

26 June 2019

Mr K Siong
IESBA Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017, USA

Submitted electronically to kensiong@ethicsboard.org

Dear Mr Siong

Comments on the Exposure Draft: *Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)*

The Independent Regulatory Board for Auditors (IRBA) is the audit regulator and national auditing and ethics standard-setter in South Africa. Its statutory Committee for Auditor Ethics is responsible for prescribing standards of professional competence, ethics and conduct for registered auditors. One of the IRBA's statutory objectives is to protect the public by regulating audits performed by registered auditors, thereby promoting investment and employment in South Africa.

The IRBA adopted Parts 1, 3, 4A and 4B of the *International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*. This was prescribed in November 2018 as the Code of Professional Conduct for Registered Auditors (the IRBA Code) in South Africa, with certain additional national requirements. The IRBA Code, with its Rules Regarding Improper Conduct, provides the basis for disciplinary action against registered auditors. As future amendments relating to Part 4B could result in possible amendments to the IESBA Code, the IRBA has particular interest in the process.

We appreciate this opportunity to comment on the IESBA's Exposure Draft: *Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)* as set out in the following sections:

A: Request for Specific Comments; and

B Other Comments.

We have also noted the proposed amendments and have initiated due process procedures in South Africa for the possible adoption of these amendments when finalised by the IESBA.

Kindly e-mail us at nbester@irba.co.za, if further clarity is required on any of our comments.

Yours faithfully,

Signed Electronically

Imran Vanker

Director: Standards

REQUEST FOR SPECIFIC COMMENTS

Please note: Suggested alternative wording is provided with 'insertions' underlined and 'deletions' ~~struck-through~~.

Question 1

Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of 'assurance client', are clear and appropriate for use in Part 4B?

1. We believe that the definition of 'assurance client' is unclear and not appropriate for use in Part 4B of the IESBA Code. The responsible party is responsible for the underlying subject matter (as set out in the definition of a 'responsible party') and the party that takes responsibility for the subject matter information is the measurer or evaluator.
2. As such, we recommend that the definition of 'assurance client' could be clarified to specify that the party responsible for the subject matter information is the measurer or evaluator, as follows:
"Assurance client': The responsible party, and also, in an attestation engagement, the party (measurer or evaluator) taking responsibility for the subject matter information (who might also be the same as the responsible party)."

Question 3

Do you have any comments on the other proposed changes, including on the consistency of terms and concepts in Part 4B in relation to the text of ISAE 3000 (Revised)? If so, please specify the area of inconsistency and suggest alternative wording.

3. We have comments and suggested alternative wording to the following definition contained in the "*Glossary, including lists of abbreviations*" due to inconsistencies with ISAE 3000 (Revised):
 - a. We recommend that the definition of 'assurance engagement' could be amended in order to be more closely aligned to the wording contained in the International Framework for Assurance Engagements and ISAE 3000 (Revised), as follows:
"Assurance engagement': ...the responsible party about the subject matter information. ~~(ISAE 3000 (Revised) describes the elements and objectives of an assurance engagement conducted under that Standard, and (ISAE 3000 (Revised) deals with assurance engagements other than audits or reviews of historical financial information. The International Framework for Assurance Framework Engagements facilitates the understanding of the elements and objectives of an assurance engagement and the engagements to which *International Standards on Auditing* (ISAs),... apply.)~~"

OTHER COMMENTS

4. The terminology contained in the IESBA's Exposure Draft: *Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)* is closely aligned to ISAE 3000 (Revised).

5. A question arises as to whether professional accountants who do not apply the International Auditing and Assurance Standards Board's International Standards are able to comply with the IESBA Code that is so closely aligned to ISAE 3000 (Revised) terminology. In other words, when undertaking assurance engagements in accordance with other frameworks and standards, will this terminology be sufficiently neutral in order to be compatible?
6. We recommend that the IESBA, as part of a future project, consider the inconsistency in the definition of 'financial statements' with the IAASB's *Glossary of Terms*.