

**EXPOSURE DRAFT OF PROPOSED CHANGES TO THE SAICA
CODE OF PROFESSIONAL CONDUCT (REVISED 2018)**

**PROPOSED CHANGES TO THE SAICA CODE OF
PROFESSIONAL CONDUCT RELATING TO
REGISTERED CANDIDATE AUDITORS AND
SECTION 321: SECOND OPINIONS**

1 November 2019

The exposure draft issued by SAICA is released for public comment in South Africa by the SAICA Ethics Committee.

Comments received on the Exposure Draft will be discussed by the SAICA Ethics Committee in amending the Revised and Restructured SAICA Code of Professional Conduct (Revised 2018).

Written comment should be addressed to:

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Comments to be mailed to: Juanitas@saica.co.za

Your comments should be submitted by no later than **7 December 2019**. All replies will be regarded as being public record unless confidentiality is requested.

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EXPLANATORY MEMORANDUM

Introduction

- .01 This memorandum provides background to and an explanation of the proposed changes to the South African Institute of Chartered Accountants (SAICA) *Code of Professional Conduct (revised 2018)* (the SAICA Code). The Ethics Committee approved the South African proposed amendments in September 2019 for issue on exposure for a period of 30 days for public comment.

Background

- .02 SAICA adopted the International Ethics Standards Board (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* published by the International Federation of Accountants (IFAC) with effect from 15 June 2019. The SAICA Ethics Committee comments on all proposed amendments to the IESBA Code and considers final amendments to the IESBA Code for possible amendment of the SAICA Code. Adaptations of the proposed amendments, for purposes of the SAICA Code are underlined and in italics. SAICA strives where possible to also consider amendments proposed by the IRBA to the SAICA Code, and update where applicable.

Update on the IRBA Amendments

- .03 The IRBA has proposed changes to the IRBA Code of Professional Conduct for Registered Auditors. The Ethics Committee has followed these projects closely and considered final amendments to the IRBA Code for possible amendment of the SAICA Code.
- .04 Details on the IRBA projects are as follows:

Registered Candidate Auditors

- .05 The key elements of the project include:
- The definition of a registered candidate auditor,
 - With a possible effective date on or after 1 November 2019.
- .06 The SAICA Code currently includes the definition of a registered auditor. In 2015, amendments to the Auditing Profession Act, 2005 (Act 26 of 2005) (APA), resulted in the additional regulation of registered candidate auditors (RCAs). As per the amendments, an RCA is defined as:
- “An individual who has obtained a professional accountant designation from an accredited professional body, who is registered as a candidate auditor with the Regulatory Board and who is serving under the supervision of a registered auditor.”
- .07 Currently, the IRBA Code addresses the definition and role of a registered auditor, and this includes both the individual and the firm. It, however, does not specifically consider the definition and role of an RCA.
- .08 The RCA is also a chartered accountant (CA(SA)) and will be required to comply with the SAICA Code of Professional Conduct. However, in the event of a complaint or matter relating to an RCA, it is unclear how the SAICA Code will apply to RCAs. As such, this exposure draft aims to clarify the application of the SAICA Code to RCAs. To date there have been no complaints to the IRBA or SAICA, or any disciplinary hearings relating to an RCA.

Section 321: Second opinions

- .09 The IRBA released changes to section 321 of the IRBA Code of Professional Conduct (Revised November 2018) on 4 June 2019 to include relevant changes relating to second opinions. The changes will be effective for engagements commencing on or after 15 January 2020.
- .10 The SAICA Ethics Committee considered the changes and agreed to consider the IRBA amendments for amendment to the SAICA Code of Professional Conduct.
- .11 The proposed amendments to the SAICA Code Section 321 includes the following:
- Incorporate practical and relevant guidance from Circular 01/2006, Giving Second Opinions, issued in November 2006 by the Committee for Auditor Standards;
 - Align the guidance, where applicable, with the South African amendments made elsewhere in the SAICA Code;
 - Further strengthen the guidance by elevating certain application material to a requirement paragraph; and
 - Include additional safeguards mentioned in other sections of the SAICA Code that might be relevant in addressing a possible self-interest threat when a professional accountant is engaged to provide a second opinion.

Significant Matters

- .12 The proposed changes are included in Part 3 of the Code dealing with professional accountants in Public Practice. Members and associates should take note of the impact of the proposed amendments.

Proposed Amendments to SAICA Code

- .13 Proposed amendments to the SAICA Code has been included in *red, underlined* and included in *italics* and deletions are denoted by a strike through.

Proposed Effective Date

- .14 It is proposed that the effective date of the proposed changes SAICA Code be for engagements beginning on or after 1 April 2020.

Project timetable

- .15 Subject to comments received during the comment period, the Ethics Committee plans to finalise amendments for approval by the SAICA Board during February 2020 for issue in April 2020.

Guide for respondents

- .16 The Ethics Committee welcomes comments on the **South African specific amendments**. Comments should refer to specific paragraphs, include the reasons for the comments, and where appropriate, make specific suggestions for any proposed changes to wording.

INVITATION TO COMMENT

- .17 SAICA invite comments on the Exposure Draft –SAICA Code of Professional Conduct (revised 2018), with the inclusion of the definition of a registered candidate auditor and the proposed amendments to section 321- Second opinions.
Comments should be submitted in writing so as to be received by no later than **1 December 2019**.

Request for specific comments:

1. Do you agree with the proposed amendments to the *SAICA Code relating to Registered Candidate Auditors*? If not, please indicate what additional amendments you think are required.
2. Do you have any other comments on guidance / advisory material that may be required in the SAICA Code in relation to RCAs?
3. Do you agree with the proposed amendments to section 321 on second opinions? If you disagree with any amendments please explain why? Please indicate if you believe additional amendments are required?
4. Would you require any further advisory material on the changes to second opinions and please explain why? If yes, please indicate what would be required?