



Accountants Park
Plot 2374, Thabo Mbeki Road
P.O. Box 32005
Lusaka
ZAMBIA

Telephone: + 260 21 1 374550/9, Fax + 260 21 1 255355
E-mail: technical@zica.co.zm

18th August 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 NON-ASSURANCE SERVICES FOR AUDIT CLIENTS

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 Non-Assurance Services for Audit Clients issued on 20th May 2014, with the comment period closing on 18th August, 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 amendments to the code and believe that the proposed changes would enhance the independence provision in the Code of Ethics for Professional Accountants.

Independence is the foundation of all audits and we must ensure that the public trust in the work of the audit profession is sustained; hence this project is very important.

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

Question 1:

Are there any situations that warrant retention of the emergency exceptions pertaining to bookkeeping and taxation services?

Comment

We do believe that the emergency exceptions pertaining to bookkeeping and taxation services should be maintained. For instance, in Group audit situations where it may be difficult (such as in remote areas/developing countries) to find other providers of non-assurance services.

Question 2:

Does the change from “significant decisions” to “decisions” when referring to management responsibilities (paragraph 290.162) enhance the clarity of a management responsibility?

Comment

The proposed change from “significant decisions” to “decisions” when referring to management responsibilities (paragraph 290.162) would enhance the clarity of a management responsibility. The word “significant” is subjective; hence varying interpretations exist on what constitutes significant decision.

We agree with the IESBA’s understanding that all decisions regarding acquisition, deployment and control of human, financial, physical, technological and intangible resources are the responsibility of management.

Question 3:

Are the examples of management responsibilities in paragraph 290.163 appropriate?

Comment

The examples of management responsibilities in paragraph 290.163, appears to be appropriate and we have got no different views.

Question 4:

Are there any challenges in understanding and applying the prerequisite set out in paragraph 290.165 for non-assurance services that should be considered?

Comment

We do not think our members will have challenges in understanding and applying the prerequisite set out in paragraph 290.165 for non-assurance services. The prerequisite set out in paragraph 290.165 is clear.

Question 5:

Will the enhanced guidance assist engagement teams to better meet the requirement of not assuming a management responsibility?

Comment

The Institute believes that enhanced guidance would assist engagement teams to better meet the requirement of not assuming a management responsibility.

Question 6:

Does the relocation of the guidance pertaining to administrative services into its own subsection provide greater clarity?

Comment

The relocation of the guidance pertaining to administrative services into its own subsection would provide greater clarity. We believe the proposed approach would make administrative services more prominent.

Question 7:

Does the proposed guidance on “routine or mechanical” clarify the term, or is additional guidance needed?

Comment

There is no need to provide further guidance, the proposed guidance on “routine or mechanical” in paragraph 290.166 on administrative service appears to be rational and clear as far as the services to be included or not.

Question 8:

Is the meaning and identification of source documents sufficiently clear, taking into account documents that may be generated by software?

Comment

The meaning and identification of source documents is sufficiently clear, we have got no divergent views on the matter.

Question 9:

Do the changes proposed to Section 291, specifically the additional requirements to proposed paragraph 291.146, enhance the clarity of a management responsibility?

Comment

The proposed change to Section 291, would enhance the clarity of a management responsibility.

Question 10:

Are the examples of management responsibilities in paragraph 291.144 appropriate?

Comment

The examples of management responsibilities in paragraph 291.144 appear to be appropriate.

Question 11:

Does the relocation of the guidance pertaining to administrative services provide greater clarity?

Comment

The Institute welcomes the proposal and believes that the relocation of the guidance pertaining to administrative services would provide greater clarity.

General Questions

- (a) SMPs - The IESBA invites comments regarding the impact of the proposed changes for SMPs, especially the changes regarding management responsibilities.

- (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 - The IESBA proposes that the effective date for the changes will not be less than 12 months after issuance of the final changes. Earlier application would be permitted. The IESBA welcomes comment on whether this minimum period would be sufficient to support effective implementation of the changes.

General Comments

- a) We do not anticipate any difficulties with the proposed changes regarding management responsibilities.
- b) We believe our members will have less practical challenges to implement the proposed changes.
- c) 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

Chansa A. Chiteba
Director Standards and Regulation