
INDEPENDENT REGULATORY BOARD FOR AUDITORS

COMMITTEE FOR AUDITOR ETHICS

IESBA Proposes Revisions to the Code Relating to the Definition of Engagement Team and Group Audits

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The International Ethics Standards Board for Accountants (IESBA) has issued, for public comment, the Exposure Draft, [*Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*](#).

The proposed revisions establish provisions that comprehensively address independence considerations for firms and individuals that are involved in an engagement to perform an audit of group financial statements. They also address the independence implications of the change in the definition of an engagement team – a concept that is central to an audit of financial statements – in the International Auditing and Assurance Standards Board's (IAASB) International Standard on Auditing (ISA) 220, [*Quality Management for an Audit of Financial Statements*](#).

"Auditor independence, in fact and in appearance, is fundamental to public trust and confidence in the financial statement audit, which in turn plays a major role in safeguarding the integrity of the financial system," according to IESBA Chair Ms Gabriela Figueiredo Dias. "These proposals bring much needed clarifications and reinforcement in an area of auditor independence that can be especially challenging, given that many audits are performed for the largest and most complex groups around the world."

Among other matters that they address, the proposals:

- Establish new defined terms and revise a number of existing terms, including those concerning application with respect to independence in a group audit context.
- Clarify and enhance the independence principles that apply to:
 - Individuals who are involved in a group audit.
 - Firms that are engaged in a group audit, including those firms within and outside the group auditor firm's network.
- More explicitly set out the process to address a breach of an independence provision at a component auditor firm, including reinforcing the need for appropriate communication between the relevant parties and with those charged with governance of the group.
- Align several provisions in the Code to conform to changes in the IAASB's [*Quality Management*](#) standards.

The development of these revisions has benefited from close coordination with the IAASB's group audits and quality management projects.

Relevance for South Africa

The IRBA adopted the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)*, issued during 2018, following the issue of proposed amendments on exposure in South Africa, together with South African enhancements. As such, all amendments to the [IRBA Code of Professional Conduct for Registered Auditors \(Revised November 2018\) \(IRBA Code\)](#) are in line with the IESBA Code.

Therefore, the IRBA's Committee for Auditor Ethics (CFAE) will consider these proposals to amend the IESBA Code for incorporation into the IRBA Code.

Request for Comments

We invite registered auditors and others to submit to the IRBA, for its consideration, any comments regarding the *Proposed Revisions to the IESBA Code Relating to the Definition of Engagement Team and Group Audits*, as we prepare our response to the IESBA. Comments, in Word and PDF formats, should be sent to standards@irba.co.za and submitted by 10 May 2022.

Alternatively, comments may be submitted directly to the IESBA through its [website](#). Comments to the IESBA close on 31 May 2022.

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.

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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.