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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 NOVEMBER 2018) RELATING TO NON-ASSURANCE SERVICES AND FEE-RELATED PROVISIONS**

Johannesburg / 26 November 2021

The Independent Regulatory Board for Auditors (IRBA) draws the attention of all registered auditors to the revision of the Non-Assurance Services (NAS) and Fee-Related Provisions in the *IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code).

These revisions significantly strengthen the guardrails around auditor independence in two important areas that have the potential to create incentives that could influence auditor behaviour - NAS provided to audit clients and Fees.

The IRBA adopted the amendments made to the *International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), published in 2020, following the issue of the proposed amendments on exposure for public comment via Government Gazette No. 43015 in South Africa on 14 February 2020 (Board Notice 9 of 2020).

### **NAS Provisions**

The revised NAS provisions replace Section 600 of the IRBA Code and include conforming and consequential revisions to Sections 400, 525, 900 and 950. The most substantive changes to the NAS provisions include:

- The introduction of a prohibition on audit firms to provide NAS to public interest entity audit clients, if that might create a self-review threat.
- New provisions to enable and promote more robust engagement about independence matters relating to NAS between auditors and those charged with governance (TCWG) of public interest entity audit clients.
- Comprehensive guidance to steer auditors threat assessments and actions in relation to NAS.

### **Effective date**

- Revised Section 600 and the conforming amendments to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after 15 December 2022.
- The conforming and consequential amendments to Sections 900 and 950, in relation to assurance engagements with respect to underlying subject matters covering periods of time, will be effective for periods beginning on or after 15 December 2022; otherwise, these amendments will be effective as of 15 December 2022.

Early adoption will be permitted.

### **Fee-Related Provisions**

The revised fee-related provisions replace Section 410 of the IRBA Code and include consequential and conforming amendments to Sections 120, 270, 320, 330, 400 and 905. The most substantive changes to the fee-related provisions include:

- New provisions to enable and promote more robust engagement between auditors and TCWG of public interest entities about independence matters relating to fees.
- Strengthened provisions to address undue fee dependency on audit clients.
- Provisions to stimulate greater public transparency about fees paid by audit clients that are public interest entities, to assist stakeholder judgments about auditor independence.
- Comprehensive guidance to steer auditors threat assessments and actions in relation to fees.

A Board Notice, to be included in the Government Gazette, will advise on the publication of the amendments to the IRBA Code, pursuant to the provisions of Section 10(1)(a) of the Auditing Profession Act No. 26 of 2005, as amended.

### ***Effective date***

- For the revised Section 410 and consequential amendments to Part 4A - effective for audits of financial statements for periods beginning on or after 15 December 2022.
- For the revised Section 905 - in relation to assurance engagements with respect to underlying subject matters covering periods of time, effective for periods beginning on or after 15 December 2022; otherwise, effective as of 15 December 2022.
- For conforming and consequential amendments to other sections of the Code - effective as of 15 December 2022.

Early adoption will be permitted.

### **Implementation Support**

The amendments to the IRBA Code may be downloaded from the [IRBA website](#).

Support materials and resources are available on the dedicated [NAS and Fees IESBA webpage](#). These include:

- Infographics;
- Videos; and
- Recordings of the NAS and Fees webinars hosted in June 2021.

Fact sheets and Frequently Asked Questions are currently under development.

### **Practical Implications**

These revisions are expected to significantly impact registered auditors and the permissibility of the provision of NAS to audit clients. A detailed study as well as a thorough understanding of the revisions and the practical implications for registered auditors will assist them in appropriately planning and responding to the revised requirements by the effective date. Actions needed may include the following:

- Training of all firm personnel.
- Updating of firm methodology across audit and non-audit service lines.
- Considering amendments to firm policies and procedures.

- Considering transitional arrangements.
- Communication with audit clients about NAS that are no longer permissible.
- Re-engaging in discussions with TCWG about non-audit related fees and the potential threats to independence.
- Engaging in discussions with TCWG about fee disclosures.
- Reperformance of threat assessments and actions in relation to NAS permissible under the extant IRBA Code.

Should you have any further queries, please email [standards@irba.co.za](mailto:standards@irba.co.za).

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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; 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.*