

International Ethics Standards Board for Accountants  
Attn. Mr. K. Siong

Submitted via e-mail to [KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org)

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Date May 11<sup>th</sup> 2021 Re  
ED Proposed Revisions to the  
Definitions of Listed Entity and  
Public Interest Entity in the Code

Dear Mr. Siong,

The NBA welcomes the opportunity to comment on IESBA's proposals. As a member of Accountancy Europe (AE) we align with the comments AE provided you. However, we would like to make a few additional comments.

We recognize that certain entities could cause public anxiety if their public information is found not to comply with the applicable standards. We therefore consider it appropriate that the performance of an audit (however see below) of such entities are subject to additional safeguards. We therefore support IESBA's effort to come up with a new definition of PIE. We believe that effort is in the public interest. We also welcome the use of the same definitions in different standards that are somehow relating to each other. It creates more clarity. It also helps global stakeholders and global networks of audit firms if the same definitions are used internationally. So, we are supportive of the objectives to set a common revised definition of the term 'listed entity' and to develop a pathway that would achieve convergence between the concepts underpinning the definition of PIE in both the International Independence Standards (IIS), the International Standards on Auditing and the International Standard on Quality Management (ISQM).

However, when it comes to the proposal for the overarching principle (questions 1 and 2), we suggest to place emphasis on the significance of the impact on the public in general. We believe the public is interested in the overall company performance, including non financial information (in other words the total 'public contribution' of an entity). For instance, an entity's impact on the environment or the quality of its cybersecurity safeguards where the public relies upon. We believe it is therefore vital that an audit of a PIE should be free of errors as a whole and not only in respect of the financial aspects (400.8 and 400.9). It should also meet additional requirements. Most of NBA's independence standards (assurance engagements), including the requirements regarding to PIEs, do not even distinguish between financial and non financial information. We only implemented Part 4A of the IIS and made those requirements applicable to all assurance engagements.

We repeat AE's call to IESBA to move away from the broad approach proposed (questions 3, 5 and 7). The Code of Ethics should define a minimum list of PIE categories as a baseline to which local jurisdictions can add others depending on the local circumstances. IESBA is familiar with the definition of PIE in the European Union (EU) legislation: three categories of entities that are always PIEs and a fourth category that consists of 'entities designated by Member States as public-interest entities, for instance undertakings that are of

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significant public relevance because of the nature of their business, their size or the number of their employees.’ The Dutch legislator actually did designate a few additional entities as PIEs, because of their public contribution. These are network operators (electricity and gas), authorized institutions for social housing, institutions for scientific research and pension funds. Please note that not all authorized institutions for social housing and pension funds are PIEs. It depends on their size whether they qualify as a PIE (more than 5,000 rental units and large pension funds (threshold at EUR 10 billion of managed assets)). We bring this to your attention to illustrate the importance that local standard setters should be competent to scope out entities of the PIE definition, if that suits the local circumstances better or if that is more proportionate.

IESBA proposes a requirement for firms to determine whether any additional entities should be treated as PIEs. We support an approach whereby firms should think upfront whether additional safeguards are necessary based on the specific circumstances of a client in the situation that the client is not designated as a PIE by legislation. We consider this to be part of a firm’s quality management system (besides, this matter is about more than independence only). One could compare that with a firm’s determination upfront, when to perform an engagement quality review where this is not mandatory. We believe that the ISQM is more suitable to address this matter than the IIS. In addition to AE (questions 9 and 10), we suggest IESBA and IAASB to explore the pros and cons of including this matter in the ISQM and to discuss in what form.

Please see the appendix for several more additional comments.

For further information on this letter, please contact Jan Thijs Drupsteen via email at [j.th.drupsteen@nba.nl](mailto:j.th.drupsteen@nba.nl).

Yours sincerely,

NBA, the Netherlands Institute of Chartered Accountants,

Signed by,

Anton Dieleman  
Chair of the Dutch Assurance and Ethics  
Standard Setting Board



## Appendix

### NBA Additional comments to response Accountancy Europe (AE) to Request for Specific Comments

#### *Overarching Objective*

*1. Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 as the objective for defining entities as PIEs for which the audits are subject to additional requirements under the Code?*

We have a slightly different view than AE. When it comes to the proposal for the overarching principle, we suggest to place emphasis on the significance of the impact on the public in general. We believe the public is interested in the overall company performance, including non financial information (in other words the total 'public contribution' of an entity). For instance, an entity's impact on the environment or the quality of its cybersecurity safeguards where the public relies upon. We believe it is therefore vital that an audit of a PIE should be free of errors as a whole and not only in respect of the financial aspects (400.8 and 400.9). It should also meet additional requirements. Most of NBA's independence standards (assurance engagements), including the requirements regarding to PIEs, do not even distinguish between financial and non financial information. We only implemented Part 4A of the IIS and made those requirements applicable to all assurance engagements.

#### *Overarching Objective*

*2. Do you agree with the proposed list of factors set out in paragraph 400.8 for determining the level of public interest in an entity? Accepting that this is a non-exhaustive list, are there key factors which you believe should be added?*

In principal yes, but the factors mentioned could cover more companies as intended. In addition, PIEs should also be companies which have a significant impact on the public in general (we refer to our answer to question 1). This might be covered by the last bullet of paragraph 400.8, but this still refers to the economy as a whole (and not a specific country or a region).



#### *Approach to Revising the PIE Definition*

*3. Do you support the broad approach adopted by the IESBA in developing its proposals for the PIE definition, including:*

- *Replacing the extant PIE definition with a list of high-level categories of PIEs?*
- *Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?*

We repeat our introductory comment: We repeat AE's call to IESBA to move away from the broad approach proposed. The Code of Ethics should define a minimum list of PIE categories as a baseline to which local jurisdictions can add others depending on the local circumstances. IESBA is familiar with the definition of PIE in the European Union (EU) legislation: three categories of entities that are always PIEs and a fourth category that consists of '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.' The Dutch legislator actually did designate a few additional entities as PIEs, because of their public contribution. These are network operators (electricity and gas), authorized institutions for social housing, institutions for scientific research and pension funds. Please note that not all authorized institutions for social housing and pension funds are PIEs. It depends on their size whether they qualify as a PIE (more than 5,000 rental units and large pension funds (threshold at EUR 10 billion of managed assets)). We bring this to your attention to illustrate the importance that local standard setters should be competent to scope out entities of the PIE definition, if that suits the local circumstances better or if that is more proportionate.

#### *PIE Definition*

*4. Do you support the proposals for the new term “publicly traded entity” as set out in subparagraph R400.14(a) and the Glossary, replacing the term “listed entity”? Please provide explanatory comments on the definition and its description in this ED.*

No additional comments to AE.

#### *PIE Definition*

*5. Do you agree with the proposals for the remaining PIE categories set out in subparagraphs R400.14 (b) to (f)?*

In addition to AE, we wonder why IESBA doesn't explicitly mention the banking sector. We presume the banking sector undertakes more activities than taking deposits from the public (a PIE according to R400.14, subparagraph b). We give into consideration to change subparagraph b into 'credit institutions' (like the EU regulation).

#### *PIE Definition*

*6. Please provide your views on whether, bearing in mind the overarching objective, entities raising funds through less conventional forms of capital raising such as an initial coin offering (ICO) should be captured as a further PIE category in the IESBA Code. Please provide your views on how these could be defined for the purposes of the Code recognizing that local bodies would be expected to further refine the definition as appropriate.*

In addition to AE's views: This is a complex issue as defining new or start-up businesses which obtain funds in an open market as a PIE might limit new initiatives or business development. The counterpart is that new businesses which are open to the public should be closely monitored. Another example of these type of companies could be companies active in crowdfunding.

#### *Role of Local Bodies*

*7. Do you support proposed paragraph 400.15 A1 which explains the high-level nature of the list of PIE categories and the role of the relevant local bodies?*

We refer to our response to question 3. In addition to that response and AE's response to questions 3 and 5, we share the following two concerns. (1) We are afraid that the wide approach proposed could result in several smaller sized entities inappropriately being considered PIEs, particularly in the case of entities providing post-employment benefits. Such might be the case, if local bodies may accept the Code's PIE definition without going through a thoughtful refinement process. (2) Another concern is how global stakeholders and global networks of audit firms will handle the PIE requirements in certain jurisdictions where the local bodies have not yet refined the PIE categories.

#### *Role of Local Bodies*

*8. Please provide any feedback to the IESBA's proposed outreach and education support to relevant local bodies. In particular, what content and perspectives do you believe would be helpful from outreach and education perspectives?*

In addition to AE we suggest the following: 1) Inform local bodies on the effect of PIEs on the economy, i.e. PIEs should provide stability in a market. 2) The additional audit requirements should be linked to the objective of defining an entity as a PIE (i.e. which audit procedures are focused on the PIE characteristics).

#### *Role of Firms*

*9. Do you support the proposal to introduce a requirement for firms to determine if any additional entities should be treated as PIEs?*

We repeat our introductory comment: We support an approach whereby firms should think upfront whether additional safeguards are necessary based on the specific circumstances



of a client in the situation that the client is not designated as a PIE by legislation. We consider this to be part of a firm's quality management system (besides, this matter is about more than independence only). One could compare that with a firm's determination upfront, when to perform an engagement quality review where this is not mandatory. We believe that the ISQM is more suitable to address this matter than the IIS. In addition to AE, we suggest IESBA and IAASB to explore the pros and cons of including this matter in the ISQM and to discuss in what form.

#### *Role of Firms*

*10. Please provide any comments to the proposed list of factors for consideration by firms in paragraph 400.16 A1.*

No additional comments to AE.

#### *Transparency Requirement for Firms*

*11. Do you support the proposal for firms to disclose if they treated an audit client as a PIE?*

Like AE, we do not support a requirement for firms to determine and disclose if any additional entities are treated as PIE in terms of independence rules for auditors. However, if IESBA would decide to keep this proposed requirement:

- 1) clarification is needed whether this relates only to entities the audit firm has determined should be treated as a PIE (R400.16); and
- 2) clarification is needed where firms shall disclose that the entity is treated as a PIE. The requirement itself is not clear. The audit report would seem to be a logical place to disclose (if IESBA decides to keep this requirement). Otherwise the PIE classification suggests that this is only done for internal reasons or on behalf of an oversight body.

#### *Transparency Requirement for Firms*

*12. Please share any views on possible mechanisms (including whether the auditor's report is an appropriate mechanism) to achieve such disclosure, including the advantages and disadvantages of each. Also see question 15(c) below.*

No additional comments to AE (we do not support a transparency requirement).

#### *Other Matters*

*13. For the purposes of this project, do you support the IESBA's conclusions not to:*

- (a) Review extant paragraph R400.20 with respect to extending the definition of "audit client" for listed entities to all PIEs and to review the issue through a separate future workstream?*
- (b) Propose any amendments to Part 4B of the Code?*

(a) Like AE, we support the IESBA's conclusions to review the extant paragraph R400.20 through a separate future workstream. However, we only support as long as related entities of a PIE are not automatically regarded as a PIE themselves.

(b) No comments. We only implemented Part 4A and made the requirements of Part 4A applicable to all assurance engagements.

#### *Other Matters*

*14. Do you support the proposed effective date of December 15, 2024?*

No additional comments to AE.



*Matters for IAASB consideration*

*15. To assist the IAASB in its deliberations, please provide your views on the following:*

*(a) Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 for use by both the IESBA and IAASB in establishing differential requirements for certain entities (i.e., to introduce requirements that apply only to audits of financial statements of these entities)? Please also provide your views on how this might be approached in relation to the ISAs and ISQMs.*

*(b) The proposed case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIEs.*

*(c) Considering IESBA's proposals relating to transparency as addressed by questions 11 and 12 above, and the further work to be undertaken as part of the IAASB's Auditor Reporting PIR, do you believe it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE? If so, how might this be approached in the auditor's report?*

No additional comments to AE.

