



## WHAT IS AN OTHER ENTITY OF PUBLIC INTEREST (OEPI)?

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### INTRODUCTION

This helpsheet has been issued by ICAEW's Technical Advisory Service to help ICAEW members to understand what an other entity of public interest (OEPI) is and when restrictions on providing non-audit / additional services to OEPIs apply from.

Members may also wish to refer to the following guidance:

- [FRC Ethical Standard](#)
- [FRC Ethical Standard Implementation Guidance \(November 2020\)](#)

### WHY DOES IT MATTER IF AN ENTITY IS AN OEPI?

For periods commencing on or after 15 December 2020, auditors of OEPIs (and where the firm belongs to a network, any member of such network) must not provide to the OEPI (or to its UK parent undertaking or its worldwide controlled undertakings) any non-audit / additional services except those permitted by the [FRC Ethical Standard](#) 2019 (paragraphs 1.69 and 5.42).

This is the same list of permitted non-audit / additional services as for public interest entities (PIEs), although the OEPIs are not subject to the 70% non-audit services cap.

For the purpose of this helpsheet, these will be referred to as 'the OEPI restrictions'.

### DEFINITION

The FRC Glossary of Terms (Auditing and Ethics) 2019 defines other entity of public interest as:

*An entity which does not meet the definition of a Public Interest Entity, but nevertheless is of significant public interest to stakeholders. This includes*

- AIM listed entities which exceed the threshold to be an SME listed entity as calculated using the definition in this glossary;*
- Lloyds syndicates;*
- Private sector pension schemes with more than 10,000 members and more than £1 billion of assets, by reference to the most recent set of audited financial statements\*;*

- d) *Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860) by reference to the most recent set of audited financial statements\*, excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure.*

*\* The requirements apply to the audit of the next financial period commencing after the signing of the auditor's report for the period in which the entity met the OEPI criteria.*

If an entity which is not a PIE falls into any part of the above definition then it will be an OEPI. Interpreting the definition of an OEPI can be complex, especially with the cross reference to other regulations. The following sections seek to summarise and explain each part of the definition.

## AIM LISTED ENTITIES

Description	Is it an OEPI?
AIM listed entity which <b>exceeds</b> the threshold to be an SME listed entity	Yes
AIM listed entity which <b>does not exceed</b> the threshold to be an SME listed entity	No

The FRC Glossary of Terms (Auditing and Ethics) 2019 defines an SME listed entity as:

- (a) *An entity whose equity financial instruments had an average market capitalisation of less than €200m on the basis of year end quotes for the previous three calendar years; or*
- (b) *An entity that issues exclusively non-equity financial instruments if:*
- i. *The total nominal amount of the non-equity financial instruments issued and outstanding does not exceed €200m; or*
  - ii. *According to the last annual or consolidated accounts, meets at least two of the following criteria:*
    - *An average number of employee during the financial year of less than 250;*
    - *A total balance sheet not exceeding €43m;*
    - *An annual net turnover not exceeding €50m.*

*An entity whose equity financial instruments have been admitted to trading for less than three years shall be deemed an SME if its market capitalisation is below €200m based on:*

- (a) *The closing share price of the first day of trading, if its shares have been admitted to trading for less than one year;*
- (b) *The last closing share price of the first year of trading, if its financial instruments have been admitted to trading for more than one year but less than two years; or*

- (c) *The average of the last closing share prices of each of the first two years of trading, if its financial instruments have been admitted to trading for more than two years but less than three years.*

If captured by the definition, the first period in which the OEPI restrictions apply is the first period commencing on or after 15 December 2020.

The FRC's [Implementation Guidance \(November 2020\)](#) confirms that AIM listed entities are only classified as OEPIs where they exceed the threshold to be an SME listed entity.

## LLOYDS SYNDICATES

Description	Is it an OEPI?
Any Lloyds syndicate	Yes

All Lloyds syndicates fall within the definition of OEPIs. The first period in which the OEPI restrictions apply is the first period commencing on or after 15 December 2020.

## PRIVATE SECTOR PENSION SCHEMES

Description	Is it an OEPI?
A private sector pension scheme with: <ul style="list-style-type: none"> <li>• More than 10,000 members; <b>and</b></li> <li>• More than £1bn of assets.</li> </ul>	Yes
Other private sector pension schemes	No

The number of members and the value of assets is considered by reference to the most recent set of audited financial statements. The OEPI restrictions apply to the next financial period commencing after the signing of the auditor's report for the period in which the entity met the OEPI criteria.

### Example 1

The pension scheme has a year end of 31 December. Its previous audited financial statements show the following:

- y/e 31 December 2019 (auditor's report signed 26 June 2020):
  - 12,000 members
  - £1.2bn assets

The pension scheme met the OEPI criteria in y/e 31 December 2019. The next period commencing after the signing of the auditor's report (26 June 2020) is the period commencing 1 January 2021. This is the first period in which the OEPI restrictions would therefore apply.

## Example 2

The pension scheme has a year end of 31 December. Its previous audited financial statements show the following:

- y/e 31 December 2019 (auditor's report signed 26 June 2020):
  - 9,000 members
  - £1.2bn assets
- y/e 31 December 2020 (auditor's report signed 23 June 2021):
  - 11,000 members
  - £1.2bn assets

The pension scheme did **not** meet the OEPI criteria in y/e 31 December 2019. The pension scheme **did** meet the OEPI criteria in y/e 31 December 2020. The next period commencing after the signing of the auditor's report (23 June 2021) is the period commencing 1 January 2022. This is the first period in which the OEPI restrictions would therefore apply.

## ENTITIES SUBJECT TO THE GOVERNANCE REQUIREMENTS

The governance requirements apply only to certain companies which are subject to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). They will not therefore apply to LLPs or to companies which are subject to the Small Companies and Groups (Accounts and Director's Report) Regulations 2008 (SI 2008/409).

Description	Is it an OEPI?
Fund management entities which are included within a private equity or venture capital limited partnership fund structure.	No <sup>1</sup>
Community interest companies	No <sup>2</sup>
Charitable companies	No <sup>2</sup>
Companies required to prepare a corporate governance statement (which is defined by s472A of the Companies Act 2006 as the statement required by rules 7.2.1 to 7.2.11 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority)	No <sup>2</sup> (but these entities may well be PIEs anyway)
Other companies	Maybe

1. These entities are scoped out by the FRC definition of OEPI.
2. These entities are scoped out of the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860) by the regulations themselves.

Companies which are not scoped out will need to assess whether they are still subject to the governance requirements – if they are, they meet the OEPI criteria. The OEPI restrictions apply to the next financial period commencing after the signing of the auditor's report for the period in which the entity met the OEPI criteria.

## Is a company subject to the governance requirements?

For the purpose of assessing whether a company is an OEPI, the FRC's **Implementation Guidance (November 2020)** confirms that the assessment is made by reference to the criteria in Part 8, paragraph 23(3) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) which was inserted by The Companies (Miscellaneous Reporting) Regulations 2018 (SI 2018/860). It also confirms that despite the regulations including a 'two year rule', the sole criteria relevant to the assessment of whether a relevant entity is an OEPI is with reference to the most recent financial statements.

The qualifying conditions are met in any year in which the company has:

- More than 2,000 employees; **and/or**
- A turnover of more than £200m **and** a balance sheet total of more than £2bn.

Even where the company is part of a group, the assessment is still made based on the company's employees, turnover and balance sheet total, not that of the group.

### Example 1

The company has a year end of 31 December and this is the first year of the company. Its audited financial statements show the following:

- y/e 31 December 2019 (auditor's report signed 26 June 2020):
  - 2,100 employees
  - £100m turnover
  - £1.8bn balance sheet total

The company exceeded the employee threshold in and therefore met the qualifying conditions in 2019. The next period commencing after the signing of the auditor's report (26 June 2020) is the period commencing 1 January 2021. This is the first period in which the OEPI restrictions would therefore apply.

### Example 2

The company has a year end of 31 December and has been in existence since 2017. Its previous audited financial statements show the following:

- y/e 31 December 2017 (auditor's report signed 21 June 2018):
  - 2,100 employees
  - £100m turnover
  - £1.8bn balance sheet total
- y/e 31 December 2018 (auditor's report signed 19 June 2019):
  - 2,100 employees
  - £100m turnover
  - £1.8bn balance sheet total

- y/e 31 December 2019 (auditor's report signed 26 June 2020):
  - 2,100 employees
  - £100m turnover
  - £1.8bn balance sheet total

The company exceeded the employee threshold in 2017, 2018 and 2019 and therefore met the qualifying conditions in each of these three years.

As the new requirements for OEPIs come into effect for the audit of financial periods beginning on or after 15 December 2020, the first period in which the OEPI restrictions would apply would be the period commencing 1 January 2021. Nevertheless, the FRC's [Implementation Guidance \(November 2020\)](#) highlights that, except in the specific circumstances set out in the guidance, firms should not enter into new non-audit services engagements which would not be permitted under the OEPI requirements after that date, even where that service would be provided in the period between 15 December 2020 and the start of the entity's next financial period. This is because the FRC's view is that an objective reasonable and informed third party might conclude that it is probable that the auditor's independence would be compromised as a result.

### Example 3

The company has a year end of 31 December and has been in existence for a number of years. Its previous audited financial statements show the following:

- y/e 31 December 2017 (auditor's report signed 19 June 2018):
  - 1,800 employees
  - £210m turnover
  - £1.8bn balance sheet total
- y/e 31 December 2018 (auditor's report signed 19 June 2019):
  - 1,800 employees
  - £210m turnover
  - £1.8bn balance sheet total
- y/e 31 December 2019 (auditor's report signed 26 June 2020):
  - 1,800 employees
  - £210m turnover
  - £1.8bn balance sheet total
- y/e 31 December 2020 (auditor's report signed 17 June 2021):
  - 1,800 employees
  - £250m turnover
  - £2.1bn balance sheet total

In 2017, 2018 and 2019 the company did not exceed the employee numbers threshold and did not exceed the turnover/balance sheet total threshold either (as the balance sheet total was below the threshold). It did not therefore meet the qualifying conditions in any of these years.

In 2020, the company exceeded the turnover/balance sheet total threshold (as it was over on both). It therefore met the qualifying conditions in 2020. The next period commencing after the signing of the auditor's report (17 June 2021) is the period commencing 1 January 2022. This is the first period in which the OEPI restrictions would therefore apply.

## IF IN DOUBT SEEK ADVICE

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