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13th December 2012

**International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017**

E-mail: janmunri@ethicsboard.org

Dear Sir,

COMMENTS ON EXPOSURE DRAFT – RESPONDING TO A SUSPECTED ILLEGAL ACT.

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the proposed changes to the *Code of Ethics for Professional Accountants* (the Code) to address the circumstances where a professional accountant in public practice or business shall, or has a right to, override the fundamental principle of confidentiality and disclose a suspected illegal act to an appropriate external authority.

The Institute supports the mandate of the IESBA, “to serve the public interest by setting high-quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development of a robust, internationally appropriate code of ethics”.

Our responses to specific questions are as follows:

Question 1

Do respondents agree that if a professional accountant identifies a suspected illegal act, and the accountant is unable to dispel the suspicion, the accountant should be required to discuss the matter with the appropriate level of management and then escalate the matter to the extent the response is not appropriate? If not, why not and what action should be taken?

Comment

We do agree with the proposed sequential steps to be undertaken when a professional accountant identifies a suspected illegal act, and the accountant is unable to dispel the suspicion.

Question 2

Do respondents agree that if the matter has not been appropriately addressed by the entity, a professional accountant should at least have a right to override confidentiality and disclose certain illegal acts to an appropriate authority?

Comment

We believe that when the consequences of non-disclosure are potentially harmful to individuals or society or will cause the professional accountant to be in breach of existing legislation, confidentiality must be overridden.

Question 3

Do respondents agree that the threshold for reporting to an appropriate authority should be when the suspected illegal act is of such consequence that disclosure would be in the public interest? If not, why not and what should be the appropriate threshold?

Comment

Yes we do agree that the threshold for reporting to an appropriate authority should be when the suspected illegal act is of such consequence that disclosure would be in the public interest.

Question 4

Do respondents agree that the standard for a professional accountant in public practice providing services to an audit client should differ from the standard for a professional accountant in public practice providing services to a client that is not an audit client? If not, why not?

Comment

The Institute supports the proposal, when a professional accountant in public practice providing services to an audit client should disclose illegal acts that affect the client's financial reporting, while a professional accountant in public practice providing services to a client that is not an audit client should only disclose illegal acts in relation to the scope of the engagement.

Question 5

Do respondents agree that an auditor should be required to override confidentiality and disclose certain suspected illegal acts to an appropriate authority if the entity has not made adequate disclosure within a reasonable period of time after being advised to do so? If not, why not and what action should be taken?

Comment

Yes we do agree, so that an appropriate and timely action can be undertaken.

Question 6

Do respondents agree that a professional accountant providing professional services to an audit client of the firm or a network firm should have the same obligation as an auditor? If not, why not and what action should be taken?

Comment

A professional accountant providing professional services to an audit client of the firm or a network firm should have the same obligation as an auditor, due to the fact that the professional accountant has also the role in safeguarding the public interest.

Question 7

Do respondents agree that the suspected illegal acts to be disclosed referred to in question 5 should be those that affect the client's financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

Comment

We agree that the suspected illegal acts to be disclosed, should be those that affect the client's financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant.

Question 8

Do respondents agree that a professional accountant providing professional services to a client that is not an audit client of the firm or a network firm who is unable to escalate the matter within the client should be required to disclose the suspected illegal act to the entity's external auditor, if any? If not, why not and what action should be taken?

Comment

We have got no divergent views on the matter.

Question 9

Do respondents agree that a professional accountant providing professional services to a client that is not an audit client of the firm or a network firm should have a right to override confidentiality and disclose certain illegal acts to an appropriate authority and be expected to exercise this right? If not, why not and what action should be taken?

Comment

Yes we do agree.

Question 10

Do respondents agree that the suspected illegal acts to be disclosed referred to in question 9 should be those acts that relate to the subject matter of the professional services being provided by the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

Comment

The suspected illegal acts to be disclosed should be those acts that relate to the subject matter of the professional services being provided by the professional accountant (i.e. within the scope of the engagement)

Question 11

Do respondents agree that a professional accountant in business who is unable to escalate the matter within the client or who has doubts about the integrity of management should be required to disclose the suspected illegal act to the entity's external auditor, if any? If not, why not and what action should be taken?

Comment

Yes we do agree, so that the entity's external auditor can take up the matter.

Question 12

Do respondents agree that a professional accountant in business should have a right to override confidentiality and disclose certain illegal acts to an appropriate authority and be expected to exercise this right? If not, why not and what action should be taken?

Comment

Yes we do agree, because certain laws may compel disclosure to the authorities e.g. anti –money laundering laws.

Question 13

Do respondents agree that the suspected illegal acts to be disclosed referred to in question 12 above should be acts that affect the employing organization’s financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

Comment

Yes we do agree that the suspected illegal acts to be disclosed should be acts that affect the employing organization’s financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant.

Question 14

Do respondents agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority? If not, why not and what action should be taken?

Comment

We do agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority. This should only be allowed where the consequences of disclosure are so severe and where it can be justified.

Question 15

If respondents agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority, are the exceptional circumstances as described in the proposal appropriate? If not, how should the exceptional circumstances be described?

Comment

We have no comment here.

Question 16

Do respondents agree with the documentation requirements? If not, why not and what documentation should be required?

Comment

We support the documentation requirement, this would act as future evidence in case of any litigations.

Question 17

Do respondents agree with the proposed changes to the existing sections of the Code? If not, why not and what changes should be made?

Comment

We do agree with the proposed changes to the existing sections of the code, in order to incorporate the proposed changes.

Question 18

Do respondents agree with the impact analysis as presented? Are there any other stakeholders, or other impacts on stakeholders, that should be considered and addressed by the IESBA?

Comment

We have no comments here

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Musonda Boniface
Technical Officer