

25 May 2017

International Ethics Standards Board for Accountants (IESBA)

Email: kensiong@ethicsboard.org

Dear Sir

SAICA SUBMISSION ON THE IESBA’S EXPOSURE DRAFT, IMPROVING THE STRUCTURE OF THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS—PHASE 2

In response to your request for comments on the *IESBA’s Exposure Draft, Improving the Structure of the Code of Ethics for Professional Accountants—Phase 2*, 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 that the proposals in this ED have resulted in any unintended changes in meaning of:

- The provisions for Part C of the Extant Code, as revised in the close-off document for Part C Phase 1 (see Sections 200-270 in Chapter 1)?

SAICA's view is that text is clear and understandable and we did not notice any changes in meaning on reading the text.

- The NOCLAR provisions (see Sections 260 and 360 in Chapter 2)?

With reference to section 260.7 A2 there is no change in meaning, but SAICA would suggest a minor edit a deletion to improve the flow of the sentence as follows "...implications in terms of potentially substantial harm to investors,..."); and Section 360.7 A2, again there is no change in meaning, but we suggest a minor edit a deletion to improve the flow of the sentence as follows "...implications in terms of potentially substantial harm to investors,...)

- The revised provisions regarding long association (see Sections 540 and 940 in Chapter 3)?

SAICA has no further comments on the restructuring, in our view there are no unintended changes in meaning.

- The provisions addressing restricted use reports in the extant Code (see Section 800 in Chapter 4)?

SAICA has no further comments on the restructuring, in our view there are no unintended changes in meaning.

- The provisions relating to independence for other assurance engagements (Part 4B in Chapter 5)?

Response:

There is some inconsistent use of terms in the structure of the code, for example 900.7 ends "refer to Assurance framework..." and 900.8 ends "...see the Assurance

framework.". The task force may want to address these inconsistencies.

2. Do you believe that the proposals are consistent with the key elements of the restructuring as described in Section III of this Explanatory Memorandum?

In our view the task force could improve the current circular reference found in 200.4(b) of the restructured code dealing with applicability of Part 2 to the PAPP. This section refers the reader to section R120.4 120A1 and R300 and 300.5 A1 to find more information when Part 2 might be applicable to professional accountant in public practice. When performing a look up of the various sections, the reader will find both Section 120 and 300 state exactly the same thing which is advisory material giving a single example of a partner pressuring a clerk to adjust his charge out sheet. This is not user friendly referencing and in addition to being duplicative, in our view a PAPP, may feel let down due to the lack of guidance in the referenced sections. Whilst examples could be endless, better thought out guidance or examples covering a broader area of application would be more welcomed. Apart from the current pressure to breach example, other examples and references to other relevant sections in Part 2 would be more helpful.

A few new examples where a PAPP would find Part 2 applicable are given below:

1. Pressure to Breach (example included) (S270)
2. A partner or senior PAPP not complying with Laws and regulations, for example bribing revenue officials (NOCLAR) (S260)
3. A senior PAPP offering an inducement with intent to influence an intended outcome or to curry favour within the firm (S250)
4. A senior PAPP who knowingly is not declaring outside business of financial interests which profits from the firm, or benefiting personally from firm assets or Intellectual property. (S210 and S240)
5. A PAPP not disclosing a medical condition that may impair his ability to act with full mental capacity and due care (S230)
6. PAPP providing misleading information on their C.V's in terms of experience and skills (S220 and S230)

The examples could then be linked by reference to the various sections in Part 2 of the Code.

Conforming Amendments Arising from the Safeguards Project

3. Respondents are asked for any comments on the conforming amendments arising from the Safeguards project. Comments on those conforming amendments are requested by April 25, 2017 as part of a response to Safeguards ED-2.

Yes. The proposed amendments are an improvement to the extant Code. Refer to safeguards comment letter for additional comments.

Effective Date

4. Do you agree with the proposed effective dates for the restructured Code? If not, please explain why not.

Despite the large amount of changes that must be worked through by all concerned with the Code of Ethics for Professional Accountants, the time line appears to be acceptable.

General comments

a) Small and Medium Practices (SMPs) and PAIBs – The IESBA invites comments regarding any aspect of the proposals from SMPs and PAIBs.

No additional feedback although there may be challenges in implementing for smaller practices but the effective date does allow for ample time to implement

b) Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

In SAICA's view the amendments will enhance usability.

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 proposals, and in particular on any foreseeable difficulties in applying them in their environment.

No further comments

- 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 proposals.

No further comments as the Code is only used in English in South Africa currently.