

## AGENDA PAPER

**Item Number:** 3  
**Date of Meeting:** 3 June 2022  
**Subject:** Proposed revisions to APES 110 for the definitions of Listed Entity and Public Interest Entity

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Action required     For discussion     For noting     For information

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### Purpose

To obtain the Board's approval to issue the Exposure Draft *Proposed revisions to the definitions of Listed Entity and Public Interest Entity in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*, subject to the Board's feedback and review comments.

### Background

In December 2019, the International Ethics Standards Board for Accountants (the IESBA) approved its project, [Definitions of Listed Entity and Public Interest Entity](#), to review the definitions of listed entity and Public Interest Entity (PIE) in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code). The term 'entity of significant public interest,' used in pronouncements issued by the International Auditing and Assurance Standards Board (IAASB), was also considered while re-examining the PIE definition.

In January 2021, the IESBA released Exposure Draft *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*. The proposed revisions included an overarching objective for additional requirements to enhance confidence in the audit of financial statements of PIE, broadening the definitions of PIE to include additional categories of entities and replacing the term "listed entity" with the term "publicly traded entity."

The IESBA approved the final pronouncement on the revisions to the definitions of listed entity and PIE in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) at their November-December 2021 meeting and it was subsequently released in April 2022. The pronouncement will be effective for audits of financial statements for periods beginning on or after 15 December 2024.

## **Matters for Consideration**

To maintain alignment with the IESBA Code, Technical Staff are proposing to issue for exposure the revisions to the definitions of Listed Entity and Public Interest Entity of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

### Proposed revisions to the Code

The proposed key amendments in the exposure draft are summarised below:

- An overarching objective that explains why there are differential requirements for independence applicable to the audits of financial statements of PIEs;
- Updating guidance on factors for a member in public practice to consider in evaluating and determining whether additional entities should be treated as PIEs.
- A revised definition of Public Interest Entity specifically includes entities that take deposits or insurance from the public and update the term 'listed entity' to 'publicly traded entity.'
- Replacing the term "listed entity" with the new term "publicly traded entity." A publicly traded entity is one of the mandatory categories of entities included in the revised PIE definition. The new term aims to eliminate any confusion created by the term 'recognised stock exchange' in the extant definition of a listed entity.
- A new requirement for firms to publicly disclose, in a manner deemed appropriate, when it has applied the independence requirements for PIEs. Firms will need to take into account the timing and accessibility of the information to stakeholders. (Paragraph R400.20-R400.21).
- Remove the reference to Section 122 of the *Insurance Act 1973* in paragraph AUST 400.18 A3 at the request of APRA and to align with how other Acts are referenced in this paragraph.
- Amending the references to the applicable regulatory requirements in APRA prudential standards to refer specifically to the independence requirements.

### Extant Australian requirements

In preparing the exposure draft, Technical Staff have considered the extant APESB's provisions in determining PIEs, which are higher than the extant IESBA Code and the issued final pronouncement.

Since 1 January 2013, in Australia, the Code has mandated that firms must determine whether additional entities are PIEs (extant para AUST R400.8.1). This determination is based on whether there is a large number or wide range of stakeholders considering three key factors:

- Nature of business
- Size
- Number of employees.

The newly approved IESBA revisions does not mandate this determination but continue with the extant IESBA position of encouraging firms to make the determination based on an expanded list of factors.

Technical Staff propose to maintain the requirement that firms shall determine if an audit client is a PIE, but will include the additional factors as listed in the new IESBA revisions.

In addition, Technical Staff propose maintaining the Australian specific application paragraph (extant para AUST 400.8.1 A1 retained at proposed para AUST 400.18 A3), which clarifies which entities will generally be considered PIEs in Australia.

The Australian specific application paragraph is more expansive than the new IESBA definition of a public interest entity which only refers to listed entities, insurance and deposit-taking entities. Technical Staff believe that the Australian specific application paragraph that has been in effect for nearly a decade should be retained in the Code.

As part of the exposure draft due process, Technical Staff will seek specific comments from stakeholders on whether there should be additional categories of entities that should be included as PIEs in Australia.

The proposed revisions to the Code are presented as a clean version and a marked-up version of the exposure draft in Agenda Papers 3 (a) and 3 (b), respectively.

### **Staff Recommendation**

That the Board approve the release of the proposed Exposure Draft *Proposed revisions to the Definition of Listed Entity and Public Interest Entity in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* for public comment.

### **Materials Presented**

Agenda Item 3 (a)      Draft ED APES 110 PIE (Clean)  
Agenda Item 3 (b)      Draft ED APES 110 PIE (Marked-up)

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