

## AGENDA PAPER

**Item Number:** 8  
**Date of Meeting:** 10 March 2022  
**Subject:** Proposed revisions to APES 110 for the definitions of Listed Entity and Public Interest Entity (PIE)

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Action Required     For Discussion     For Noting     For Information

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### Purpose

To provide the Board with an update on the International Ethics Standards Board for Accountants' (IESBA's) project on the definitions of Listed Entity and Public Interest Entity.

### Background

In December 2019, the IESBA approved a project plan to review the definition of listed entity and Public Interest Entity (PIE), and also to consider how the term PIE relates to the term 'entity of significant public interest' used in pronouncements issued by the International Auditing and Assurance Standards Board (IAASB).

In January 2021, the IESBA released Exposure Draft *Proposed Revisions to the Definition 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 PIEs, broadening the definition of PIE to include additional categories of entities and replacing the term "listed entity" with the term "publicly traded entity".

In developing APESB's response to the IESBA exposure draft, APESB held a [roundtable](#) on 14 April 2021. The roundtable was led by APESB CEO, Mr Channa Wijesinghe and IESBA Board member Mr Ian McPhee AO PSM. APESB Chair Nancy Milne, Board member Brian Morris and IESBA Principal Mr Geoff Kwan were also in attendance. The stakeholders who attended the roundtables included standard setters, regulators, professional accounting bodies, accounting firms, investors and academics.

In APESB's [submission](#) to the IESBA exposure draft, APESB was supportive of the IESBA project. However, APESB raised concerns that the integrity of the IESBA Code could be impacted if requirements can be amended to a lower level by relevant local bodies (such as national standard setters or local regulators). APESB also encouraged the IESBA to clarify the proposals, particularly the proposed objective of the provisions.

At their December 2021 Board Meeting, the IESBA approved the final pronouncement on 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). The pronouncement will be effective for audits of financial statements for periods

beginning on or after 15 December 2024, and is expected to be released in April 2022 (once Public Interest Oversight Board (PIOB) approval is obtained).

## Matters for consideration

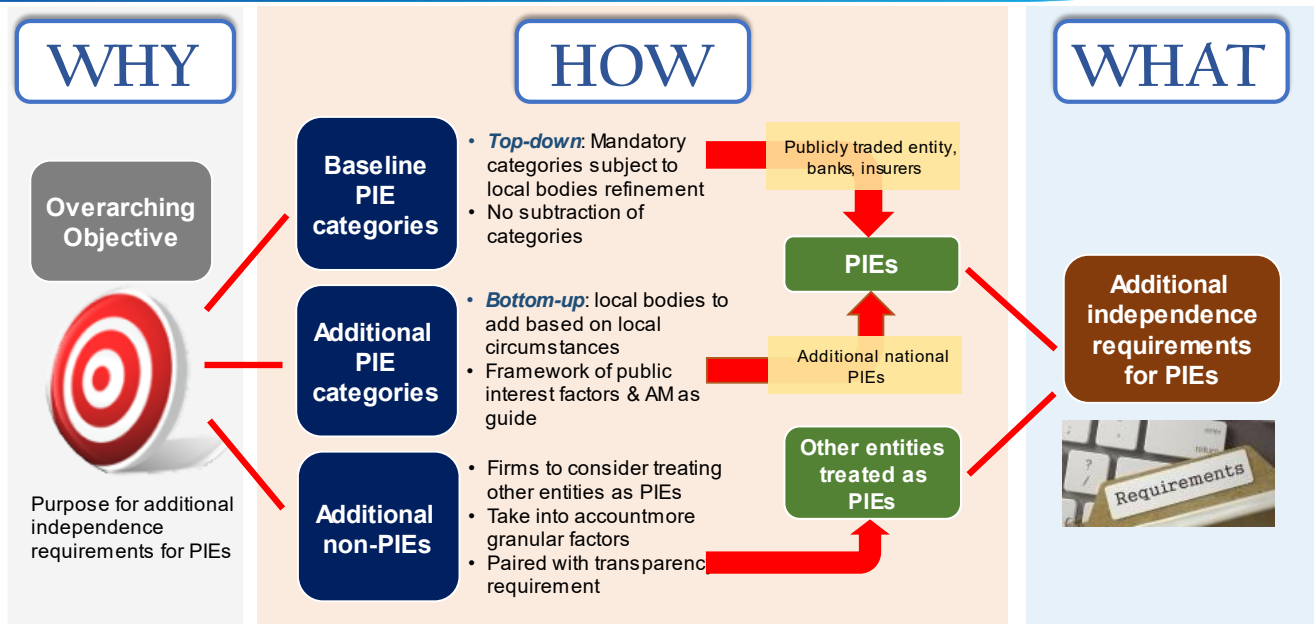
### IESBA proposed final standard

APESB Technical Staff have performed a high-level review of the draft pronouncement being considered by the IESBA at their December Board meeting.

The IESBA proposed framework for the definition of PIE includes the following key elements:

- An overarching objective that explains the need for additional independence requirements for entities that are defined as PIEs.
- A top-down list of mandatory high-level PIE categories subject to local refinement.
- A bottom-up list of additional PIE categories to be added by the relevant local bodies to the local definitions.
- Consideration by firms to treat additional entities as PIEs with a transparency requirement.

## Framework/Operating Model



Source: IESBA Nov-Dec 2021 Board Agenda Papers

Other key revisions in the final standard include:

- New guidance on factors to consider when determining the level of public interest in the “financial condition” of an entity, noting that this may be wider than the public interest in the financial statements.
- Replacing the defined term ‘listed entity’ with the term ‘publicly traded entity’.

- Requiring that when a firm has applied the PIE independence requirements, the firm publicly discloses that fact in a manner deemed appropriate.

The full text of the proposed final standard is available for review as part of the IESBA's December Board Papers (link: <https://www.ethicsboard.org/>)

### APESB's current provisions in relation to determining PIEs

The current provisions addressing the determination of PIEs categories within APES 110 *Code for Ethics for Professional Accountants (including Independence Standards)* (APES 110) are higher than the extant IESBA Code.

APES 110 includes an Australian specific application paragraph (para AUST 400.8.1 A1) which clarifies which entities will generally be considered as PIEs, including:

- *Authorised deposit-taking institutions and authorised non-operating holding companies (NOHCs) regulated by APRA;*
- *Authorised insurers and authorised NOHCs regulated by APRA;*
- *Life insurance companies and registered NOHCs regulated by APRA;*
- *Private Health Insurers regulated by APRA;*
- *Disclosing Entities;*
- *Registrable superannuation entity (RSE) licensees, and RSEs under their trusteeships that have five or more members regulated by APRA; and*
- *Other issuers of debt and equity instruments to the public.*

Since 1 January 2013, APES 110 has mandated that firms must determine whether additional entities are PIEs (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 the business
- Size
- Number of employees.

This existing requirement is higher than the extant IESBA Code and the approved revisions, which 'encourages' firms to determine PIEs in the explanatory material.

APESB Technical Staff are of the view that the existing higher requirements in APES 110 concerning the determination of PIEs in Australia should continue to be maintained.

However, further analysis needs to be performed concerning:

- how this will integrate with the provisions in the final IESBA pronouncement and;
- whether additional types of entities should now be considered as PIEs.

### **Next steps**

APESB Technical Staff will continue to monitor the progress of the approval of the final IESBA pronouncement by the PIOB and update the Board accordingly.

Once the IESBA releases the final pronouncement, APESB Technical Staff will prepare an exposure draft for the APESB Board to consider at their June 2022 meeting.

As part of the exposure draft process, the APESB Technical Staff will seek views on whether there are additional types or categories of entities that should now be considered a PIE within the Australian environment.

### **Staff Recommendation**

The Board note the update on the IESBA's project on the definitions of listed entity and Public Interest Entity.

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