Meeting: IESBA
Meeting Location: New York
Meeting Date: November 29-December 2, 7 & 15, 2022

Agenda Item 8

PIE Rollout – Update and IAASB Coordination

Objectives of Agenda Item
1. To consider an update on:
   (a) The rollout activities to raise awareness and promote adoption and implementation of the revisions to the definitions of listed entity and public interest entity (PIE) and related provisions in the Code (IESBA PIE revisions); and
   (b) The progress of the International Auditing and Assurance Standards Board’s (IAASB) project on listed entity and PIE (both Tracks 1 and 2).

Rollout Activities

Global Panel Discussions
2. The Working Group¹ held two global panel discussions in October 2022, co-hosted by:
   • IFAC and ASEAN Federation of Accountants; and
   • Pan African Federation of Accountants.
3. The key objective of the meetings was to provide a forum for peer-to-peer discussions and learnings from adopting and implementing national PIE definitions, targeting participants responsible for ethics and independence standard-setting, including national standard setters (NSS), professional accountancy organizations (PAOs), and local regulators.
4. These two global events were attended by over 80 participants representing 29 jurisdictions including:
   • Algeria
   • Ethiopia
   • Indonesia
   • Japan

¹ The Working Group consists of:
   • Andrew Mintzer, Chair, IESBA Member
   • Richard Huesken, IESBA Member
   • Sung-Nam Kim, IESBA Member and Correspondent Member to IAASB PIE Task Force
   • Felicien Muvunyi, IESBA Member
   • Luigi Nisoli, IESBA Member
   • Yaoshu Wu, IESBA Member
5. Panelists from Australia, Malaysia, Nigeria, Singapore and South Africa along with a few Working Group members shared experiences from their jurisdictions’ efforts to expand the list of PIE categories in their local Codes. The panel discussions also explored the rationale underlying jurisdictions’ consideration of including certain entities (such as financial market infrastructures, large charities, government organizations, etc.) in their local PIE definitions. Questions from participants included whether to use size factors and thresholds for refining categories of PIEs in the local context.

Other Activities

6. On September 27, 2022, members of the Working Group met with representatives from Accountancy Europe’s Professional Ethics and Competences Working Party to discuss the adoption and implementation of the PIE revisions by the relevant local bodies in European Union Member States.

7. Staff plans to update the jurisdictional PIE definitions database which will be made publicly available on IESBA’s website in Q1 2023. Staff is currently finalizing the structure of the database and will seek input from stakeholders shortly. This revised database, amongst other things, will help inform NSS and other stakeholders when refining the PIE categories at the local level. It is anticipated that the database will be updated on a regular basis, taking into account that the PIE revisions will become effective in December 2024.

8. Staff is finalizing revisions to the draft IESBA Staff Questions and Answers (Q&As) and plans to circulate a revised version to the Board for fatal flaw review shortly. Staff anticipates that the Q&A publication along with a one-page infographic will be released in Q1 2023.

IAASB-IESBA Coordination

9. In March 2022, the IAASB approved a project proposal to undertake a narrow-scope maintenance of standards project on listed entity and PIE (IAASB PIE project). The project proposal sets out the IAASB’s actions to respond to the IESBA PIE revisions. This project is being progressed in two separate tracks.

10. In Q4 2022, coordination activities continued through:

   • Participation by the IESBA correspondent member in the IAASB PIE Task Force meetings.
   • Input to the IAASB Task Force from IESBA Staff and the PIE Rollout Working Group.

Track 1 of the IAASB PIE Project
11. Track 1 addresses the following project objective:
   - Determine whether the auditor’s report is an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied for certain entities when performing an audit of financial statements.

12. At the June 2022 IESBA meeting, the Board expressed support for the IAASB PIE Task Force’s:
   - Proposed revisions to International Standard on Auditing (ISA) 700 (Revised)\(^2\) to operationalize the new transparency requirement set out in paragraph R400.20 of the IESBA PIE revisions.
   - Proposed question in the IAASB PIE exposure draft to assist the IESBA with its information gathering to inform its consideration of whether the scope of the transparency requirement in the IESBA PIE revisions should include review engagements.

13. The IAASB unanimously approved the draft revisions to ISA 700 (Revised) and ISA 260 (Revised)\(^3\) for exposure at its June 2022 meeting. The [IAASB PIE exposure draft](#) (IAASB PIE ED) also sought respondents’ feedback on whether the International Standard on Review Engagements (ISRE) 2400 (Revised)\(^4\) should be revised to address transparency about the relevant ethical requirements for independence applied for certain entities and, if so, whether the IAASB should use an approach consistent with the one being proposed for the revision of ISA 700 (Revised).

14. Following closure of its comment period, the IAASB received a total of 38 comment letters as of October 31, 2022.

15. In March 2023, the IAASB will consider the IAASB PIE Task Force’s full analysis of the respondents’ feedback and its proposals.

16. In terms of next steps, the Working Group agreed to the following approach:
   - Propose that the IESBA hold a virtual meeting in late January or early February 2023 to consider if paragraph R400.20 of [IESBA PIE Revisions](#) should be revised to limit the transparency requirement to audit engagements only and, therefore, exclude review engagements. As part of the discussion, the IESBA will consider an analysis of the responses to Q5 in the IAASB PIE ED (refer to Appendix 1 for a list of the IAASB ED questions) and other relevant factors such as the likelihood of PIEs being subject to review engagements. In reaching a decision on this matter, the IESBA will consider whether there is a need to expose a change to paragraph R400.20 of the PIE revisions if the scope of the transparency requirement were to be clarified to explicitly limit it to audit engagements.
   - Inform the IAASB PIE Task Force of the outcome of the IESBA’s deliberations to enable the IAASB PIE Task Force to develop the appropriate proposals with respect to any potential amendments to ISRE 2400 (Revised) for consideration by the IAASB in March 2023.

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*Track 2 of the IAASB PIE Project*

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\(^{2}\) ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

\(^{3}\) ISA 260 (Revised), *Communication with Those Charged with Governance*

\(^{4}\) ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*
17. In December 2022, the IAASB PIE Task Force will present its proposals under Track 2 of the IAASB PIE project for the IAASB’s consideration.

18. Track 2 addresses the remaining objectives of the IAASB PIE project:

- Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs\(^5\) and ISAs to maintain their interoperability.
- Establish an objective and guidelines to support the IAASB’s judgments regarding specific matters for which differential requirements for certain entities are appropriate.
- Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.

19. The Working Group expects that at the proposed January/February 2023 Board meeting, the IESBA will also be briefed on the IAASB’s deliberations during its December 2022 meeting and the IAASB PIE Task Force’s proposals under Track 2.

**Action Requested**

20. IESBA members are asked to:

   (a) Consider the Working Group’s update; and
   (b) Agree to the Working Group’s proposal for a late January/early February 2023 Board meeting to decide on whether any changes are needed to clarify the scope of the transparency requirement in the PIE revisions.

\(^5\) International Standards on Quality Management
Appendix 1

List of Questions in the IAASB ED

Request for Specific Comments

Transparency About the Relevant Ethical Requirements for Independence for Certain Entities
Applied in Performing Audits of Financial Statements

1. Do you agree that the auditor's report is an appropriate mechanism for publicly disclosing when the
auditor has applied relevant ethical requirements for independence for certain entities in performing
the audit of financial statements, such as the independence requirements for PIEs in the IESBA
Code?

*Please answer question 2A or 2B based on your answer to question 1:*

2A. If you agree:
   (a) Do you support the IAASB’s proposed revisions in the ED to ISA 700 (Revised), in particular
       the conditional requirement as explained in paragraphs 18-24 of the Explanatory
       Memorandum?
   (b) Do you support the IAASB’s proposed revisions in the ED to ISA 260 (Revised)?

2B. If you do not agree, what other mechanism(s) should be used for publicly disclosing when a firm has
applied the independence requirements for PIEs as required by paragraph R400.20 of the IESBA
Code?

Transparency About the Relevant Ethical Requirements for Independence for Certain Entities
Applied in Performing Reviews of Financial Statements

3. Should the IAASB consider a revision to ISRE 2400 (Revised) to address transparency about the
relevant ethical requirements for independence applied for certain entities, such as the independence
requirements for PIEs in the IESBA Code?

4. If the IAASB were to amend ISRE 2400 (Revised) to address transparency about the relevant ethical
requirements for independence applied for certain entities, do you support using an approach that is
consistent with ISA 700 (Revised) as explained in Section 2-C?

Matter for IESBA Consideration

5. To assist the IESBA in its consideration of the need for any further action, please advise whether
there is any requirement in your jurisdiction for a practitioner to state in the practitioner’s report that
the practitioner is independent of the entity in accordance with the relevant ethical requirements
relating to the review engagement.

Request for General Comments

The IAASB is also seeking comments on the following matters:

6. Translations—Recognizing that many respondents may intend to translate the final pronouncement
for adoption in their own environments, the IAASB welcomes comment on potential translation issues
respondents note in reviewing this ED.

7. Effective Date—Given the need to align the effective date with IESBA, do you support the proposal
that the amendments to ISA 700 (Revised) and ISA 260 (Revised) become effective for audits of
financial statements for periods beginning on or after December 15, 2024 as explained in paragraph 26?