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| **INDEPENDENT REGULATORY BOARD FOR AUDITORS****COMMITTEE FOR AUDITOR ETHICS****Proposed Revised and Restructured IRBA Code of Professional Conduct**Johannesburg / 31 May 2018The Committee for Auditor Ethics (CFAE), the statutory committee of the Independent Regulatory Board for Auditors (IRBA) responsible for setting standards for auditor ethics, approved the issuing of the proposed Revised and Restructured IRBA Code of Professional Conduct for Registered Auditors (the IRBA Code), in May 2018 for public comment, by 2 July 2018.In accordance with the provisions of Section 10(1)(a) of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act), the IRBA may, by notice in the Government Gazette and pursuant to the provisions of Section 4(1)(c) of the Act, publish, for public information and comment, an amendment to the IRBA Code. Accordingly, a Board Notice to the same effect will be published in the Government Gazette for public comment for a minimum period of 30 days.**Background**The IRBA adopted Parts A and B and the Definitions of the International Ethics Standards Board (IESBA*) Code of Ethics for Professional Accountants* (July 2009) published by the International Federation of Accountants (IFAC) with effect from 1 January 2011. The IRBA comments on all proposed amendments to the IESBA Code and considers final amendments to the IESBA Code for possible amendments to the IRBA Code.The IESBA has been working on the restructured IESBA Code and its related projects for the past three years. The CFAE has followed this project closely, commented on all proposed amendments and considered final amendments to the IESBA Code for possible amendments to the IRBA Code.**Proposed Amendments**The CFAE has incorporated recently approved amendments to the IESBA Code in the IRBA Code and will be recommending these amendments to the IRBA Board for adoption in November 2018. Proposed amendments to the IRBA Code are the following:**IESBA Projects**1. **Restructure of the*IESBA Code of Ethics for Professional Accountants (IESBA Code)***

Some features of the restructuring are:* + Increasing the prominence of the requirements to comply with the fundamental principles, be independent, where applicable, and applying the conceptual framework;
	+ Emphasising that compliance with the fundamental principles and, where applicable, being independent are the overarching ethical outcomes for the IESBA Code;
	+ Distinguishing requirements (paragraphs identified with an 'R') and numbering in bold from application material (paragraphs identified with an 'A');
	+ Increasing clarity of responsibility, particularly in relation to independence; and
	+ Increasing clarity of language to improve readability and understandability, including simpler and shorter sentences; simplifying complex grammar; and avoiding legalistic and archaic terms.
1. ***Safeguards***

The approach and details regarding safeguards (as a response to the threats) has been revised:* + Clarifying safeguards in the extant IESBA Code that were perceived as unclear and, where warranted, eliminating those that are inappropriate or ineffective;
	+ Better correlation between each safeguard and the threat it is intended to address; and
	+ Clarifying that not every threat can be addressed by a safeguard.

The following new South African paragraphs relating to safeguards have been incorporated into the Exposure Draft:* + Application material paragraph 120.9 A2 has been moved to a requirement, i.e. **R120.9 A2 SA**; and
	+ A South African application material paragraph (600.4 A3 SA) has been introduced to detail the consideration of threats to objectivity relating to non-assurance services provided.
1. ***Professional Scepticism and Professional Judgement***
	* Describing how compliance with the fundamental principles in the IESBA Code supports the exercise of professional scepticism in the context of audit and other assurance engagements; and
	* Emphasising the importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgement in applying the conceptual framework to comply with the fundamental principles and, where applicable, be independent.

***South African Projects***1. ***Restructure of South African Paragraphs***
	* In line with the IESBA drafting conventions, the extant South African paragraphs have been redrafted and included in the proposed IRBA Revised and Restructured Code; and to assist with easy identification, this text is underlined and in italics. For the purposes of the exposure draft, there are comments indicating that these refer to South African amendments.
	* In line with the extant IRBA Code, the IRBA will not be adopting Part 2 (previous Part C) of the IESBA Code as it is related to Professional Accountants in Business.
	* A [mapping table](https://www.irba.co.za/upload/Mapping%20Table%20-%20Proposed%20South%20African%20Amendments.pdf) is available to facilitate the tracking of changes from the extant IRBA Code to the proposed Revised and Restructured IRBA Code. In addition, to assist with the review of the Proposed Revised and Restructured IRBA Code, the Exposure Draft includes comments on each paragraph to explain the derivation, i.e. whether it is from a particular paragraph in the extant Code or new material.

**Proposed Effective Date**The expectation is that the CFAE will consider comments received on the proposed Revised and Restructure IRBA Code in August 2018, and consider recommending these amendments to the IRBA Board for approval in November 2018.It is proposed that the Revised and Restructured IRBA Code be in line with the effective date of the IESBA Code. The proposed effective dates will be as follows:* Parts 1 and 3 of the Revised and Restructured Code will be effective as of 15 June 2019.
* Part 4A relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after 15 June 2019.
* Part 4B relating to independence for assurance engagements with respect to subject matter covering periods will be effective for periods beginning on or after 15 June 2019, otherwise, it will be effective as of 15 June 2019.

**Other Considerations**The Revised and Restructured IRBA Code will have many significant changes that will need to be considered by all registered auditors and audit firms. The following will need to be considered:* Training for firm personnel across all levels;
* Updating of the firm methodology;
* Considering amendments to firm policies and procedures;
* Noting differences between local requirements and international requirements;
* Transitional arrangements, and catering for the differing effective dates; and
* Re-assessing safeguards currently used under the extant IRBA Code, among others.

**Request for Comments**The IRBA invites registered auditors and other interested parties to submit any comments regarding the proposed IRBA Code to the IRBA by **2 July 2018**. Comments, in Word format, should be submitted by e-mail to standards@irba.co.za. All comments will be considered a matter of public record.A copy of the exposure draft is available in PDF format and may be downloaded from the exposure drafts page on the [IRBA website](https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/exposure-drafts-and-comment-letters).**Imran Vanker****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 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; 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 provide advice to registered auditors on matters of professional ethics and conduct.* |