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| **INDEPENDENT REGULATORY BOARD FOR AUDITORS**  **COMMITTEE FOR AUDITOR ETHICS** |

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| **IESBA Releases Exposure Drafts on the Structure of the Code - Phase 2 and Revisions to Safeguards - Phase 2**  Johannesburg / 07 February 2017  There are significant developments recently announced globally that will have an impact on the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code). As the IRBA Code adopted Parts A and B of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (IESBA Code), these proposed changes, which will affect all registered auditors, will be considered by the IRBA's Committee for Auditor Ethics (CFAE) for possible amendments to the IRBA Code.  During 2016, the IESBA set out on a strategic project to review the structure and drafting of the IESBA Code to enhance its understandability and usability, effective implementation, consistent application, and enforcement.  The IESBA announced on 25 January 2017 the completion of the first phase of this comprehensive project, with the close-off documents available on the [IESBA website](http://www.ethicsboard.org/). In addition, the IESBA also released, for public comment, two exposure drafts that will enhance and complete the fully restructured IESBA Code. They are:   1. [**Improving the Structure of the Code of Ethics for Professional Accountants - Phase 2**](https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/exposure-drafts-and-comment-letters) (commonly referred to as the IESBA Structure - Phase 2 ED). The highlights of Phase 2 include:  * Restructuring of the remainder of the IEBSA Code; * Recently finalised provisions addressing a professional accountant's response to non-compliance with laws and regulations (NOCLAR); and * Long association of audit firm personnel with audit and other assurance clients.  1. [**Proposed Revisions Pertaining to Safeguards in the Code - Phase 2 and Related Conforming Amendments**](https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/exposure-drafts-and-comment-letters)(commonly referred to as the IESBA Safeguards - Phase 2 ED). The highlights of Phase 2 include:  * Addressing safeguards-related provisions in the independence sections of the IESBA Code pertaining to non-assurance services provided to audit and other assurance clients. * Explaining the rationale for the revisions to the non-assurance services section of the extant Code (Proposed Section 600, *Provision of Non-assurance Services to an Audit Client,* and Section 950, *Provision of Non-assurance Services to an Assurance Client*); and * Conforming amendments arising from the Safeguards Project as these relate to the text of Phase 1 of the IESBA Structure - Phase 1 of the Code Project.   Proposed conforming amendments relating to safeguards are presented in the IESBA Structure - Phase 2 ED in grey text.  In accordance with the provisions of Section 10(1)(a) of the Auditing Profession Act, 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.  **How to Comment**  We invite registered auditors and others to submit any comments regarding the proposed changes to the IRBA for consideration as we prepare our response to the IESBA. Comments should be submitted by e-mail to [standards@irba.co.za](mailto:standards@irba.co.za) in Word format. Comments on the IESBA Safeguards Phase 2 ED should be sent to the IRBA by 11 April 2017 and those on the IESBA Proposed Structure - Phase 2 ED by 11 May 2017.  Alternatively, comments may be submitted directly to the IESBA through the [www.ifac.org](http://www.ethicsboard.org/restructured-code) website, which has a 'Submit a Comment' link on the Exposure Drafts and Consultation Papers page. Comments to the IESBA close on 25 April 2017 for the Safeguards Phase 2 ED and on 25 May 2017 for the Proposed Structure - Phase 2 ED.  The proposed changes to the IESBA Code of Ethics are available in PDF and may be downloaded from the IRBA website at [http://www.irba.co.za](http://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/exposure-drafts-and-comment-letters).  Should you have any further queries or experience any technical difficulties in downloading the documents, please do not hesitate to contact the Standards Department by sending an email to [standards@irba.co.za](mailto:standards@irba.co.za).  **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 responsibility of the CFAE is 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; to 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 to provide advice to registered auditors on matters of professional ethics and conduct.* |