IESBA International Ethics Standards Board for Accountants®

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Meeting: IESBA

Meeting Location: Nashville, Tennessee

Meeting Date: September 12-16, 2022

Agenda Item

6

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).

   (b) The International Auditing and Assurance Standards Board's (IAASB) project on listed entity and PIE.

Rollout Activities Update

Questions and Answers (Q&A)

2. The Board provided feedback to the draft IESBA Staff Q&A publication at the June 2022 IESBA meeting.

3. Following further review, the Working Group [1] has also suggested additional refinements, particularly with respect to the new term "publicly traded entity" and the role of the relevant local bodies.

4. Staff is finalizing revisions to the draft Q&As and plans to circulate a revised version to the Board for fatal flaw review following the September 2022 IESBA meeting. Staff anticipates that the Q&A publication along with a one-page infographic will be released in late September 2022.

Global Panel Discussions

5. Two global panel discussions have been arranged for Q4 2022:

   - Meeting 1 (Co-hosted by IFAC and ASEAN Federation of Accountants), October 12, 2022.
   - Meeting 2 (Co-hosted by Pan African Federation of Accountants), October 20, 2022.

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[1] The Working Group consists of:

- Andrew Mintzer, Chair, IESBA Member
- Richard Huesken, IESBA Member
- Sung-Nam Kim, IESBA Member
- Felicien Muvunyi, IESBA Member
- Luigi Nisoli, IESBA Member
- Yaoshu Wu, IESBA Member

6. As the key objective of the meetings is to provide a forum for peer-to-peer discussions and learnings from adopting and implementing the PIE revisions, the targeted participants will be staff from professional accountancy organizations (PAOs), national standard setters (NSS) and local regulators responsible for ethics and independence standard-setting.

7. The key intended outcome of these meetings is for participants to learn from panelists about their experiences and challenges in adopting and implementing the expanded PIE definition, including the newly defined term "publicly traded entity" replacing "listed entity," in their jurisdictions. Participants will also have an opportunity to ask questions and share views about the matters relating to adoption and implementation of the PIE revisions.

Other Activities

8. In late September 2022, members of the Working Group will meet with representatives from Accountancy Europe's Ethics and Competence Working Party to discuss the adoption and implementation of the PIE revisions by the relevant local bodies in European Union member states.

9. Staff will seek input from PAOs/NSS to update the jurisdictional PIE definitions database in Q4 2022.

Timeline

10. Anticipated timeline for the PIE rollout activities to be carried out by the end of 2022:

Rollout Activity	**Anticipated timeline**
Infographic	Q3
Q&A publication	Q3
Global panel discussions	Q4
Updated jurisdictional PIE definitions database	Q4
Other outreach (as needed)	Q4

IAASB-IESBA Coordination

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

12. In Q3 2022, coordination activities continued through:

- Participation by the IESBA correspondent member at 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

13. 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

14. 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 on disclosure of the relevant ethical requirements for independence applied for certain entities in a review report.

15. The IAASB unanimously approved the draft revisions to ISA 700 (Revised) and ISA 260 (Revised)[3] for exposure at its June 2022 meeting. Comments to the IAASB PIE exposure draft are due by October 4, 2022.

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

Track 2 of the IAASB PIE Project

17. In December 2022, the IAASB PIE Task Force plans to present its proposals under Track 2 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[4] and ISAs[5] 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. At its December 2022 meeting, the IAASB will seek feedback from the IESBA on relevant aspects of the IAASB PIE Task Force's proposals under Track 2.

Next Steps

20. The Working Group Chair will provide the next update on the PIE rollout activities at the December 2022 IESBA meeting and seek the Board's feedback on relevant aspects of the IAASB PIE Task Force's proposals under Track 2.

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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 International Standards on Quality Management

5 International Standards on Auditing

Action Requested

21. IESBA members are asked to consider the update and share any comments or reactions.