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## INDEPENDENT REGULATORY BOARD FOR AUDITORS

### COMMITTEE FOR AUDITOR ETHICS

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#### **Revisions to the IRBA Code of Professional Conduct (Revised April 2023) to Strengthen and Clarify the Independence Requirements for Group Audits**

Johannesburg / 08 June 2023

The Independent Regulatory Board for Auditors (IRBA) draws the attention of all registered auditors to revisions in the IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023) (IRBA Code) related to the [\*Final Pronouncement: Definition of Engagement Team and Group Audits\*](#).

These revisions holistically address the various independence considerations in an audit of group financial statements. They also deal with the independence and other implications of the changes made to the definition of an engagement team in the IRBA Code, to align with changes to the definition in the International Auditing and Assurance Standards Board's International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*. Specifically, the alignment clarifies the application of the Independence Standards in Part 4A of the IRBA Code, in the context of an audit of group financial statements, in accordance with ISA 600 (Revised), *Special Considerations - Audit of Group Financial Statements (Including the Work of Component Auditors)* (ISA 600 (Revised)).

The IRBA adopted the revisions made to the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), published in February 2023. This followed the local issue of the proposed amendments on exposure for public comment via Government Gazette No. 46088 on 25 March 2022 (Board Notice 229 of 2022).

#### **Key Revisions**

Among other matters, the revisions:

- Strengthen and clarify the independence principles that apply to:
  - Individuals involved in a group audit, including those within or engaged by firms that audit components within a group.
  - Firms engaged in the group audit, including firms within and outside the group auditor firm's network.
- Specify the need for, and the content of, appropriate communication on independence matters between the group auditor firm and the component auditor firms participating in the group audit.

- More explicitly set out the process to address a breach of an independence provision at a component auditor firm, reinforcing the importance of transparency and appropriate communication with those charged with governance of the group.
- Amend the definitions of the terms "engagement team" and "audit team" in the IRBA Code, to recognise the different and evolving engagement team structures and address the implications of the amendment.
- Provide guidance to facilitate the determination of who is included in an engagement team or audit team.
- Revise the definitions of a number of existing terms and establish new defined terms with respect to independence in a group audit context.

### **Enablement Material**

The following enablement material is available on the IESBA website:

- [IESBA's Engagement Team - Group Audits Independence Webinar - YouTube](#)
- [IESBA Basis for Conclusions](#)

### **Effective Date**

The final pronouncement is available on the [IRBA website](#) and effective for audits and reviews of financial statements and audits of group financial statements for periods beginning on or after 15 December 2023. Early adoption permitted. The effective date aligns with that of ISA 600 (Revised).

### **Transitional Provision**

For non-assurance services engagements, a component auditor firm outside the group auditor firm's network that has entered into an engagement with a component audit client before 15 December 2023, and for which work has commenced, may complete such an engagement under the extant provisions of the IRBA Code, based on the original engagement terms.

A Board Notice will be released in the Government Gazette, advising on the publication of the revisions to the IRBA Code, pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act, as amended.

Should you have any queries regarding the above-noted revisions, please email [standards@irba.co.za](mailto: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 Committee for Auditor Ethics 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.*