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**INDEPENDENT REGULATORY BOARD FOR AUDITORS**  
**COMMITTEE FOR AUDITOR ETHICS**

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**IESBA Proposes Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code and implications for South Africa**

Johannesburg / 9 February 2021

The International Ethics Standards Board for Accountants (IESBA) released, for public comment, the Exposure Draft, [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).

When an entity falls within the definition of a Listed Entity and/or a Public Interest Entity (PIE) relevant laws and regulations may impose additional requirements relating to objectivity, independence, reporting, disclosure, and other requirements on the entity's auditors and may affect the entity. These additional requirements are designed to enhance confidence in audits of those entities. Firms may also be applying these definitions within their systems of quality management, reporting systems and policies and procedures. Accordingly, these proposed amendments need to be carefully considered by all practitioners.

The proposed revisions broaden the definition of a PIE to include more categories of entities. This has arisen, given the level of public interest in their financial condition.

Among other matters, the proposed revisions:

- Introduce an overarching objective for additional requirements to enhance confidence in the audit of financial statements of PIEs;
- Provide guidance on factors to consider when determining the level of public interest in an entity;
- Broaden the definition of PIE to additional categories of entities;
- Replace the term 'listed entity' with the term 'publicly traded entity' and redefine the PIE category;
- Introduce new requirements for firms to determine if additional entities should be treated as PIEs, for independence purposes, and to publicly disclose if an audit client was treated as a PIE; and
- Recognise and encourage local regulators to refine the PIE categories to cater for national conditions.

### **The IRBA Code**

Paragraphs R400.8a SA to R400.8c SA of the [IRBA Code of Professional Conduct for Registered Auditors \(Revised November 2018\)](#) already include South African requirements relating to the definition of PIE. Those South African requirements which came into effect on 1 July 2016, are in addition to the extant requirements of the IESBA Code. These IESBA proposed changes will need to be considered in light of the existing requirements in South Africa and depending on the deliberations of the IRBA's Committee for Auditor Ethics and insights gained from this Exposure

Draft, may give rise to conforming and consequential changes in the IRBA Code, and other relevant IRBA pronouncements.

In accordance with the provisions of Section 10(1)(a) of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act), the IRBA may, by notice in the Government Gazette and pursuant to the provisions of Section 4(1)(c) of the Act, publish, for public information and comment, an amendment to the IRBA Code. Accordingly, a Board Notice to the same effect will be published in the Government Gazette for public comment for a minimum period of 30 days.

## **Request for Comments**

We invite registered auditors and others to submit to the IRBA, for its consideration, any comments regarding the Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code Exposure Draft, as we prepare our response to the IESBA. Comments, in Word and PDF formats, should be sent to [standards@irba.co.za](mailto:standards@irba.co.za) and submitted by 19 April 2021.

Alternatively, comments may be submitted directly to the IESBA through the [IESBA website](#), which has a 'Submit a Comment' link on the Exposure Draft page. Comments to the IESBA close on 3 May 2021.

The Exposure Draft is available in PDF format and may be downloaded from the [IRBA website](#). Should you have any further queries, please do not hesitate to contact the Standards Department by sending an email to [standards@irba.co.za](mailto:standards@irba.co.za).

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**Director: Standards**

### ***About the IRBA***

*The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.*

*The statutory responsibilities of the CFAE are to assist the IRBA to determine what constitutes improper conduct by registered auditors by developing rules and guidelines for professional ethics, including a code of professional conduct; interact on any matter relating to its functions and powers with professional bodies and any other body or organ of state with an interest in the auditing profession; and provide advice to registered auditors on matters of professional ethics and conduct.*