

25 April 2017

International Ethics Standards Board for Accountants (IESBA)

Email: kensiong@ethicsboard.org

Dear Sir

SAICA SUBMISSION ON THE IESBA'S EXPOSURE DRAFT, PROPOSED REVISIONS TO CLARIFY THE APPLICABILITY OF PROVISIONS IN PART C OF THE EXTANT CODE TO PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

In response to your request for comments on the *IESBA's Exposure Draft, Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice*, 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,

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Project Director – Governance and Non-IFRS Reporting

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IESBA's Exposure Draft, Proposed Revisions to Clarify the Applicability of
Provisions in Part C of the Extant Code to Professional Accountants in Public
Practice

RESPONSE TO REQUEST FOR SPECIFIC COMMENTS

1. *Do respondents agree with:*

a) *The proposed applicability paragraphs; and (If not, why not?)*

Response:

SAICA agrees with the proposal to include an applicability paragraph in the conceptual framework as it sets the scene for public accountants to apply and interpret the Code.

b) *The proposed location of those paragraphs in Sections 120 and 300 of the proposed restructured Code. (If not, why not?)*

Response:

SAICA agrees with the thinking in terms of having the paragraph in both parts of the code, this serves to highlight the relevance of the relevant sections to the PAPP found in the sections dealing with PAIB. It is important that if the ethical issue occurs and the PAPP is not acting in capacity as an auditor when an ethical issue arises that the PA be informed that guidance exists in another part of the Code. While this flag does enhance the possibility of discovering the applicability of that section to those auditors who have traditionally ignored Part C (PAIB). In our view other awareness initiatives should be communicated by member bodies to ensure the Code is correctly implemented.

We agree with the current location of the applicability paragraph, but it may be better placed up front (better signposting). Alternatively the Board should consider a further amendment to the Introduction section in 300.1 to better contextualize the change up front. Suggested change is highlighted in red: "This Part of the Code describes requirements and application material for professional accountants in public practice when applying the conceptual framework set out in Section 120. The conceptual framework may be applied by the PAPP in the course of being an Assurance or Non-Assurance provider of the firm, or when acting in the capacity as an employee of the firm where additional guidance is found in Part C of the Code."

General comments

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

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Response:

The SMPs have less oversight by regulators due to the lower Public interest threats, and in some cases SMPs have less internal governance resources available within their smaller environment. Education of the relevance of this section to PA's working in SMP environments will be important.

- *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.*

Response:

The IESBA could / should suggest to its members with member body oversight and regulatory enforcement roles to also adopt the IESBA code as a minimum standard in their Codes of Ethics and behaviour standards. This suggestion correlates well to the spirit of the new provisions in the Code, an example is NOCLAR which is to be applied by all employees employed by audit firms if they act in a professional capacity, even if they are not PA's. This would add greater credibility when regulators and member bodies discipline PAPP members for breaches of provisions of the current Part C of the Code.

- *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.*

Response:

The developing nations may not have capacity for the potential increase in ethical breaches reported when firms apply Part C but we do not foresee many new cases once the new provisions are adopted by PAPP.

- *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.*

Response:

No comments.