

August 2019

Comments requested by 31 October 2019



**Proposed Amendments to the IRBA Code of Professional Conduct
for Registered Auditors (Revised November 2018) relating to
Registered Candidate Auditors**

REQUEST FOR COMMENTS

The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditor Ethics (CFAE) approved these proposed amendments to the *IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018)* (the IRBA Code) relating to *Registered Candidate Auditors* in August 2019 for exposure for a period of 60 days, following the publication of a Board Notice to be included in the Government Gazette for comment. Before being issued in a final form, the proposed amendments to the *IRBA Code relating to Registered Candidate Auditors* may be modified in light of comments received.

The proposed amendments to the *IRBA Code relating to Registered Candidate Auditors* have been updated by a CFAE Task Group that comprised users of audits and technical staff representatives from auditing firms, the South African Institute of Chartered Accountants (SAICA) and the IRBA.

The proposed amendments to the *IRBA Code relating to Registered Candidate* may be downloaded from the IRBA website at <https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/exposure-drafts-and-comment-letters>.

Respondents are requested to submit their comments electronically in Word and PDF formats to standards@irba.co.za. All comments will be considered a matter of public record and will be posted on the IRBA website (www.irba.co.za).

Comments should be submitted by **31 October 2019**.

Should you have any queries, please e-mail the Standards Department at standards@irba.co.za.

The mission of the IRBA is to endeavour to protect the financial interest 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.

In line with the IRBA's legislative mandate, the IRBA's objectives are to create the framework and principles to contribute to the protection of the public, who rely on the services of registered auditors; and to support registered auditors who carry out their duties competently, fearlessly and in good faith. The goal is to help create an ethical, value-driven financial sector that encourages investment and confidence, and also promotes sound practices by *developing and maintaining ethical standards which are internationally comparable*. The statutory responsibility of the CFAE is to assist the IRBA to:

- Determine what constitutes improper conduct by registered auditors and registered candidate 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.

REQUEST FOR COMMENTS

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EXPLANATORY MEMORANDUM

CONTENTS	PAGE
<hr/>	
Explanatory Memorandum	
Introduction	5
Background	5
Significant Matters	6
Project Timetable	6
Guide for Respondents	7
Request for Specific Comments	7
Exposure Draft	
Proposed amendments to the <i>IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018) relating to Registered Candidate Auditors</i>	8
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EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background to and an explanation of the proposed amendments to the Independent Regulatory Board for Auditors (IRBA) *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (the IRBA Code) relating to *Registered Candidate Auditors*. The Committee for Auditor Ethics (CFAE) approved these proposed amendments in August 2019 for issue on exposure for a period of 60 days for public comment.

The International Federation of Accountants' (IFAC) copyright permissions policy permits modifications to the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) to accommodate jurisdictional requirements in different countries. Consequently, these local amendments are being proposed. The IRBA welcomes comments on the proposed amendments. In addition to general comments, it welcomes comments on the specific questions posed at the end of this memorandum.

Background

The IRBA mission is as follows "To endeavour to protect the financial interest of the South African public and international investors in South Africa through the effective and appropriate regulation of assurance conducted by registered assurance providers in accordance with internationally recognised standards and processes."

The IRBA adopted Parts 1, 3, 4A and 4B and the Definitions of the IESBA Code published by the IFAC. The CFAE comments on all proposed amendments to the IESBA Code and considers final amendments to the IESBA Code for the possible amendment of the IRBA Code. Local adaptations of the IESBA Code are reflected in the IRBA Code and are underlined and in italics.

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."

Additionally, the following amendment was made to Section 21(2)(a) in the APA, with regard to the responsibilities of the CFAE:

"The committee for auditor ethics must assist the Regulatory Board to determine what constitutes improper conduct by registered auditors and registered candidate auditors by developing rules and guidelines for professional ethics, including a code of professional conduct."

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.

EXPLANATORY MEMORANDUM

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 IRBA Code will apply to RCAs. During the IRBA Rules Regarding Improper Conduct Project, comments were received from the IRBA Investigating Committee and Disciplinary Committee members with regard to this existing gap in the IRBA Code. The suggestion was that the CFAE should clarify this as soon as possible.

As such, this exposure draft aims to clarify the application of the IRBA Code to RCAs. The CFAE considered whether there are any specific areas in which RCAs will require additional guidance. To date there had been no complaints to the IRBA or IRBA disciplinary hearings relating to an RCA.

Significant Matters

Applicability of the IRBA Code to Registered Candidate Auditors

The IRBA Code currently includes the definition of registered auditors as per the APA.

The CFAE agreed that the IRBA Code would apply to RCAs in so far as it is applicable. It is proposed that this should be achieved by including the use of the term RCAs in the definition of a registered auditor.

Consideration of Oversight Registered Auditors

An individual registered auditor, registered with the IRBA for at least three years, is eligible to be registered as an oversight registered auditor (ORA). The ORA oversees, on behalf of the firm, the development of the RCA's competence in auditing. The ORA is also responsible for declaring that an RCA has satisfied the requirements of the Auditing Development Programme. The CFAE considered and agreed that the Code does not need specific guidance for these individuals as they fall into the category of registered auditors.

Other

Proposed additions are underlined and in italics and deletions are denoted by a ~~strike through~~.

SAICA has adopted verbatim the local amendments made to the IRBA Code of Professional Conduct in the SAICA Code of Professional Conduct. Thus, the proposed amendments could result in SAICA considering a similar change to its Code of Professional Conduct.

Project Timetable

Subject to comments received during the comment period, the CFAE plans to finalise the amendments in May 2020 for approval by the IRBA Board for issue in June 2020. The expectation is that the amendments to the *IRBA Code relating to Registered Candidate Auditors* will be effective on or after **1 November 2020**.

Guide for Respondents

EXPLANATORY MEMORANDUM

The CFAE welcomes comments on all matters addressed in the exposure draft. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments and, where appropriate, make specific suggestions for any proposed changes to the wording.

When a respondent agrees with the proposals in this exposure draft, it will be helpful for the CFAE to be made aware of this view.

Request for Specific Comments

The IRBA welcomes views on the following specific questions:

1. Do you agree with the proposed amendments to the *IRBA 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 that may be required in the IRBA Code in relation to RCAs?

PROPOSED AMENDMENTS TO THE IRBA CODE OF PROFESSIONAL CONDUCT FOR REGISTERED AUDITORS (REVISED NOVEMBER 2018) RELATING TO REGISTERED CANDIDATE AUDITORS

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*

STATUS OF THE CODE

In terms of the powers granted to it by Sections 4 and 21 of the Auditing Professions Act, 2005 (Act No. 26 of 2005) (Act) and subsequent amendments in 2015, the Regulatory Board has published the Code of Professional Conduct for Registered Auditors (Revised November 2018) (“the Code”) to establish the fundamental principles of ethical conduct, provide a conceptual framework and includes Independence Standards that assists registered auditors in complying with the ethical requirements of the Code and meeting their responsibility to act in the public interest.

The Code is applicable to all registered auditors. A contravention of, or failure to comply with, any requirements in the Code may be regarded as improper conduct within the ambit of Section 21 of the Act or the Rules Regarding Improper Conduct. As such, a contravention of, or failure to comply with, any requirements in the Code may be investigated and, if appropriate, the registered auditor might be charged in terms of Section 48 of the Act.

¹ Section 1 v “accreditation”

² Section 1 v “professional body”.

³ Section 1 v “registered auditor”.

⁴ Section 1 v “registered candidate auditor”.