
INDEPENDENT REGULATORY BOARD FOR AUDITORS

COMMITTEE FOR AUDITOR ETHICS

IESBA Proposes Significant Revisions to the IESBA Code of Ethics

Johannesburg / 4 February 2020

The International Ethics Standards Board for Accountants (IESBA) released, for public comment, two Exposure Drafts (EDs) aimed at strengthening the non-assurance services (NAS), and the fee-related independence provisions of the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code).

Additionally, the IESBA released an ED proposing limited-scope guidance on the objectivity of the Engagement Quality Reviewer (EQR). These amendments dovetail with the International Assurance Standards Board's (IAASB) development of the proposed International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*.

1. *Proposed Revisions to the Non-Assurance Services Provisions of the Code*

Among the key changes proposed to the NAS provisions are:

- A prohibition on providing NAS to an audit client that is a public interest entity (PIE), if a self-review threat to independence will be created;
- Further tightening of the circumstances in which materiality may be considered in determining the permissibility of a NAS;
- Strengthened provisions regarding auditor communication with those charged with governance (TCWG), including a requirement for NAS pre-approval by TCWG for PIEs; and
- Stricter requirements regarding the provision of some NAS, including certain tax and corporate finance advice.

The NAS ED also includes enhanced guidance to assist firms in evaluating the level of threats to independence when providing NAS to audit clients.

2. *Proposed Revisions to the Fee-Related Provisions of the Code*

Among the key proposed changes to the fee-related provisions are:

- A prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client;
- In the case of PIEs, a requirement to cease to act as auditor, if fee dependency on the audit client continues beyond a specified period; and
- Communication of fee-related information to TCWG and to the public to assist their judgments about auditor independence.

The Fees ED also includes enhanced guidance on identifying, evaluating and addressing threats to independence in relation to other fee-related matters, including the proportion of fees for services other than audit to the audit fee.

3. Proposed Revisions to the Code Addressing the Objectivity of Engagement Quality Reviewers

Among the key proposed guidance are the following:

- Guidance on the application of the conceptual framework in the IESBA Code to address the topic of the objectivity of an EQR;
- An explanation of the different types of threats to compliance with the fundamental principle of objectivity that might be created in circumstances where an individual is being considered for appointment as an EQR for a given engagement;
- Factors to consider in evaluating the level of the identified threats; and
- Suggested actions that might be safeguards to address the threats.

The IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code) adopted the IESBA Code, issued during 2018, following the issue of proposed amendments on exposure in South Africa, together with South African enhancements. All amendments to the IRBA Code are in line with the IESBA Code. It is proposed that these IESBA Code amendments will be incorporated into the IRBA Code.

In accordance with the provisions of Section 10(1)(a) of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act), the IRBA may, by notice in the Government Gazette and pursuant to the provisions of Section 4(1)(c) of the Act, publish, for public information and comment, an amendment to the IRBA Code. Accordingly, a Board Notice to the same effect will be published in the Government Gazette for public comment for a minimum period of 30 days.

IESBA Webinar

The IESBA will host webinars during the comment period to provide an overview of the NAS and Fees EDs, and information on these webinars will be advertised by the IESBA on Twitter ([@Ethics Board](#)).

Request for Comments

We invite registered auditors and others to submit any comments regarding the NAS and Fees EDs to the IRBA for consideration, as we prepare our response to the IESBA. Comments, in Word and PDF formats, should be addressed to standards@irba.co.za and submitted by 9 April 2020.

Alternatively, comments may be submitted directly to the IESBA through the [IESBA website](#), which has a 'Submit a Comment' link on the Exposure Drafts and Consultation Papers page. Comments to the IESBA close on 4 May 2020.

Comments relating to the Objectivity of the EQR ED may be submitted directly to the IESBA through the [IESBA website](#), which has a 'Submit a Comment' link on the Exposure Drafts and Consultation Papers page. Comments to the IESBA close on 16 March 2020.

The three EDs are available in PDF formats and may be downloaded from the [IRBA website](#).

Should you have any further queries, please do not hesitate to contact the Standards Department by sending an email to 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; to 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 to provide advice to registered auditors on matters of professional ethics and conduct.