

Ref # 754715

31 October 2019

International Ethics Standards Board for Accountants (IESBA)

Email: kensiong@ethicsboard.org

Dear Ken,

SAICA SUBMISSION ON THE IESBA's CONSULTATION PAPER, PROPOSED REVISIONS TO THE CODE TO PROMOTE THE ROLE AND MINDSET EXPECTED OF PROFESSIONAL ACCOUNTANTS

In response to your request for comments on the *IESBA's Consultation Paper, Proposed Revisions to the Code to Promote the Role and Mindset Expected of 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

GENERAL COMMENTS

Section 110.1A1 refers to the fact that the professional accountant should meet their responsibility to act in the public interest and it involves upholding the ethical values upon which the Code is based. We are concerned with the use of the term “ethical values” as this term has not previously been used in the Code. It is a new term used in the Code with no definition or context. It is also used prior to the discussion on the fundamental principles.

SAICA would also like to raise questions on how the proposed changes impact the Professional Accountants in Business (PAIB) community. What would be expected of the PAIB when being asked to have an inquiring mind. To what extent should the PAIB inquire. It would seem as if PAIBs would follow a similar approach to the NOCLAR section where it would depend on the level of the person in the organisation as set out in section 200.5A3.

RESPONSE TO REQUEST FOR SPECIFIC COMMENTS

Role and Values of Professional Accountants

1. Do you support the proposals in Section 100 that explain the role and values of professional accountants as well as the relationship between compliance with the Code and professional accountants acting in the public interest? Are there other relevant matters that should be highlighted in these paragraphs?

Response:

SAICA agrees with the proposals in Section 100 that explain the role and values of professional accountants as well as the relationship between compliance with the Code and professional accountants acting in the public interest. It is important to note the various roles that professional accountants do fulfil in society and the different types of work environments.

We discussed the concept of public interest, as well as in which public interest the professional accountant should be acting. In our discussions we came to the conclusion that the public interest for an accountant providing a service versus the public interest for a professional accountant employed in business is not always clear.

A PAIB could be acting in the interest of the employer and various issues were raised on whether this would be in the public interest, and where the line would be drawn in terms of which public interest the PAIB would be acting in.

We would like to request that the IESBA considers providing guidance on public interest.

Determination to Act Appropriately

2. Do you support the inclusion of the concept of determination to act appropriately in difficult situations and its position in Subsection 111?

Response:

SAICA would like to propose that the wording “Challenging others as and when appropriate” is changed to “Challenging others with an informed mind as and when appropriate”.

The use and value of the two examples given were questioned. The use of only two examples may raise more questions than providing guidance, as it only deals with handling pressure or challenging others, whilst there is a wide range of difficult situations being dealt with by professional accountants.

Section 111.1A2 refers to having the determination to act appropriately when confronting dilemmas or difficult situations. We question the use of the two concepts as we are not sure what the difference is between a "dilemma" or a "difficult situation".

Professional Behavior

3. Do you support the proposal to require a professional accountant to behave in a manner that is consistent with the profession's responsibility to act in the public interest in paragraphs 110.1 A1 (e) and R115.1?

Response:

Although we do not object to the changes dealing with public interest, we are of the opinion that the IESBA should consider providing more guidance on what this would include. The proposed changes highlight that professional behaviour is identified as "acting in the public interest". We are unsure on how this will be interpreted, and in whose public interest the professional accountant should be acting.

Impact of Technology

4. Notwithstanding that the IESBA has a separate Working Group that is exploring the implications of developments in technology, are there any additional matters relating to the impact of technology beyond the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2 that you consider should be addressed specifically as part of the Role and Mindset project?

Response:

SAICA agrees with the proposed changes.

Inquiring Mind

5. Do you agree with the concept of an inquiring mind as set out in the proposals in Section 120?

Response:

The concept of inquiring mind was discussed and, although we are not completely comfortable with the use of "inquiring mind", we considered the alternatives and agree that this would be the most appropriate. We do however question where the concept of inquiring mind ranks versus professional scepticism. In our view you could have an inquiring mind without professional scepticism, but you cannot have professional scepticism without an inquiring mind. We also questioned whether this would or should be a standalone concept.

Bias

6. Do you support the approach to addressing bias? If so, do you agree with the list of examples of bias set out in paragraph 120.12 A2? Should any examples be omitted or new ones added?

Response:

SAICA supports the approach to addressing bias as this would be an important consideration when having an inquiring mind. It would be important for professional accountants to consider and be aware of their own biases when applying the conceptual framework and evaluating the threats and safeguards.

Organizational Culture

7. Are there any other aspects about organizational culture in addition to the role of leadership that you consider should be addressed in the proposals?

Response:

SAICA suggests that there is a need to address the culture aspects for PAIBs.

There could be a misalignment between the values of the individual and the values of the organisation. A mismatch in the values of the organisation and the values of the PAIB could lead to the PAIB having to resign from the organisation or not even accept employment. A mismatch in culture, may make life difficult for the PAIB from a moral perspective but not necessarily impossible.

Where the firm or organisation has a more aggressive culture, guidance should be provided to the PAIPs and PAIBs on dealing with the misalignment.

PAIPs have standards and other documents that can assist them in dealing with and managing ethical requirements, such as the International Standard of Quality Control, ISQC1 (or proposed ISQM1) PAIBs have no other guidance on how to manage or deal with culture differences and other biases as well as guidance on ethical requirements.

GENERAL COMMENTS

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

- 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:

SAICA has no comments on this section.