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4th November 2014

International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
New York
E-mail: kensiong@ethicsboard.org

Dear Sir,

COMMENTS ON EXPOSURE DRAFT - PROPOSED CHANGES TO CERTAIN PROVISIONS OF THE CODE ADDRESSING THE LONG ASSOCIATION OF PERSONNEL WITH AN AUDIT OR ASSURANCE CLIENT

The Zambia Institute of Chartered Accountants welcomes the opportunity to provide comments to the International Ethics Standards Board for Accountants (IESBA) on the Exposure Draft, *"Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client*" issued on 14th August 2014, with the comment period closing on 12th November, 2014.

The Institute supports the mandate of the IESBA, "to serve the public interest by setting high-quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development of a robust, internationally appropriate code of ethics".

We welcome the proposed changes to various paragraphs in the Code of Ethics for Professional Accountants (the Code) that address the threats to independence that may be created by using the same personnel on an audit engagement or assurance engagement over a long period of time (the long association provisions). Using the same personnel on an audit or assurance engagement over a long period of time may create familiarity and self-interest threats that may impact, or be seen to impact, an individual's independence. Therefore, members of audit and assurance teams and firms should be independent, both in mind and in appearance, of their audit and assurance clients.

The Institute deliberated on the ED and our responses to your specific questions are as follows:

Question 1:

Do the proposed enhancements to the general provisions in paragraph 290.148 provide more useful guidance for identifying and evaluating familiarity and self-interest threats created by long association? Are there any other safeguards that should be considered?

Comment
We do believe that the proposed enhancements to the general provisions in paragraph 290.148 would provide more useful guidance for identifying and evaluating familiarity and self-interest threats created by long association. For now, there are no other safeguards that we would like to bring to your consideration.

Question 2:

Should the General Provisions apply to the evaluation of potential threats created by the long association of all individuals on the audit team (not just senior personnel)?

Comment
The General Provisions should just be limited to senior personnel.

Question 3:

If a firm decides that rotation of an individual is a necessary safeguard, do respondents agree that the firm should be required to determine an appropriate time-out period?

Comment
We agree that the firm should be required to determine an appropriate time-out period.

Question 4:

Do respondents agree with the time-on period remaining at seven years for KAPs on the audit of PIEs?

Comment
We do agree that the time-on period (seven years) should not be shortened; a seven year time-on period is appropriate to provide the right balance between addressing the familiarity and self-interest threats to independence created by long association and the need to maintain relevant knowledge and experience to support audit quality. Increase in frequency of rotation is normally accompanied by an increase in costs and disruptions to companies. Such increased frequency of

rotation is not likely to bring about significant incremental benefits, if at all, to audit quality or to the confidence in the independence of the auditor.

Question 5:

Do respondents agree with the proposal to extend the cooling-off period to five years for the engagement partner on the audit of PIEs? If not, why not, and what alternatives, if any, could be considered?

Comment
We do not agree with the proposal to extend the cooling-off period to five years for the engagement partner on the audit. The current two-year cooling-off period is adequate to provide for an effective fresh look. The proposal to lengthen the cooling-off period would have negative impact on audit firms, particularly smaller audit firms which have fewer audit personnel.

Question 6:

If the cooling-off period is extended to five years for the engagement partner, do respondents agree that the requirement should apply to the audits of all PIEs?

Comment
See our comments to question five (5) above.

Question 7:

Do respondents agree with the cooling-off period remaining at two years for the EQCR and other KAPs on the audit of PIEs? If not, do respondents consider that the longer cooling-off period (or a different cooling-off period) should also apply to the EQCR and/or other KAPs?

Comment
See our comments to question five (5) above.

Question 8:

Do respondents agree with the proposal that the engagement partner be required to cool-off for five years if he or she has served any time as the engagement partner during the seven year period as a KAP?

Comment
See our comments to question five (5) above.

Question 9:

Are the new provisions contained in 290.150C and 290.150D helpful for reminding the firm that the principles in the General Provisions must always be applied, in addition to the specific requirements for KAPs on the audits of PIEs?

Comment
The proposed provisions contained in 290.150C and 290.150D would be helpful for reminding the firm that the principles in the General Provisions must always be applied, in addition to the specific requirements for KAPs on the audits of PIEs.

Question 10:

After two years of the five-year cooling-off period has elapsed, should an engagement partner be permitted to undertake a limited consultation role with the audit team and audit client?

Comment
We have no comment.

Question 11:

Do respondents agree with the additional restrictions placed on activities that can be performed by a KAP during the cooling-off period? If not, what interaction between the former KAP and the audit team or audit client should be permitted and why?

Comment
We do not agree with the proposed additional restrictions placed on activities that can be performed by a KAP during the cooling-off period. This is not practical in certain jurisdictions especially where there are limited numbers of audit partners. We propose that where information may be relevant to the current audit, the incoming Engagement Partner be allowed to consult with the former KAP on work undertaken and conclusions reached in the previous year. This will facilitate partner transition.

Question 12:

Do respondents agree that the firm should not apply the provisions in paragraphs 290.151 and 290.152 without the concurrence of TCWG?

Comment
We agree.

Question 13:

Do respondents agree with the corresponding changes to Section 291? In particular, do respondents agree that given the differences between audit and other assurance engagements, the provisions should be limited to assurance engagements "of a recurring nature"?

Comment
We agree.

Question 14:

Do respondents agree with the analysis of the impact of the proposed changes? In the light of the analysis, are there any other operational or implementation costs that the IESBA should consider?

Comment
We have no comment.

General Questions

(a) Small and Medium Practices (SMPs) - The IESBA invites comments regarding the impact of the proposed changes for SMPs.

(b) Preparers (including SMEs), and users (including Regulators) - The IESBA invites comments on the proposed changes from preparers, particularly with respect to the practical impacts of the proposed changes, and users.

(c) Developing Nations -Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposed changes, in particular, on any foreseeable difficulties in applying them in a developing nation environment.

(d) Translations - Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed changes.

(e) Effective Date - Recognizing that the proposed changes are substantive, would the proposal require firms to make significant changes to their systems or processes to enable them to properly implement the requirements? If so, do the proposed effective date and transitional provisions provide sufficient time to make such changes?

General Comments

a) The proposed change in the cooling-off period for engagement partners will have negative impact on audit firms, particularly smaller audit firms which have fewer audit personnel.

b) We believe our members will have less practical challenges to implement the proposed changes.

c) For now, we do not foresee difficulties in applying the proposed changes.

d) The ethical standards for professional accountants are not presently translated in Zambia and therefore we do not foresee any translation issues that may arise.

e) We believe that the tentative effective date suggested in the exposure draft would be appropriate. We do not foresee any issue with the implementation of the proposed changes.

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Mwewa Bruce
Technical and Standards Manager