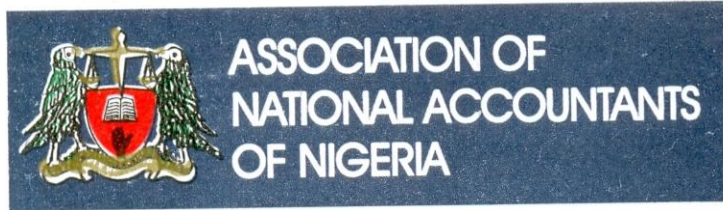


# anan



Founded in 1979 and chartered by Act No. 76 of 1993

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6<sup>th</sup> November, 2014

Dear Sir,

Association of National Accountants of Nigeria is very pleased to comment on the above mentioned Exposure Draft.

Association of National Accountants of Nigeria (ANAN) is a statutorily recognized professional accountancy body in Nigeria. The body is charged among others, with the duty of advancing the science of accountancy.

The Association was formed on 1<sup>st</sup> January, 1979 and operates under the ANAN Act 76 of 1993(Cap A26 LFN 2004), working in the public interest. The Association regulates its practicing and non-practising members, and is overseen by the Financial Reporting Council of Nigeria.

ANAN members are more than 20,000, they are either FCNA OR CNA and are found in business, practice, academic and public sector in all the States of Nigeria and Overseas. The members provide professional services to various users of their services.

ANAN is a member of the:

- (1) International Federation of Accountants (IFAC)
- (2) Pan African Federation of Accountants (PAFA)
- (3) International Association for Accounting Education & Research (IAAER)
- (4) Edinburgh Group
- (5) Associate of Accountancy Bodies in West Africa (ABWA)

ANAN is represented on the Board of PAFA.

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

### **General Provisions**

- (1) It is the view of ANAN that the proposed enhancements to the general provisions in paragraph 290.148 provide more useful guidance for identifying and evaluating familiarity and self-interest threat created by long association base on the fact that the

changes emphasizes the role and the ability of the KAP to influence decisions among others and not the person of the KAP.

- (2) ANAN believes that the General Provisions should apply to the evaluation of potential threats created by the long association of all individuals on the audit team and not limited to the senior personnel because even the junior staff that have stayed too long on a particular audit could also tacitly influence the outcome of an audit through “*information manipulation*” and “*data cover up*”.
- (3) In our view the rotation of an individual is indeed a necessary safeguard and since the individuals concerned are staff of the firm, it stands to reason that the firm should determine the appropriate time-out period deemed convenient and reasonable.

### **ROTATION OF KAP ON PIEs**

- (4) The view of ANAN is that the time-on period should be five years instead of the longer period of seven years to stem the threat of independence in appearance which has a great influence on familiarity threat.
- (5) The cooling-off period depends mainly on the availability of sufficient personnel in the audit firm but on the average a three year cooling-off seems ideal to wipe off any string of familiarity between a KAP and the client’s personnel except where they are related parties and not a mere mutual work acquaintances.
- (6) ANAN believes that whatever cooling off period approved should apply to both entities as the difference seems only to be in their nomenclature and not in their significance to the public. PIEs is a public entity as well as quoted entities.
- (7) It is our considered opinion that the cooling off period should be harmonized such that it will be uniformly applied to avoid confusion due to dualisation of the period.
- (8) ANAN is of the opinion that the cool-off period should not be based on whether or not he or she had served as an engagement partner or KAP but rather on the general concept of familiarity – Reason being that sometimes it is the clientel number and spread that will determine how long the firm will be able to place staff on cool off periods.
- (9) In the view of ANAN, after two years of the five-year cooling-off period has elapsed, engagement partner could be permitted to undertake a limited consultation role with the audit team and audit client. This is not likely to create another familiarity threat unless a fraud or distortion of information is intentionally pre-meditated.
- (10) ANAN agrees that the additional restrictions be placed on activities that can be performed by a KAP during the cooling-off period. This will in effect completely obliterate the possibility of reenacting the familiarity threat through another means.
- (11) ANAN believes that issue of cooling-off and rotation of partners is an exclusive prerogative of the audit firm as long as the provisions in the code of ethics have been complied with, therefore, it may not be compulsory to consult those charged with Governance (TCWG) but for courtesy sake, they may be consulted based on the firm’s judgment.

## **Section 291**

ANAN agrees with corresponding changes to section 291 in particular with the dichotomy created between audit and other assurance engagements. The provisions should however be limited to assurance engagement “*of a recurring nature*”.

## **Impact Analysis**

ANAN agrees with the analysis of the impact of the proposed changes and apart from the cost implication of the extensive partner rotation and sometimes cost of disruption in the audit team’s logistics due to the new composition, there seems no other notable cost that should be taken into consideration.

## **General Comments**

(a) ANAN believes that the proposed changes will pose some challenges to SMPs especially with regard to Logistics and ability to provide enough staff to bridge the gap of the cooling off period. The consolation is that most SMPs do not have large number of quoted or public interest entities that will require the rotation/the cooling-off arrangement.

(b) Developing Nations

ANAN as an Accountancy body in a developing nation does not foresee any notable difficulty in applying these changes. It is rather a welcome development needed to further strengthen professional ethics to engender the preparation of reliable financial statements.

(c) Effective Date

ANAN agrees that though the proposed changes are very fundamental and substantive, nevertheless in our view, the effective date of December 15, 2017 seem long enough for firms to adjust to the changes.

Yours faithfully,

**ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA**

**SUNDAY A. EKUNE, FCNA**  
*Registrar/Chief Executive*