**INDEPENDENT REGULATORY BOARD FOR AUDITORS**

**COMMITTEE FOR AUDITOR ETHICS**

**IRBA CODE OF PROFESSIONAL CONDUCT HIGH LEVEL SUMMARYOF PROHIBITIONS APPLICABLE TO AUDITS AND REVIEWS**

Johannesburg / 11 October 2012

The International Ethics Standards Board for Accountants (IESBA) issued a “Guidance and Support Tool” entitled “[IESBA Code of Ethics High Level Summary of Prohibitions Applicable to Audits of Public Interest Entities](http://www.ifac.org/publications-resources/iesba-code-ethics-high-level-summary-prohibitions-applicable-audits-public-in)”. This summarised at a high level the prohibitions contained in the IESBA Code.

References are made below to the IRBA Code of Professional Conduct (IRBA Code) and include prohibitions for non-public interest entities that apply to all registered auditors.

Even if a proposed service, interest, or relationship is not covered by one of the prohibitions below, the registered auditor is required to apply the *conceptual framework* set out in the IRBA Code to evaluate the threats to independence. The conceptual framework entails a rigorous analysis of the service, interest, or relationship from the perspective of a reasonable and informed third party to determine whether it is permissible to accept such an engagement because there are no such independence threats or because appropriate safeguards can be implemented.

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| **PROHIBITED NON-ASSURANCE SERVICES** | **IRBA Code:**  **Relevant Section** | **Applicable To Public Interest Entities** | **Applicable To Non-Public Interest Entities** |
| ***Prohibited Without Regard to Materiality*** | | | |
| • Assuming a management responsibility. | **290.165** | **** | **** |
| • Accounting services (Note 1) | **290.172;**  **290.173&**  **290.174** | **** | **Please consider S90(2) Companies Act, 71 of 2008 requirements** |
| • Bookkeeping services (Note 1) |
| • Payroll services (Note 1) |
| • Preparing the financial statements and related financial information. (Note 1) |
| • Promoting, dealing in, or underwriting client shares. | **290.219** | **** | **** |
| • Recruiting directors/officers, or senior management who will have significant influence over accounting records or financial statements. | **290.215** | **** |  |
| • Evaluating or compensating a key audit partner based on that partner’s success in selling non-assurance services to the partner’s audit client. | **290.229** | **** | **** |
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| ***Prohibited if material to the financial statements (Document decision)*** | | | |
| • Valuation services | **290.179 & 290.180** | **** | **** |
| • Calculations of current/deferred taxes. | **290.185** | **** |  |
| • Tax or corporate finance advice that depends on a particular accounting treatment/financial statement presentation with respect to which there is reasonable doubt as to its appropriateness. | **290.190&**  **290.218** | **** | **** |
| • Acting as an advocate before a public tribunal or court to resolve a tax matter. | **290.193** | **** | **** |
| • Internal audit services relating to internal controls over financial reporting, financial accounting systems, or financial statement amounts/disclosures. | **290.200** | **** |  |
| • Designing/implementing financial reporting IT systems. | **290.203 & 290.206** | **** | **Please consider S90(2)(a)(ii) Companies Act, 71 of 2008 requirements** |
| • Estimating damages or other amounts as part of litigation support services. | **290.208** | **** | **** |
| • Acting as an advocate to resolve a dispute. | **290.211** | **** | **** |

**Note 1:** Can be provided to divisions/related entities if routine/mechanical, or in an emergency, if specified conditions are met

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| **INTERESTS AND RELATIONSHIPS WHICH ARE PROHIBITED OR REQUIRE SAFEGUARDS** | **IRBA Code:**  **Relevant Section** |
| ***Document basis on which Code was applied*** | |
| • Financial interests in the client. | **290.104** |
| • Financial interests in an entity in which the client has a material interest, and can significantly influence. | **290.112** |
| • Loans from a client lending institution that have not been made under normal lending procedures, terms, and conditions, or from a client that is not a lending institution and that are material. | **290.118** |
| • Material loans to a client. | **290.122** |
| • Deposits with a client not held under normal terms. | **290.123** |
| • Close business relationships with a client that are significant or entail a material financial interest. | **290.124** |
| • Audit team members whose immediate family member is a client director/officer, or an employee able to significantly influence the accounting records or financial statements. | **290.128** |
| • Former audit team members or a partner joining the client if significant connections with the firm remain. | **290.135** |
| • A key audit partner or senior/managing partner joining a Public Interest Entity client before a defined time out period | **290.139** |
| • A key audit partner serving for more than 7 years on a Public Interest Entity client. | **290.151** |
| • An individual being on the audit team if, during the period covered by the audit, the person was a client director/officer, or an employee able to significantly influence the accounting records or financial statements. | **290.144** |
| • Partners/employees serving as a client director or officer. | **290.146** |
| • Contingent fees for an audit or assurance engagement or, when material to the firm, for a non-assurance service to the audit client. | **240.4A** |
| • Accepting gifts or hospitality from the client that is other than trivial and inconsequential. | **290.230** |

This high level summary is not a substitute for reading the IRBA Code of Professional Conduct, which provides details on the application of these prohibitions. Please refer to [www.irba.co.za](http://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/ethics:-the-rules-and-the-code/the-rules-and-the-code) .

If you have any further questions please contact the Director: Standards at 087-940-8871 or send an email to [standards@irba.co.za](mailto:standards@irba.co.za).

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**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 Committee for Ethics assists the IRBA to develop and maintain ethical pronouncements which are internationally comparable.*