

Ref #499689

4 February 2015

International Ethics Standards Board for Accountants (IESBA)

Email: kensiong@ethicsboard.org

Dear Sir

SAICA SUBMISSION ON THE IESBA'S CONSULTATION PAPER, IMPROVING THE STRUCTURE OF THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

In response to your request for comments on the *IESBA's Consultation Paper, Improving the Structure of the Code of Ethics for Professional Accountants*, 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.

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

Yours sincerely,

Juanita Steenekamp (CA (SA))
Project Director – Governance and Non-IFRS Reporting

RESPONSE TO REQUEST FOR SPECIFIC COMMENTS

1. Do you believe the approach outlined in this consultation paper, as reflected in the Illustrative examples, would be likely to achieve the IESBA's objective of making the code more understandable, if not why not and what approaches might be taken?

Response:

SAICA is of the view that the approach would make it clearer and easier for professional accountants to search and read the various sections.

SAICA would also support a rewrite of the Code as a reorganisation may not achieve the necessary objectives.

2. Do you believe the approach outlined in the consultation paper, as reflected in the illustrative examples would be likely to make the code more capable of being adopted into laws and regulations, effectively implemented and consistently applied? If not why not and what other approach may be taken?

Response:

Yes, it would. But in our view the Code should not be legislated as it is a code.

Consistency when dealing with ethics is not necessarily an objective the code setters should be trying to achieve, as application to a principle based code requires compliance to the spirit of the principles and each and every circumstance needs to be judged in context of the environment and factors at play, but rules around basic requirements like communication, documentation of reasons; implementing acceptable safeguards are helpful.

3. Do you have any comments on the suggestions as to the numbering and ordering of the content of the code (including the reversing of the order of the extant Part B and Part C) as set out in paragraph 20 of the consultation paper?

Response:

SAICA agrees with the suggestion as it is logical, the first and second part are applicable to all members, so these sections should come first and the sections applicable to those in public practice are fewer so to include this section at the back would be acceptable.

4. Do you believe that issuing the provisions in the code as separate standards or rebranding the Code, for example as International Standards of Ethics, would achieve benefits such as improving the visibility or enforceability of the Code?

Response:

We do not support the separation of the Code into a number of different standards, because we are unconvinced that this would add incrementally to the decision-usefulness or understandability of the Code. As far as a rebranding exercise is concerned, insufficient information has been provided for us to make a considered judgment on the matter. Therefore, we reserve comment at this stage, pending the future provision of substantive details on what, exactly, the IESBA might propose in terms of "rebranding" the Code.

5. Do you believe that the suggestions as to the use of the language, as reflected in the illustrative examples are helpful? If not, why not?

Response:

Yes, by simplifying complex grammatical structures it makes the Code more user friendly for individuals who do not come from accounting backgrounds. Avoiding passive voice wherever possible and simplifying sentence structure is welcome in documents in the nature of the Code. We agree with the comment that such an approach is particularly helpful when considering those readers whose first language is not English and for translators of the Code. However, the drafters of the proposed clarified Code need to be careful not to avoid the passive voice where it is most appropriate. Passive voice has a very definite function in a language and avoiding it excessively may result in more complexity in syntax than would otherwise be necessary.

6. Do you consider it necessary to clarify responsibility in the Code? If so do you consider that the illustrative approach to responsibility is an appropriate means to enhance the usability and enforceability of the Code? If not what approach would you recommend?

Response:

Yes, by clarifying the responsibility in the Code, it assigns the monitoring power and authority to a specific individual in the firm who will ultimately take responsibility to ensure that the Code is being observed and adhered to.

7. Do you find the examples of responsible individuals illustrated in paragraph 33 useful?

Response:

Yes. As stated above just a caution not to make the document too long and cumbersome, rather fewer good examples to illustrate the concepts, this is what has been done in Paragraph 33.

8. Do you have any comments on the suggestions for an electronic version of the code, including which aspects might be particularly helpful in practice?

Response:

An electronic version of the Code is in keeping with the times and also provides easier cross-references which enforces the concept that the Code must be considered as a whole and in terms of the conceptual framework approach. However, multiple references to the same word, concept or definition on the same page should be avoided because this would make the text more difficult to read and to comprehend.

The electronic version would also enhance accessibility as the Code would be available at a moment's notice without having to carry a paper document.

Consideration should be given to making it possible for a user to highlight the text so as to personalise the experience when using the Code

9. Do you have any comments on the indicative timeline described in section VIII of this paper?

Response:

SAICA is of the view that the timeline is fair and achievable. We would have preferred a shorter timeline as the Code is important for accounting bodies and we believe the redraft of the Code should be prioritised. It would also be very difficult to continue to issue exposure drafts for comment on amending the current code whilst the Code will be completely changed.

10. General comments

- SAICA agrees with the point made in para 24 that users may not understand that "audit" includes "review engagement" throughout the Code and that this may be misleading. It was surprising then that the IESBA is proposing in para 25 to continue the current practice - agree that a separate section should not be created for review engagements as this would be unnecessary duplication.
- The current Code provides a lot of guidance with regards to issues such as gifts, financial interests in clients, custody of client assets, marketing etc. which might be lacking in the revision. The revision seems to be more open to interpretation, which in our opinion, could result in different interpretations and outcomes.