



**INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OF UGANDA**

*Our Ref: STA/001*

14 May 2021

Mr. Ken Siong,  
Senior Technical Director,  
International Ethics Standards Board for Accountants (IESBA),  
529 Fifth Avenue,  
New York, NY 10017,  
United States of America.

Submitted via website: [KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org).

Dear Mr. Ken,

**PROPOSED REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE CODE**

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the Exposure Draft (ED) as per the subject line. In bid to collect views from our members in respect to the subject line, the Institute conducted a survey on key areas of the ED.

We herein attached our comments (Appendix I) and survey results (Appendix II) for your consideration.

We hope you will find our comments helpful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba', with a horizontal line extending to the right.

CPA Charles Lutimba  
**MANAGER, STANDARDS AND TECHNICAL SUPPORT**

*Appendix: Comments to the IESBA Public Interest Entity (PIE) Project*

CL/....

## **APPENDIX I: ICPAU'S COMMENTS ON THE PROPOSED REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE CODE**

**Question 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?**

**Comment:**

Whereas we are in support of the overarching objective as set out in proposed paragraphs 400.8 and 400.9 that encapsulates the value of additional requirements intended to enhance confidence in audits of PIEs which in turn will enhance confidence in those entities' financial statements, we find the use of the term 'financial condition' rather unclear and confusing. The proposed paragraph 400.8 gives an impression that significant public interest is a reflection of the financial condition of the entity. The term "financial condition" is likely to mean different things to different stakeholders and there is a risk that this would further contribute to the expectation gap in an audit of financial statements and in fact may vary the purpose (true and fair) of carrying out financial statement audits; if there is any link to be derived from the audit of financial statements and the growing public confidence in such financial statements. We recommend a more suitable word or group of words to replace the term 'financial condition'.

**Question 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?**

**Comment:**

We agree with the list of factors set out in paragraph 400.8 for determining the level of public interest in an entity. Since the list is not conclusive, we believe that the proposal intends to give guidance and local bodies will not be constrained in considering other factors in evaluating whether an entity should be treated as a public interest or not. We however, note that in the supplementary material the IESBA's seems to harbor intentions of including NGOs in the list under paragraph 400.8, we believe that this may not be necessary as such organizations may equally be considered by following the general criteria as set out in the proposed paragraph 400.8.

**Question 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?**

**Comment:**

We agree to the fact that developing a global definition of PIE may be hard to attain given the disparities among jurisdictions. We thus support the Board's proposed approach of

having a high-level list of categories of PIE as a starting point for local adoption and interpretation. However, to ensure consistency and limited divergences among jurisdictions, the Board should encourage local bodies to limit modifications and always provide clear justification whenever there has been an addition to the categories.

**Question 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.**

**Comment:**

We are in agreement with the view of replacing the term “listed entity” with “publicly traded entity” as this is more reflective of the market dynamics and is a broader term than the former.

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

**Comment:**

Whereas we support the remaining categories as provided for in (b) to (e) since the list is inclusive and thus non exhaustive, we recommend that there may be need for the Board to ensure local bodies’ participation since the given categories are rather broad and lack specificity. We are concerned that if the role of local bodies is not encouraged, there may be a wider disparity in application and or interpretation of the categories thereby leading to inconsistencies.

The categories should be subjected to some form of quantitative threshold for them to be applicable as some entities for which the requirement may be deemed to apply may not satisfy the definition of a publicly interest entity due to a limited number of stakeholders. Such entities may include:

- Small sized companies, pension and retirement benefits schemes with limited numbers
- Post-employment benefit schemes such as single employer plans as compared to multi-employer plans.
- Life insurance companies with a limited number of policy holders
- Other entities including mutual funds, collective investment schemes and security brokers/dealers where a limited number of stakeholders are concerned.

Therefore more guidance may be required to assist in clarifying on the intended inclusion in the definition of Public interest entity. Also the distinction between an entity “one of whose main functions....” and an entity “whose function....”, may need to be clarified.

**Question 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.**

**Comment:**

As earlier on commented in respect to non-government organisations (see our comment under question 2), we do not see any need to provide a specific category for entities raising funds through less conventional forms of capital raising such as an initial coin offering (ICO). However, since ICOs may be accounted for as equity or otherwise, there may be need to include guidance in assessing whether ICO issuers should be considered as PIE based on the relevant facts and circumstances or not.

**Question 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?**

**Comment:**

We are in support of the 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. As earlier on noted, the role of local bodies is pivotal for the successful application of the requirements of the Code. However, collaboration among relevant local bodies within particular jurisdictions should be encouraged to ensure a uniform approach and direction to establishing common definitions for the respective jurisdictions.

**Question 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?**

**Comment:**

We agree with the IESBA approach in developing a non-authoritative guidance material and a series of webinar and seminars should be initiated by the IESBA to assist in the implementation. Education support to local bodies shall ensure a steady and visible application of the requirements of the Code.

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

**Comment:**

We do not agree with the elevation of extant application material to a requirement for firms to determine if any additional entities should be treated as PIEs under (paragraph R400.16). Whereas this would have been a welcome proposal for the profession in as far as enlarging the scope of PIEs for purposes of managing risks, it will however, compound on the problem of inconsistencies of application of the requirements of the Code not only across jurisdictions but equally within jurisdictions since the auditor will come up with a different conclusion from that of the IESBA and the local body in respect to entities being PIEs. This 3 layer disparity simply introduces confusion in the market.

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

**Comment:**

Our comment as in question 9 above stands. We therefore have no further comment to add.

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

**Comment:**

No comment

**Question 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**

**Comment:**

No comment

**Question 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?**

**Comment:**

Given the magnitude of the work, we support the IESBA's conclusions not to 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 but we also support the Board's proposal not to make any conforming changes to Part 4B of the Code.

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

**Comment:**

We do not support the proposed effective date of December 15, 2024 given the work that may be needed by especially the local bodies to harmonize and align their relevant variations and modifications to the requirements. This usually will call for extensive engagements, guidance and outreach to prepare their respective jurisdictions to reception of the amendments. We would thus prefer a slightly longer transition period of an additional one year to December 15, 2025.

**Question 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.

**Comment:**

Subject to our comments above, we are in support of the principle as set out in the proposed paragraphs of 400.8 and 400.9 which we believe seem to be suitable for use, across both the Code and the IAASB's standards.

- (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.

**Comment:**

We believe that the differential requirements applicable to listed entities in IAASB Standards should be applied more broadly to other PIE Categories.

- (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?

**Comment:**

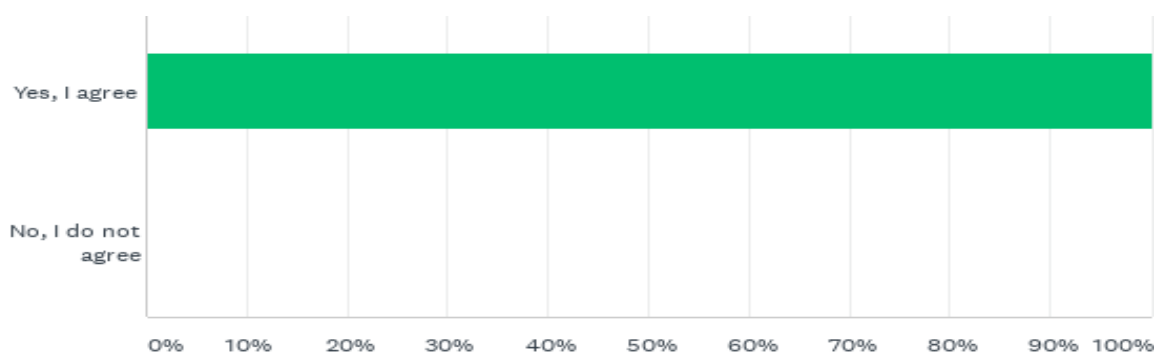
Our comments in 11 and 12 refer

## APPENDIX II: ICPAU CONSULTATION ON THE PROPOSED REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY IN THE CODE

Q1: In considering if, and how, the definition of Public Interest Entity should be enhanced; the IESBA took the view that it is important, at the outset, to have clarity about the objective of defining a class of entities for which the audits require additional independence requirements. IESBA thus agree to the overarching objective that encapsulates entities for which there is:

Significant public interest in the financial condition and hence financial statements; Public confidence in the financial statement audits is paramount; and Need for additional independence requirements in order to enhance confidence in their financial statement audits.

Do you agree with the proposed overarching objective?



Q2: In considering if, and how, the definition of Public Interest Entity should be enhanced; the IESBA took the view that it is important, at the outset, to have clarity about the objective of defining a class of entities for which the audits require additional independence requirements. IESBA thus agree to the overarching objective that encapsulates entities for which there is:

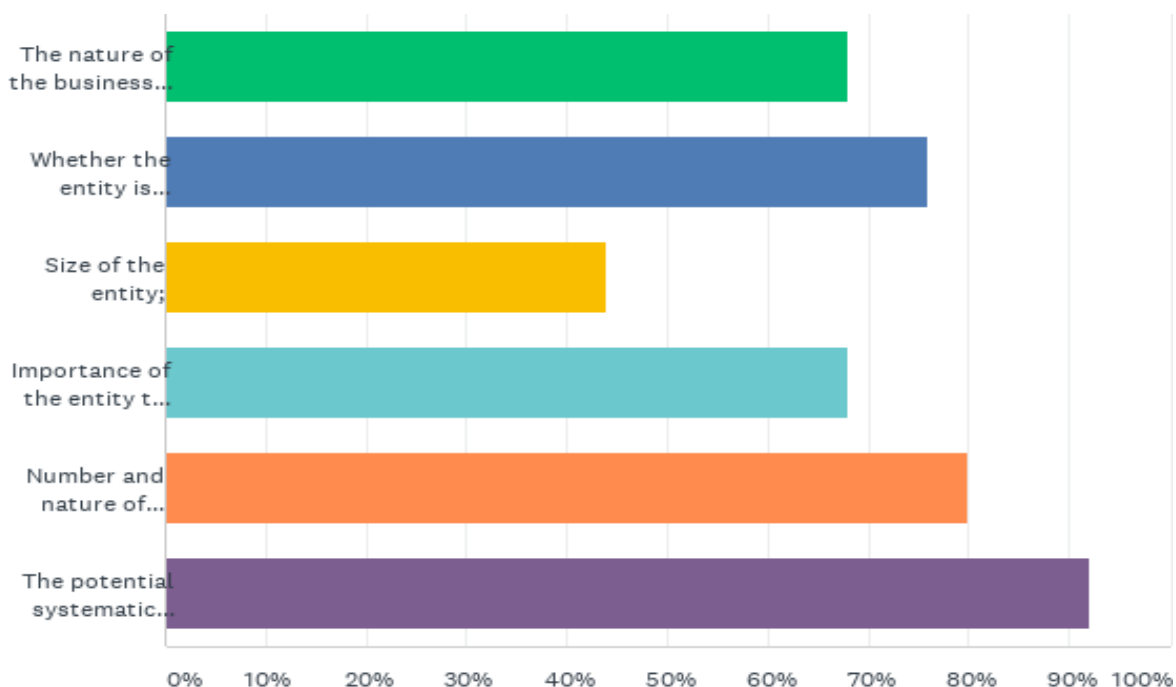
Significant public interest in the financial condition and hence financial statements; Public confidence in the financial statement audits is paramount; and Need for additional independence requirements in order to enhance confidence in their financial statement audits.

Do you agree with the proposed overarching objective?

| ANSWER CHOICES        | RESPONSES |    |
|-----------------------|-----------|----|
| Yes, I agree          | 100.00%   | 25 |
| No, I do not agree    | 0.00%     | 0  |
| Total Respondents: 25 |           |    |

Q3: In your opinion, which of the following are the determinants for the level of public interest in an entity? Please select all that apply.

- Answered: 25 Skipped: 0



Q4: In your opinion, which of the following are the determinants for the level of public interest in an entity? Please select all that apply.

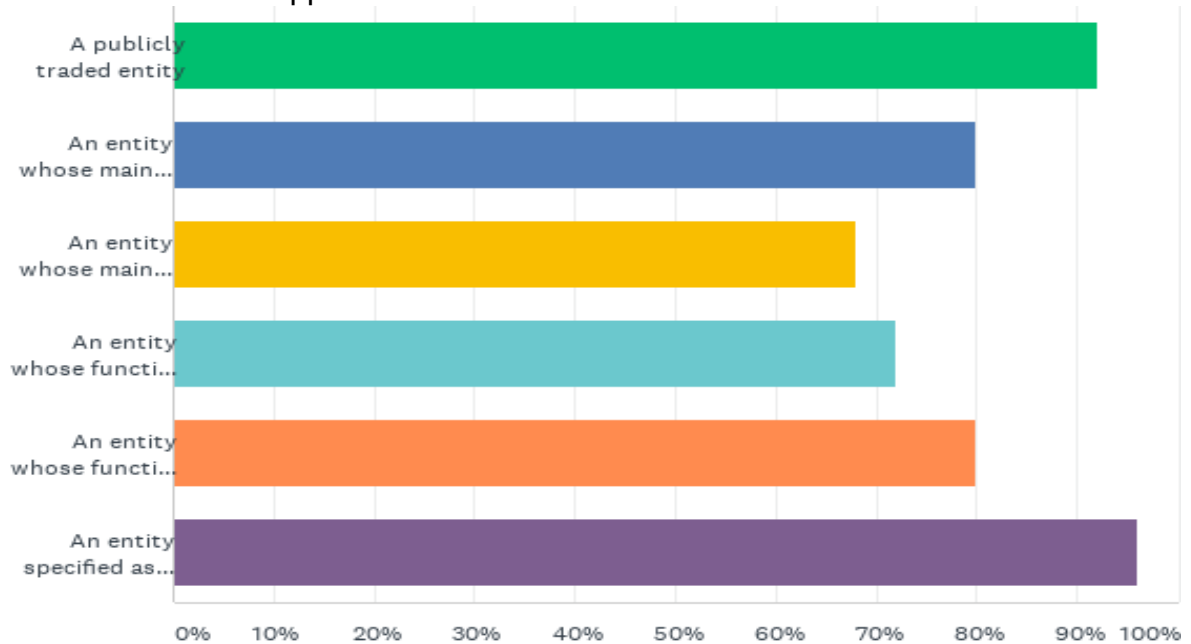
- Answered: 25 Skipped: 0

| ANSWER CHOICES  | RESPONSES |    |
|---|-----------|----|
| The nature of the business or activities such as taking on financial obligations to the public as part of an entity's primary business;     | 68.00%    | 17 |
| Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations; | 76.00%    | 19 |
| Size of the entity;   | 44.00%    | 11 |
| Importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure;       | 68.00%    | 17 |
| Number and nature of stakeholders including investors, customers, creditors and employees;  | 80.00%    | 20 |
| The potential systematic impact on other sectors and the economy as a whole in the event of financial failure of the entity.                | 92.00%    | 23 |
| Total Respondents: 25   |           |    |



Q5: In your opinion, which of the following categories of entities should be categorized as public interest entities? Please select all that apply.

• Answered: 25 Skipped: 0



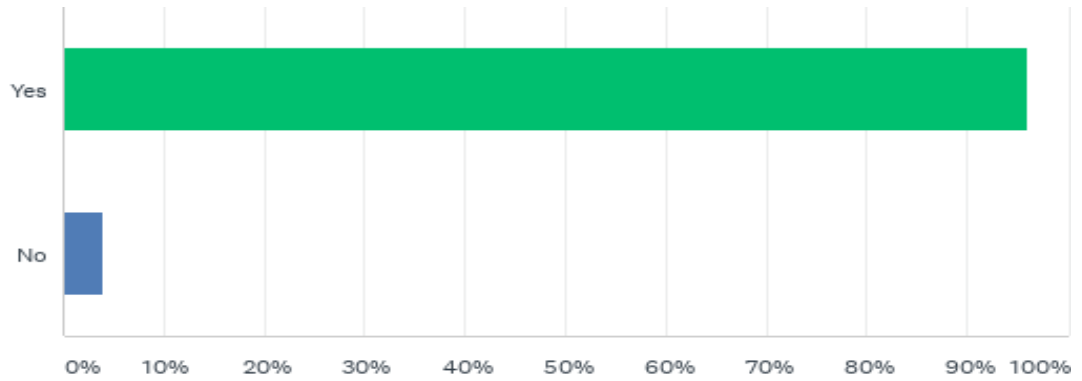
Q6: In your opinion, which of the following categories of entities should be categorized as public interest entities? Please select all that apply.

• Answered: 25 Skipped: 0

| ANSWER CHOICES  | RESPONSES |    |
|---|-----------|----|
| A publicly traded entity  | 92.00%    | 23 |
| An entity whose main function is to take deposits from the public   | 80.00%    | 20 |
| An entity whose main function is to provide insurance to the public   | 68.00%    | 17 |
| An entity whose function is to provide post-employment benefits   | 72.00%    | 18 |
| An entity whose function is to act as a collective investment vehicle and which issues redeemable financial instruments to the public | 80.00%    | 20 |
| An entity specified as such by law or regulation  | 96.00%    | 24 |
| Total Respondents: 25   |           |    |

Q7: The IESBA proposes a new term “publicly traded entity” to replace the term “listed entity” in the extant Code - in order to scope in more entities as it is not confined to shares, stock or debt traded only in formal exchanges but also encompasses those in second-tier markets or over the counter trading platforms. Do you agree with the proposal for the new term “publicly traded entity” to replace the term “listed entity” in the Code?

• Answered: 25 Skipped: 0



Q8: The IESBA proposes a new term “publicly traded entity” to replace the term “listed entity” in the extant Code - in order to scope in more entities as it is not confined to shares, stock or debt traded only in formal exchanges but also encompasses those in second-tier markets or over the counter trading platforms. Do you agree with the proposal for the new term “publicly traded entity” to replace the term “listed entity” in the Code?

- Answered: 25 Skipped: 0

| ANSWER CHOICES | RESPONSES |           |
|----------------|-----------|-----------|
| Yes            | 96.00%    | 24        |
| No             | 4.00%     | 1         |
| <b>TOTAL</b>   |           | <b>25</b> |