



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Meeting Summary of HKICPA Roundtable Discussion

Date: 7 April 2021, Wednesday

Time: 4:00 p.m. – 6:00 p.m.

IESBA's ED on *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*

Selene Ho, Deputy Director, Standard Setting, HKICPA welcomed all participants and introduced the event.

Caroline Lee, Deputy Chair of International Ethics Standards Board for Accountants (IESBA), Partner of KPMG Singapore, also participated in the roundtable and response to the questions on the Exposure Draft (ED).

Staff introduced the ED and participants provide their comments as below:

- Participants generally agreed the adoption of an overarching approach is reasonable for setting a global definition of a PIE.
- Participants commented the public would have limited access to the financial statements of the entity if it is not listed (e.g. large unlisted bank/insurance company), and the public would have difficulty to assess the financial condition of these unlisted company since it is not transparent.
- Participants noted that the role of regulators and local bodies are not clear in the project. Staff explained that local bodies would provide a list of criteria or size test (e.g. revenue or total asset exceed a certain amount) to help to identify PIE at the local body level. Participants commented that regulator may not always prefer to have size test criteria to identify PIEs, further refinement would be needed. Participant also pointed out it may lack of comparability across jurisdictions.
- Staff also explained that firms can only add entity as PIE at its level, but not override the definition of PIE from the Code or local bodies. Participants commented that there may be inconsistency in classifying whether an entity is a PIE or not, as it would involve professional judgment in such classification. Participants also commented that while certain entities may be identified as PIEs under R400.16, it is not clear that how an entity may be reclassified from a PIE to a non-PIE (e.g. while predecessor auditor treats an entity as PIE, it would likely for the incoming auditor to treat the entity as PIE at the firm level; and it would take effort and cost for the incoming auditor to gather contrary evidence and may take certain risk to reclassify the entity as a non-PIE).

- Participants commented that while the proposed paragraph R400.16 outlines the factors that need to be considered by the firm in the determination of whether additional entities need to be treated as PIE, the introductory paragraph in 400.8 also provided certain factors. Participants are confused as to why the factors in 400.8 are not included as application material.
- Participants generally welcomed the categories under R400.14 (a) to (f) as the categories are generic and not over-prescriptive.
- Participants also agreed on the enhancement of firm transparency by disclosing if an audit client has been treated as PIE.
- Participants noted the effective date of the proposed revision would be December 2024. Because of the further refinement worked to be carried out by local bodies and implementation would need to be taken by firms (e.g. system changes and assessments), participants highlighted the timeline would be tight. IESBA clarified that the proposed effective date would be for audits commencing on or after December 2024.