



Exposure Draft 401

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

Issued: 1 November 2019

**PROPOSED AMENDMENTS TO THE SAICA CODE OF PROFESSIONAL CONDUCT
(REVISED 2018) RELATING TO REGISTERED CANDIDATE AUDITORS AND
SECOND OPINIONS: SECTION 321**

DEFINITIONS

Accredited Professional Body *A status granted by the IRBA to a professional body that meets and continues to meet the prescribed accreditation standards.*

“Accreditation” means the status afforded to a professional body in accordance with Part 1 of Chapter III [of the Act], which status may be granted in full or in part”¹.

“Professional body” means a body of, or representing:

(a) registered auditors and registered candidate auditors; or

(b) accountants, registered auditors and registered candidate auditors.”²

Registered Auditor *An individual or firm registered as an auditor with the Regulatory Board.³*

This term, when used in the Code, includes a registered candidate auditor in so far as it is applicable, as required by the context of its use in a requirement or application material of this Code, and considering this Code, as applicable.

Registered Candidate Auditor *Means 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.⁴*

SECTION 321

SECOND OPINIONS

Introduction

321.1 *Professional accountants* are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

¹ *Section 1 v “accreditation”*

² *Section 1 v “professional body”.*

³ *Section 1 v “registered auditor”.*

⁴ *Section 1 v “registered candidate auditor”.*

**Proposed changes to the SAICA Code of Professional Conduct relating to RCA and
Second opinions (ED 401/2019)**

321.2 Providing a second opinion to an entity that is not an existing client might create a self-interest or other threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

321.3 A1 A professional accountant might be asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to (a) specific circumstances, or (b) transactions by or on behalf of a company or an entity that is not an existing client. The second opinion could relate to a matter that has been considered, or might be expected to have been, or might be expected to be considered by that client's existing or predecessor accountant. A threat, for example, a self-interest threat to compliance with the principle of professional competence and due care, might be created if the second opinion is not based on the same facts that the existing or predecessor accountant had, or is based on inadequate evidence.

321.3 A2 A factor that is relevant in evaluating the level of such a self-interest threat is the circumstances of the request and all the other available facts and assumptions relevant to the expression of a professional judgement.

321.3 A3 Examples of actions that might be safeguards to address such a self-interest threat include:

- With the client's permission, obtaining information from the existing or predecessor accountant and confirming that the facts relevant to the issue are complete.
- Describing the limitations surrounding any second opinion in communications with the client.
- Having an appropriate reviewer who has not taken part in the second opinion, review the draft second opinion.
- ~~Providing the existing or predecessor accountant with a copy of the opinion.~~

321.3 A4 SA With the client's permission, a professional accountant may through enquiries of the client and enquiries of the existing or predecessor accountant:

- Ascertain the circumstances surrounding the proposed engagement for a second opinion.
- Ascertain whether the client has sought a second opinion from other professional accountants.

Proposed changes to the SAICA Code of Professional Conduct relating to RCA and
Second opinions (ED 401/2019)

R321.3a SA A professional accountant shall provide a second opinion in writing.

321.3a A1 SA Providing an oral and other forms of a second opinion can be misunderstood without the support of a written report.

R321.3b SA A professional accountant shall not provide a second opinion regarding an opinion expressed on financial statements performed in terms of the ISAs.

When Permission to Communicate is Not Provided

R321.4 If an entity seeking a second opinion from a professional accountant will not permit the professional accountant to communicate with the existing or predecessor accountant, the professional accountant shall ~~determine whether the professional accountant~~ may provide the second opinion sought decline the appointment, unless there are exceptional circumstances of which the professional accountant has full knowledge, and the professional accountant is satisfied regarding all relevant facts, by some other means.

Providing the Existing or Predecessor Accountant with a Copy of the Second Opinion

R321.5 SA A professional accountant shall, in terms of the engagement with the client, provide the existing or predecessor accountant with a copy of the second opinion, at the same time as it is given to the client.

321.5 A1 SA The purpose of providing the existing or predecessor accountant with a copy of the second opinion is to ensure that the professional accountant and the existing or predecessor accountant have the same information.

EFFECTIVE DATE

The changes will be effective for engagements commencing on or after 1 April 2020.