



Committee for Auditor Ethics (CFAE)

**Revisions to the
IRBA Code of Professional Conduct for Registered Auditors
(Revised April 2023)**

Definition of Engagement Team and Group Audits

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The IRBA Code is based on Parts 1, 3, 4A and 4B of the Code of Ethics for Professional Accountants (Including International Independence Standards) of the International Ethics Standards Board of Accountants (the “IESBA Code”) published by the International Federation of Accountants (IFAC) in September 2022 and is used with the permission of IFAC. *South African adaptations and amendments* to the IESBA Code are underlined and in italics in the IRBA Code.

CONTENTS**DEFINITIONS, INCLUDING LISTS OF ABBREVIATIONS AND STANDARDS 4****Chapter 1 - Changes to the Independence Standards relating to the Revision to the Definition of Engagement Team and Group Audits. 8**

SECTION 400 8

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS 8

SECTION 405 12

GROUP AUDITS 12

Chapter 2 – Conforming Amendments to Section 360 of the IRBA Code to align with ISA 600 (Revised) Terminology..... 21

SECTION 360 21

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS..... 21

Chapter 3 – Conforming Amendment to Revised Non-assurance Services (NAS) Provisions issued by the IESBA in April 2021 and adopted by the IRBA in February 2022..... 23

SECTION 400 23

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS 23

Chapter 4 - Conforming Amendments to the IRBA Code Resulting from the Revision to the Definition of Engagement Team 24

SECTION 300 24

APPLYING THE CONCEPTUAL FRAMEWORK – *REGISTERED AUDITORS PERFORMING PROFESSIONAL SERVICES*..... 24

SECTION 310 25

CONFLICTS OF INTEREST 25

SECTION 320 26

PROFESSIONAL APPOINTMENTS..... 26

SECTION 400 27

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS 27

SECTION 510	27
FINANCIAL INTERESTS.....	27
SUBSECTION 605	28
INTERNAL AUDIT SERVICES (FROM REVISED NAS PRONOUNCEMENT).....	28
SECTION 900	29
APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS	29
Chapter 5 - Quality Management-related Consequential Amendments to the IRBA Code	30
SECTION 540	30
LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION) WITH AN AUDIT CLIENT	30
SECTION 800	31
REPORTS ON SPECIAL PURPOSE FINANCIAL STATEMENTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (AUDIT AND REVIEW ENGAGEMENTS)	31
SECTION 940	32
LONG ASSOCIATION OF PERSONNEL WITH AN ASSURANCE CLIENT	32
SECTION 990	32
REPORTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS).....	32
EFFECTIVE DATE	34
APPENDIX 1: CHANGES ARISING FROM THE IESBA REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY THAT HAVE YET TO BE ADOPTED BY THE IRBA.....	35
<i>DEFINITIONS</i> , INCLUDING LISTS OF ABBREVIATIONS AND STANDARDS SECTION OF THE IRBA CODE.....	35
SECTION 400	36
APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS	36

DEFINITIONS, INCLUDING LISTS OF ABBREVIATIONS AND STANDARDS

<p>Assurance Team</p>	<p>(a) All members of the engagement team for the assurance engagement;</p> <p>(b) All others within, or engaged by, the firm who can directly influence the outcome of the assurance engagement, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement; (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement.
<p>Audit Client</p>	<p>An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control. (See also paragraph R400.20.)</p> <p><i>In Part 4A, the term “audit client” applies equally to “review client.</i></p> <p><i>In the case of a group audit, see the definition of group audit client.</i></p>
<p>Audit Team</p>	<p>(a) All members of the engagement team for the audit engagement;</p> <p>(b) All others within, or engaged by, the firm who can directly influence the outcome of the audit engagement, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent); (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and

	<p>(c) Any other individuals within a network firm who can directly influence the outcome of the audit engagement.</p> <p><i>In Part 4A, the term “audit team” applies equally to “review team.” In the case of a group audit, see the definition of group audit team.</i></p>
Component	<p>An entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for purposes of planning and performing audit procedures in a group audit.</p>
Component audit client	<p>A component in respect of which a group auditor firm or component auditor firm performs audit work for purposes of a group audit. When a component is:</p> <p>(a) A legal entity, the component audit client is the entity and any related entities over which the entity has direct or indirect control; or</p> <p>(b) A business unit, function or business activity (or some combination thereof), the component audit client is the legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.</p>
Component auditor firm	<p>The firm performing audit work related to a component for purposes of a group audit.</p>
Engagement team	<p>All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding external experts and internal auditors who provide direct assistance on the engagement.</p> <p><i>In Part 4A, the term “engagement team” refers to individuals performing audit or review procedures on the audit or review engagement, respectively. This term is further described in paragraph 400.9.</i></p> <p><i>ISA 220 (Revised) provides further guidance on the definition of engagement team in the context of an audit of financial statements.</i></p> <p><i>ISA 620 defines an auditor’s expert as an individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. ISA 620 deals with the auditor’s responsibilities relating to the work of such experts.</i></p> <p><i>ISA 610 (Revised 2013) deals with the auditor’s responsibilities if using the work of internal auditors, including using internal auditors to provide direct</i></p>

	<p><i>assistance on the audit engagement.</i></p> <p><i>In Part 4B, the term “engagement team” refers to individuals performing assurance procedures on the assurance engagement.</i></p>
Group	A reporting entity for which group financial statements are prepared.
Group audit	The audit of group financial statements.
Group audit client	<p>The entity on whose group financial statements the group auditor firm conducts an audit engagement. When the entity is a listed entity, group audit client will always include its related entities and any other components at which audit work is performed. When the entity is not a listed entity, group audit client includes related entities over which such entity has direct or indirect control and any other components at which audit work is performed.</p> <p><i>See also paragraph R400.20.</i></p>
Group auditor firm	The firm that expresses the opinion on the group financial statements.
Group audit team	<p>(a) All members of the engagement team for the group audit, including individuals within, or engaged by, component auditor firms who perform audit procedures related to components for purposes of the group audit;</p> <p>(b) All others within, or engaged by, the group auditor firm who can directly influence the outcome of the group audit, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the group engagement partner in connection with the performance of the group audit, including those at all successively senior levels above the group engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent); (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the group audit; and (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the group audit; <p>(c) Any other individuals within a network firm of the group auditor firm’s network who can directly influence the outcome of the group audit;</p>

	<p>and</p> <p>(d) Any other individuals within a component auditor firm outside the group auditor firm’s network who can directly influence the outcome of the group audit.</p>
Group engagement partner	The engagement partner who is responsible for the group audit.
Group financial statements	Financial statements that include the financial information of more than one entity or business unit through a consolidation process.
Key audit partner	The engagement partner, the individual responsible for the engagement quality review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” might include, for example, engagement partners for certain components in a group audit such as significant subsidiaries or divisions.
Review team	<p>(a) All members of the engagement team for the review engagement; and</p> <p>(b) All others within, or engaged by, the firm who can directly influence the outcome of the review engagement, including:</p> <ul style="list-style-type: none"> (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent); (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and <p>(c) Any other individuals within a network firm who can directly influence the outcome of the review engagement.</p>

Chapter 1 - Changes to the Independence Standards relating to the Revision to the Definition of Engagement Team and Group Audits.

PART 4A - INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

400.1 It is in the public interest and required by the Code that *registered auditors* in public practice be independent when performing audit or review engagements.

400.2 This Part applies to both audit and review engagements, unless otherwise stated. The terms “audit,” “audit team,” “audit engagement,” “audit client,” and “audit report” apply equally to review, review team, review engagement, review client, and review engagement report.

[...]

400.6 When performing audit engagements, the Code requires firms to comply with the fundamental principles and be independent. This Part sets out specific requirements and application material on how to apply the conceptual framework to maintain independence when performing such engagements. The conceptual framework set out in Section 120 applies to independence as it does to the fundamental principles set out in Section 110. Section 405 sets out specific requirements and application material applicable in a group audit.

400.7 This Part describes:

- (a) Facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence;
- (b) Potential actions, including safeguards, that might be appropriate to address any such threats; and
- (c) Some situations where the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level.

Engagement Team and Audit Team

400.8 This Part applies to all audit team members, including engagement team members.

400.9 An engagement team for an audit engagement includes all partners and staff in the firm who perform audit work on the engagement, and any other individuals who perform audit procedures who are from:

- (a) A network firm; or
- (b) A firm that is not a network firm, or another service provider.

For example, an individual from a component auditor firm who performs audit procedures on the financial information of a component for purposes of a group audit is a member of the engagement team for the group audit.

400.10 In ISQM 1, a service provider includes an individual or organization external to the firm that provides a resource that is used in the performance of engagements. Service providers exclude the firm, a network firm or other structures or organizations in the network.

400.11 An audit engagement might involve experts within, or engaged by, the firm, a network firm, or a component auditor firm outside a group auditor firm's network, who assist in the engagement. Depending on the role of the individuals, they might be engagement team or audit team members. For example:

- Individuals with expertise in a specialized area of accounting or auditing who perform audit procedures are engagement team members. These include, for example, individuals with expertise in accounting for income taxes or in analysing complex information produced by automated tools and techniques for the purpose of identifying unusual or unexpected relationships.
- Individuals within, or engaged by, the firm who have direct influence over the outcome of the audit engagement through consultation regarding technical or industry-specific issues, transactions or events for the engagement are audit team members but not engagement team members.

However, individuals who are external experts are neither engagement team nor audit team members.

400.12 If the audit engagement is subject to an engagement quality review, the engagement quality reviewer and any other individuals performing the engagement quality review are audit team members but not engagement team members.

Public Interest Entities

400.13 Some of the requirements and application material set out in this Part reflect the extent of public interest in certain entities which are defined to be public interest entities.

(Part of 400.13 has been elevated into a South African requirement)

R400.13a SA Firms *shall* determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:

- The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples might include

financial institutions, such as banks and insurance companies, and pension funds.

- Number of equity or debt holders.
- Size.
- Number of employees.

R400.13b SA A registered auditor shall regard the following entities as generally satisfying the conditions in paragraph R400.13a SA as having a large number and wide range of stakeholders, and thus are likely to be considered as Public Interest Entities:

- Major Public Entities that directly or indirectly provide essential or strategic services or hold strategic assets for the benefit of the country.
- Banks as defined in the Banks Act, 1990 (Act No. 94 of 1990), and Mutual Banks as defined in the Mutual Banks Act 1993, (Act No. 124 of 1993).
- Market infrastructures as defined in the Financial Markets Act, 2012 (Act No. 19 of 2012).¹
- Insurers registered under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) and the Short-term Insurance Act, 1998 (Act No. 53. of 1998), excluding micro lenders.
- Collective Investment Schemes, including hedge funds, in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), that hold assets in excess of R15 billion.
- Funds as defined in the Pension Funds Act, 1956 (Act No. 24 of 1956), that hold or are otherwise responsible for safeguarding client assets in excess of R10 billion.
- Pension Fund Administrators (in terms of Section 13B of the Pension Funds Act, 1956 (Act No. 24 of 1956)) with total assets under administration in excess of R20 billion.
- Financial Services Providers as defined in the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), with assets under management in excess of R50 billion.
- Medical Schemes as defined in the Medical Schemes Act, 1998 (Act No. 131 of 1998), that are open to the public (commonly referred to as “open medical schemes”) or are restricted schemes with a large number of members.

¹ Market Infrastructure is defined in the Financial Markets Act, 2012 (Act No. 19 of 2012) as:

- (a) A licensed central securities depository;
- (b) A licensed clearing house;
- (c) A licensed exchange; and
- (d) A licensed trade repository.

- Authorised users of an exchange as defined in the Financial Markets Act, 2012 (Act No. 19 of 2012), who hold or are otherwise responsible for safeguarding client assets in excess of R10 billion.
- Other issuers of debt and equity instruments to the public.²

R400.13c SA If a firm considers an audit client that falls under one or more of the above categories not to be a public interest entity, the firm shall document its reasoning and its consideration of paragraph R400.13b SA.

400.14 (....)

² For the purposes of this section, “the public” shall mean the public in general or large sectors of the public, such as participants in Broad-Based Black Economic Empowerment schemes or participants in offers to large industry sectors that result in the debt or equity instruments being owned by a large number and wide range of stakeholders.

SECTION 405

GROUP AUDITS

Introduction

405.1 Section 400 requires a firm to be independent when performing an audit engagement, and to apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence. This section sets out specific requirements and application material relevant to applying the conceptual framework when performing a group audit engagement.

Requirements and Application Material

General

405.2 A1 ISAs apply to an audit of group financial statements. ISA 600 (Revised) deals with special considerations that apply to an audit of group financial statements, including when component auditors are involved. ISA 600 (Revised) requires the group engagement partner to take responsibility for confirming whether the component auditors understand and will comply with the relevant ethical requirements, including those related to independence, that apply to the group audit. The independence requirements referred to in ISA 600 (Revised), or other relevant auditing standards applicable to group audits that are equivalent to ISA 600 (Revised), are those specified in this section.

405.2 A2 A component auditor firm that participates in a group audit engagement might separately issue an audit opinion on the financial statements of the component audit client. Depending on the circumstances, the component auditor firm might need to comply with different independence requirements when performing audit work for a group audit and separately issuing an audit opinion on the financial statements of the component audit client for statutory, regulatory or other reasons.

Communication Between a Group Auditor Firm and a Component Auditor Firm

R405.3 ISA 600 (Revised) requires the group engagement partner to take responsibility to make a component auditor aware of the relevant ethical requirements that are applicable given the nature and the circumstances of the group audit engagement. When making the component auditor firm aware of the relevant ethical requirements, the group auditor firm shall communicate at appropriate times the necessary information to enable the component auditor firm to meet its responsibilities under this section.

405.3 A1 Examples of matters the group auditor firm might communicate include:

- Whether the group audit client is a public interest entity and the relevant ethical requirements applicable to the group audit engagement.
- The related entities and other components within the group audit client that are

relevant to the independence considerations applicable to the component auditor firm and the group audit team members within, or engaged by, that firm.

- The period during which the component auditor firm is required to be independent.
- Whether an audit partner who performs work at the component for purposes of the group audit is a key audit partner for the group audit.

R405.4 ISA 600 (Revised) also requires the group engagement partner to request the component auditor to communicate whether the component auditor has complied with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement. For the purposes of this section, such request shall include the communication of:

- (a) Any independence matters that require significant judgment; and
- (b) In relation to those matters, the component auditor firm's conclusion whether the threats to its independence are at an acceptable level, and the rationale for that conclusion.

405.4 A1 If a matter comes to the attention of the group engagement partner that indicates that a threat to independence exists, ISA 220 (Revised) requires the group engagement partner to evaluate the threat and take appropriate action.

Independence Considerations Applicable to Individuals

Members of the Group Audit Team Within, or Engaged by, a Group Auditor Firm and Its Network Firms

R405.5 Members of the group audit team within, or engaged by, the group auditor firm and its network firms shall be independent of the group audit client in accordance with the requirements of this Part that are applicable to the audit team.

Other Members of the Group Audit Team

R405.6 Members of the group audit team within, or engaged by, a component auditor firm outside the group auditor firm's network shall be independent of:

- (a) The component audit client;
- (b) The entity on whose group financial statements the group auditor firm expresses an opinion; and
- (c) Any entity over which the entity in subparagraph (b) has direct or indirect control, provided that such entity has direct or indirect control over the component audit client,

in accordance with the requirements of this Part that are applicable to the audit team.

R405.7 In relation to related entities or components within the group audit client other than those covered in paragraph R405.6, a member of the group audit team within, or engaged by, a component auditor firm outside the group auditor firm's network shall

notify the component auditor firm about any relationship or circumstance the individual knows, or has reason to believe, might create a threat to the individual's independence in the context of the group audit.

405.7 A1 Examples of relationships or circumstances involving the individual or any of the individual's immediate family members, as applicable, that are relevant to the individual's consideration when complying with paragraph R405.7 include:

- A direct or material indirect financial interest in an entity that has control over the group audit client if the group audit client is material to that entity (see Section 510).
- A loan or guarantee involving: (see Section 511)
 - An entity that is not a bank or similar institution unless the loan or guarantee is immaterial; or
 - A bank or similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.
- A business relationship that is significant or involves a material financial interest (see Section 520).
- An immediate family member who is: (see Section 521)
 - A director or officer of an entity; or
 - An employee in a position to exert significant influence over the preparation of an entity's accounting records or financial statements.
- The individual serving as, or having recently served as: (see Section 522 and Section 523)
 - A director or officer of an entity; or
 - An employee in a position to exert significant influence over the preparation of an entity's accounting records or financial statements.

R405.8 Upon receiving the notification as set out in paragraph R405.7, the component auditor firm shall evaluate and address any threats to independence created by the individual's relationship or circumstance.

Independence Considerations Applicable to a Group Auditor Firm

R405.9 A group auditor firm shall be independent of the group audit client in accordance with the requirements of this Part that are applicable to a firm.

Independence Considerations Applicable to Network Firms of a Group Auditor Firm

R405.10 A network firm of the group auditor firm shall be independent of the group audit client in accordance with the requirements of this Part that are applicable to a network firm.

Independence Considerations Applicable to Component Auditor Firms outside a Group Auditor Firm's Network

All Group Audit Clients

- R405.11** A component auditor firm outside the group auditor firm's network shall:
- (a) Be independent of the component audit client in accordance with the requirements set out in this Part that are applicable to a firm with respect to all audit clients;
 - (b) Apply the relevant requirements in paragraphs R510.4(a), R510.7 and R510.9 with respect to financial interests in the entity on whose group financial statements the group auditor firm expresses an opinion; and
 - (c) Apply the relevant requirements in Section 511 with respect to loans and guarantees involving the entity on whose group financial statements the group auditor firm expresses an opinion.
- R405.12** When a component auditor firm outside the group auditor firm's network knows, or has reason to believe, that a relationship or circumstance involving the group audit client, beyond those addressed in paragraph R405.11(b) and (c), is relevant to the evaluation of the component auditor firm's independence from the component audit client, the component auditor firm shall include that relationship or circumstance when identifying, evaluating and addressing threats to independence.
- R405.13** When a component auditor firm outside the group auditor firm's network knows, or has reason to believe, that a relationship or circumstance of a firm within the component auditor firm's network with the component audit client or the group audit client creates a threat to the component auditor firm's independence, the component auditor firm shall evaluate and address any such threat.

Period During which Independence is Required

- 405.14 A1 The references to the financial statements and the audit report in paragraphs R400.30 and 400.30 A1 mean the group financial statements and the audit report on the group financial statements, respectively, when applied in this section.

Group Audit Clients that are Not Public Interest Entities

- R405.15** When the group audit client is not a public interest entity, a component auditor firm outside the group auditor firm's network shall be independent of the component audit client in accordance with the requirements set out in this Part that are applicable to audit clients that are not public interest entities for the purposes of the group audit.
- 405.15 A1 Where a component auditor firm outside the group auditor firm's network also performs an audit engagement for a component audit client that is a public interest entity for reasons other than the group audit, for example, a statutory audit, the independence requirements that are relevant to audit clients that are public interest entities apply to that engagement.

Group Audit Clients that are Public Interest Entities

Non-Assurance Services

R405.16 Subject to paragraph R405.17, when the group audit client is a public interest entity, a component auditor firm outside the group auditor firm's network shall comply with the provisions in Section 600 that are applicable to public interest entities with respect to the provision of non-assurance services to the component audit client.

405.16 A1 Where the group audit client is a public interest entity, a component auditor firm outside the group auditor firm's network is prohibited from, for example:

- Providing accounting and bookkeeping services to a component audit client that is not a public interest entity (see Subsection 601).
- Designing the information technology system, or an aspect of it, for a component audit client that is not a public interest entity where such information technology system generates information for the component audit client's accounting records or financial statements (see Subsection 606).
- Acting in an advocacy role for a component audit client that is not a public interest entity in resolving a dispute or litigation before a tribunal or court (see Subsection 608).

405.16 A2 The financial information on which a component auditor firm outside the group auditor firm's network performs audit procedures is relevant to the evaluation of the self-review threat that might be created by the component auditor firm's provision of a non-assurance service, and therefore the application of Section 600. For example, if the component auditor firm's audit procedures are limited to a specific item such as inventory, the results of any non-assurance service that form part of or affect the accounting records or the financial information related to the accounting for, or the internal controls over, inventory are relevant to the evaluation of the self-review threat.

R405.17 As an exception to paragraph R405.16, a component auditor firm outside the group auditor firm's network may provide a non-assurance service that is not prohibited under Section 600 to a component audit client without communicating information about the proposed non-assurance service to those charged with governance of the group audit client or obtaining their concurrence regarding the provision of that service as addressed by paragraphs R600.21 to R600.24.

Key Audit Partners

R405.18 The group engagement partner shall determine whether an audit partner who performs audit work at a component for purposes of the group audit is a key audit partner for the group audit. If so, the group engagement partner shall:

- (a) Communicate that determination to that individual; and
- (b) Indicate:
 - (i) In the case of all group audit clients, that the individual is subject to

paragraph R411.4, and

- (ii) In the case of group audit clients that are public interest entities, that the individual is also subject to paragraphs R524.6, R540.5(c) and R540.20.

405.18 A1 A key audit partner makes key decisions or judgments on significant matters with respect to the audit of the group financial statements on which the group auditor firm expresses an opinion in the group audit.

Changes in Components

All Group Audit Clients

R405.19 When an entity that is not a related entity becomes a component within the group audit client, the group auditor firm shall apply paragraphs R400.71 to R400.76.

Changes in Component Auditor Firms

All Group Audit Clients

405.20 A1 There might be circumstances in which the group auditor firm requests another firm to perform audit work as a component auditor firm during or after the period covered by the group financial statements, for example due to a client merger or acquisition. A threat to the component auditor firm's independence might be created by:

- (a) Financial or business relationships of the component auditor firm with the component audit client during or after the period covered by the group financial statements but before the component auditor firm agrees to perform the audit work; or
- (b) Previous services provided to the component audit client by the component auditor firm.

405.20 A2 Paragraphs 400.31 A1 to A3 set out application material that is applicable for a component auditor firm's assessment of threats to independence if a non-assurance service was provided by the component auditor firm to the component audit client during or after the period covered by the group financial statements, but before the component auditor firm begins to perform the audit work for the purposes of the group audit, and the service would not be permitted during the engagement period.

405.20 A3 Paragraph 400.31 A4 sets out application material that is applicable for a component auditor firm's assessment of threats to independence if a non-assurance service was provided by the component auditor firm to the component audit client prior to the period covered by the group financial statements.

Group Audit Clients that are Public Interest Entities

405.21 A1 Paragraphs R400.32 and 400.32 A1 are applicable when a component auditor firm agrees to perform audit work for group audit purposes in relation to a group audit client that is a public interest entity if the component auditor firm has previously provided a non-assurance service to the component audit client.

405.21 A2 Paragraphs R600.25 and 600.25 A1 are applicable in relation to a non-assurance service provided, either currently or previously, by a component auditor firm to a component audit client when the group audit client subsequently becomes a public interest entity.

Breach of an Independence Provision at a Component Auditor Firm

405.22 A1 A breach of a provision of this section might occur despite a component auditor firm having a system of quality management designed to address independence requirements. Paragraphs R405.23 to R405.29 are relevant to a group auditor firm's determination as to whether it would be able to use a component auditor firm's work if a breach has occurred at the component auditor firm.

405.22 A2 In the case of a breach at a component auditor firm within the group auditor firm's network, paragraphs R400.80 to R400.89 also apply to the group auditor firm in relation to the group audit, as applicable.

When a Component Auditor Firm Identifies a Breach

R405.23 If a component auditor firm concludes that a breach of this section has occurred, the component auditor firm shall:

- (a) End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;
- (b) Evaluate the significance of the breach and its impact on the component auditor firm's objectivity and ability to perform audit work for the purposes of the group audit;
- (c) Depending on the significance of the breach, determine whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances; and
- (d) Promptly communicate in writing the breach to the group engagement partner, including the component auditor firm's assessment of the significance of the breach and any actions proposed or taken to address the consequences of the breach.

405.23 A1 Paragraphs 400.80 A2 and A3 set out application material relevant to the component auditor firm's evaluation of the significance and impact of the breach on the component auditor firm's objectivity and ability to issue an opinion or conclusion on the audit work performed at the component for purposes of the group audit, and its consideration of any actions that might be taken to address the consequences of the breach satisfactorily.

R405.24 Upon receipt of the component auditor firm's communication of the breach, the group engagement partner shall:

- (a) Review the component auditor firm's assessment of the significance of the breach and its impact on the component auditor firm's objectivity, and any

action that can be or has been taken to address the consequences of the breach;

- (b) Evaluate the group auditor firm’s ability to use the work of the component auditor firm for the purposes of the group audit; and
- (c) Determine the need for any further action.

R405.25 In applying paragraph R405.24, the group engagement partner shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the component auditor firm’s objectivity is compromised, and therefore, the group auditor firm is unable to use the work of the component auditor firm for the purposes of the group audit.

405.25 A1 If the group engagement partner determines that the consequences of the breach have been satisfactorily addressed by the component auditor firm and does not compromise the component auditor firm’s objectivity, the group auditor firm may continue to use the work of the component auditor firm for the group audit. In certain circumstances, the group engagement partner might determine that additional actions are needed to satisfactorily address the breach in order to use the component auditor firm’s work. Examples of such action include the group auditor firm performing specific procedures on the areas impacted by the breach or requesting the component auditor firm to perform appropriate remedial work on the affected areas.

405.25 A2 ISA 600 (Revised) sets out that if there has been a breach by a component auditor and the breach has not been satisfactorily addressed, the group auditor cannot use the work of that component auditor. In those circumstances, the group engagement partner might find other means to obtain the necessary audit evidence on the component audit client’s financial information. Examples of such means include the group auditor firm performing the necessary audit work on the component audit client’s financial information or requesting another component auditor firm to perform such audit work.

Discussion with Those Charged with Governance of the Group Audit Client

405.26 A1 With respect to breaches by a component auditor firm within the group auditor firm’s network, paragraph R400.84 applies.

R405.27 With respect to breaches by a component auditor firm outside the group auditor firm’s network, the group auditor firm shall discuss with those charged with governance of the group audit client:

- (a) The component auditor firm’s assessment of the significance and impact of the breach on the component auditor firm’s objectivity, including the nature and duration of the breach, and the action that can be or has been taken; and

(b) Whether:

- (i) The action will satisfactorily address, or has addressed, the

consequences of the breach; or

- (ii) The group auditor firm will use other means to obtain the necessary audit evidence on the component audit client's financial information.

Such discussion shall take place as soon as possible unless an alternative timing is specified by those charged with governance for reporting less significant breaches.

R405.28 The group auditor firm shall communicate in writing to those charged with governance of the group audit client all matters discussed in accordance with paragraph R405.27 and obtain the concurrence of those charged with governance that the action can be or has been taken to satisfactorily address the consequences of the breach.

R405.29 If those charged with governance do not concur that the action that can be or has been taken would satisfactorily address the consequences of the breach at the component auditor firm, the group auditor firm shall not use the work performed by the component auditor firm for the purposes of the group audit.

Chapter 2 – Conforming Amendments to Section 360 of the IRBA Code to align with ISA 600 (Revised) Terminology.

PART 3 – REGISTERED AUDITORS PERFORMING PROFESSIONAL SERVICES

SECTION 360

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

...

Communication with Respect to Groups

R360.16 Where a registered auditor becomes aware of non-compliance or suspected non-compliance in either of the following two situations in the context of a group, the registered auditor shall communicate the matter to the group engagement partner unless prohibited from doing so by law or regulation:

- (a) The registered auditor performs audit work related to a component for purposes of the group audit; or
- (b) The registered auditor is engaged to perform an audit of the financial statements of a legal entity or business unit that is part of a group for purposes other than the group audit, for example, a statutory audit.

The communication to the group engagement partner shall be in addition to responding to the matter in accordance with the provisions of this section.

360.16 A1 The purpose of the communication is to enable the group engagement partner to be informed about the matter and to determine, in the context of the group audit, whether and, if so, how to address it in accordance with the provisions in this section. The communication requirement in paragraph R360.16 applies regardless of whether the group engagement partner's firm or network is the same as or different from the registered auditor's firm or network.

R360.17 Where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of a group audit, the group engagement partner shall consider whether the matter might be relevant to:

- (a) One or more components subject to audit work for purposes of the group audit; or
- (b) One or more legal entities or business units that are part of the group and whose financial statements are subject to audit for purposes other than the group audit, for example, a statutory audit.

This consideration shall be in addition to responding to the matter in the context of the group audit in accordance with the provisions of this section.

R360.18 If the non-compliance or suspected non-compliance might be relevant to one or more of the components specified in paragraph R360.17(a) and legal entities or business units specified in paragraph R360.17(b), the group engagement partner shall take steps to have the matter communicated to those performing audit work at the components, legal entities or business units, unless prohibited from doing so by law or regulation. If necessary, the group engagement partner shall arrange for appropriate inquiries to be made (either of management or from publicly available information) as to whether the relevant legal entities or business units specified in paragraph R360.17(b) are subject to audit and, if so, to ascertain to the extent practicable the identity of the auditors.

360.18 A1 The purpose of the communication is to enable those responsible for audit work at the components, legal entities or business units to be informed about the matter and to determine whether and, if so, how to address it in accordance with the provisions in this section. The communication requirement applies regardless of whether the group engagement partner's firm or network is the same as or different from the firms or networks of those performing audit work at the components, legal entities or business units.

...

Chapter 3 – Conforming Amendment to Revised Non-assurance Services (NAS) Provisions issued by the IESBA in April 2021 and adopted by the IRBA in February 2022.

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

...

Requirements and Application Material

...

R400.31 If an entity becomes an audit client during or after the period covered by the financial statements on which the firm will express an opinion, the firm shall determine whether any threats to independence are created by:

- (a) Financial or business relationships with the audit client during or after the period covered by the financial statements but before accepting the audit engagement; or
- (b) Previous services provided to the audit client by the firm or a network firm.

...

Chapter 4 - Conforming Amendments to the IRBA Code Resulting from the Revision to the Definition of Engagement Team

PART 3 - REGISTERED AUDITORS PERFORMING PROFESSIONAL SERVICES

SECTION 300

APPLYING THE CONCEPTUAL FRAMEWORK – REGISTERED AUDITORS PERFORMING PROFESSIONAL SERVICES

...

Requirements and Application Material

General

...

Addressing Threats

...

Examples of Safeguards

300.8 A2 Safeguards vary depending on the facts and circumstances. Examples of actions that in certain circumstances might be safeguards to address threats include:

- ...
- Using different partners and teams with separate reporting lines for the provision of non-assurance services to an assurance client might address self-review, advocacy or familiarity threats.
- ...

SECTION 310 CONFLICTS OF INTEREST

...

Conflict Identification

...

Threats Created by Conflicts of Interest

...

310.8 A3 Examples of actions that might be safeguards to address threats created by a conflict of interest include:

- Having separate teams who are provided with clear policies and procedures on maintaining confidentiality.
- ...

Confidentiality

...

When Disclosure to Obtain Consent would Breach Confidentiality

R310.12 When making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality, and such consent cannot therefore be obtained, the firm shall only accept or continue an engagement if:

- (a) The firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter;
- (b) Specific measures are in place to prevent disclosure of confidential information between the teams serving the two clients; and

...

Documentation

R310.13 In the circumstances set out in paragraph R310.12, the registered auditor shall document:

- (a) The nature of the circumstances, including the role that the registered auditor is to undertake;
- (b) The specific measures in place to prevent disclosure of information between the teams serving the two clients; and

...

SECTION 320
PROFESSIONAL APPOINTMENTS

...

Requirements and Application Material

Client and Engagement Acceptance

General

...

320.3 A3 A self-interest threat to compliance with the principle of professional competence and due care is created if the team does not possess, or cannot acquire, the competencies to perform the professional services.

...

INDEPENDENCE STANDARDS

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

...

Requirements and Application Material

...

Period During which Independence is Required

...

400.30 A1 The engagement period starts when the engagement team begins to perform the audit. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.

...

400.31 A1 Threats to independence are created if a non-assurance service was provided to an audit client during, or after the period covered by the financial statements, but before the engagement team begins to perform the audit, and the service would not be permitted during the engagement period.

...

SECTION 510

FINANCIAL INTERESTS

...

Requirements and Application Material

...

Financial Interests Held by the Firm, a Network Firm, Audit Team Members and Others

...

510.4 A1 The office in which the engagement partner practices in connection with an audit engagement is not necessarily the office to which that partner is assigned. When the engagement partner is located in a different office from that of the other engagement team members, professional judgment is needed to determine the office in which the partner practices in connection with the engagement.

...

SECTION 600

PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

SUBSECTION 605

INTERNAL AUDIT SERVICES (FROM REVISED NAS PRONOUNCEMENT)

Introduction

...

Requirements and Application Material

...

605.4 A2 When a firm uses the work of an internal audit function in an audit engagement, ISAs require the performance of procedures to evaluate the adequacy of that work. Similarly, when a firm or network firm accepts an engagement to provide internal audit services to an audit client, the results of those services might be used in conducting the external audit. This might create a self-review threat because it is possible that the engagement team will use the results of the internal audit service for purposes of the audit engagement without:

- (a) Appropriately evaluating those results; or
- (b) Exercising the same level of professional scepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm.

605.4 A3 Factors that are relevant in identifying a self-review threat created by providing internal audit services to an audit client, and evaluating the level of such threat include:

- The materiality of the related financial statement amounts.
- The risk of misstatement of the assertions related to those financial statement amounts.
- The degree of reliance that the engagement team will place on the work of the internal audit service.

When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R605.6 applies.

...

PART 4B (REVISED) – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 900

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

...

Requirements and Application Material

...

Period During which Independence is Required

R900.30 Independence, as required by this Part, shall be maintained during both:

- (a) The engagement period; and
- (b) The period covered by the subject matter information.

900.30 A1 The engagement period starts when the engagement team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.

...

R900.32 Threats to independence are created if a non-assurance service was provided to the assurance client during, or after the period covered by the subject matter information, but before the engagement team begins to perform assurance services, and the service would not be permitted during the engagement period. In such circumstances, the firm shall evaluate and address any threat to independence created by the service. If the threats are not at an acceptable level, the firm shall only accept the assurance engagement if the threats are reduced to an acceptable level.

...

Chapter 5 - Quality Management-related Consequential Amendments to the IRBA Code

INDEPENDENCE STANDARDS

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 540

LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION) WITH AN AUDIT CLIENT

...

Requirements and Application Material

All Audit Clients

...

R540.4 If a firm decides that the level of the threats created can only be addressed by rotating the individual off the audit team, the firm shall determine an appropriate period during which the individual shall not:

- (a) Be a member of the engagement team for the audit engagement;
- (b) Perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; or
- (c) Exert direct influence on the outcome of the audit engagement.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed. In the case of a public interest entity, paragraphs R540.5 to R540.20 also apply.

...

Restrictions on Activities During the Cooling-off Period

R540.20 For the duration of the relevant cooling-off period, the individual shall not:

- (a) Be an engagement team member or perform an engagement quality review, or a review consistent with the objective of an engagement quality review for the audit engagement;
- (b) Consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events affecting the audit engagement (other than discussions with the engagement team limited to work undertaken or conclusions reached in the last year of the individual's time-on period where this remains relevant to the audit);
- (c) Be responsible for leading or coordinating the professional services provided

by the firm or a network firm to the audit client, or overseeing the relationship of the firm or a network firm with the audit client; or

- (d) Undertake any other role or activity not referred to above with respect to the audit client, including the provision of non-assurance services that would result in the individual:
 - (i) Having significant or frequent interaction with senior management or those charged with governance; or
 - (ii) Exerting direct influence on the outcome of the audit engagement.

...

SECTION 800

REPORTS ON SPECIAL PURPOSE FINANCIAL STATEMENTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (AUDIT AND REVIEW ENGAGEMENTS)

...

Requirements and Application Material

General

...

Financial Interests, Loans and Guarantees, Close Business Relationships, and Family and Personal Relationships

R800.10 When the firm performs an eligible audit engagement:

- (a) The relevant provisions set out in Sections 510, 511, 520, 521, 522, 524 and 525 need apply only to the members of the engagement team, their immediate family members and, where applicable, close family members;
- (b) The firm shall identify, evaluate and address any threats to independence created by interests and relationships, as set out in Sections 510, 511, 520, 521, 522, 524 and 525, between the audit client and the following audit team members:
 - (i) Those who provide consultation regarding technical or industry specific issues, transactions or events; and
 - (ii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and
- (c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the audit client and others within the firm who can directly influence the outcome of the audit engagement.

PART 4B (REVISED) – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 940

LONG ASSOCIATION OF PERSONNEL WITH AN ASSURANCE CLIENT

...

Requirements and Application Material

General

...

R940.4 If a firm decides that the level of the threats created can only be addressed by rotating the individual off the assurance team, the firm shall determine an appropriate period during which the individual shall not:

- (a) Be a member of the engagement team for the assurance engagement;
- (b) Perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; or
- (c) Exert direct influence on the outcome of the assurance engagement.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed.

SECTION 990

REPORTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS)

...

Financial Interests, Loans and Guarantees, Close Business, Family and Personal Relationships

R990.7 When the firm performs an eligible assurance engagement:

- (a) The relevant provisions set out in Sections 910, 911, 920, 921, 922 and 924 need apply only to the members of the engagement team, and their immediate and close family members;
- (b) The firm shall identify, evaluate and address any threats to independence created by interests and relationships, as set out in Sections 910, 911, 920, 921, 922 and 924, between the assurance client and the following assurance team members:
 - (i) Those who provide consultation regarding technical or industry specific issues, transactions or events; and

- (ii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and
- (c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the assurance client and others within the firm who can directly influence the outcome of the assurance engagement, as set out in Sections 910, 911, 920, 921, 922 and 924.

...

EFFECTIVE DATE

- The changes to Section 400 relating to the revision to the definition of engagement team and the new provisions in Section 405 relating to group audits (Chapter 1) will be effective for audits and reviews of the financial statements and audits of group financial statements for periods beginning on or after 15 December 2023.
- The following conforming and consequential amendments will be effective as of 15 December 2023:
 - The conforming amendments to Section 360 to align with ISA 600 (Revised) terminology in Chapter 2.
 - The conforming amendments to the revised non-assurance services provisions in Section 400 in Chapter 3.
 - The conforming amendments to Sections 300, 310, 320, 400, 510, 605 and 900 resulting from the revisions to the definitions of engagement team in Chapter 4.
 - The quality management-related consequential amendments to Sections 540, 800, 940, and 990 in Chapter 5.
- The changes to the DEFINITIONS, INCLUDING LISTS OF ABBREVIATIONS AND STANDARDS will be effective:
 - For audits and reviews of financial statements and audits of group financial statements for financial statement periods beginning on or after 15 December 2023.
 - For assurance engagements other than audit and review engagements with respect to underlying subject matter covering periods beginning on or after 15 December 2023; otherwise, as of 15 December 2023.

Early adoption will be permitted.

TRANSITIONAL PROVISION

If a firm or network firm has entered into NAS engagements with an audit or assurance client before 15 December 2022, for which work has already commenced by this date, the firm or network firm may continue such engagements under the superseded NAS provisions of the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) until the engagements are completed in accordance with the original engagement terms.

APPENDIX 1: CHANGES ARISING FROM THE IESBA REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST ENTITY THAT HAVE YET TO BE ADOPTED BY THE IRBA

The following are conforming amendments that arise from the Final Pronouncement: *Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code*, issued by the IESBA on 11 April 2022.

At the time of the approval of this IRBA Final Pronouncement: *Definition of Engagement Team and Group Audits*, the Final Pronouncement: *Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code* have not been adopted by the IRBA as the South African amendments to the PIE definition are still in progress.

These conforming amendments will be considered for adoption by the IRBA through the process of IRBA Final Pronouncement: *Revisions to the Definitions of Listed Entity and Public Interest Entity* in the IRBA Code.

DEFINITIONS, INCLUDING LISTS OF ABBREVIATIONS AND STANDARDS SECTION OF THE IRBA CODE

Audit Client	An entity in respect of which a firm conducts an audit engagement. When the client is a publicly traded entity, in accordance with paragraphs R400.22 and R400.23, audit client will always include its related entities. When the audit client is not a publicly traded entity, audit client includes those related entities over which the client has direct or indirect control. <i>(See also paragraph R400.22.)</i> <i>In Part 4A, the term “audit client” applies equally to “review client.”</i> <i>In the case of a group audit, see the definition of group audit client.</i>
Group Audit Client	The entity on whose group financial statements the group auditor firm conducts an audit engagement. When the entity is a publicly traded entity, the group audit client will always include its related entities and any other components at which audit work is performed. When the entity is not a publicly traded entity, the group audit client includes related entities over which such entity has direct or indirect control and any other components at which audit work is performed. <i>See also paragraph R400.22.</i>

PART 4A - INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

[The IESBA approved changes to the subsection on “Public Interest Entities” that will come into effect in December 2024. The numbering of these approved paragraphs, and the references thereto, will be updated through the IRBA Final Pronouncement: *Revisions to the Definitions of Listed Entity and Public Interest Entity* in the IRBA Code, in accordance with the changes to Section 400 in Chapter 1.]