



(Established under the Accountants Act of 1982 and as amended under the Accountants Act 2008)
(All communications to be addressed to the Secretary and Chief Executive)

Your reference:

Our Reference: ZICA/12/21/6

4th May 2020

The Technical Director

IESBA

529 5th Avenue

New York, New York 10017

United States of America

Dear Sir,

EXPOSURE DRAFT: PROPOSED REVISIONS TO THE NON ASSURANCE SERVICES PROVISIONS OF THE CODE

The Zambia Institute of Chartered Accountants (ZICA), the national regulator of the Accountancy Profession in Zambia, welcomes the opportunity to provide comments to the International Ethics Standards Board for Accountants (IESBA) on the Exposure Draft: 'Proposed revisions to the non-assurance services provisions of the code', issued in January 2020, with the comment period closing on 4th May, 2020.

We generally support the proposed revisions in this Exposure Draft as this will lead to a better application and understanding code.

Our comments on the proposals in the ED are included in detail in the Appendix to this letter, where we have answered the specific questions asked.

For further clarifications, do not hesitate to contact the undersigned.

Yours faithfully,

Bonna Kashinga

SECRETARY AND CHIEF EXECUTIVE

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A member of the Pan African Federation of Accountants (PAFA), International Federation of Accountants (IFAC) and Chartered Accountants Worldwide (CAW).

Introduction

The International Ethics Standards Board for Accountancy (IESBA) has published this Exposure Draft of proposed revisions to the Non Assurance Services Provisions of the Code.

Standards addressed

The following table shows the Sections of the Non Assurance Services Provisions of the Code or accompanying documents that would be affected by, and the subjects of, the proposed amendments.

| NAME OF SUBSECTION | NATURE OF PROPOSED REVISION |
|--|---|
| Subsection 601-Accounting and Bookkeeping Services | <ul style="list-style-type: none">• The NAS proposals reflect the IESBA's current thinking that providing accounting and bookkeeping services to audit client creates a self-review threat. The analogous statement in the extant code states that ...audit client might create a self-review threat. |
| | <ul style="list-style-type: none">• A firm or network firm shall not provide accounting and bookkeeping services to an audit client that is a public interest entity if the provision of such accounting and bookkeeping services will create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion. |
| Subsection 603-Valuation Services | <ul style="list-style-type: none">• A proposed paragraph 603.3 A2, an additional factor that is relevant to identifying and evaluating threats created by providing valuation services is added in a new bullet that reads "The extent to which the valuation methodology is supported by law or regulation, other precedent or established practice". |
| Subsection 604-Tax Services | A firm or a network firm shall not provide a tax service or recommend a transaction to an audit client if the service or transaction relates to marketing, planning, or opining in favour of a tax treatment that was initially recommended, directly or indirectly, by the firm or network firm and a significant purpose of the tax treatment or transaction is tax avoidance, unless that treatment has a basis in applicable tax law and regulation that is likely to prevail. |
| Subsection 607-Litigation Support Services | <ul style="list-style-type: none">• The general description of litigation support services is modified to include forensic or investigative services.• New provisions are proposed with respect to acting as a witness, including a requirement that prohibits a firm or network firm from acting as an expert witness in a dispute involving an audit client that that is a PIE unless the individual is appointed by a court or tribunal.• Throughout the proposals, the extant language is changed by the removal of the word "public" before "court" or "tribunal" because the IESBA's current thinking is that an advocacy threat arises irrespective of whether the dispute is heard in private or in public. |
| Subsection 608-Legal Services | <ul style="list-style-type: none">• Structural refinements are proposed to highlight and clarify the provisions that relate to providing legal advice, acting as general counsel and acting in an |

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| | <p>advocacy role. Depending on the jurisdiction, providing legal advice might include a wide and diversified range of service areas including both corporate and commercial services to audit clients, such as:</p> <ul style="list-style-type: none"> ○ Contract support ○ Supporting an audit client in executing a transaction ○ Mergers and acquisitions ○ Supporting and assisting an audit client’s internal legal department ○ Legal due diligence and restructuring |
| Subsection 610-Corporate Finance Service | <ul style="list-style-type: none"> ● The general description of corporate financial services is modified to include: <ul style="list-style-type: none"> ○ Performing due diligence in relation to potential acquisitions and disposals. ○ Valuation of a prospective acquisition |

Invitation to comment

The Board invites comments on Exposure Draft Annual Improvements to proposed revisions to the Non Assurance Services Provisions of the Code, particularly on the questions set out below. Comments are most helpful if they:

- (a) Address the questions as stated;
- (b) Indicate the specific paragraph(s) to which they relate;
- (c) Contain a clear rationale;
- (d) Identify any wording in the proposals that is difficult to translate; and
- (e) Include any alternative that the Board should consider, if applicable.

Questions for respondents

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| Proposed amendments |
| <p>1. Do you support the proposed revisions to subsections 601 to 610, including:</p> <ul style="list-style-type: none"> ● The concluding paragraphs relating to the provision of services that are “routine or mechanical” in proposed paragraph 601.4 A1? ● The withdraw of the exemption in extant paragraph R601.7 that permits firms and network firms to provide accounting and bookkeeping services for divisions and related entities of a PIE if certain conditions are met? ● The prohibition on the provision of a tax service or recommending a tax transaction if the service or transaction relates to marketing, planning or opining in favour of a tax treatment, and a significant purpose of a tax treatment or transaction is tax avoidance? ● The new provisions relating to acting as a witness in subsection 607, including the new prohibition relating to acting as an expert witness in proposed paragraph 607.6? |

Comment:

ZICA generally agrees with the proposed revisions in the Exposure Draft. We believe that these changes will improve the consistency and understandability of the Non Assurance Services Provisions of the Code.

| Proposed amendments |
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| 2. Do you support the proposal to establish a self-review threat prohibition in proposed paragraph R600.14? |

Comment:

ZICA generally agrees with the proposal to establish a self-review threat prohibition in the Exposure Draft. We believe that these changes will improve the transparency and independence for Public Interest Entities.

We have no further comments on these proposals.