

---

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

---

***Proposed amendments to Section 321 of the IRBA Code***  
**(Revised November 2018): *Second Opinions***

Johannesburg / 7 December 2018

The 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 amendments to Section 321 of the IRBA *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (IRBA Code (Revised November 2018)): *Second Opinions* on exposure in November 2018 for public comment by 5 February 2019.

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.

In November 2018, the IRBA published the revised IRBA Code (Revised November 2018). This followed the adoption of the amendments made to the IESBA *Code of Ethics for Professional Accountants (including International Independence Standards)* issued during 2018.

**Proposed Amendments**

Circular 01/2006, *Giving Second Opinions* (the Circular) was issued in November 2006 by the Committee for Auditing Standards (CFAS).

The Circular was issued to ensure appropriate communication between the registered auditor (auditor) when asked to issue a second opinion, the existing auditor and their client to avoid misunderstanding and/or potential conflicts. The Circular includes practical guidance when there is a request for a second opinion on an accounting treatment.

When the IRBA adopted Parts A and B of the IESBA Code in 2011, it was not considered necessary for the Circular to be revised as the requirements, in principle, were incorporated into Section 230: *Second Opinions*, of the IRBA Code (January 2011). The Circular was retained as it was still in use and offered good guidance.

In 2018 the CFAS requested that the Circular should be reconsidered by the CFAE as it is an IRBA Code related matter. Though the Circular was issued before the formation of the

CFAE, it now falls under its mandate. The CFAE is also best placed to advise on whether the Circular should be amended, incorporated into the IRBA Code or withdrawn.

The CFAE considered whether the guidance contained in the Circular is still relevant and applicable to auditors. It also considered whether the guidance to be incorporated into Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* should be included as introductory material, requirements or application material.

Further, the CFAE considered whether the guidance included in Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* should be amended to:

- Align the guidance, where applicable, with South African amendments made elsewhere in the IRBA Code;
- Further strengthen the guidance by escalating certain application material to a requirement paragraph; and
- Include additional safeguards mentioned in other Sections of the IRBA Code that might be relevant in addressing a possible self-interest threat when an auditor is engaged to provide a second opinion.

### **Proposed Effective Date**

The expectation is that the CFAE will consider comments received on the proposed amendments to Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* in May 2019, and consider recommending these amendments to the IRBA Board for approval in June 2019.

It is anticipated that the proposed amendments to Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* will be effective on or after 15 January 2020.

### **Request for Comments**

The CFAE welcomes comments on all matters addressed in the proposed amendments to Section 321 of the IRBA Code (Revised November 2018): *Second Opinions*, especially those identified in the Request for Specific Comments section of the Explanatory Memorandum.

The IRBA invites auditors and other interested parties to submit any comments regarding the proposed amendments to Section 321 of the IRBA Code (Revised November 2018): *Second Opinions* to the IRBA by **5 February 2019**. Comments, in Word format, should be submitted by e-mail to [standards@irba.co.za](mailto: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](#).

**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.*