



DEFINING A PUBLIC INTEREST ENTITY

HOW TO STREAMLINE THE SCOPE OF EU AUDIT RULES ACROSS COUNTRIES

June 2022

This publication highlights how differently 30 European countries define a public interest entity (PIE). This is relevant as certain EU laws only apply to PIEs, including EU PIE audit and related rules for companies and audit firms. The wide diversity in national PIE definitions results in these EU rules for PIEs having a different scope across countries. To create a level playing field in Europe, we propose to further streamline the countries' PIE definitions.

With this paper, we aim to inform policymakers in the context of the European Commission's ongoing initiative on corporate reporting. Accountancy Europe will continue exploring this matter to contribute to the debate.



CONTEXT

Identifying PIEs and therefore the PIE definition in each country are crucial to determine which companies and their audits fall in the scope of legislation for PIEs. PIEs and their audits have to comply with specific and more demanding requirements.

The European Union (EU) [2013 Accounting Directive](#) established today's definition of a PIE. This Directive also includes additional reporting requirements for PIEs.

The [2014 EU Audit Regulation](#) applies only to audits and auditors of PIEs. These have to comply with specific requirements such as:

- mandatory audit firm rotation
- auditor's provision of non-audit services to audit clients, including cap and prohibition of certain of these services
- oversight requirements for PIE audits

The 2013 EU Accounting Directive and [2014 EU Audit Directive](#) define the following entity categories as a PIE ¹:

- a listed entity
- a credit institution
- an insurance undertaking

Member States may decide to designate additional entities as PIEs at national level.

¹ This differs from the international PIE definition ([recently revised](#)) which only some Member States apply.



OBJECTIVE

This publication presents our latest (May 2022) update (see the earlier versions from [2014](#) and [2019](#)) on how countries have decided to define a PIE in their jurisdictions, 6 years after the transposition deadline of the 2014 EU audit legislation into national legislation. Our analysis covers 30 European countries, including 27 EU Member States, Iceland, Norway and the United Kingdom ².

Information in this publication can be useful for policymakers in the context of the [European Commission's initiative on corporate reporting](#). Amending rules and/or introducing any new ones will require considering the scope of their applicability, and therefore the PIE definition.

² Note that the United Kingdom, which applied the EU Single Market legislation until the end of 2020, resulting in its audit framework in 2022 remaining consistent with EU practice, is included in this publication with respect to the subject matters as covered for EU and European Economic Area (EEA) countries, the latter being Iceland and Norway.



CURRENT DEFINITION OF A PIE IN 30 EUROPEAN COUNTRIES

OVERVIEW OF PIE DEFINITIONS ACROSS EUROPE

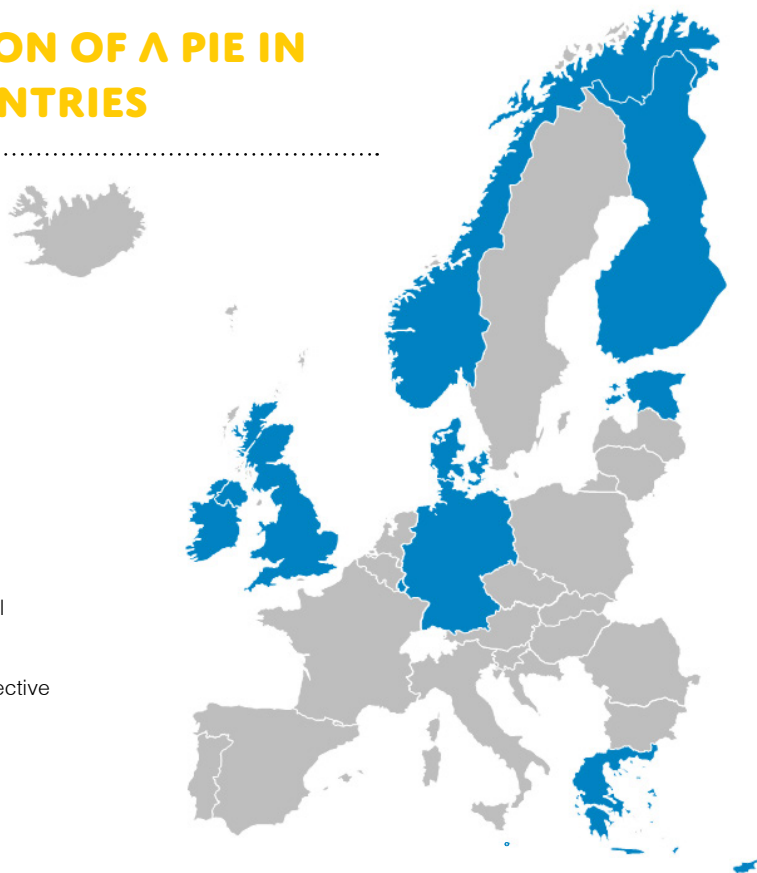
The map shows that:

- 11 countries decided to stick to the 3 PIE categories as designated in the EU legislation
- 19 countries adopted an extended national definition of a PIE

- Entities designated as PIEs by the EU legislation *
- Additional entities designated as PIEs at national level

* 2013 EU Accounting Directive & 2014 EU Audit Directive designated these categories of entities as PIEs:

- listed entity
- credit institution
- insurance undertaking



NATIONAL DEFINITIONS OF A PIE

The below table looks in more detail into the national definitions of a PIE ³. The categories marked with 'x' are explicitly defined as PIEs.

The definitions of PIEs have been classified depending on:

- the application of the entity categories as designated in the EU definition: the left part of the table is based on the EU definition as included in the 2013 Accounting Directive and 2014 Audit Directive
- other designated entities at national level: the right part of the table provides an insight in the other entities designated as PIEs at national level

³ For further details on national PIE definitions, refer to the Annex in Accountancy Europe's 2019 [publication](#) on this topic.

	EXTENT OF THE EU DEFINITION				OTHER DESIGNATED ENTITIES AT NATIONAL LEVEL							
	Listed entities	Credit institutions	Insurance undertakings	Other designated entities	Pension funds	UCITS/ Investment companies	Size criterion	State owned companies	Government	Asset management companies	Electronic money institutions	Other
AUSTRIA	x	x	x	x								x
BELGIUM	x	x	x	x								x
BULGARIA	x	x	x	x	x		x	x		x		x
CROATIA	x	x	x	x	x	x		x		x	x	
CYPRUS	x	x	x	x ¹								
CZECH REPUBLIC	x	x	x	x	x	x						
DENMARK	x	x	x									
ESTONIA	x	x	x									
FINLAND	x	x	x									
FRANCE	x	x	x	x								x
GERMANY	x	x	x									
GREECE	x	x	x	x ²								
HUNGARY	x	x	x	x						x		x
ICELAND	x	x	x	x	x							
IRELAND	x	x	x									
ITALY	x	x	x	x	x	x	x			x	x	x
LATVIA	x	x	x	x	x	x				x		
LITHUANIA	x	x	x	x	x	x	x	x	x	x		x
LUXEMBOURG	x	x	x									
MALTA	x	x	x	x ³								
NETHERLANDS	x	x	x	x	x							x
NORWAY	x	x	x									
POLAND	x	x	x	x	x	x					x	x
PORTUGAL	x	x	x	x	x							x
ROMANIA	x	x	x	x	x	x		x	x		x	x
SLOVAKIA	x	x	x	x	x		x		x	x		x
SLOVENIA	x	x	x	x	x			x				
SPAIN	x ⁴	x	x	x	x ⁵	x ⁶	x				x	x
SWEDEN	x	x	x	x	x							
UK ⁷	x	x	x									

[1] The option is available, but not used.

[2] The option is available, but not used.

[3] Other entities may be prescribed by the Minister, but this is currently not used.

[4] Including entities issuing securities listed on the alternative stock market belonging to the growth companies segment.

[5] Including their managing entities, size criteria applicable.

[6] Including their managing entities, size criteria applicable.

[7] Following the consultation from the UK Department for Business, Energy & Industrial Strategy (BEIS), a [reform](#) is planned to expand the definition to private companies using a size criteria – very large unlisted companies (>750 employees and >£750 million annual turnover) will also become PIEs.



WAY FORWARD LIES IN SIMPLIFICATION AND STREAMLINING

According to our [2019 survey](#) on the definition of a PIE, the 2014 EU audit legislation led to a revised definition of a PIE in most countries, resulting in more harmonised and reduced definitions across Europe. This has contributed to an overall decrease in the number of PIEs.

However, there is still a wide diversity of definitions of a PIE across Europe. This results in a different scope of applicability of the EU Audit Regulation across countries, depending on a national PIE definition.

To create a level playing field, we believe that the PIE definition across European countries should be further streamlined and reduced as much as possible to the 3 PIE categories as designated in the EU legislation.

Accountancy Europe will continue exploring how a PIE could be defined more proportionally in the context of European PIE audit and related rules for companies and audit firms.

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