

**IESBA Expands the Definition of Public Interest Entities and the Implications for South Africa**

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**The IESBA Code**

The International Ethics Standards Board for Accountants (IESBA) released a [revised definition of a Public Interest Entity \(PIE\)](#), together with other revised provisions, in the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (IESBA Code). The revised provisions specify a broader list of categories of entities as PIEs whose audits should be subject to additional independence requirements, as compared to the extant IESBA Code. The IESBA has made these changes to meet stakeholders' heightened expectations concerning auditor independence when an entity is a PIE.

Among other matters, the revisions also:

- Articulate an overarching objective for additional independence requirements for audits of financial statements of PIEs;
- Provide guidance on factors to consider when determining the level of public interest in an entity;
- Replace the term "listed entity" with "publicly traded entity", providing a definition of the latter term;
- Recognise the essential role local bodies (like the IRBA) that are responsible for the adoption of the Code play in delineating the specific entities that should be scoped in as PIEs within their respective jurisdictions, encouraging them to properly refine the PIE categories and add any other categories they might find relevant to their environments; and
- Introduce a transparency requirement for firms to publicly disclose the application of independence requirements for PIEs, where they have done so.

To recognise diversity in jurisdictional contexts, the IESBA has taken the approach of expanding the PIE definition globally at a high level, while providing guidance to regulators, national standard setters and other relevant local bodies on tailoring the broad definition for jurisdictional specificities.

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

The IESBA hosted [webinars on 25 March 2021 and 29 March 2021](#) on the related Exposure Draft. The revised PIE definition and related provisions within the IESBA Code become effective for audits

of financial statements for periods beginning on or after 15 December 2024. The IESBA Code indicates that early adoption is permitted and encouraged.

### **Local Implications of the Revisions**

The Independent Regulatory Board for Auditors (IRBA) adopted the IESBA Code, issued during 2018, following the issue of the proposed amendments on exposure in South Africa, together with local enhancements. As such, all amendments to the [IRBA Code of Professional Conduct for Registered Auditors \(Revised November 2018\)](#) (IRBA Code) are in line with the IESBA Code. Since 2018, the IRBA Code has continued to track and be updated for developments in the IESBA Code, following local due process and adoption by the IRBA Board.

Paragraphs R400.8a SA to R400.8c SA of the [IRBA Code](#) already include South African requirements relating to the definition of a PIE. These local requirements, which came into effect on 1 July 2016, and are still in force in South Africa were in addition to the IESBA Code requirements at that time.

Following the release by IESBA of these revisions, the Committee for Auditor Ethics (CFAE), at its meeting on 6 May 2022, approved a project for the consideration of potential revisions to aspects of the IRBA Code, as amended, taking into consideration, amongst other things, the impact that the revised the IESBA Code has on the IRBA Code in relation to the definition of listed entity, PIE and related paragraphs.

The proposed amendments to the IRBA Code and further communication on these changes will be released as they are developed.

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### ***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.*