
INDEPENDENT REGULATORY BOARD FOR AUDITORS

COMMITTEE FOR AUDITOR ETHICS

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

Johannesburg / 7 December 2022

In November 2022, the Independent Regulatory Board for Auditors' (IRBA) Committee for Auditor Ethics (CFAE) approved the proposed amendments to the definitions of Listed Entity and Public Interest Entity (PIE) in the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code), for exposure for a period of at least 90 days. Subsequently, a Board Notice to the same effect will be published in the Government Gazette for public comment.

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 has continued to track changes in the IESBA Code and has been 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*.

Paragraphs ***R400.8a SA*** to ***R400.8c SA*** of the extant [IRBA Code](#) include South African requirements relating to the definition of PIE. These local requirements were [issued on 4 March 2016](#) and came into effect on 1 July 2016, and are 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](#). 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.

As at the date of this Exposure Draft, the IRBA Board had not yet adopted this IESBA pronouncement because it is waiting for the finalisation of potential revisions to the local requirements, in line with the proposed amendments. The IRBA has released a [communique](#) in this regard.

Rationale for the Proposed Amendments to the IRBA Code

The CFAE, when proposing the amendments to the IRBA Code, considered the following:

- In terms of Section 4(1)(b) of the Auditing Profession Act No. 26 of 2005, the Regulatory Board must take steps it considers necessary to protect the public in its dealings with registered

auditors.

- The IESBA's amendments and their impact on the IRBA Code PIE provisions, the definition of listed entity and other PIE-related paragraphs.
- The extant IRBA Code definition of PIE is more than six years old. Consequently, the CFAE considered the insights gained from the usage of the PIE provisions in South Africa for revision, and this included:
 - Stakeholder outreach with regulators on industry-specific matters, including whether the current thresholds are still appropriate, particularly for the entities specified in the extant ***R400.8b SA*** and the proposed ***R400.18 SA***.
 - A consideration of the completeness and appropriateness of the categories in the extant IRBA Code PIE definition, i.e. whether there should be more or fewer categories in South Africa, and whether another superior and viable approach exists to determine categories of PIEs.
 - The interaction of the PIE definition with the term "Public Interest Score", as referred to in the Companies Act No. 71 of 2008.

The IRBA acknowledges that concerns raised by stakeholders about the appearance of independence, the protection of the public interest, as well as the continued confidence and trust in the independence of the audit process are an important rationale for the changes proposed in this Exposure Draft.

Proposed Effective Date

The intention, depending on the comments received, is that the proposed amendments to the PIE provisions in the IRBA Code will be effective for audits of financial statements for periods beginning on or after 15 December 2024, in line with the effective date of the IESBA Code revisions. Early adoption will be permitted.

Request for Comments

The IRBA welcomes comments from interested parties on all matters that are addressed in the Exposure Draft: *Proposed Amendments to the IRBA Code of Professional Conduct - Revisions to the Definitions of Listed Entity and Public Interest Entity in the IRBA Code*. It also seeks responses to the specific questions that are set out in the Explanatory Memorandum section.

Comments, in Word and PDF formats, should be sent to standards@irba.co.za and submitted by the **3rd of April 2023**.

The Exposure Draft 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.