



IRBA RULES REGARDING IMPROPER CONDUCT (REVISED 2019)

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Background

On 1 April 2006, the Auditing Profession Act, 2005 (Act No. 26 of 2005, as amended) (the Act) came into effect. Section 21 of the Act provides for the establishment of a Committee for Auditor Ethics (CFAE). The IRBA's Standards Department performs the Secretariat function for the CFAE. In turn, the CFAE assists the IRBA to determine what constitutes improper conduct by registered auditors and registered candidate auditors by developing **Rules** and guidelines for professional ethics, including a **Code** of Professional Conduct.

Rules Regarding Improper Conduct

The IRBA Rules Regarding Improper Conduct, 2019 (**the Rules**) repeal and replace the IRBA Rules Regarding Improper Conduct issued in June 2010, referred to in Section 10(1) read with Section 21(2) of the Act. The Rules are prescribed by the Board under Section 4(1)(c), with effect from **1 January 2020**.

Until the effective date of the Rules of 1 January 2020 as specified above, the Rules issued in June 2010 and effective from 1 January 2011 will remain in force.

1. Definitions

In the Rules, the terms below have the meanings assigned to them and any reference to any section in these Rules is a reference to the corresponding section in the Act –

- 1.1. "**The Act**" means the Auditing Profession Act, No. 26 of 2005, as amended and Any expression used in these Rules which is defined in the Act bears, unless the context indicates the contrary, the meaning assigned to it in the Act.
- 1.2. "**Auditing pronouncements**" means those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board which a registered auditor must comply with in the performance of an audit.¹
- 1.3. "**Regulatory Board**" means the Independent Regulatory Board for Auditors established by Section 3².
- 1.4. "**The Code**" means the Code of Professional Conduct prescribed by the Regulatory Board in terms of Section 4(1)(c).
- 1.5. "**Professional services**", in the context of these Rules, means services requiring accountancy or related skills performed by a registered auditor, including accounting, auditing, review, other assurance and related services, taxation, management consulting and financial management services. These include, but are not limited to, the following:

¹ Section 1 v. "auditing pronouncements".

² Section 1 v. "Regulatory Board".

- (a) Audit, review, other assurance and related services:
 - (i) Financial statement audits and reviews, other assurance and related services, such as regulatory reporting, sustainability, compliance and performance reporting; and
 - (ii) Preparation of financial statements in accordance with recognised financial reporting standards and applicable statutes.
- (b) Accounting services:
 - (i) Preparation of accounting records.
- (c) Company statutory services.
- (d) Taxation services:
 - (i) Tax return preparation and submission;
 - (ii) Tax calculations for the purpose of preparing accounting entries;
 - (iii) Tax planning and other tax advisory services; and
 - (iv) Assistance in the resolution of tax disputes.
- (e) Management consulting and advisory services:
 - (i) Accounting advisory and financial management advisory services – accounting support, conversion services for new and revised accounting standards, financial modelling and project management;
 - (ii) Business performance services – business effectiveness, people and change management, operational and business finance;
 - (iii) Internal audit – risk and compliance services, review and monitoring of internal controls, risk management, compliance services, corporate governance and audit committee advisory services;
 - (iv) Corporate finance service – mergers and acquisitions, valuations, infrastructure financing, debt and capital markets, due diligence reviews, transaction services and designated advisor services;
 - (v) Corporate recovery services – liquidation and insolvency administration, curator bonis, administration of deceased estates, judicial management and trusteeships;
 - (vi) Financial risk management services – actuarial services, banking and risk advisory, regulatory and compliance services, and technical accounting;
 - (vii) Information technology (IT) advisory – security, privacy and continuity, enterprise resource planning, information system audit services, IT project advisory, governance and performance; and
 - (viii) Forensic services – dispute advisory and resolution, ethics and integrity monitoring, fraud risk management, intellectual property and other investigations and regulatory compliance.

1.6. **“Public practice”** means the practice of a registered auditor who places professional

services at the disposal of the public for reward, and “practice” has a similar meaning³.

- 1.7. “**Registered auditor**” means an individual or firm registered as an auditor with the Regulatory Board⁴.
- 1.8. “**Registered auditor in public practice**”, in the context of these Rules, means a registered auditor that provides professional services.
- 1.9. “**Registered candidate auditor**” means an individual who has obtained a professional accountant designation from an accredited professional body, who is registered as a candidate auditor with the Regulatory Board and who is serving under the supervision of a registered auditor⁵.

These Rules shall, wherever possible, be construed in conformity with the Act; and any footnote in these Rules shall be taken into account in the interpretation of these Rules.

2. Improper Conduct

The Regulatory Board is obliged by Section 48 to consider and, where it appears justified, investigate and deal with any complaint, charge or allegation of improper conduct against a registered auditor or a registered candidate auditor which may be laid before it; and is empowered to impose any of the prescribed sanctions set out in Section 51(3) and Disciplinary Rules 8.1 and 8.2, in respect of any improper conduct. While the acts or omissions specified in the following paragraphs are not intended to be a complete list of acts or omissions that might constitute improper conduct on the part of a registered auditor or a registered candidate auditor, and which are punishable in accordance with the provisions of the Act and Disciplinary Rules, a registered auditor or a registered candidate auditor shall be guilty of improper conduct if such registered auditor or registered candidate auditor, without reasonable cause or excuse:

- 2.1. Contravenes or fails to comply with any provision of the Act with which it is the registered auditor’s or registered candidate auditor’s duty to comply.
- 2.2. Contravenes or fails to comply with any provision of any other Act with which it is the registered auditor’s or registered candidate auditor’s duty to comply in providing professional services.
- 2.3. Has been found guilty in some other forum, including a court, of any offence involving dishonesty and, in particular (but without prejudice to the generality of the foregoing), theft, fraud, forgery or uttering a forged document, perjury, or corruption.
- 2.4. Is dishonest in the performance of any work or duties devolving upon the registered auditor or registered candidate auditor in relation to –
 - 2.4.1 Any professional services performed by a registered auditor or a registered candidate auditor; or
 - 2.4.2 Any office of trust which the registered auditor or registered candidate auditor has

³ Section 1 v. “public practice”.

⁴ Section 1 v. “registered auditor”.

⁵ Section 1 v. “registered candidate auditor”.

undertaken or accepted.

- 2.5. Contravenes or fails to comply with any requirement in Auditing Pronouncements prescribed by the Regulatory Board.
- 2.6. Contravenes or fails to comply with any requirements in the Code.
- 2.7. Fails to perform any professional services or duties with such a degree of professional competence, due care and skill as in the opinion of the Regulatory Board may reasonably be expected, or fails to perform the professional services or duties at all.
- 2.8. With intent to evade or to assist any other person to evade any tax, duty, levy or rate whatsoever –
 - 2.8.1 knowingly or recklessly prepares or makes, or assists any other person to prepare or make, any false statement (whether such statement be oral or in writing); or
 - 2.8.2 signs any false statement in relation thereto recklessly or knowing it to be false; or
 - 2.8.3 knowingly or recklessly prepares or maintains any false books of accounts or other records.
- 2.9. Fails to answer to or deal with, appropriately and within a reasonable time, any correspondence or other communication from the Regulatory Board or any other person which reasonably requires a reply or other response.
- 2.10. Fails to comply within a reasonable time with an order, requirement or request of the Regulatory Board.
- 2.11. Fails to resign from a professional appointment when requested by the client to do so and/or fails to transfer all books and papers that are the property of the client and which are or which may come into the registered auditor's or registered candidate auditor's possession to the client or to a newly appointed accountant or registered auditor when requested by the client to do so.
- 2.12. Fails after demand to pay any subscription or any fee, levy, fine or other charge payable or due to the Regulatory Board.
- 2.13. Abandons the registered auditor's public practice without previous notice to the registered auditor's clients and without arranging with the clients for the dispatch of the clients' business or the care of the clients' property in the registered auditor's possession or under the registered auditor's control.
- 2.14. Knowingly or recklessly makes any false declaration or submission.
- 2.15. Makes any declaration or submission which the registered auditor or registered candidate auditor ought reasonably to have known is false.
- 2.16. Behaves in a manner which brings or may bring the auditing profession into disrepute.