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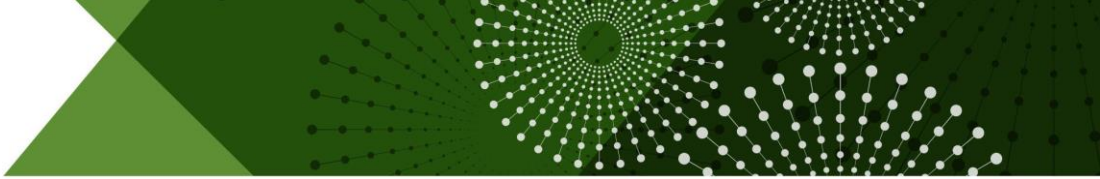
Defining 'Public Interest Entity' in NZ – What's your view?

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Director of Assurance Standards

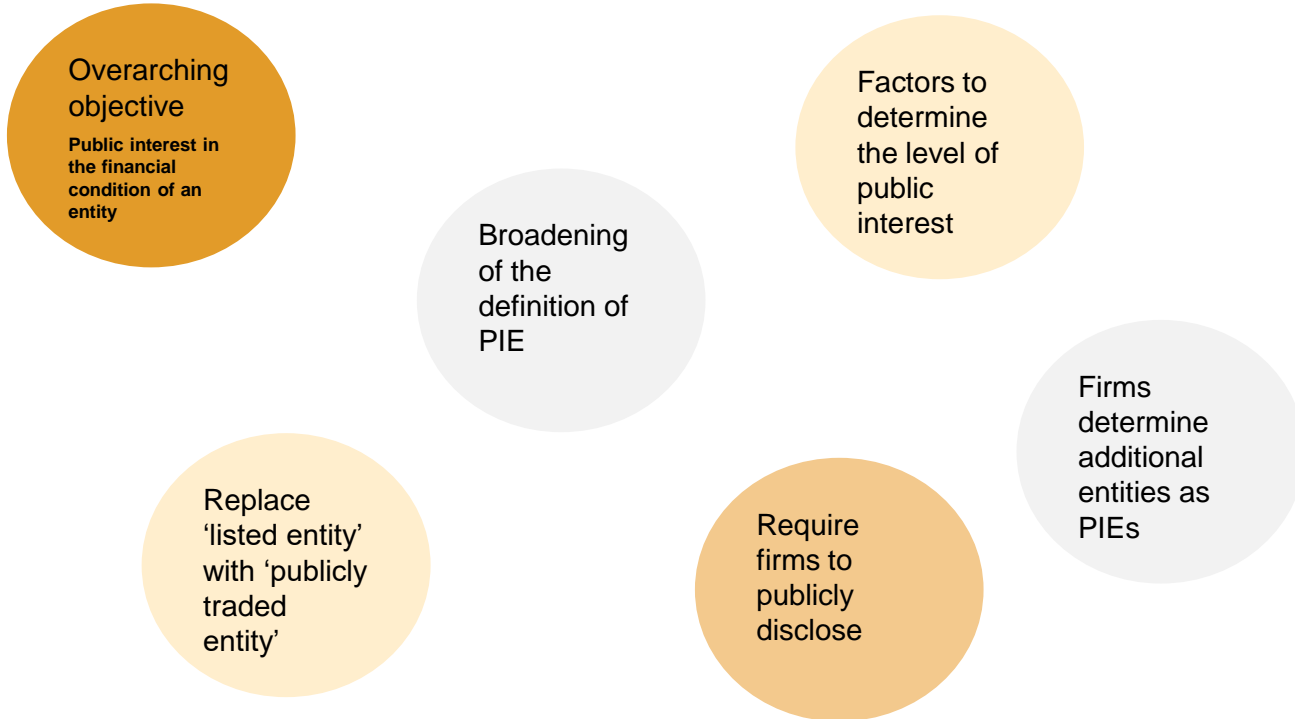
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June 2022

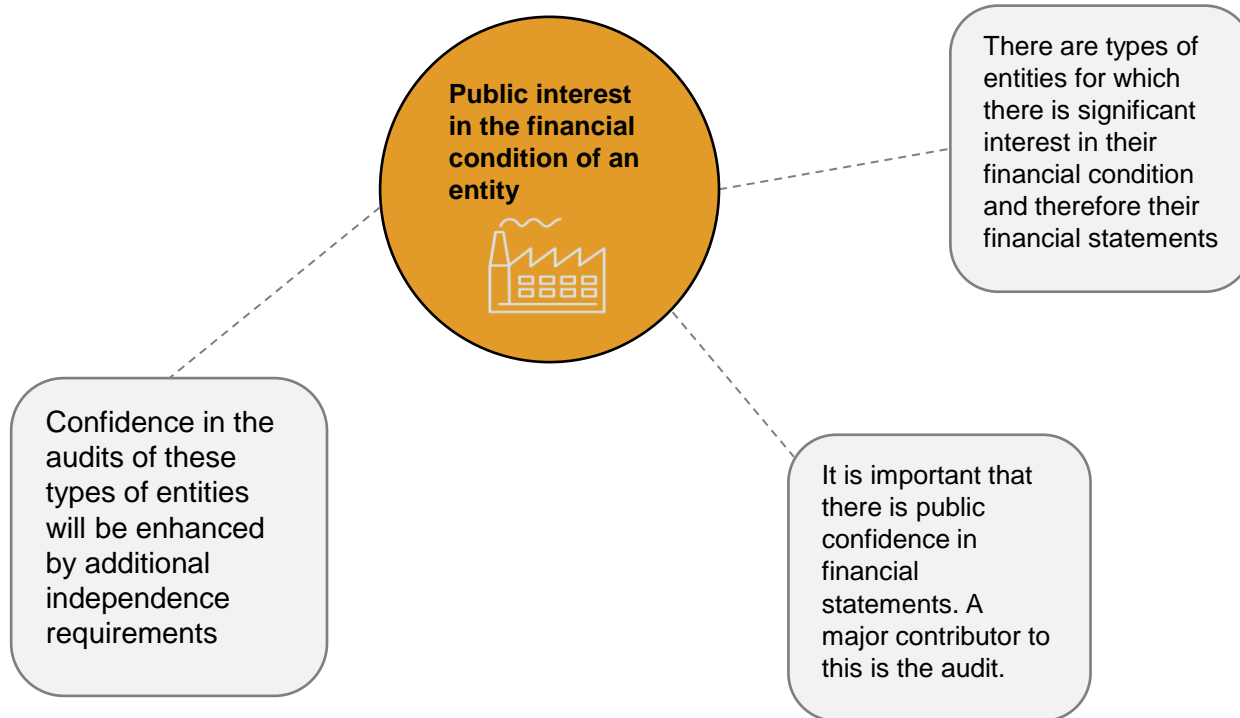
IESBA code



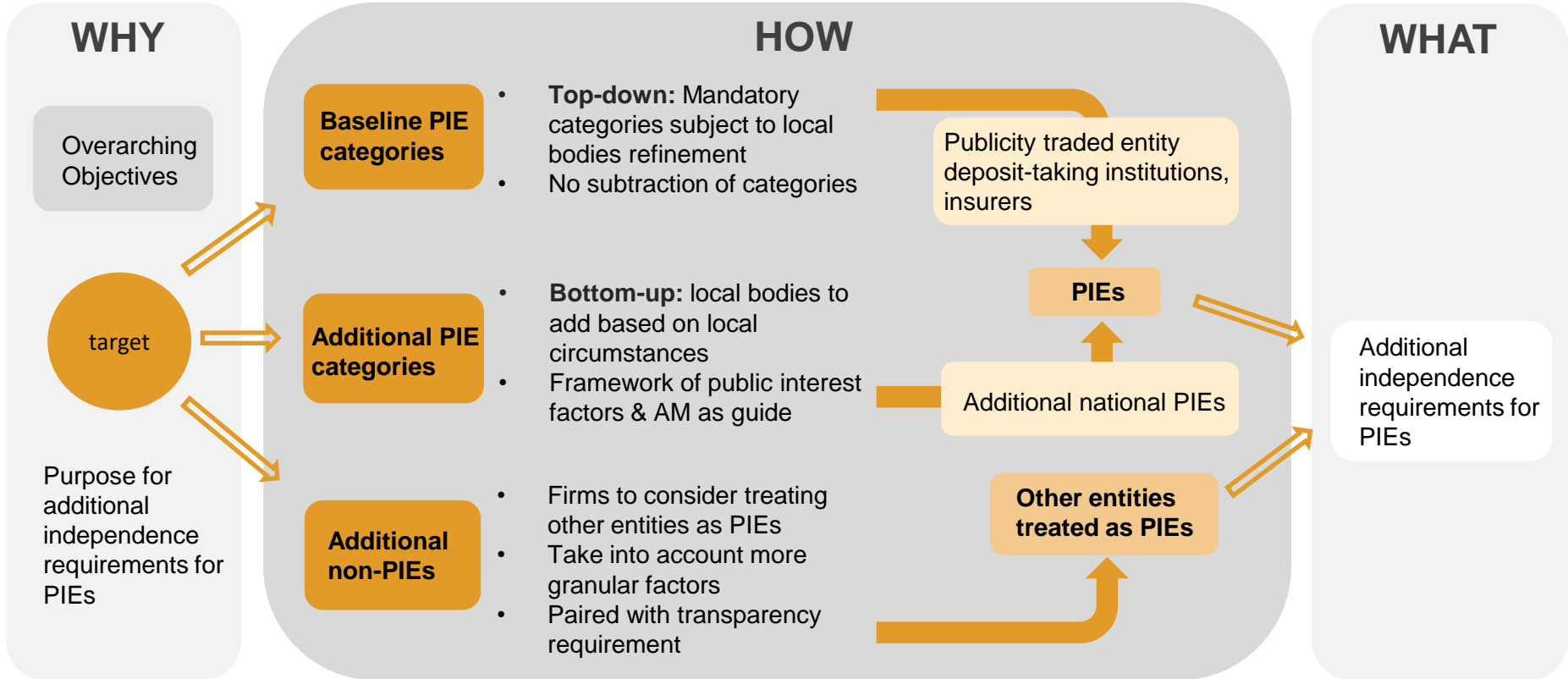
Recent changes relating to a public interest entity (PIE) in the Code:



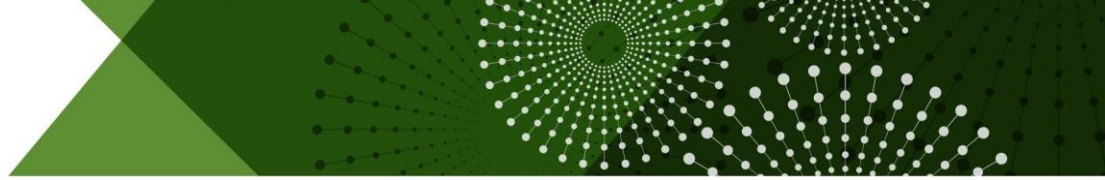
Overarching Objective



IESBA's approach



IESBA's top down categories



An entity is a PIE if it is:

- (a) a publicly traded entity;
- (b) an entity one of whose main functions is to take deposits from the public;
- (c) an entity one of whose main functions is to provide insurance to the public; or
- (d) An entity, specified as such by law or regulation to meet the objective described in paragraph 400.10*

*...enhancing stakeholder confidence in the entity's financial statements that can be used when assessing the entity's financial condition.

Level of public interest



The IESBA factors are as follows:

- (a) the **nature of the entity's activities**
- (b) whether the entity is **subject to regulatory supervision** designed to give confidence that the entity will meet its financial obligations
- (c) the **size** of the entity
- (d) the **impact** of the entity on the sector in which it operates
- (e) the **number** and **nature** of **stakeholders**
- (f) the potential **systemic impact on other sectors** and **the economy as a whole** in the event of financial failure of the entity

New Zealand proposal

1. Adopt the IESBA revisions to the Code in PES 1

2. Carry forward the extant NZ definition of PIE

The NZ approach remains broader than the IESBA top down approach but aligns with the new factors introduced in the IESBA Code

Extant NZ definition of PIE

PES 1:

Any entity that meets the Tier 1 criteria in accordance with XRB A1* and is not eligible to report in accordance with the accounting requirements of another tier.

** XRB A1 Application of the Accounting Standards Framework*

Examples of PIEs in New Zealand

Categories	Examples	NZ PIE /IESBA factors?	Reason
FMC HLPAs (as determined by the FMA) Financial reporting exemptions FMA	Listed (debt and equity) Banks, insurers, credit unions Financial statements of MIS	✓	<ul style="list-style-type: none"> • Regulatory supervision • Size • Impact on sector • Number and nature of stakeholders • Potential impact on the economy in the event of financial failure
Large for-profit public sector entities	Total expenses >\$30m	✓	<ul style="list-style-type: none"> • Regulatory supervision • Size • Number and nature of stakeholders • Impact on sector • Number and nature of stakeholders
Large public benefit entities	Total expenses >\$30m	✓	<ul style="list-style-type: none"> • Public accountability • Size • Some have regulatory supervision • Impact on sector • Number and nature of stakeholders



Questions?



When considering the revised global PIE approach in the IESBA Code:

Q1. Are there any categories of entities not captured by the extant NZ PIE definition that you consider should be?

Q2. Are there any categories of entities captured by the extant NZ PIE definition that you consider should not be?

IAASB ED coming soon

Proposed narrow scope amendments to:

- ISA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*
- ISA 260 (Revised) *Communication with Those Charged with Governance*

Due to IESBA code revisions requiring a firm to publicly disclose when it has applied the independence requirements for PIEs

IAASB ED coming soon

ISA 700 (Revised) likely proposal:

- If relevant ethical standards require disclosure that the PIE independence requirements have been applied then
- disclosure will be required in the auditor's report

ISA 260 (Revised) :

- New application material – communication of application of the PIE independence requirements with TCWG



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