

Q What is the definition of 'Public Interest Entity' as per Code of Ethics, 2026?

The term 'Public Interest Entity' is defined in Volume-II of Code of Ethics, 2026 as:

- (a) A listed entity; or
- (b) An entity one of whose main functions is to take deposits from the public; or
- (c) An entity:
 - (i) Defined by regulation or legislation as a public interest entity; or
 - (ii) Having borrowings of ₹500 crores of rupees or more (to be assessed at both the beginning and end of the year).

For purpose of this definition, it may be noted that Banks and Insurance Companies are to be considered as Public Interest Entities.

Other entities might also be considered by the Firms to be public interest entities, as set out in paragraph 400.13 and 400.14.

Q What is covered by "Entity one of whose main functions is to take deposits from the public"?

Section 2(31) of the Companies Act, 2013, defines deposit as "any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with the Reserve Bank of India". Further, the list of such exclusions is provided under the Companies (Acceptance of Deposits) Amendment Rules, 2020.

The term "one of whose main functions" is used in order to capture entities that have other main functions such as credit and lending. Further, the term also intends to exclude those entities for which deposit-taking is not a main function.

Some of the examples of such entities would be deposit-taking financial institutions such as banks, Non-Banking Finance Companies etc., the main function of which is to accept deposits from the public.

Q The new definition of 'Public Interest Entity (PIE)' provides that a firm shall treat an entity as PIE when entity one of whose main functions is to take deposits from the public. Whether Non-Banking Financial Company (NBFC) will be included in this definition?

Yes, Non-Banking Financial Company (NBFC) will be a Public Interest Entity, if one of whose main functions is to take deposits from the public.

Q Whether a listed entity which is having borrowings less than 500 crores of rupees will be included in the definition of 'Public Interest Entity (PIE)'?

Yes, paragraph R400.22 of Volume-II of Code of Ethics, 2026, provides that a firm shall treat an entity as a public interest entity if it is a listed entity. Accordingly, the borrowing limit will have no effect in case an entity is a listed entity.

Q If an entity becomes a Public Interest Entity (PIE), what are the examples of incremental requirements which become applicable under the Code of Ethics, 2026?

Following are the examples of incremental requirement that become applicable under the Code of Ethics, 2026 once an entity becomes a PIE:

- Additional specific compliance requirements on provision of a non-assurance service by the firm or the network firm to an audit client that is a PIE if the provision of that service might create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion. (R400.32)
- Requirements on communication with Those Charged with Governance of a PIE entity regarding non-assurance services to entities within the corporate structure of which the PIE entity forms part. (R600.21 to R600.25, R600.26)
- Restriction on entering into employment with a PIE audit client by key audit partners and senior or managing partner (chief

executive or equivalent) of the firm (R524.6 and R524.7)

- The thresholds for disclosure to the Institute for fees received from a PIE audit client are more stringent. (R410.18 and R410.20)
- Specific rotation requirements of key audit partner roles on the audit of a PIE entity (Section 540).



Whether a firm can accept appointment as auditor of a public interest entity to which the firm or the network firm has provided a non-assurance service during the period covered by the financial statements, prior to such appointment?

As per the provisions of Paragraph R400.32 of Volume-II of Code of Ethics, 2026, subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations. etc.), a firm shall not accept appointment as auditor of a public interest entity to which the firm or the network firm has provided a non-assurance service prior to such appointment that might create a self-review threat in relation to the financial statements on which the firm will express an opinion unless:

- (a) The provision of such service ceases before the commencement of the audit engagement period;
- (b) The firm takes action to address any threats to its independence; and
- (c) The firm determines that, in the view of a reasonable and informed third party, any threats to the firm's independence have been or will be eliminated or reduced to an acceptable level.



Under what circumstances does fee dependency on an audit client that is a Public Interest Entity requires a disclosure requirement to the Institute?

As per the provisions of paragraph R410.18 of Volume-II of Code of Ethics, 2026, where an audit client is a public interest entity and for two consecutive years, the total gross annual professional fees ("total fees") from the client and its related entities represent more than 20% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall disclose to the Institute the fact that for two consecutive years, the total of such fees represents more than 20% of the total fees received by the firm.

Provided that no such ceiling on the total fees of the firm shall be applicable where total fees of the firm does not exceed fifty lakhs of rupees in respect of a firm including fees received by the firm for other services rendered.

Provided further that no such ceiling on the total fees of the firm shall be applicable where total fees from any audit client and its related entities do not exceed twenty lakhs of rupees.

Further such ceiling on the total fees of a firm would not be applicable in the case of audit of government Companies, public undertakings, nationalized banks, public financial institutions or where appointments of auditors are made by the Government or Regulators.



Whether independence is affected if an individual who was a key audit partner of an audit client which is a Public Interest Entity (PIE) joins the audit client as a director or officer?

As per the provisions of paragraph R524.6 subject to paragraph R524.8 of Volume-II of Code of Ethics, 2026, if an individual who was a key audit partner with respect to an audit client that is a public interest entity joins the client as a director or officer or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, independence is compromised unless, subsequent to the individual ceasing to be a key audit partner:

- (i) The audit client has issued audited financial statements covering a period of not less than twelve months; and
- (ii) The individual was not an audit team member with respect to the audit of those financial statements.



What is the maximum period for which an individual can serve as engagement partner in respect of an audit of a Public Interest Entity (PIE)?

As per the provisions of paragraph R540.5 subject to paragraphs R540.7 to R540.9 of Volume-II of Code of Ethics, 2026, in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the "time-on" period):

- (a) The engagement partner;
- (b) The individual appointed as responsible for performing the engagement quality review; or
- (c) Any other key audit partner role.

After the time-on period, the individual shall serve a "cooling-off" period in accordance with the provisions in paragraphs R540.11 to R540.19 of Volume-II of Code of Ethics, 2026.
