list. It should be explicit that bodies are authorised to add new categories of PIEs.
8. It should also be specified that, if those bodies are authorised to delete one or more categories of the PIEs proposed in the revised Code, this deletion should not be allowed for categories (a), (b) or (c) as defined in the Audit Directive. This would ensure a minimum common list of entities that will be treated as PIEs in all cases.
9. The role of these bodies will be key in the local adoption and implementation of the ED. The Code should encourage these bodies to define a clear and transparent process for adding, deleting or refining categories of PIEs, including appropriate consultation with relevant stakeholders. This will ensure that issues identified at local level are addressed.

Role of audit firms

10. We agree to strengthening the Code beyond the current encouragement for audit firms to determine whether to treat additional entities, or certain categories of entities, as PIEs. We also concur that transparency is important in this context. It is unclear in the ED whether the revised Code would require audit firms to perform complete and regular assessments of their portfolio of clients in making this determination. Clarity should be provided on what is expected from firms in this respect.

Definition of audit client/related entities

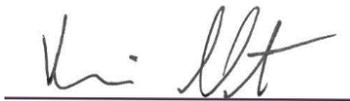
11. Furthermore, we draw your attention to our letters dated 29 May 2020 on the IESBA’s non-audit services and fees projects in which we encouraged further alignment of the IESBA’s proposals with EU legislation.

Coordination between IAASB and IESBA

12. We believe that coordination between the IESBA and the IAASB is beneficial, as using the same concepts in both frameworks facilitates auditors' understanding and acceptance of the definitions and their application.
13. We observe that question 15 of the Request for Specific Comments is aimed at seeking initial feedback from stakeholders to assist the IAASB in its future deliberations on whether and, if so, how to incorporate the term "PIE" in its standards. We encourage the IAASB to further examine this topic.

I hope that you find the comments useful. Please do not hesitate to contact me if you have any questions.

Yours faithfully



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