



## THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

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The Technical Director  
International Ethics Standards Board for Accountants (IESBA)  
New York

April 29, 2021

Dear Sir,

**Comments on Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code**

We are grateful to the IESBA for the opportunity given us to comment on the Exposure Draft (ED) on Proposed revisions to the definitions of listed entity and public interest entity in the Code. We welcome the initiative of the IESBA to re-assess the definition of listed entity and public interest entity, by broadening the definition of a public interest entity (PIE). These revisions include more categories of entities, given the level of public interest in their financial condition, for the purposes of additional independence requirements to enhance confidence in their audits.

Below are our responses to the questions raised in the Exposure Draft

***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?**

***Comment***

Yes, we support the overarching objective as set out in proposed paragraphs 400.8 and 400.9. This is from the rationale in the explanatory memorandum which sets out;

- There are certain entities in which there is significant public interest in their financial condition (due to the possible impact of that financial well-being on stakeholders)
- It is important that there is public confidence in these entities
- Confidence will be enhanced with additional disclosure requirements.

The overarching objective covers at a minimum the types of entities for which there is a significant public interest, confidence of the public in the financial statements of those entities and the independence requirements. It also aligns with the general principle underlying the need to uphold the public interest

**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*

Yes, we agree with the proposed list of factors set out in paragraph 400.8 for determining the level of public interest in an entity. We think the proposed list of factors are satisfactory. This list is non-exhaustive and we expect that unique situations will arise that will add on to this. The proposed factors on their own may not amount to significant public interest in the financial condition of an entity. We suggest that local regulatory bodies should be given specific authority to determine the extent of applicability of the list in the context of their local jurisdiction. There is however the need to set a specific minimum level so that some level of global uniformity is achieved. There may also have to be considerations of whether two or more entities operating separately may amount to significant public interest when evaluated together instead of individually.

*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:**

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

*Comment (a)*

Yes, we support the broad approach (Approach 2) adopted by the IESBA in developing including the above two amendments. The reading points out that at a global level it will be difficult to adopt a Narrow definition that can be consistently applied by all jurisdictions without a significant amount of change. Also, the guidance points out that the principles-based nature of the Code dictates against a narrow approach. Finally, stakeholders appear to wish the Code speak to a broader range of entities in respect of which the additional PIE independence provisions should be applied. As rightly noted in the commentary to the ED, differences exist within various jurisdiction with regards to their inclusion or exclusion of a specific business entity as a PIE. The proposed update that gives a high-level definition and allows local regulatory bodies to refine the Board's definition to suite their specific local context therefore seems appropriate. It also addresses limitations associated with the narrow approach.

*Comment (b)*

Yes, we agree with the refinement of IESBA definition by the relevant local bodies as part of the adoption and implementation process. It would be difficult, if not impossible, to develop a single definition of PIE at a global level that can be consistently applied by all jurisdictions without modification and further refinement at a local level. In addition, firms are relevant local bodies and there might be situations, for e.g. where there are entities in whom their peculiar financial condition might not be important to the public, but, as the 6<sup>th</sup> factor indicates, the

economic impact of the activities they coordinate might be relevant and therefore local firms could scope this in and capture these entities as PIEs.

### *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.**

#### *Comment*

Yes, we support the new term “publicly traded entity” replacing the term “listed entity”. The proposed revision is appropriate since some entities as the new term “Publicly traded entity” largely addresses the concerns in paragraph 37. Thus it now scopes in more entities as it is not confined to shares, stock or debt traded only in formal exchanges, and also includes second tier markets or over the counter trading platforms. The new term also provides clarity on the confusion created by the term “recognized stock exchange” in the definition of listed entity. . We note that the proposed new term scopes 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. The new term also aims to remove the confusion created by the term “recognized stock exchange” in the extant definition of listed entity

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

#### *Comment*

Yes, we agree with the proposals for the remaining PIE categories. The rationale for these categories included;

- considering initially those categories already identified as PIEs by a number of major jurisdictions and including only categories that it is considered would be adopted by most jurisdictions, and
- equally, excluding entities that would only likely be regarded as necessary by a minority;

Also, including those entities that should in principle be included in this global list because of the nature of their activities. We suggest that the Board should provide some threshold to serve as a guide for determining what it meant by "main function" so as to achieve some uniformity in the application of this definition and avoid instances of wide divergence in its application.

**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*

Entities raising funds through other means such as an initial coin offering should be captured as a further PIE category in the IESBA Code. This is because, such entities often engage the public in raising capital or funds. Generally, all entities engaging in crowdfunding should be categorized as a public interest entity (PIE) and should be properly regulated. How this could be defined recognizing that local bodies would be expected to further refine the definition is; that once an entity could engage the public in raising capital by way of ICOs or crowdfunding, the local body and the auditor should consider such an entity a public interest entity (PIE) and require additional independence requirements, increase risk level and determine appropriate safeguards. This is in line with the broad approach (Approach 2) which the IESBA agreed to adopt, having three components; the role of the Code, the role of local bodies and the role of firms.

Entities raising funds and taking deposits are effectively PIEs and should be captured as a further category. In defining this category there will be a need to;

- Include such non-conventional fund raising entities in the broader list of high-level categories of entities as PIEs in the Code. This will ensure that all jurisdictions consider businesses with such operating models;
- Require local bodies (such as regulators or oversight bodies, national standard setters and professional accountancy bodies) through tightening definitions, setting size criteria and adding new types of entities or exempting particular entities to consider defining such entities within its regulatory framework.
- Require firms per jurisdiction to consider such entities as additional entities under PIEs

We believe that it should since the basic elements of accepting deposits from the public and substantial interest in the financial condition of these institutions exist. We believe that the definition could be simply; entities that take in money from the public and therefore whom there is substantial public interest in their financial viability.

### *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?**

### *Comment*

Yes, with reference to the jurisdiction specific issues raised in the commentary to the ED, it seems appropriate to give the local regulatory body a set of high level metrics from which they will modify to suite their specific case. Notwithstanding, they still have some responsibilities to ensure that the necessary refinement to the IESBA's list are considered as part of the adoption and implementation process since the list is not exhaustive. This basically says the categories in 400.14 are broadly stated and professional accountants or local bodies can interpret them in particular situations. i.e., the categories are subject to interpretation given the particular circumstance.

**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*

IESBA proposed outreach and education support is a laudable initiative and should be encouraged. Regarding the subject matter, the IESBA in consultation with IFAC's Quality and Development Team and other local bodies (PAOs) from more advanced economies could team up to conduct outreach and support programs to other PAOs in less developed jurisdictions. The proposed outreach and educational support to relevant local bodies is essential. This should include some practical scenarios to give a clearer picture of the application and implication of changes proposed in this ED. The new term "publicly traded entity" should be clearly communicated. The provision of non-authoritative guidance with additional explanation and information is an excellent idea as it provides more perspective to local bodies and professional accountants. This together with webinars and targeted "zoom" meetings is also a good idea. We would suggest that the local auditing oversight bodies be tasked with providing free CPE to all registered accountants to disseminate this information as widely as possible and to elicit as much feedback as possible.

*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?**

*Comment*

Yes. Firms will have an understanding of the respective entities in each jurisdiction and will better be able to evaluate whether such entities should be included in the list. However, categorizing an entity as PIE results in increased regulatory supervision and other additional audit requirements therefore, firms may not be ready to incur the costs associated with these and may be reluctant to designate certain entities in their portfolio as PIEs. Mandating this for firms will ensure that consideration is paid to these new requirements. Given the amount of new guidance and the competitive requirements in the industry, an extra push is needed to involve firms in this decision-making process.

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

*Comment*

We believe that the proposed list of factors for consideration by firms is in order and are reasonable, we have no further comments.

*Transparency Requirement for Firms*

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

*Comment*

Yes. It enhances greater transparency in audit reports. There are a number of disclosures in the financial statements which point to the entity being a PIE. Adding a statement that the entity has been treated as a PIE may be relevant.

**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*

The auditor's report is an appropriate mechanism to achieve such a disclosure. The disclosure should be incorporated in the audit report. In some jurisdictions, such as Ghana, auditors have additional various requirements including that of independence requirements set by industrial regulators for example, the Securities and Exchange Commission and Bank of Ghana. The Institute of Chartered Accountants, Ghana (ICAG) also requires auditors to satisfy these additional requirements especially when auditing PIEs.

**Advantages**

Increased transparency leading to public confidence in the audit of the financial well-being of PIEs.

**Disadvantages**

Increased cost of performing audits due to additional audit works, time and documentation.

Stakeholder engagement within various jurisdictions should set the tone requiring the regulatory office/bodies to identify the list of PIEs per sector/ industry and the disclosure requirements. If there is a disclosure on the treatment of a client as a PIE, we believe the obvious location for disclosure as to whether the audit considered the client as a PIE is in the auditor's report. This is where the conduct and results of the audit are documented by the auditor. We also agree on Option 2 which is to carefully consider the impact and unintended consequences that might arise before prescribing changes to the auditor reporting model.

*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 work stream?**
- (b) Propose any amendments to Part 4B of the Code?**

*Comment*

Yes. For the purposes of this project we agree with IESBA's conclusions.

As the guidance notes, this is a complex issue and does require further research before extending the definition to apply to all entities. Audit client definition for listed entities might not necessarily apply to all PIE's as not all PIE's are listed entities. We do however believe that it does make sense that the term "listed entity" be replaced with the proposed new term "publicly traded entity" in subparagraph R400.14 (a).

*Comment (b)*

Yes. Not all assurance engagements for a PIE (as defined by Part 4A) would be of significant public interest; equally, some assurance engagements for a non-PIE might be of significant public interest. Accordingly, the IESBA does not believe that developing a different definition of PIE in Part 4A has direct implications for Part 4B.

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

*Comment*

Given the influx of unconventional forms of raising capital in current times, the proposed date of December 15, 2024 might be a bit too long for the institution of a proper regulation in various jurisdictions. The proposed date will allow firms sufficient time to revise and implement the relevant policies and procedures for the revised NAS and Fees provisions and apply them to their PIE clients. Option 3 will give firms some time to develop experience with the application of the new NAS and Fees provisions for PIEs based on the extant PIE definition before these provisions become applicable to a broader group of PIEs (i.e., a “step change” approach rather than a “big bang” one). A longer transition period will provide more time for relevant local bodies to refine the new PIE definition and also allow the IESBA more time to develop non-authoritative guidance material to facilitate global adoption of the PIE definition

*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.**

*Comment*

Yes. We support the overarching objective. We think the approach should be the same in relation to ISAs and ISQMs. We support the overarching objective set out in proposed paragraphs 400.8 and 400.9. The overarching objective covers at a minimum the types of entities for which there is a significant public interest, confidence of the public in the financial statements of those entities and the independence requirements. Confidence in such audits will be enhanced by additional independence requirements which should be emphasized by the audit and not just as a form filing exercise. We believe the overarching objective is to provide guidance in determining what can be considered a PIE for the application of differential requirements when it comes to the actual audit. This guidance would be part of both ISA's and ISQMs and there is now a guideline to provide to auditors and also assess whether they are evaluating and applying the right measures to enhance transparency and improve quality control in audits of certain entities. These differential requirements deal with enhancing transparency about aspects of the audit to those charged with governance or to intended users of the auditor's report through communication with those charged with governance or including specific statements or information in the auditor's report, respectively.

- 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.**

We do agree that a case-by-case approach should be taken for all categories of PIEs. Both listed and non-listed. This is due to the fact that different jurisdictions have different regulations, economic conditions, etc. that would fit the mode of what should be considered a PIE and therefore it is not feasible to apply a definition wholesale in the standards. For e.g., developing countries might characterize certain non "listed entities" as PIE's that the developed countries might not.

The proposed case-by-case approach should be broadly applied because there may be other entities within jurisdictions which may not necessarily be listed but may be 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?**

***Comment***

Yes. It is appropriate to disclose within the auditor's report.

It can be approached in the auditor's report by stating the following:

- i. Whether the entity is properly registered with the appropriate regulatory body as a PIE;
- ii. Whether the entity is compliant with laws and regulations as a PIE;
- iii. Whether the entity required to be registered, is compliant and should be treated as a PIE by the auditors;
- iv. A disclosure by the firm, the category of PIE the entity best fits in, in accordance with the local regulators' and POA's rules and guidelines; and
- v. Whether all additional independence and other requirements have been fulfilled or satisfied by the firm in the conduct of the audit of the entity and or its related parties, where there is a threat, a disclosure note on the kind of threat and appropriate safeguard instituted by the firm in consultation with TCWG of the PIE client.

We do believe that disclosure is needed and the auditor's report is the obvious choice for disclosing significant auditor decisions. The current audit report has a section for "Significant audit matters". This section could be expanded to include key audit decisions relating to the characterization as a PIE or not. We do not however believe it would be appropriate to disclose this in the auditor's report.

**Request for General Comments**

In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:



- **Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs) –** The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

No comments.

- **Regulators and Audit Oversight Bodies –** The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

No comments.

- **Developing Nations –** Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

*Comment*

We do not foresee any difficulties in applying the Code in our environment.

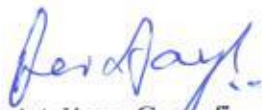
- **Translations –** Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

*Comment*

We do not have any translation issues.

We hope the IESBA finds these comments helpful in further developing its consultations on “Proposed revised definitions on listed entity and public interest entity in the Code”. In turn, we are committed to helping the IESBA in whatever way possible to build upon the results of this Exposure Draft. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours Sincerely,



Osei Adjaye-Gyamfi

(Director, Technical and Research)