
INDEPENDENT REGULATORY BOARD FOR AUDITORS

COMMITTEE FOR AUDITOR ETHICS

Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity in the IRBA Code of Professional Conduct for Registered Auditors

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In October 2023, the Independent Regulatory Board for Auditors (IRBA) approved the [*Revisions to the Definitions of Listed Entity and Public Interest Entity \(PIE\)*](#) in the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) for prescription and use by registered auditors. A Board Notice to the same effect will be published in the Government Gazette. These revisions comprehensively revise the definitions, approach, categories and thresholds applicable to these entities, and will impact many engagement partners and firms, and will involve engagement with those charged with governance and users. The IRBA continues to take steps in line with its strategy to restore confidence in audits and the audit profession.

Background

The IRBA adopted the International Ethics Standards Board for Accountants (IESBA) Code, published in 2018, together with South African enhancements. Since then, the IRBA Code tracks changes in the IESBA Code and is updated for those developments, following a local due process and adoption by the IRBA Board. Local adaptations of the IESBA Code are reflected in the IRBA Code as [*underlined and in italics*](#).

Prior to these revisions, paragraphs [**R400.8a SA**](#) to [**R400.8c SA**](#) of the [IRBA Code](#) included South African requirements relating to the definition of a PIE. These local requirements were [issued on 4 March 2016](#), came into effect on 1 July 2016 and were in addition to the extant requirements of the IESBA Code.

IESBA Amendments and the Process Followed in South Africa

On 29 January 2021, the IESBA released, for public comment, the Exposure Draft, [*Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*](#). In South Africa, the IRBA gazetted these proposed amendments ([Board Notice 15 of 2021](#)). Thereafter, on 11 April 2022, the IESBA released a final pronouncement on the [revised definition of a public interest entity](#) (alongside its [Basis for Conclusions](#)). The revised provisions specify a broader list of categories of entities as PIEs whose audits should be subject to additional independence requirements, to meet stakeholders' heightened expectations concerning auditor independence.

After the IESBA pronouncement, the IRBA commenced a process for potential revisions to cater for local requirements, in line with the IRBA due process. The IRBA released a [communique](#) explaining the local process and stages of adoption.

Key Revisions

Among other matters, the revisions:

- Include an expanded definition of "public interest entity" in the IRBA Code by specifying a broader list of PIE categories, as well as the new "publicly traded entity" category that replaces "listed entity".
- Introduce a transparency requirement for firms to publicly disclose the application of independence requirements for PIEs.

The revised provisions also recognise the essential role that local bodies responsible for the adoption of the IESBA Code play in delineating the specific entities that should be scoped in as PIEs in their jurisdictions. They also encourage these bodies to refine the PIE categories in the expanded definition and add any other categories that may be relevant to their environments.

As such, the South African adaptations, among other matters, include:

- Revisions to the South African requirements relating to the definition of PIE in paragraph **R400.23 SA**.
- A new paragraph, 400.22 SA, which clarifies that a client's public interest score, as calculated in terms of the South African Companies Act No. 71 of 2008, (as amended) should not be used to determine whether the client is a public interest entity in terms of the IRBA Code. The two concepts of public interest entity and public interest score should not be confused or used interchangeably.

Local Due Process and Adoption by the IRBA Board

The IRBA issued Exposure Draft: *Proposed Amendments to the IRBA Code of Professional Conduct for Registered Auditors - Revisions to the Definitions of Listed Entity and Public Interest Entity* on 7 December 2022, for public comment. The 3rd of April 2023 was the due date for comments. Then, the Committee for Auditor Ethics (CFAE) considered the comments received and in August 2023 recommended the *Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity in the IRBA Code of Professional Conduct for Registered Auditors* to the IRBA Board for issue, prescription and use by registered auditors.

Effective Date

The Revisions to Listed Entity and Public Interest Entity Definitions in the IRBA Code (Revised April 2023) are effective for audits of financial statements for periods beginning on or after 15 December 2024. Early adoption is permitted.

Implementation Support

The following enablement material is available on the IESBA website:

- *Staff Questions and Answers: Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code.*
- Staff Questions and Answers: *Revised Non-Assurance Services Provisions of the Code - Guidance for Professional Accountants in Public Practice in Relation to Audits of Financial Statements of Public Interest Entities.*

The Final Pronouncement is available in a 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 emailing standards@irba.co.za.

Imran Vanker

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.