

Ref #458384

5 March 2014

International Ethics Standards Board for Accountants (IESBA)

Email: [kensiong@ethicsboard.org](mailto:kensiong@ethicsboard.org)

Dear Sir

**SAICA SUBMISSION ON THE IESBA'S PROPOSED STRATEGY AND WORK PLAN 2014 - 2018**

In response to your request for comments on the *IESBA's proposed strategy and work plan 2014 - 2018*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA).

We thank you for the opportunity to provide comments on this document. We apologise for missing the stipulated deadline of 28 February 2014 but we had to meet our internal review processes and this delayed us. We trust that our feedback will be taken into consideration.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely,

**Mohammed Lorgat CA(SA)**  
**Project Director – Assurance, Public Sector and Members' Advice**

## **GENERAL COMMENTS**

In general (and except for the specific concerns detailed below), we support the IESBA's proposed strategy and work plan.

We are however, concerned about the realistic achievability of the proposed work programme as based on paragraph 31, bullet 2, there are only three permanent technical staff members, each with the capacity to support two projects, for a theoretical maximum of six live projects at any given time. Importantly, this commitment does not include the following additional initiatives that may take up considerable proportions of available staff time: emerging issues, staff publication and outreach (paragraphs 47, 48 and 54).

While there is, on the face of it, no immediate indication of the theoretical capacity limit being exceeded, scrutiny of Appendix 3 suggests a measure of vulnerability arising from unforeseen delays to any aspect of the planned scheduling.

Apart from the IESBA's permanent staff capacity, we believe that the achievement of the proposed programme is dependent on (inevitably uncertain) volunteerism, as well as the goodwill, interest and commitment of others, such as national standard setters, technical advisors and external experts as listed under paragraph 31. Based on this, it makes it difficult to make a realistic assessment of the reasonableness of the planned workload.

**RESPONSE TO REQUEST FOR SPECIFIC COMMENTS**

- a) *Do you support the four work streams the Board added to its SWP in 2012, i.e., Long Association, Non-Assurance Services, Review of Part C, and Structure of the Code (See Section II)? If not, please explain why.*

**Response:** Yes, we do support the four works streams.

- b) *Are the strategic themes identified for the period 2014-2018 appropriate? If not, please explain why.*

**Response:** Yes, we believe that the strategic themes identified for the period 2014- 2018 are appropriate, and would recommend the inclusion of the following themes:

- Communications of real life cases pointing out code breaches and issues, together with trends that will assist in bringing ethics alive.
- Improved interaction with universities and those managing trainees to ensure the ethical message is incorporated in curriculums and training contracts.

Furthermore, our comments on the strategic themes:

- i. Maintaining a High-Quality Code of Ethics for application by Pas globally (paragraphs 8–11):

The IESBA proposes to concentrate on strengthening the aspects of the Code that deal specifically with professional accountants in business (PAIBs) (paragraph 8), and small and medium practices (SMPs) (paragraph 10). This is in line with SAICA Ethics Committee strategy, as we are looking further into making it compulsory for the chartered accountants in business to have CPD requirements on Ethics.

- ii. Promoting and facilitating the adoption and effective implementation of the code (paragraphs 12–14):

We support these initiatives, and it should be noted that our (South Africa) “matrix” membership structure (two tiers of membership, in combination with members inside and outside public practice) and the specific South African regulatory/legal environment has caused us to experience a number of implementation problems of the type referred to in paragraph 13. We therefore support a re-examination of the structure of the Code.

- iii. Evolving the Code for Continued Relevance in a changing global environment (paragraph 15–16)

- With regards to the proposed focus on collective investment vehicles (CIVs). We believe that, this project faces potential problems in addition to the diversity argument outlined in paragraph 50. For one, this highly specific project seems to be at odds with the IESBA's purview of developing high-quality *principles-based* standards. In addition, even given recent public outrage over Ponzi and similar financial market and regulatory failures, We believe that the IESBA has not adequately explained why it wishes to focus on this particular aspect of the financial services sector, and not (for example) pension funds (a huge and looming problem

worldwide), OTC derivative markets, the separation of investment and retail banks, or long- and short-term insurers, monoline and otherwise. For these reasons we believe that, the IESBA is, exposing itself to significant reputational risk if it takes this project on.

- The reference to an “increased need for guidance on the application of the fundamental ethics principles” in paragraph 15(b) is made in the context of the proposed CIV project. We encourage this idea, with the key difference that we believe that there is a need for broad application guidance materials similar to those published by the Institute of Chartered Accountants in Scotland.

c) *Are the actions identified with respect to each strategic theme, and their relative prioritizations, appropriate? If not, please explain why.*

**Response:** Subject to concerns expressed above about potential capacity limitations and the CIV project, we believe that the actions identified with respect to each strategic theme, and their relative prioritizations are appropriate.

d) *Are there any actions not included in the proposed SWP that you believe the Board should consider for the 2014-2018 period? If so, please explain why, and indicate which actions identified in proposed SWP should be displaced (i.e., deferred or eliminated).*

**Response:** We propose that the Board should consider if there is a need for further improvement around the degree standards satisfy:

- CPD requirement and ensuring sufficient weighting the quality of ethics training.
- Relook at the impact of technology on Ethics risk – e.g. confidentiality of information and means of examining and distributing sensitive information.
- Having or developing a standards on how to deal with two clients who compete with each other, even if the one is an X client in the past – Integrity risks and measures to ensure the information is not used to benefit competitors including recommended safeguards .
- Relook at the debate around fees based on contingencies – ethical angles and risks

**OTHER COMMENTS TO BE CONSIDERED IN DEVELOPING THE SWP FOR 2014-2018**

We do not have any further comments other than those raised above.